REVIEW ORDER

Order in the Review Petition filed by the Manipur State Power Distribution Company Limited
in respect of the Tariff Order for FY 2022-23
issued on 23rdMarch 2022
(Review Petition No.2 of 2022)

JOINT ELECTRICITY REGULATORY COMMISSION
For the States of Manipur and Mizoram
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JOINT ELECTRICITY REGULATORY COMMISSION
FOR STATES OF MANIPUR AND MIZORAM

TBL Bhawan, 2nd to 5th Floor, E-18, Peter street, Khatla, Aizawl, Mizoram – 796001

Review Petition No. 2 of 2022

In the matter of Review Petition No. 2 of 2022 submitted by Manipur State Power Distribution Company Limited against the impugned MSPDCL Tariff Order Dt. 23.03.2022

Manipur State Power Distribution Company Limited – Review Petitioner/Licensee

Vrs

Joint Electricity Regulatory Commission for the States of Manipur & Mizoram

PRESENT:

1. **Mr. R. Thanga**
   Chairperson
2. **Mr. Lalchharliana Pachuau**
   Member

Date: 16th June, 2022 (Thursday)

ORDER

1. The Manipur State Power Distribution Company Limited (hereinafter referred to as MSPDCL) is a deemed licensee in terms of section-14 of the Electricity Act 2003 (hereinafter referred to as Act), engaged in the business of

distribution of electricity in the state of Manipur.

2. As per JERC (M&M) (MYT) Regulations, 2014 specified, the MSPDCL has filed a petition on 10th May 2022 for review of Tariff Order Dt.23.03.2022 for FY 2022-23 with reference to MSPDCL petition (ARR& Tariff) No.2 of 2022 under Section 94 of Electricity Act 2003 and Regulation 38(1) of JERC(M&M) Conduct of Business Regulation 2010. The Petition along with requisite fee was received by the Hon'ble Commission on 17.05.2022 and the Petition was numbered as Review Petition No. 2 of 2022. The said Review petition was laid before the Hon'ble Commission on 07.06.2022. On scrutiny of the Review Petition the Hon'ble Commission vide its order dated 07.06.2022 admitted and ordered for laying the same for consideration and further orders on 16.06.2022. Notice was issued to MSPDCL accordingly.
3. The Commission shall undertake the review of Tariff Order for FY 2022-23 considering the terms & conditions laid down in the JERC (M&M) MYT Regulation 2014 along with latest amendments applicable.

I. Back Ground:

The Manipur State Power Distribution Company Limited (MSPDCL) filed a Review Petition before the Hon'ble Joint Electricity Regulatory Commission for the States of Manipur & Mizoram (hereinafter the Commission) for determination of Aggregate Revenue Requirement (ARR) and retail tariff for FY 2022-23 along with Annual Performance Review for FY 2021-22 and limited provisional true up for FY 2020-21 on 24th December 2021 vide its letter No. 2/84/MSPDCL-ARR/4014-17, Dated: 24.12.2021. The said Petition was admitted by the Hon'ble Commission on 12.01.2022 and marked as Petition (ARR and Tariff) No. 2 of 2022. Thereafter certain data gaps were informed to the Petitioner and Petitioner had replied on the same. Afterwards, Public Hearing and State Advisory Committee (SAC) Meeting was conducted on 15.03.2022 and 14.03.2022, respectively, and finally the tariff order was issued by the Hon’ble Commission on 23.03.2022 (herein after the order or the tariff order).

The present Review Petition is prepared after analysing and reviewing the tariff order dated 23.03.2022 issued by the Hon’ble Commission as the Review Petitioner noticed some relevant issues to be reviewed based on facts and figure submitted by the Review Petitioner. Hence, the Review Petitioner is hereby submitting this Review Petition as per Section 94 (1) (f) of the Electricity Act (EA), 2003 and Clause 38(1) of the Joint Electricity Regulatory Commission for the States of Manipur & Mizoram (Conduct of Business) Regulations, 2010 for review of the Tariff Order issued by the Hon’ble Commission dated 23.03.2022.

II. Provisions under relevant Act /regulations for review

The Electricity Act, 2003 (hereafter “the Act”) has elaborated provision with respect to the powers of the Appropriate Commission (including Joint Commission) in Section 94 and under which review of any decisions, directions and orders are included. Further, Regulation 38(1) of the Joint Electricity Regulatory Commission for the States of Manipur & Mizoram (Conduct of Business) Regulations, 2010 states that “Any person aggrieved by a decision or order of the Commission, from which no appeal is preferred or allowed, and who, from the discovery of new and important matter or evidence which, after the exercise of due diligence was not within his knowledge or could not be produced by him at the time when the decision/order was passed by the Commission or on account of some mistake or error apparent from the face of record, or for any other sufficient reason, may apply for review of such order within 60 days of the date of decision/order of the Commission.”

COMMISSION’S OBSERVATIONS:

"No tariff or part of any tariff may be ordinarily amended, more frequently than once in any financial year, except FPPPA based on FPPPA formulae approved by the Commission from time to time. The Commission may after satisfying itself for reasons to be recorded in writing allow revision of Tariff."

Commission considers that there is **no error apparent on the face of the Record and the plea is not maintainable.**

However, the Commission considers that the review petition has been filed in time and the said petition is taken on record.

III. Components for Review

The present review petition is being submitted for reviewing the tariff order passed by Hon'ble Commission with respect to Limited Provisional True-up of FY 2020-21, annual performance review for FY 2021-22 and determination of ARR and Tariff for FY 2022-23 of MSPDCL. The petitioner had noticed certain facts and figures and mentioned specific grounds on which the review being sought have been identified against some aspects of the Tariff Order dt.23.03.2022, on which review is being sought in subsequent paragraphs.

a. Inter-State transmission loss

<u>Licensee's submission:</u>

The Hon'ble Commission has approved the inter-state loss as 2.54% for FY 2020-21; FY 2021-22 and FY 2022-23 in the said impugned Tariff Order. Under para7.3 of the Tariff Order, the Commission's observation is given below:

"Let the losses adopted for NERLDC be at 2.54% loss percentage according to the data obtained from their website for FY 2020-21 upto 1st November 2020 and the subsequent loss data is being prepared on all India level and hence combined losses of all regions would beat higher value due to aggregation of all other Regions performance. The NER region performance at 2.54% in 2020, cannot go worse all of a sudden to 3.20% and such assumptions will be misleading and it would help the licensee to shroud their underperformances to some extent. Hence, the NER Losses shall not be taken at 3.20% conveniently but shall be taken at acceptable level of 2.54%".

It is to be submitted that the Hon'ble Commission has opined that 2.54% of inter- state loss percentage is according to the data for FY 2020-21 upto 1st November 2020 and the subsequent loss data is being prepared on all India level and hence combined losses of all regions would beat higher value due to aggregation of all other regions' performance. After considering the changes in methodology and mentioning possibility of higher, the Hon'ble Commission has not accepted the actual loss currently being considered by the Region Power Committee (RPC) while finalizing the Regional Energy Accounting. After admitting that losses would be higher the Hon'ble Commission has not considered the data submitted.

As mentioned in the Petition, Hon'ble Central Electricity Regulatory Commission (CERC) has notified CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2020 on 04th May, 2020; w.e.f. 1st November, 2020. As per clause (10) of these regulations, transmission losses for ISTS shall be calculated on all India average basis for each week, from Monday to Sunday. Further, as per NLDC website, National Loss has been declared by NLDC in the following link<https://posoco.in/side-menu-pages/applicable-transmission-losses/>". For FY2020-21, upto October

2020, the NER regional loss would be applicable and afterwards, all India loss as per NLDC would be applicable. In subsequent years, only all India loss would be applicable instead of regional loss. Recent data for FY 2021-22 (up to No. 21) was provided in the petition which is again given below.

Table 1: Inter-state loss as per NLDC for FY 2021-22 (up to Nov21)

Loss for the period	All India transmission Loss (in %)
22-11-2021 to 28-11-2021	3.68
15-11-2021 to 21-11-2021	3.43
08-11-2021 to 14-11-2021	3.19
01-11-2021 to 07-11-2021	3.28
25-10-2021 to 31-10-2021	3.33
18-10-2021 to 24-10-2021	3.19
11-10-2021 to 17-10-2021	3.24
04-10-2021 to 10-10-2021	3.05
27-09-2021 to 03-10-2021	3.41
20-09-2021 to 26-09-2021	3.21
13-09-2021 to 19-09-2021	3.2
06-09-2021 to 12-09-2021	2.88
30-08-2021 to 05-09-2021	3.31
23-08-2021 to 29-08-2021	3.02
16-08-2021 to 22-08-2021	3.12
09-08-2021 to 15-08-2021	3.48
02-08-2021 to 08-08-2021	3.64
26-07-2021 to 01-08-2021	3.15
19-07-2021 to 25-07-2021	3.05
12-07-2021 to 18-07-2021	2.81
05-07-2021 to 11-07-2021	2.98
28-06-2021 to 04-07-2021	3.29
21-06-2021 to 27-06-2021	3.08
14-06-2021 to 20-06-2021	3.06
07-06-2021 to 13-06-2021	3.19
31-05-2021 to 06-06-2021	3.13
24-05-2021 to 30-05-2021	3.57
17-05-2021 to 23-05-2021	3.64
10-05-2021 to 16-05-2021	3.39
03-05-2021 to 09-05-2021	3.4
26-04-2021 to 02-05-2021	3.46
19-04-2021 to 25-04-2021	3.44
12-04-2021 to 18-04-2021	3.32
05-04-2021 to 11-04-2021	3.16

To verify it against the regional energy accounting, a sample calculation has been made by the Review Petitioner for the month of December 2020 on the basis of NERPC data (attached as Annexure1). The bilateral sale (STOA) and power exchange data is given below (page 19 of Annexure 1).

