

**Before the**  
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**  
**World Trade Centre, Centre No.1, 13<sup>th</sup> Floor, Cuffe Parade, Mumbai – 400 005**  
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**CASE No. 102 of 2023**

**Case of Maharashtra State Electricity Distribution Co. Ltd. seeking review of the MTR  
Order dated 31 March 2023 issued in Case No 226 of 2022**

**Coram**

**Sanjay Kumar, Chairperson**  
**Anand M. Limaye, Member**  
**Surendra J. Biyani, Member**

Maharashtra State Electricity Distribution Co. Ltd.

...Petitioner

Appearance

For Petitioner

...Shri. Anup Jain, (Adv.)

**Date: 31 December 2024**

**ORDER**

1. Maharashtra State Electricity Distribution Company Limited (MSEDCL) has filed a Case on 13 May 2023 under Section 94 (1) (f) of the Electricity Act, 2003, Regulation 28 and 39 (c) of MERC (Transaction of Business and Fees & Charges) Regulations, 2022. In present Petition MSEDCL is seeking Review of Order dated 31 March 2023 in Case No. 226 of 2022 in the matter of final True-up of Aggregate Revenue Requirement (ARR) of FY 2019-20, FY 2020-21 & FY 2021-22, Provisional True Up of ARR of FY 2022-23 and Revised Tariff and Projections of ARR for FY 2023-24 to FY 2024-25 (Impugned MTR Order).
2. MSEDCL's prayers are as follows:  
“
  1. *To admit the Petition as per the provisions of the Section 94 (1) (f) of the Electricity Act 2003 read with Regulation 28 (a) and Regulation 39(c) of the Maharashtra Electricity Regulatory Commission (Transaction of Business and Fees and Charges) Regulations, 2022;*”

2. *To allow the Review of the MTR Order dated 31st March 2023 in Case No. 226 of 2022 passed by Hon'ble Commission;*
3. *To consider the net purchase from MSPGCL stations for FY 2022-23 in line with the net generation approved by Hon'ble MERC in MSPGCL's MTR Order in Case No. 227 of 2022 and accordingly revise the power purchase cost of MSEDCL for FY 2022-23;*
4. *To consider the variable cost of Bhusawal 4 & 5 and Khaparkheda 1 to 4 Stations of MSPGCL which is not accounted for in the approved power purchase cost of MSEDCL for FY 2022-23;*
5. *To allow InSTS charges as claimed by MSEDCL for FY 2021-22 which are already considered in the MTR Order for STU in Case No. 239 of 2022;*
6. *To allow additional cost under InSTS charges for FY 2019-20 and FY 2020-21 in line with the bills raised by STU for the said period;*
7. *To allow the additional impact on Interest on Working Capital of Rs. 588.62 Cr on account of Covid-19 pandemic as an uncontrollable expense and accordingly include the same in the normative Interest on Working Capital for FY 2020-21;*
8. *To consider the actual Interest on Working Capital for FY 2019-20 to FY 2021-22 as submitted by MSEDCL (i.e. based on the actual opening of Working Capital Loan and not on actual Opening Cash/Bank balances) for computation of Sharing of Gains/Losses on Interest on Working Capital for FY 2019-20 to FY 2021-22.*
9. *To revise computation of RPO target of Solar and Non-solar by considering total power consumption excluding Hydro and open access units for FY 2020-21 to FY 2024-25;*
10. *To correct the normative O&M expenses considered for FY 2019-20 to FY 2024-25 and to consider actual O&M expenses for FY 2020-21 and FY 2021-22 as submitted by MSEDCL in the MTR Petition and allow the impact as submitted by MSEDCL;*
11. *To rectify the error in consideration of finance expenses in Other expenses for FY 2020-21 and FY 2021-22 and consider the expenses of Rs. 8.43 Cr;*
12. *To consider trade receivables as per the audited accounts for calculating provision for Bad debts for FY 2019-20 and allow the impact of the same as submitted by MSEDCL;*
13. *To rectify the error in difference in computation of Debt-equity ratio for FY 2021-22 and allow impact on Computation of Interest for FY 2021-22 and onwards*
14. *To review the decision regarding withholding of additional RoE, and allow entire additional RoE of Rs. 356.16 Cr (Rs. 173.33 Cr for FY 2020-21 and Rs. 182.83 Cr for FY 2021-22);*