		Collective transaction from Power Exchanges (-ve means injection; +ve means drawal)					
Sr. No.	Particular	STOA			IEX		
		Energy at Seller Periphery (MWh)	Energy at NER-ER Periphery (MWh)	Energy at Buyer Periphery (MWh)	Energy at Seller Periphery (MWh)	Energy at NER-ER Periphery (MWh)	Energy at Buyer Periphery (MWh)
1	Arunachal_Ben	0.00	0.00		-6228.50	-6228.50	
2	Arunachal_Ben		12336.73	11862.67		19.00	18.25
3	Assam_Ben	0.00	0.00		-95383.75	-95383.75	
4	Assam_Ben		59537.14	57250.46		55001.85	52884.40
5	Manipur_Ben	0.00	0.00		-4728.25	-4728.25	
6	Manipur_Ben		5863.51	5639.47		13741.64	13213.02
7	Meghalaya_Ben	-1366.60	-1366.60		0.00	0.00	
8	Meghalaya_Ben		34486.88	33160.73		17221.34	16559.11
9	Mizoram_Ben	0.00	0.00		-2414.00	-2414.00	
10	Mizoram_Ben		0.00	0.00		0.00	0.00
11	Nagaland_Ben	-5200.00	-5200.00		-465.50	-465.50	
12	Nagaland_Ben		0.00	0.00		3535.21	3396.94
13	Tripura_Ben	0.00	0.00		-38449.74	-38449.74	
14	Tripura_Ben		0.00	0.00		0.00	0.00
15	AGBPP-GAS	0.00	0.00		-379.75	-379.75	
16	AGTCCPP-GAS	0.00	0.00		-219.60	-219.60	
17	BGTPP	-648.00	-648.00		-6759.64	-6759.64	
18	DOYANG	0.00	0.00		0.00	0.00	
19	KAMENG	-50835.00	-50835.00		-20944.72	-20944.72	
20	KHANDONG	0.00	0.00		-40.30	-40.30	
21	KOPILI	0.00	0.00		0.00	0.00	
22	KOPILI-2	0.00	0.00		0.00	0.00	
23	LOKTAK	0.00	0.00		0.00	0.00	
24	PALATANA-GAS	-53585.00	-53585.00		-892.74	-892.74	
25	PARE	0.00	0.00		0.00	0.00	
26	RANGANADI	0.00	0.00		-3.12	-3.12	

It can be seen from above, for any positive sign transaction (i.e. power purchase), power at regional level (NER) and state level (buyer level) has been derived after considering the inter-state loss. For further analysis, the calculation for inter-state loss (long term and short-term transaction for Manipur) has been made in the table below for December 2020. The loss in last column is derived based on data from second and third column.

Table 2: Inter-state loss derived for Manipur (Dec 20)

	Energy at Seller Periphery (MWh)	Energy at NER- ER Periphery (MWh)	Energy at Buyer Periphery (MWh)	Inter-state loss derived
A. LONG TERM ACCESS (LTA)				
Tripura_Ben	3532.8125	3532.8125	3397.0623	3.84%
B. SHORT TERM OPEN ACCESS (STOA)				
BYPL	4123.51	4123.51	3965.7458	3.83%
BYPL	540	540	519.426	3.81%
BYPL	600	600	577.14	3.81%
BYPL	300	300	288.57	3.81%
BYPL	300	300	288.57	3.81%
Collective transaction				
STOA (as B above)		5863.51	5639.47	3.82%
IEX	-4728.25	-4728.25		
IEX		13741.64	13213.02	3.85%

It can be seen that from above analysis, the loss is around ~3.8%. This has been cross checked with weekly losses published by NLDC in the above-mentioned web link.

Further, in para 5.3 of the Tariff Order, Hon'ble Commission has mentioned the following:

"While, the losses percentage for North Eastern Region (NER) was adopted by MSPDCL at 2.842% in FY 2020-21 but adopted higher losses for the same in subsequent years filing figures without any logical explanation for such higher values. It is noted from the MIZORAM filing that the NER losses were considered at 2.54% only, this appears quite abnormal to note the different values, though both are procuring the energy from same sources."

The Petitioner wants to submit that in FY 2020-21, the inter-state loss methodology has been changed in November 2020 and so, upto November 2020 NER regional loss was applicable and afterwards NLDC declared loss at national level was applicable. From FY2021-22 onwards, inter-state losses are NLDC declared national loss only; so, the inter-state loss will be higher as observed by Hon'ble Commission under para 7.3.The explanation was given by the Petitioner in its Petition in details; however, Hon'ble Commission's observation that logical explanation was not given is not understandable to the Petitioner. The Petitioner has, therefore, considered higher losses for both the years, FY 2021-22 and FY 2022-23 as mentioned above. The issue may be reviewed by the Hon'ble Commission on account of some mistake or error apparent from the face of record. Hence, it is requested that the inter-state transmission loss projected by the Petitioner may be considered and further calculation may be reviewed correspondingly.

COMMISSION'S OBSERVATIONS:

i) As per attachment (Annexure-1) containing the ABT based REA for December 2020 attached the losses as shown relevant to December 2020 for Manipur are at 3.85%. The licensee has not attached the relevant data for the period prior to November 2020 to depict the losses allocation pattern then in applicability and in support of his argument for the substantial increase in the loss sharing pattern modified subsequent to November 2020. The licensee too had not explained as to how the figure of NERC inter-state losses he had arrived at for the entire 2020-21 at 2.842% in his ARR submission, while the said losses for 1st November 2020 to 31st March 2021 were almost as high as 3.85% and there seen no justification for the arrival of 2.842% was not mentioned precisely for 2020-21.

ii) The Commission in order to arrive at the sustained Inter-state transmission losses on its own accord relying on the ARR filings, specially designed

Format-F1 to capture the relevant data under the column "**Net Energy delivered at State periphery (MU)**" (last column of the format) which captures the total net energy received by the Licensee from each and every Generating Station. Had this format-F1 was properly filled by the Licensee, this kind of arguments for losses would not have cropped up. Despite, repetitively pointing it out missing information to the Licensee and to adhere to the prescribed formats for each and every cost element, the Licensee is still had not geared up to the satisfactory level in complying with the formats. Besides, Format-F1b is also the other format to indicate the Inter-State transmission losses sustained by the License in each such year for which the ARR filing is being made. Despite, reminding of numerous times to comply the same, the licensee is not inclined to provide all the information needed by the Commission for inexplicable reasons known only by MSPDCL.

iii) While in the case of Mizoram State these formats are fully complied with by the P&ED. Since, both the states are procuring the needed energy from same & similar power station sources in the Northern region and accordingly the inter-state transmission losses details provided by the P&ED has imperatively formed a basis for the Commission to adopt in the absence of required information. The P&ED, Mizoram appears providing more reliable information with full-fledged data extractible from their Tariff petition formats, the Inter-State Transmission Losses information so provided in the Mizoram ARR is uniformly adopted even for MSPDCL, Manipur for this purpose and there by the uniform parity is hence maintained for both states in the case of power procurement issues. Besides, the P&ED, Mizoram State had submitted their full-fledged True-up claim for FY 2020-21 along with the ARR & Tariff proposals for FY 2022-23 and the same was finalized and approved by the Commission. In this process, the Inter-State transmission losses it had claimed in the case of NER is at 2.54% only and was approved accordingly. While, the MSPDCL still expresses its inability to submit their True-up petition for FY 2020-21 and same is the case with all years prior to FY 2020-21. As seen from the above, the Commission finds the issue raised by MSPDCL appears to be extraneous and unwarranted at this juncture and it needs a thorough verification and scrutiny of the factual power purchase data before any constructive decision is taken by the Commission and it cannot be taken simply by the stray attachment's submission to the present review petition.

iv) Since, the power purchase cost related item is classified under uncontrollable items for the purpose of cost True-up for that matter in the FY 2020-21 and thereafter upon producing the audited actual figure to the Commission in order to take a call on the issue by Commission in due course.

Hence, the issue now mooted in this review petition does not need any consideration as of now as there appears no error apparent from the face of record noted by the Commission and the true-up is still pending upto FY 2020-21 on account of delay purely from MSPDCL side.

b. UI Over Drawl and Under Drawl

<u>Licensee's Submission:</u>

The Hon'ble Commission in para 5.3 (page 38-39) of the Tariff order approved the energy balance and made following observation with respect to over drawl and under drawl.

“Issues needing attention from MSPDCL while deriving Energy Balance:

a) The reduction of Under-drawal (notional energy) quantum of from the overall purchases is a fallacy. Doing so would only falsify the factual energy purchased quantum and results in undermining losses quantum.

b) The Over-drawal quantity is now rightly considered before applying NER Losses, while earlier these were considered after applying the NER related losses.”

The Petitioner humbly submits that for true-up (i.e. actual) NERPC data is the authentic data in which power available at state periphery is certified and the Petitioner cannot deviate from that. So, the details submitted in original Petition in Form F 1d is prepared accordingly. Schedule energy at state periphery was 970.17MU and actual was 971.66 MU. This was based on one-year data of 96 time-block for each day. So, 978.89 MU Gross Energy at State Periphery derived by Hon’ble Commission is not matched with actual fact. The Petitioner wants to point out this fact now and will submit the supporting NERPC data in the final true-up Petition. *Hence, this is some mistake or error apparent from the face of record and hence requests to be rectified*.

UI over drawl and under drawl are integral part of the mechanism and just we cannot ignore any one. Over drawl is more than schedule given and similarly, under drawl is less drawl than submitted schedule. The concept of not considering one component is not good in logical understanding. Let us consider a situation where schedule is 100 MU, actual drawl is zero and energy sale is zero, so under drawl is 100 MU. Without considering under drawl, the situation would be 100 MU purchase as schedule and sale is zero, this implies 100% distribution loss; which is not correct. Notional energy concept may not be true in this regard. The UI transaction and related statement is prepared for each 15 minute time block; however, the consolidated data for a month and for a year has been prepared after adding all the 15 minute time blocks from NERPC data. So, the UI data is summation of all the 15 minute time block wise UI, where as some time it may be over drawl and in some cases it may be under drawl.

Further, this UI is applicable at state periphery because the Discom related UI is considered at state periphery level by NERPC. DISCOM is participant in the DSM/ UI mechanism. Hence, after inter-state loss this UI at state level has been considered. Thus, DSM or UI account statement has been prepared at state level only. It is not related with any inter-state losses. The UI is used to measure the deviation between schedule and actual at state periphery only. Hence considering the UI over drawl at regional level and then applying inter-state loss is an error on face of record. It may be noted that the Hon'ble Commission in its tariff order of **MSPDCL for FY 2021-22** in case of Petition (ARR & Tariff) No. 3 of 2021 in 'Table5.3: Distribution loss and Energy Balance derived by the Commission', has considered the UI at state level only (Row M in the table, page 29). Hence the same may be rectified accordingly.

COMMISSION'S OBSERVATIONS:

The year under reference made by the Licensee (i.e., FY 2021-22) is still not considered or taken up for any kind of review to finalize that year's

True-up and hence the point referred to has no relevance and it is too early to think of and it does not need any kind of review or attention as prayed by the MSPDCL at this juncture.

The issue will be appropriately dealt upon their relevant true-up submission for FY 2021-22 provided it is duly supported by the approved audited annual accounts by their Statutory Auditors. Same is the case and kind of treatment analogy is applicable even for the FY 2020-21.

c. Power Purchase cost

Licensee's submission:

The Petitioner humbly submits that the power purchase expenses submitted by the Petitioner for FY 2021-22 and FY 2022-23 were based on actual bills received from the generators. The Petitioner submitted the supporting documents i.e. one-month bills of all generators along with the Petition.

The Hon'ble Commission while approving the same for FY 2022-23, has not considered the same i.e. power purchase cost. For FY 2021-22 (APR year), Hon'ble Commission approved power purchase cost as Rs. 497.44 Cr (excluding REC purchase) as per submission made by the Petitioner. The approved per unit purchase rate was Rs.4.32/ kWh (before banking, IEX sale and supplementary bill). However, for FY 2022-23, power purchase cost approved was Rs. 569.79 Cr while the proposed cost was Rs. 602.37 Cr (@ Rs 5.36/kWh). It is to be noted that the Petitioner submits the unit wise detailed cost and proposed Rs 5.04/kWh as average power purchase cost without IEX and supplementary bill (Table 7.6, next row of Sl. No.10); whereas, Hon'ble Commission has approved the same (i.e. without banking, IEX, supplementary) as Rs. 4.79/kWh (Table 7.7,next row of D4).

The Petitioner submits that the rate was based on actual bills and detailed rational was submitted along with the Petition. So, the Hon'ble Commission can review the fact and approves the same as per available data. For each power station, the Petitioner analysed the table 7.7, and observed that only for three power stations, the rate was approved as submitted by the Petitioner and for others approved rates are different, the reason for the same is not clear to the Petitioner. The detailed consideration for finalising the rate by the Hon'ble Commission is not available in the order. For reference, the approved table is reproduced below. Highlighted projects in the table are those projects where approved rate is as per proposal. This aspect please be reviewed. It seems it may be due to some mistake or error in the calculation.

Also, for Kopili-I HEP, it was submitted that the project was not supplying power earlier due to some problem in the project and it has started to supply power in last phase of FY2021-22. The project has been considered in FY2022-23 and accordingly, its fixed cost in full has to be paid by MSPDCL. The same was included in the Petition, but from the table below, it can be seen that approved purchase amount is approx. 50% of the payment to be made as projected by MSPDCL. The same may be revisited by the Hon'ble Commission. The legitimate dues have to be paid to the generators by MSPDCL, hence, the Petitioner requests to consider the power purchase aspect. This is an error on the face of the record.

Table 3: Power purchase cost approved by JERC-MM for FY 22-23 (Rs Cr, Rs/kWh)

Sl. No.	Source of Power	Proposed for FY22-23		Approved for FY22-23	
		Total Cost	Avg.	Total Cost	Avg.
A	**CGS–NEEPCO**				
1	Kopili-IHEP	0.82	8.23	0.44	4.40
2	Kopili-IIHEP	1.46	4.86	1.46	4.87
3	KhandongHEP	3.80	2.53	2.625	1.75
4	RanganadiHEP	29.82	2.71	24.64	2.24
5	DoyangHEP	11.06	7.38	10.61	7.07
6	AssamGBPP	49.54	4.72	43.73	4.17
7	AGTPP	31.71	4.53	31.71	4.53
B	**CGS–NHPC**				
1	Loktak HEP Purchased	68.03	3.78	66.24	2.74
2	Loktak HEP-Free Power				
C	**Others**				
1	Baramura GBPP Unit IV	19.91	6.22	19.497	6.09
2	OTPC Palatana	99.00	4.40	98.07	4.36
D	**New Plants**				
1	NTPC Bongaigaon Unit I	177.48	11.23	168.11	10.64
2	Pare HEP	20.02	5.01	20.02	5.01
3	Renewable–Solar	0.34	4.50	0.34	4.56
4	Renewable–NonSolar	1.67	3.17	1.67	3.18
	Total Purchase	514.66	5.04	489.16	4.79
5	IEX purchase	5.60	2.80	8.53	2.80
6	IEX purchase(green power)	37.11	4.50		
7	Supplementary bills	45.00	-	40.00	
8	Late payment	-	-		
9	REC	-	-	32.10	
	Total	**602.37**	**5.36**	**569.79**	**5.76**

COMMISSION'S OBSERVATIONS:

i) The Details of the Energy projected by the Licensee and the one as was approved by the Commission along with the sales projection details is tabulated below for understanding the issue in details:

MSPDCL	Power Purchases by MSPDCL			Commission Approved Energy		
Financial Year	Quantum	P.P cost	Unit cost	Quantum	P.P cost	Unit cost
	(MU)	Rs.Crs	Rs./kWh	(MU)	Rs.Crs	Rs./kWh
2020-21	998.53	454.32	4.55	1088.95	452.48	4.16
2021-22 (APR)	989.22	497.43	5.03	982.95	497.44	5.06
Cost Hike over P.Y		**9.49%**			**9.94%**	
2022-23	1124.46	602.37	5.36	988.70	569.79	5.76
Hike Over P.Y		**21.10%**			**14.54%**	

ii) The Retail sales quantum approved for FY 2021-22 to 2022-23 is as follows:

Fin. Year	**L.T Sales**	**H.T Sales**	**Total Sales**
2021-22 (MU)	554.16	152.55	706.71
2022-23 (MU)	568.03	156.65	724.68
Hike shown (MU)	13.87	4.10	**17.97**
Hike over PY (%)	**2.50%**	**2.68%**	**2.54%**

iii) As seen from the above sales quantum table, there was an increase of 2.54% only in sales quantum over 2021-22 sales figure. Hence, there is no pressing need for any huge energy quantity procurement considering the sales projection made in FY 2022-23 duly keeping in view the loss reduction adopted for over FY 2021-22. As seen from the petitioner's contention, the energy quantum approved for FY 2022-23 is agreed to by licensee but the attributed power purchase cost adopted for to the approved energy quantum is improper and disputed by MSPDCL and seeking higher value financially.

iv) As the Power Purchase cost hike of 21.10% so projected by the Licensee in his ARR submission for FY 2022-23 over FY 2021-22, was felt by the Commission very abnormal and ambitious. So the Commission had made a careful observation of per unit cost of each power station from which the MSPDCL is procuring and had made a comparison of the per unit costs so projected by the P&ED Department, Mizoram and finally decided upon to enhance the overall cost hike in FY 2022-23 at 14.54% reasonable as against the 21.10% of steep hike projected by MSPDCL keeping in view the interest of the Consumers who shall not shoulder the undesired energy cost burden unnecessarily. Hence, **one-thirds (⅓rd)** of the cost hike so projected has been disallowed by the Commission. Therefore, the increase at 14.54% appears far above reasonable power purchase cost enhancement approved for FY 2022-23 apparently. However, MSPDCL is still skeptic about the power cost approved for and calling it as ***an error on the face of the record*** and seeking for upward cost revision to an abnormal 21.10% enhancement proposed in their ARR submission appears unpleasant. It is relevant to make it clear to the Licensee that Commission will not blindly allows whatever MSPDCL desires for without going into the details/merits of each cost element projected and its repercussions. As a result, anything not considered cannot be quickly drawn to a pre-conceived conclusion that it is "AN ERROR APPARENT FROM THE FACE OF THE RECORD" and blaming the Commission doesn't amount to maturity and MSPDCL will get belittled and defamed in the eyes of general public and hence be watchful while wording the same in review petition hereafter.

Therefore, the petitioner's request for review of the power purchase cost was felt not legitimate and it can't be considered for any kind of review action from the Commissions point of view treating it as unreasonable and its effects are deleterious upon Manipur state retail consumers.

d. Green power purchase from Energy Exchange

Licensee's Submission:

The Hon'ble Commission while approving the power purchase, has not approved the green power purchase through GTAM and GDAM as proposed in the Petition. The detailed rational was submitted in the Petition and data gap reply, where it was explained and the logic behind such purchase was submitted. The Hon'ble Commission opined the following in para 7.5 (page 107):

> "Accordingly, the MSPDCL shall purchase certificates amounting to Rs. 32.10 Crs after due consideration of procurements being made from Solar and Non-solar sources in order to comply with their RPO obligation at 10.5% each and 0.18% for HPO is arrived at during FY 2022-23. This amount is comparatively lower than the Rs. 37.11 Crs deduced by MSPDCL against Green Power procurement of 82.46MU shown in their RPO Obligation calculation tabulated above."

It is respectfully submitted that the REC purchase cost in terms of amount is coming cheaper. However, the same is green certificate only and without electricity. The Petitioner submits that the procurement is planned to be used as per requirement and as per purchase to be made from exchange. While doing that energy requirement would be met and MSPDCL can show that green purchase against the RPO obligation also. As the Petitioner has to purchase from exchange, as explained, the same platform will be used for green power purchase. REC purchase without electricity would not be a cheaper option as no electricity would be available. MSPDCL had projected to purchase renewable electricity and not the certificate without electricity. As electricity is required, MSPDCL is planning to purchase the same through above mentioned market by which RPO can be met also. So that no additional expenditure would be required to meet the RPO separately.

For FY 2022-23, MSPDCL average power purchase cost is over Rs. 5/Unit. So, one-unit non-RPO electricity purchase means more than Rs. 5/Unit expenditure. Hence, to meet 1-unit equivalent RPO, MSPDCL has to pay approx. Rs. 5/Unit (Non- RPO Power) Plus Rs. 1/Unit (REC), which is more than Rs. 6/Unit. Therefore, MSPDCL proposed to purchase RE power only through green markets in exchange which can be utilized to meet its RPO.

As per proposal, even, whatever be the requirement from exchange, along with normal power, green power would be purchased by the Petitioner. This will help to meet the RPO and meet the requirement from exchange. This would not be any additional procurement–it is as per requirement and meet RPO simultaneously. The power purchase requirement will be met judiciously only by the Petitioner to optimize the power purchase cost. Thus, if approved the green power purchase through GTAM and GDAM, it can help MSPDCL to manage the power purchase and meet RPO, without purchase of REC. Hence, the Petitioner requests to consider the green power purchase option through exchange. This will be cheaper option for the Petitioner and hence **it is an error on the face of record.**

COMMISSION'S OBSERVATIONS:

i) The Commission had categorically given a conclusion that the REC certificates costs Rs. 32.10 Crs which are cheaper by Rs.5 Crs when compared with Rs. 37.11 Crs cost assessed by MSPDCL for procurement of 82.46MUs. In fact, the Commission had not found any need for additional units procurement to the extent of 82.46 MU in the prevailing conditions as it would unnecessarily burden the retail consumers with no identified purpose to spend Rs. 37.11 Crs for procurement of needless quantum of 82.46MU and then trying to dispose-off those surplus units in open market at cost lesser than its procurement cost. This transaction would only burden the consumers in one-way and the Government of Manipur on the other hand in the form of additional subsidy to off-set the loss sustained from this avoidable transaction.

ii) When the Commission observed non-compliance of RPO obligation to the tune of Rs. 24.93 Crs specified for FY 2021-22 and questioned MSPDCL about the same in Additional Information-1, the reply provided by the MSPDCL vide its **letter No.2/84/2021/MSPDCL-ARR/4963-65, Dt.18th February 2022** is reproduced here for quick glance and relevant to take note of the attitude of MSPDCL and also for proper evaluation of issue gravity.

Quote:

MSPDCL cannot purchase power due to non-availability. *Considering the poor financial condition, any amount cannot be provided for REC certificate. The cash flow situation is not very encouraging and MSPDCL has to manage the power purchase with utmost care other power availability would be a problem for the state*. So, after meeting the required expenditure it is very difficult to arrange additional fund. MSPDCL requests Hon’ble Commission to consider MSDPCL’s situation sympathetically.

Unquote.

iii) In the above reply, MSPDCL had expressed its inability to comply with the RPO obligation direction for FY 2021-22 fixed by the Commission attributing totally to its poor financial condition. Genuinely considering the above reply in true spirit, the Commission planned to reduce the power purchase cost to possible minimal by avoiding the **G-TAM and G-DAM** procurement of 82.46 MU and its deduced associated cost of Rs. 37.11 Crs and suggested to go for REC certificate procurement costing Rs. 32.10 Crs as it has an added advantage of Rs. 5 Crs less costly and also can encash these Certificates in Market when convenient and it would be financially beneficial to MSPDCL during FY 2022-23.

iv) But, now totally contradicting to their earlier stances of poor financial condition, now expressing diagonally opposite argument of its willingness to procure the IEX purchase (Green Power) which is much costlier than preferring REC certificates and attributing the Commission's decision as ***"an error on the face of record"*****. How a worst financial condition existing in FY2021-22 had taken a rapid financial turn-around in FY 2022-23 being the following year is enigmatic and unbelievable to Commission in the Tariff finalization process of FY 2022-23.**

v) As seen from the above, the tone and tenor of the petitioner appears unreliable and has no hesitance to make any contradicting statements to its advantage when circumstances demand. **In view of the above, the petitioner's request is untenable and deserves no consideration.**

e. RPO Obligation

Licensee's Submission:

In the tariff order page 103-104, Hon'ble Commission mentioned about the methodology for RPO, which is noted by the Petitioner. The only submission is that the notification available with the Petitioner says about percentage in terms of consumption, i.e. RPO would be calculated as % of consumption only excluding consumption from hydro.

As per Notification dated 22nd February, 2021 (Notification number H.13011/5/17-JERC), Hon'ble Commission decided the RPO as follows: Solar-10.5%, Non-solar RPO- 10.5% and HPO – 0.18%.

It was mentioned that RPO shall be calculated in energy terms as percentage of total consumption of electricity excluding consumption met from large hydro projects.

So, based on the above notification, the Petitioner reduced the total energy consumption of MSPDCL area by consumption met from Hydro. For deriving the hydro consumption part, hydro power purchase was reduced by incorporating the inter-state, intra-state and Distribution losses; i.e. in first step, hydro purchase was reduced by various losses to know the hydro consumption and in second step that hydro consumption was deducted from total consumption to finalise the consumption upon which RPO would be decided. The similar approach is followed by other ERCs like BERC. While approving the RPO, the Hon'ble Commission derived the same not on consumption basis, it was derived on the basis of energy available at generation bus bar before internalising all the losses. Hence, it is not reflecting the intent as given in the notification issued by the Hon'ble Commission. Hence it is a mistake or an error on the face of the record.