15. *To rectify the error of non-consideration of consumer contribution and grants in opening GFA for working out maintenance spares under working capital provisions for FY 2020-21 to FY 2024-25 and allow the impact of the same as submitted by MSEDCL;*
16. *To rectify the error in consideration of Interest on Security Deposit as per audited accounts for FY 2020-21 and allow impact of Rs. 0.44 Cr;*
17. *To rectify the error of non-consideration of additional consumer security deposit for FY 2022-23 to FY 2024-25 and allow its impact of the same as submitted by MSEDCL;*
18. *To review the error of double pro-rata reduction for computation of depreciation for FY 2019-20 and allow the impact of the same.*
19. *To review the error in consideration of depreciation rate for FY 2022-23 to FY 2024-25 and allow the impact of the same as submitted.*
20. *To rectify the error in consideration of Ag consumption norm for true-up and estimation of Ag sales for FY 2019-20 and allow true-up and estimation of Ag sales for FY 2019-20 based on approved Ag consumption norm of 1181 units/HP/annum.*
21. *To allow true-up and estimation of Ag sales of 30,264 MU and 30,398 MU and resultant financial impact for FY 2020-21 and FY 2021-22 as against AG Sale of 26,549 MU and 26,775 MU for the respective FYs, since the same was completely based on Ag Sales estimation as outlined under Para 4.2.20 to Para 4.2.26 of earlier MYT Order and were timely provided to the Hon'ble Commission.*
22. *To consider the additional submission regarding feeder-based assessment of Ag sales submitted by MSEDCL vide its letter dated 17 March, 2023 which is in line with the AGWG methodology.*
23. *To provide clarification on various issues as submitted by MSEDCL.*
24. *To provide clarification on corrections related issues as submitted by MSEDCL*
25. *To allow the carrying cost on the Financial Impact of this Review Petition*
26. *To allow the recovery of Financial Impact arising out of this Review petition along with carrying cost by way of appropriate mechanism.*

...”

MSEDCL has submit the additional submission on dated 02 November 2023,11 December 2023, 09 February 2024 and 21 May 2024 in the said submission following additional prayers have been made:

Additional Submission dated 02 November 2023:

“

- a) *To consider this submission as an integral part of the Original Review Petition;*
  - b) *For waiver of Fixed / Demand Charge for EVCS tariff.*
  - c) *To provide clarification on various issues as submitted by MSEDCL*
- ...”

**Additional Submission dated 11 December 2023:**

- “
- a) *To consider this submission as an integral part of the Original Review Petition and subsequently through the additional submissions;*
  - b) *To provide clarification on tariff categorization of Milk collection centres who supply milk only to Co-operative Dairies as sought in the additional submission.*
- ...”

**Additional Submission dated 09 February 2024:**

- “
- a) *To consider the present submissions as an integral part of the Original Review Petition;*
  - b) *To clarify and allow the inclusion of assessment unit while calculating average for last three-year consumption to allow Incremental consumption Rebate in Energy Bill of eligible LT Consumers and other modalities as sought in the present additional submission.*
- ....”

**Additional Submission dated 21 May 2024:**

- “
- a) *To consider this submission as an integral part of the Original Review Petition;*
  - b) *To provide guidelines/clarifications regarding the operational issues mentioned in this additional submission regarding the smart meter implementation;*
  - c) *To approve additional carrying cost of Rs. 156.30 due to impact of past period true-up of MSPGCL and accordingly, consider total financial impact of Rs. 8,819 Crs. under review petition;*
  - d) *To provide clarification on various issues as submitted by MSEDCL;*
- ...”

3. MSEDCL has stated that in the impugned MTR Order there are certain apparent errors, and it has apprehension/concerns over the manner in which certain issues have been dealt by the Commission. Therefore, it has filed the present Petition seeking Review of the said MTR Order. Following table shows MSEDCL's (14) review issues with their financial impact as claimed by it:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (Rs. Crs)</b>
1	Impact on account of a) Revised quantum of MSPGCL stations as per the Commission's MTR Order for MSPGCL and b) Power Purchase cost of Bhusawal 4 & 5 and Khaparkheda 1 to 4 Stations of MSPGCL for FY 2022-23	3937.27
2	Review on account of additional InSTS charges to be allowed for FY 21-22 as per Hon'ble MERC MTR Order for STU	168.59
3	Review of Additional cost to be allowed in InSTS (True-up) (FY 19-20 & FY 20-21)	23.97
4	Review of normative O&M and actual O&M expenses for FY 2019-20 to FY 2024-25	761.58
5	Non-consideration of finance expense in Other expenses for FY 2020-21 and FY 2021-22	8.43
6	Error in consideration of the trade receivables as per audited accounts for calculating provision for Bad Debt for FY 2019-20	262.69
7	Difference in computation of Debt: Equity ratio and its impact on Computation of Interest Expenses for FY 2021-22 and onwards	29.99
8	Withholding of claim of additional Return in Equity for Wires Business for FY 20-21 and FY 21-22	356.16
9	Disallowance of consumer contribution and grants in opening GFA for working out maintenance spares under working capital provisions for FY 2020-21 to FY 2024-25	24.45
10	Error in consideration of Interest on Security Deposit as per audited accounts for FY 2020-21	0.44
11	Non-Consideration of additional consumer security deposit for FY 2022-23 to FY 2024-25	81.796
12	Interest on Working Capital for FY 2019-20 to FY 2021-22	1984.13
13	Depreciation for FY 2019-20 and FY 2022-23 to FY 2024-25	1023.31
14	Carrying cost on impact of True-up of MSPGCL from FY 2019-20 to FY 2022-23	156.30
	<b>Total</b>	<b>8819.10</b>