Further, it has to clarify that as submitted in data gap reply, for HPO, it was submitted that, HPO will be met from Kopili-II HEP, which is renewable sources. HPO purchase proposed was not considered by Hon'ble Consumption, even after submitting the same in data gap reply. The surplus HPO purchase was proposed to be utilized by the Petitioner to reduce the non-solar RPO requirement. This aspect was not considered while finalising the order.

Similarly, for solar RPO, total solar generation has been considered to meet solar RPO, i.e. total project capacity multiply by generation per kW. This amount of generation is considered to meet solar RPO as per regulations in force. However, in power purchase quantum, only that solar quantum which is injected to the grid is considered. This is because out of total solar generation (involving net and gross metering projects), maximum solar generation would be consumed by consumers for its own load through net metering without injected to grid, hence, it will not flow into Utility system and is not considered as purchase by MSPDCL. Purchase is that quantum which is injected (unsettled unit after banking adjustment made by net metering consumer and injected energy by gross metering consumer) and payment has to be made by Utility for that quantum and can be considered by Utility on its account. So, there is difference in solar RPO quantum and energy purchase by Utility for solar. Hope, this clarifies the points mentioned by the Hon'ble Commission.

COMMISSION'S OBSERVATIONS:

The RPO obligation as stated by the Commission in the Tariff Order holds good and the same shall be adopted by the Licensee instead of stating prevaricated excuses as was already made for FY 2021-22 and hence **the request made by the licensee is not considered by the Commission for the various reasons indicated in the case of Green Power energy issue.**

f. Operation and Maintenance (O&M) Expenses

Licensee's Submission:

The Operation and Maintenance (O&M) expenses comprises of Employee Expenses, Repair and Maintenance (R&M) Expenses and Administrative and General (A&G) Expenses.

While approving the O&M expenses, Hon'ble Commission has approved the following for three years, as given below:

Table 4: O&M Expenses approved for FY 2020-21, FY 2021-22 and FY 2022- 23 (Rs. Crore)

Sr. No	O&M Expenses	FY 2020-21 (actual)	FY 2021-22	FY 2022-23
1	Employee	63.15	65.49	77.15
2	R&M Expense	10.91	11.25	8.25
3	A&G Expense	7.40	8.45	6.12
	Total	81.46	85.19	91.52

The Petitioner humbly submits that if we consider A&G and R&M cost, the approved amount in FY 2022-23 is not even considered the expenses as per normal escalation factor upon cost of FY 2020-21, as per regulations in force. It is quite unfortunate that A&G and R&M approved for FY 2022-23 is lower than even actual expenses for FY 2020-21 incurred by the Petitioner.

In its Petition, the Petitioner had given the detailed reasoning for projecting the O&M expenses. Even, if we consider normal escalation of 5.72% per annum in A&G and R&M expenses on actual expenses for FY 2020-21, it should be more than what was approved for FY 2022-23. However, those approved expenses are quite low in FY 2022-23, which will impact the operation of the Petitioner. Hence, the same may be rectified considering the above factors.

The employee expenses for FY 2022-23 had been projected based on the revised estimates of salary component as per new pay scale for all employee with yearly increment in salary. Employee expenses with new pay scale had been considered. Further, additional salary for 600 new recruited staff had been considered in FY 2022-23. Hence, the impact of newly added man power in FY 2022-23 was considered while projecting the employee cost. Over and above, MSPDCL would have to pay the 7th pay wage revision arrears, which was also added to the employee expense. Additionally, NPS contribution and medical reimbursement, to be given in FY 2022-23, were also projected. The details are given below.

Table 5: Employee Expenses projected for FY 2022-23 (Rs.Crore)

Sl. No.	Details	Amount (Rs)
1.	Salary Staffs	83.54
2.	NPS Contribution	1.76
3.	Pay Arrear	0.50
4.	Medical Reimbursement	0.30
5.	New Recruitment (600 staff)	27.00
Grand Total		113.09

However, Hon’ble Commission has not approved the same and opined that

“It is glaringly observed that every time the employees in the ensuing year will go up by more than 600 above just to boost up the employee cost and in reality, there is not even 50 employees added…..”

Even with existing employee, the employee cost projected by the Petitioner was Rs. 83.54 Cr, excluding NPS, medical etc; however, the approval was given for only Rs. 77.15 Cr in totality for FY 2022-23. It is quite difficult for MSPDCL to manage the employee cost with approved cost for FY 2022-23. Further, in case of new employee of 600 numbers, the process of recruitment has been initiated, the details were published and exam was conducted. The recruitment will be happened soon**.** The details of notification are attached as Annexure2. Based on the status of the same, it is quite clear that recruitment process will be completed soon and actual recruitment will happen in FY 2022-23 only. Without the approval of additional manpower cost, it would be quite difficult to manage the salary of new staffs. New requirement is utmost necessary for MSPDCL for smooth functioning. Therefore, the salary of new employee should be included in MSPDCL’s employee expenses. Hence, considering the fact as given above, MSPDCL requests to reconsider the employee cost approved by the Hon’ble Commission.

COMMISSION’S OBSERVATIONS:

i. The issue was discussed in detail in the Tariff Order while approving the O&M charges for FY 2022-23 and any further request for their enhancement can’t be entertained for the reasons already explained categorically in the issued Tariff Order for FY 2022-23. The expression by the licensee stating that it would be difficult to manage the salary of new staffs and new recruitment is utmost necessary for smooth functioning of MSPDCL is now specially highlighted in this Commission's view with the following para of reply to all MSPDCL financial needs and requirement requests being made in this review petition. As seen from the recently obtained reply from MSPCL, the Commission felt astonished to notice that whatever Intra-State transmission charges factored in MSPDCL ARR is not being billed upon MSPDCL by raising Invoices till date towards recovery of their Transmission charges recovery as they are being financed by the Govt. of Manipur in the form of Grants-in-aid every year being routed through MSPDCL.

ii. Thus, Intra-state transmission charges being levied on MSPDCL retail consumers are not being repaid/remitted to MSPCL ever since the time it attained Corporate entity status in 2014-15. The sum total of these charges from 2014-15 to 2020-21 would amounts to an amount much higher than Rs. 400 Crs and were resting with MSPDCL, which was kept undisclosed to Commission's notice by you for all these years. If the same status-quo continues for 2021-22 and 2022-23 also, then the amount of accumulation may exceed Rs. 550 Crs. **The petitioner (i.e., MSPDCL) despite not revealing this much of huge amount idling in his hands for more than eight (8) years even now had not ventured seeking for a reasonable reduction of ARR amount at least in FY 2022-23 duly stating the retained excess while filing this review petition to prove its wisdom and honesty**. *Instead, petitioner is only attempting greedily seeking for additional ARR amount here and there giving some plausible reasons surprises the Commission.*

iii. This much of accumulated sum which MSPDCL had unlawfully retained with it having collected from retail consumers of Manipur long ago and left unpaid to MSPCL will have to be clawed back immediately either from MSPDCL hands if not remitted to MSPCL or in the hands of MSPCL if remitted soon upon cautioning of the Commission now. *Is this much of retained surplus funds are not sufficient enough to meet such exigencies in O&M cost really surprises the Commission looking at the attitude and preparedness of the Licensee to burden the Manipur consumers remorselessly.* **In view of the foregone reasons, the request of the petitioner is not considered by the Commission referring it as meritless and fraughted with greed.**

iv. The Intra-state transmission charges now factored in the Distribution ARR of FY 2022-23 to the tune of Rs. 93.86 Crs, will have to be carefully/attentively watched about their remittance to MSPCL upon collection from MSPDCL Consumers at least from this year onwards.

v. The submission of Audited annual accounts by MSPDCL is very much awaited by the Commission for initiating suitable action fitting the intentionally committed lapse. As per copy of the minutes of 46th Board meeting minutes of MSPDCL held at LDA Conference Hall, Secured Office, Imphal at 3PM on Dt 8th March 2021, it is clearly evident that statutory audit is pending only from FY 2017-18 onwards (item No.46.03) and for all the previous years from FY 2014-15 to 2016-17 must have been completed in full shape. Besides, the audit for all the pending years must have been carried-out full-fledged by the Auditor M/s. Prashant N & Associates, Imphal by this time. **If it was so, why the true-up submissions to Commission for all the years from 2014-15 are**

still in abeyance by MSPDCL is an unfair attempt undoubtedly.

g. Depreciation

Licensee's Submission:

As mentioned in the Petition, the depreciation was based on GFA. The closing balance of Gross Fixed Asset (GFA) for FY 2021-22, as derived for FY 2021-22, had been considered as the opening balance of GFA for FY 2022-23. The depreciation was computed under straight-line Method, at the rates specified in the JERC (MYT) Regulations, 2014, on the GFA in use at the beginning of the year and addition in assets. It has been mentioned by MSPDCL that most of the GFA is funded through grant and hence, cannot be considered in depreciation. However, considering the actual depreciation for non-grant project in FY 2020-21, the same amount was considered for FY 2022-23. The actual depreciation for FY 2020-21 was based on actual calculation on GFA of non-grant project (details are given in the table below), hence minimum that amount would be available for FY 2022-23. So, the same amount was considered as depreciation for FY 2022-23. However, the Commission has not considered the submission and derived the depreciation as per earlier method of 10% of gross depreciation calculated @ 2.42% as allowable depreciation, which is quite different than proposed amount .As actual depreciation amount of non-grant asset was submitted (details in the table below, please see charged during the period), the same should be allowed to MSPDCL. Otherwise, the legitimate cost cannot be recovered by MSPDCL. Hence, the Petitioner requests Hon'ble Commission to reconsider the fact.

Table 6:Depreciation for FY 2020-21 (Rs. Crore)

(Amount Rs. in Lakhs)

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	Opening Balance as at 01-04-2020	Additions	Disposals/ Reversal	Closing Balance as at 31-03-2021	Opening Balance as at 01-04-2020	Charged during the period	Amortisation of Deffered Income	Closing Balance as at 31-03-2021	Closing Balance as at 31-03-2021	Closing Balance as at 31-03-2020
Tangible Assets										
-Distribution Assets										
Plant & Machinery	63,605.89	273.78	-	63,879.67	8,860.69	1,127.02	376.29	10,364.01	53,515.66	54,745.19
Building	3,391.54	926.50	-	4,318.04	247.10	27.54	28.21	302.86	4,015.18	3,144.43
Furniture & Fitings	128.71	0.10	-	128.81	61.98	3.04	8.46	73.48	55.33	66.73
Computer	195.19	8.09	-	203.28	166.13		12.87	179.00	24.28	29.06
Heavy Equipments	5.48	-	-	5.48	-		-	-	5.48	5.48
Heavy Vehicle	87.98	-	-	87.98	22.60	0.66	4.79	28.04	59.93	65.38
Office Equipments	4.02	-	-	4.02	4.02		-	4.02	0.00	0.00
Vehicles	573.67	-	-	573.67	273.67		59.21	332.88	240.79	300.00
Land	35.36	-	-	35.36	-		-	-	35.36	35.36
Software	119.24	10.56	-	129.80	70.59		20.53	91.12	38.68	48.65
-Generation Assets										
Plant & Machinery	4,925.08	-	-	4,925.08	849.17	125.33	-	974.50	3,950.58	4,075.91
Building	1,347.89	-	-	1,347.89	150.46	22.35	-	172.81	1,175.08	1,197.43
Furniture & Fitings	2.82	-	-	2.82	2.82	0.00	-	2.82	-0.00	-0.00
Computer	0.10	-	-	0.10	0.10		-	0.10	-	-
Office Equipments	4.79	-	-	4.79	4.79		-	4.79	-	-
Vehicles	3.14	-	-	3.14	2.77		-	2.77	0.37	0.37
Total	74,430.89	1,219.03	-	75,649.92	10,716.89131	1,305.95	510.36	12,533.19	63,116.72	63,714.00
Previous Year	74,011.67	419.22	-	74,430.89	8,926.51	1,306.18	484.20	10,716.89	63,714.00	65,085.16

Hence **it is an error on the face of record**. So, MSPDCL, once again, requests the Hon'ble Commission to approve the Depreciation of Rs. 13.06 Crore, for FY 2022-23.

COMMISSION'S OBSERVATIONS:

i) While submitting the depreciation break-up by MSPDCL for FY 2020-21, it arrived at depreciation amount of Rs. 13.06 Crs on an average GFA of Rs. 750.40 Crs by stating that the depreciation mentioned is derived based on asset-wise calculation (at page-29, Table-14) of the ARR submission. Interestingly, the Licensee once again had derived the asset-wise depreciation of Rs. 13.06 Crs on an average GFA of Rs. 2218 Crs for FY 2022-23. What is very much intriguing to note is that **same amount** of depreciation Rs. 13.06 Crs has been derived though there was wide variation in the Avg. GFA amount between Rs. 750.40 Crs and Rs. 2218 Crs calling it as derived only on non-grant assets in both the cases describing it with same kind of verbatim, while the depreciation amount had not increased when adopted on higher asset value of Rs. 2218 Crs. This itself is what anybody can't rely upon with little bit of curiosity if adopted.

ii) The quantum of assets created using Non-Grant and with the Govt. grant is not visible or decided upon in one depreciation schedule pasted in the present review petition while no data was spilled-out from MSPDCL at the time of FY 2022-23 Tariff Order finalization in the Format F2 annexed to Filing. *<u>The criteria for assets being created by grants or not will be decided seeing upon the constitution of ratio between Capital reserves balance and value of assets reflected in the Balance sheet and the Commission still has no access to this information despite repeated follow-up</u>*.

iii) Fundamentally, audited annual accounts were never produced before the Commission for scrutiny & examination and hence the licensee has no right to question for any cost element for that matter and its request is hence discarded and his plea in the review won't be entertained. **<u>Under these circumstances, the Commission can't approve higher depreciation amount on an arbitrary basis assuming an imaginary assets value for depreciation purpose</u>**.

iv) <u>The licensee must at least realize one thing that Hon'ble Commission is not leading the legendary figure role of "**SANTA CLAUS**" to grant any wish/claim preferred by Licensee without vouching its veracity and reasonableness of the expenditure claimed</u>. If in case Licensee's request is conceded by Commission then MSPDCL quickly jumping into the conclusion that **"there is an error on the face of the record" is repulsive**. Since the requested depreciation is not approved, the so-called conclusive expression in its review petition submission indicates the lack of awareness or immaturity and deserves immediate approach correction on priority and it cannot be tolerated leniently in future.

h. Interest on Loan

Licensee's submission:

Inpara7.11ofpage116, Hon'ble Commission opined the following with respect to interest on loan for FY 2022-23.

> "The MSPDCL has obtained various loans in addition to the existing REC Loan-1 & 2 which was existing from FY 2018-19 onwards. But these loans are eligible for conversion to grants and the stage of its status will only be known on verification with audited accounts submission in due course. Until such time the interest on these loans will be kept in abeyance in ARR. Again, it had obtained three (3) other FRESH loans for various purposes for which it has enclosed the relevant loan agreement documents for verification. Of the Loans, the loan pertaining to High Mast Light will not be allowed in the Electricity sector as it pertains to MAHUD Department to maintain streetlights. Once the property is charged for usage it will become the assets of MAHUD but not MSPDCL. The responsibility of MSPDCL shall be only to execute the work due to their technical know-how. In view of the above, MSPDCL shall make local arrangement of meeting such loan & interest obligation by MAHUD only."

For REC / PFC loan, Hon'ble Commission opined that loans are eligible for conversion to grants and the stage of its status will only be known on verification with audited accounts submission in due course. Therefore, presently, without knowing the chance of conversion to grant, it is quite difficult to consider it kept in abeyance. If the conversion to grant is approved, then in the same financial year, it will be reflected in the account of MSPDCL. So, in true-up period, the same would be reflected in MSPDCL account and Hon'ble Commission can consider the same at that time. Hence, without knowing the probability of conversion, it is difficult to project its status as per current situation. So, MSPDCL requests to consider the loan amount for FY 2022-23 with regard to PFC/REC loan.

For high mast, the Petitioner has noted the fact pointed out by the Hon'ble Commission. The high mast project was approved at Government level and with Govt. guarantee, the loan was obtained as per State Govt. directives by MSPDCL. The details communication received are attached as Annexure3. It can be seen that MSPDCL has considered the Government directives and worked accordingly. MSPDCL has to implement the project as detailed planning, tendering, loan repayment etc. all are done by MSPDCL only. In this juncture, it will be difficult to transfer the same to MAHUD. As loan is being paid by MSPDCL, MSPDCL requests Hon'ble Commission to consider the same on account of MSPDCL only. As the loan was obtained from REC, treating the high mast loan as part of Discom, involvement of MAHUD and transferring the loan to MAHUD would be difficult at this moment. So, if approved by the Hon'ble Commission, the loan repayment to REC will be smooth and without any hindrance to MSPDCL.

Further, for pre-paid meter loan the approved amount for FY 2022-23 was Rs 7.03 Cr against submission of Rs 16.72 Cr (as per Table 7.17 and 7.18ofthe order). The details of the same was provided to the Hon'ble Commission in its Tariff Petition by the Petitioner. However, the reduction made in this regard is not understandable as no details are mentioned in the order about pre-paid metering loan repayment. After submission of details, the reason for reduction is not clear and not understandable. It may be a mistake or an error on the face of record. Please review the same accordingly.