Apart from above points for review, MSEDCL has sought clarification on following aspects:

Sr. No.	Particulars
1	Provision on penalty for exceeding contract demand
2	Operationalisation of incremental consumption rebate for HT & LT categories
3	Implementation of Tariff related features of the MTR Order
4	Implementation of revised approved tariff categorisation
5	Applicability of additional surcharge
6	Methodology of Arrears treatment with regards to Smart Meters

MSEDCL in its Petition has also highlighted corrections required in MTR Order.

4. The Commission scheduled the matter on 10 October 2023 and 13 February 2024. On both occasions, MSEDCL sought adjournment. The matter is heard conclusively during e-hearing held on 31 May 2024.
5. The Commission notes that the Review Petition has been filed under Regulations 28 (Review of Decisions, Directions & Orders) of MERC (Transaction of Business and Fees and Charges) Regulations, 2022, which is reproduced here below:

“

*28. Review of decisions, directions, and orders:*

*(a) Any person aggrieved by a direction, decision or order of the Commission, from which (i) no appeal has been preferred or (ii) from which no appeal is allowed, may, **upon 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 direction, decision or order was passed or on account of some mistake or error apparent from the face of the record,** or for any other sufficient reasons, may apply for a review of such order, within Forty-Five (45) days of the date of the direction, decision or order, as the case may be, to the Commission.”(Emphasis added)*

Thus, the ambit of review is limited and MSEDCL’s Petition has to be evaluated accordingly. As required in above Regulations, MSEDCL has filed this review Petition within time limit of 45 days from issuance of the impugned MYT Order.

6. For simplicity, this Order has been structured to summarise issues wise submission of MSEDCL and the Commission’s analysis & Ruling on the said issue. This Order has been structured in following four parts:

Part A: Review Aspects

Part B: Issue of Agricultural Sales Assessment

Part C: Clarifications

Part D: Corrigendum

**PART A**  
**REVIEW ASPECTS**

**7. Issue (A): Power purchase quantum from MSPGCL stations for FY 2022-23:**

MSEDCL's Submission:

Estimating the power purchase from MSPGCL stations based on lower availability:

- 7.1 The Commission in its impugned MTR Order has considered the Fixed cost, Energy Charge rate, availability and auxiliary consumption as provisionally approved by the Commission in MSPGCL MTR Order in Case No. 227 of 2022.
- 7.2 MSPGCL has estimated lower availability than normative in its MTR Petition owing to lower realisation of coal during H1 of FY 2022-23 at pan India level. The Commission in its Order in Case No.227 of 2022 has accepted the availability estimated by MSPGCL and accordingly reduced the recovery of full AFC which is allowable at target availability. The AFC recovery of MSPGCL has been reduced on pro-rata basis except for Uran.
- 7.3 The Commission under Table 6.24 of MSPGCL's MTR Order has also approved the reduction in approved Fixed Cost for each of the power stations of MSPGCL considering the lower availability of these plants estimated during FY 2022-23.
- 7.4 However, while estimating the net purchase from MSPGCL stations in impugned MTR Order of MSEDCL, the Commission has considered net generation on the basis of normative availability as against estimated availability approved in MSPGCL's MTR Order. Following Table shows net generation approved in MSPGCL MTR Order vis-a-vis net purchase approved in MSEDCL MTR Order for each of the stations of MSPGCL for FY 2022-23.