COMMISSION’S OBSERVATIONS:

i) The High Mast Loans issue was discussed in detail in the Tariff Order for its disallowance and the relevant provision extract of Electricity Supply code is also appended as Annexure-VIII to the Tariff Order for reference and clarification. Mere acceptance of government directions and worked accordingly cannot form the ground to request for inclusion is denied totally. Only the distribution relates activity-based costs only be allowed to be passed on the consumer.

ii) With regard to Pre-paid meter loan interest loan amount, the Licensee had claimed interest figures in consistently in FY 2020-21 and FY 2021-22 as follows. While payment was against this loan amount is FY 2020-21. The details are indicated below:

Financial Year	Amount approved (Rs. Crs)	Actually paid (Rs. Crs)	Remarks
2020-21	Rs.2.39	Nil paid in FY2020-21	The amount unnecessarily claimed early
2021-22	Rs.2.36	Status not revealed	Amount claimed is lower than 2020-21, appears erratic.
2022-23	Rs.16.72 claimed	Rs.7.03 approved	The vague expression of entire Loan amount was utilized cannot be relied upon without any

			documentary evidence.

The Commission is of the opinion that previously unauthorizedly retained Intra-State transmission charges payable to MSPCL summing to more than 500Crs are more than adequate to meet any financial exigencies including this paltry amount. Besides, this year the MSPCL charges included in your ARR is Rs. 93.86 Crs is also an additional amount for Licensee to meet the exigencies with no financial crunch, since the billing is not yet started between MSPCL and MSPDCL ever since FY 2014-15 onwards is now overtly known by everyone and any expressed reasons on account of poor financial condition is no more entertained henceforth as it will only burdens the innocent retails consumers which is undesired from Commission's perspective trying to balance consumers welfare as well.

iii) The reasons indicated to existing REC Loan-1 & 2 for not factoring such interest in the Tariff Order still holds good as the Commission observes no interest payments were occurring in this regard and if the Licensee produces the audited accounts for Commission's scrutiny it might enable the Commission to take a revised stand on their admissibility. **Hence, no review action is needed at the present juncture**.

i. Prayers

<u>Licensee's Submission:</u>

The Hon'ble Commission has mentioned the following as Prayer in the tariff order (page 19-20):

"MSPDCL requests the Hon'ble Commission to:

a. Admit the Petition for Limited Provisional True-up for FY 2020-21, Annual Performance Review for FY 2021-22 and ARR &Tariff Determination for FY 2022-23;

b. Approve the amounts claimed in the ARR for FY 2022-23;

c. Approve the category-wise tariffs proposed by MSPDCL for FY 2022-23;

d. Approve the Miscellaneous charges as proposed by MSPDCL with a request to modify the execution charges for replacement of cable and wire of HT three phase connection from Rs.900.00 per 100 meters of the HT line to Rs.900.00 per HT connection;

e. Condone any inadvertent omissions/ errors/ shortcomings and permit the Petitioner to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date;

f. Permit submission of any additional information required by the Commission during the processing of this Petition;

g. Pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case."

However, it may be noted that the above prayer (d) is different than whatever was submitted in the Petition. In the Petition a different prayer related to introduction of new sub-category was submitted by the Petitioner. Hence, **it is apparent an error.** The Petitioner requests to modify the same as per submission made by the Petitioner.

<u>COMMISSION'S OBSERVATIONS:</u>

i) It is observed that there is an inadvertent error at 'd' which is modified in this review. The entry at 'd' shall be read as below instead of the existing entry in the Tariff Order dated 23.03.2022:

'd. Approve the changes in the consumer categorization including introduction of new sub-categories.’

ii) The execution charge for replacement of HT three phase connection has been approved in the Tariff Order dated 23.03.2022 at Rs. 900 per 100 mtrs of the HT line against the proposal of Rs. 900 per connection for the following reason:

‘The charge applied was not supported with any reason thereof. The original intension was – the length of HT service line can be of any length, not like LT service wire/cable. It can be bare conductor or cable system (UG or over head). If the consumer bear or provide necessary material, then the licensee can charge execution charge as per provision given. Since the line damaged length can be of any length (one span or more), the labour requirement for withdrawing old one and redrawing new wire will be high. For that, this provision is given so that it will not be too painful to consumer nor high loss to DISCOM. This rate shall enable the DISCOM to earn more in non-tariff income.’

j. Intra-State losses

Licensee’s submission:

The Hon’ble Commission has approved the intra-state loss for FY 2020-21 as 8.5%

in table 5.3 (submitted value was 8.894% as per APR order). In para 5.3 (page 40

first paragraph), Hon’ble Commission mentioned that:

“….The present MSPCL filing value now submitted at 8.706% for 2020-21…”.

So, even against transmission utility's submission of 8.706%, the same was not considered and for arriving energy available at Discom periphery a lower loss level was considered. The higher availability shown at Discom periphery due to this. The Petitioner should not be penalised for anything related to transmission utility. This loss is beyond the scope of the Petitioner. So, if any review is filed by transmission Utility and losses are changes, the same should be reflected in MSPDCL calculation also.

Further, intra-state loss figures considered by Hon'ble Commission at 8.25% and7.8%, for FY 2021-22 and FY 2022-23, respectively, is based on limited data submitted by MSPCL. This level of loss reduction projection based on very limited data cannot be proper, which ultimately shows higher energy available at Discom periphery, which may not be the case. The Petitioner has no role in transmission loss although higher energy availability is shown as Discom input in this case with lower transmission loss.

COMMISSION'S OBSERVATIONS:

This is totally relevant to the MPSCL filing issue and it is not in MSPDCL purview to seek modifications. The Licensee is advised to know his limit and purview with proper understanding and don't encroach into the shoes of others. The MSPCL, had not raised any such point on this subject in their review petition already submitted to Commission and hence, the plea of the MSPDCL is discarded for the stated reasons.

k. Energy sold to IEX and banking energy sale

Licensee's submission:

As given in 3.1 above and Annexure 1, for any sale, the transaction has been considered at regional periphery only (please check negative sign transaction). So it may be prudent to consider the outside sale at regional level only. This is evident from the Annexure 1 and applicable for LTA or STOA including collective transaction.

Further, in Para 5.4.1 (page 44), Hon'ble Commission mentioned the following:

"......MSPDCL could have averted the Outside State surplus sale at 111.41 MU if they curtailed their needless IEX Purchases to the extent of 82.22 MU. Unfortunately, this is in addition to 161.30 MU of net banked energy sold during the year..."

MSPDCL humbly submits that the procurement or sale in Energy Exchange or through banking is purely depend on time slot and season. As explained in the Petition, in summer months (low demand) the Petitioner banked the energy and in winter (high demand), the banked energy is used. The banking transactions is carried out as per agreement made with the traders and as per the agreement banking sale and purchase conducted. The quantum is also as per agreement and hence, there is no such scope per any additional or unutilised quantum. As submitted in the data gap the year-wise banking transaction with traders is given below. It is clear that there is no such unutilised quantum. Financial year-wise it may seem that the banking adjustment has not happened in totality and there is surplus which can be used in next year. However, the fact is the agreement made with traders are not financial year-wise. But, the banking purchase and sale as per agreement happened in the time period mentioned in the said agreement and MSPDCL is utilising the banked energy within the time period as per agreement. Also, if we add all the numbers given below, it can be seen that no such sizable unadjusted units remain, which can be utilised by the Petitioner in future.

Table 7: Banked Energy details: Year-wise details (MWH)

		2019-20		2020-21		2021-22 (upto January2022)	
Trader	Trader Name	Banking Sale	Banking Purchase	Banking Sale	Banking Purchase	Banking Sale	Banking Purchase
1	KEIPL	96632.55	88530.665	77156.4375	85916.915	39731.4	37330
2	APPCPL	93230.25	76679.505	71517.085	92867.51	29899.6	32848
	Total	189862.8	165210.17	148673.5225	178784.425	69631	70178

Also, in para 7.4, page 102, Hon'ble Commission opined the following:

"During this year 2022-23, the MSPDCL shall endeavour to fully utilise the banked energy stock of 127.47 MU accumulated upto the end of FY 2021-22 in order to minimise the purchase quantity from outside sources and thereby reduce the cost of power to a level lower than the total cost now decided by the Commission as it wants to give freehand to MSPDCL in its procurement process."

Similar banking related fact has been given for FY 2022-23 in page 107 also.

The Petitioner respectfully submits that the as per the above table, there is no such 127.47 MU accumulated banked energy, which was mentioned by the Hon'ble Commission. It seems there may be some error while calculating the banked energy by the Hon'ble Commission.

Further, as explained in the data gap reply, MSPDCL requires purchase/sell of surplus power from/to power exchange in real time basis or required to use the banking facility to manage the deviation in power availability due to various reasons like non-availability of power from hydro power plant due to hydrology failure or deviation in load requirement in the state. Such deviations are real-time phenomenon and the Petitioner has to do the scheduling on 15-min basis. During each 15-min period, the schedule has been prepared as per demand estimation of DISCOM and supply situations provided to DISCOM by CGSs. Hence, based on the situation, for each 15-min period, the Petitioner has to take decision about using the power / banking facility for sale or purchase, as the case may be. So each 15- min period is individual event and distinct. However, the data presented in the Petitioner was for the whole year and the same was summation of all 15-min period data during the year (96 time block for 365 days). Just to understand the situation, an example is prepared. Let us assume, in a year, a DISCOM was involved in sale and purchase from power exchange in 20 time blocks only. The details of assumed time block wise data are given below:

Time	Sale (MU)	Buy (MU)
1.	5	
2.		3
3.	5	
4.	10	
5.		5
6.		2
7.	10	
8.		5
9.		5

Time	Sale (MU)	Buy (MU)
10.	7	
11.		3
12.		7
13.	5	
14.		3
15.		3
16.		4
17.	5	
18.	3	
19.		4
20.		6
Total	**50**	**50**

So, as per above example, in totality, the power exchange sale and buy data will be the same. But the quantum is totally different for each period. So, the total data may not give us the correct picture. Therefore, actual individual 15 min transaction is important which depends on the situation of each period. So, it is respectfully submitted that MSPDCL has to prepare the schedule as per the situation and as per supply availability of the generators also. Hence, as per the requirement, MSPDCL has to use exchange and banking as per the situation prevails. The Petitioner submits that, after all these transactions, there was, in totality, a surplus sale. The Petitioner had optimized its estimated purchase from different sources but after the whole year transaction, there was some surplus which shows in totality, after the end of year. Availability is also a factor which is beyond the control of the Petitioner. For must run projects, whatever be the availability, that has to be considered by the Petitioner. Similarly, when power plants are closed for some reasons, same has to be factored in the schedule. Therefore, the Petitioner requests to consider the situation in 15-min block wise instead of analysing the same for whole year. The Petitioner is following the merit order strictly and considering the sale/purchase from outside after exploring all the generation options available.

COMMISSION'S OBSERVATIONS:

The Issues indicated above will be suitably addressed by the Commission in due course, as the MSPDCL is not eligible for Truing-up at present even for FY 2020-21 in the absence of the audited annual accounts approved by Statutory Auditors. Therefore, it is too early on the part of the Licensee to raise such issues without going into the merits of the issues and implications. Hence, the above request will be considered by the Commission in the true-up for FY2020-21 promptly provided the Licensee to represent all these issues afresh in their true-up submission in future.

l. Break-up summary of OSS as per the ARR submission for2020-21

Licensee's Submission:

The Hon'ble Commission, under Table 5.7, has mentioned that, "it had procured excess quantum of energy more than its needs by 77.56 MU". The Petitioner again reiterates that the banking or energy exchange purchase and sale are real time phenomenon and depends on various factors. The same reasoning was mentioned in the Petition and in previous chapter also. So, the transaction is not kind of additional purchase or purchase not required. The scheduling made by the Petitioner in all 96 time blocks for 365 days is as per situation prevails and schedule available from generators. As mentioned earlier the banking sale is made in summer month to cope with the requirements in winter months. For various reasons there may be some quantum which has to sold in exchange as per supply available with MSPDCL. Hence, it is purely systemic and MSPDCL optimises the same as per demand supply scenario. The Petitioner is working hard to reduce the power purchase cost for the benefit of the consumers. Hence, the submission of MSPDCL may be noted in the regard.

COMMISSION’S OBSERVATIONS:

In fact, this is not an issue to be covered and represented in this review petition when the true-up is not entertained altogether for MSPDCL, it may provide clarification when called for during the time when the matter it is under active consideration by the Commission in due course. For the above stated reasons, **the issue does not need any action from Commissions point of view.**

m. Transmission cost (page 73)

Licensee’s submission:

The Commission mentioned the following in page 73:

“However, the Commission prefers to show Inter-State and Intra-State transmission charges separately and the same may be adopted by MSPDCL from next filing.”

The Petitioner submitted the Inter-State and Intra-State transmission charges separately only for all the relevant years. It is relevant from the transmission charges tables given in the order, where separate charges have been mentioned in four different rows for all the three years. Table 6.6 can be referred in this regard. It is requested that the Hon’ble Commission may clarify the same.

COMMISSION’S OBSERVATIONS:

The intention of the above statement is that Inter-State related transmission charges be shown separately under Inter-State charges and the Intra-state related transmission charges be shown at one place segregated instead of tabulating all the elements clubbed together in one table itself. The same may be noted and it be adopted by the Licensee in future.

n. Capitalisation (para 6.8)

Licensee's submission:

The Hon'ble Commission mentioned the following under capitalization-

"Of the above details in fresh investments as well as in asset Capitalisation, the Prepaid meter work of Rs. 74 Crs and High Mast light work of Rs. 15.67 Crs is common which is fully financed by REC Loan. There is no clarity as to why only Rs. 74 Crs were reflected for prepaid meter work, when the loan proposal was made for Rs. 178 Crs in 2021-22ARR filing itself."

The Petitioner respectfully submits that the work of prepaid metering is projected to be completed in two years period and hence the capitalisation was projected in FY 2021-22 and FY 2022-23. The same was submitted in the formats submitted along with the Petition. A large amount of capitalisation was shown in FY 2022-23 which was pre-paid meter scheme only.

COMMISSION'S OBSERVATIONS:

This matter has been thoroughly discussed and explained in detail under the Interest on Loan issue and the Licensee may refer to and impute the relevant reply of the Commission in this matter. Hence, the issue is already replied and treated as resolved. Any repetition of the same issue will not draw the attention for any presumed reasons.

o. Category wise full cost tariff (Without Subsidy) for FY2022-23

Licensee's submission:

In Table 8.3: Category wise full cost tariff (Without Subsidy) for FY 2022-23 as approved by the Commission, the Commission has mentioned energy charges under Sl. No.6, for a) Agriculture (Individual) and b) Irrigation (Others) as 0.00 (nil) in fourth column. However, the energy charges for the same was mentioned as Rs. 4.55/kWh in table 8.2 (subsidised tariff). It is not possible that the consumers paying Rs. 4.55/kWh as subsidised tariff are paying nil amount in full cost tariff. This is not possible at all. The same was also reflected in Para 4 of Page 196. **The Hon'ble Commission may review the same and modify the tariff schedule accordingly.** It may be an error and the Hon'ble Commission can clarify the same.

COMMISSION'S OBSERVATIONS:

i) In fact, this does not deserve any clarification from Commission side as this is not at all a point to be questioned in the review petition. But still, the Commission wishes to promote the level of understanding of Licensee on Full cost Tariff concepts, so providing the following clarification.

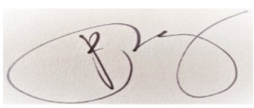
ii) The Licensee when proposed energy projection for FY 2022-23, did **nil (Zero)** projection for **LT – Irrigation and agriculture category** (Table-37 & 53). Basing on this nil projection, the Full-cost Tariff (FCT) shall not be derived because of the non-existence of a consumer for that consumer category and hence no cost gets apportioned to that particular nil consumer category in the process of FCT determination. Thereby, the cost (net ARR) attributable to that non-existing category consumers would be zero as because zero units assigned for the category. Eventually, the resultant Full-Cost tariff (FCT) for a zero-unit consumer will only have zero value. But fixation of retail tariff can be made with some rationality and it is also needed invariably to extend service to such nil consumer category, if he emerges suddenly during the currency of year. Hence, some tariff is indicated for LT-Irrigation and Agriculture consumer to facilitate Licensee to extend service without any hesitancy and difficulty.

iii) The basic nuance as to why FCT would be levied upon is that in the event of non-receipt of government subsidy in any particular month the tariff levied for the consumer will be switched over to approved FCT rate but not at subsidised rate. While deriving the subsidised tariff, the subsidy allocation would be made only to the projected consumers but not to a consumer going to emerge later. Moreover, as the total ARR is fully absorbed by the existing/projected consumers of the ensuing year, there will not be any new financial burden on the Licensee to levy FCT <u>on such freshly emerged consumers</u>. **Hence, there is no error as presumed by the petitioner and the issue does not deserve any kind of attention**.

4. The instant Review Petition No. 2 of 2022 is partially allowed in terms of the aforesaid observations of the Hon’ble Commission above and disposed of accordingly this 16th day of June 2022.

5. MSPDCL shall take necessary steps in terms of this Hon’ble Commission Order accordingly.

(LALCHHARLIANA PACHUAU)
MEMBER



(R.THANGA)
CHAIRPERSON

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