Station/Unit	Net Generation approved in MSPGCL MTR Order (MU)	Net Purchase approved in MSEDCL MTR Order (MU)
Bhusawal	1,020.13	1,198.97
Chandrapur	10,683.50	10,564.48
Khaparkheda	4,740.34	4,972.63
Koradi	1,220.96	1,184.57
Nashik	3,274.20	222.46
Uran	1,516.47	-
Paras Unit 3 & 4	3,026.36	3,334.26
Parli Unit 6 & 7	3,179.40	3,289.77
Khaparkheda Unit 5	3,296.48	3,509.21
Bhusawal Unit 4 & 5	5,945.70	7,018.42
Koradi Unit 8-10	11,399.73	11,719.50
Chandrapur Unit 8 & 9	6,503.65	7,018.42
Parli Unit 8	1,353.49	1,707.94

- 7.5 This is an error apparent on the face of records and needs correction.
- 7.6 Due to consideration of normative availability of MSPGCL stations, higher generation is considered from MSPGCL stations and lower generation is considered from other costlier stations including IPPs. Due to this the power purchase cost approved for MSEDCL during FY 2022-23 is estimated on lower side. MSEDCL requested the Commission to consider the power purchase units equivalent to net generation approved in MSPGCL's MTR Order in Case No. 227 of 2022 and then make the merit order dispatch applicable to arrive at accurate quantum of power purchase and corresponding cost for each of the power stations.

Power Purchase cost of Bhusawal 4 & 5 and Khaparkheda 1 to 4 stations of MSPGCL for FY 2022-23:

- 7.7 The Commission in the Table 5-15 of the impugned MTR Order has approved power purchase from Bhusawal 4 & 5 and Khaparkheda 1 to 4 at a total (fixed plus energy) rate of Rs. 1.53/kWh and Rs. 1.18/kWh respectively as shown below:

Generator Name	MTR Petition			Approved impugned MTR Order		
	Energy Purchase (ex-bus) (MUs)	Total Cost (Rs. Cr)	Rate of power procured (Rs/kWh)	Energy Purchase (ex-bus) (MUs)	Total Cost (Rs. Cr)	Rate of power procured (Rs/kWh)
Bhusawal 4 & 5	5,960.40	3,085.34	5.18	7,018.42	1,074.51	1.53
Khaparkheda -1 to 4	4,312.73	2,027.32	4.70	4,972.63	586.46	1.18

- 7.8 The Commission while working out on impugned MTR Order has considered the fixed cost and energy charge rates for MSPGCL stations, as approved in MSPGCL's MTR Order in Case No. 227 of 2022. The following Table shows the fixed cost and energy charge rate approved by the Commission in MSPGCL's MTR Order:

Station/Unit	Approved Fixed Cost (Rs. Cr.)	Approved Energy Charge (Rs./kWh)
Bhusawal Unit 3	154.09	4.602
Chandrapur Unit 3 to 7	1075.19	4.075
Khaparkheda Unit 1 to 4	587.39	3.871
Koradi Unit 6	327.06	3.255
Nashik Unit 3 to 5	438.45	4.966
Uran	195.71	5.830
Paras Unit 3 & 4	460.57	3.159
Parli Unit 6 & 7	455.61	4.420
Khaparkheda Unit 5	524.65	3.892
Bhusawal Unit 4 & 5	1038.68	3.854
Koradi Unit 8-10	2224.51	3.161
Chandrapur Unit 8 & 9	1187.60	3.720
Parli Unit 8	375.20	4.323

Station/Unit	Approved Fixed Cost (Rs. Cr.)	Approved Energy Charge (Rs./kWh)
<b>TOTAL</b>	<b>9044.71</b>	

- 7.9 As seen from the above Table, the energy charges approved for Bhusawal Unit 4 & 5 and Khaparkheda Unit 1 to 4 in MSPGCL's MTR Order in Case No. 227 of 2022 is itself higher than the total per unit rate approved for these stations in the impugned MTR Order.
- 7.10 The following Table shows the comparison of total rate approved in MSEDCL's MTR Order and energy rate approved in MSPGCL's MTR Order for Bhusawal Unit 4 & 5 and Khaperkheda Unit 1 to 4.

Generator Name	Variable Rate approved in MSPGCL's MTR Order (Rs./kWh)	Total Rate approved in MSEDCL's MTR Order (Rs./kWh)
Bhusawal 4 & 5	5.18	1.53
Khaparkheda -1 to 4	4.70	1.18

- 7.11 On further analysis, it appears that the Commission has not computed/considered the variable cost of the above two power stations of MSPGCL and hence only the fixed cost of these stations are accounted. This is an error apparent on the face of records and needs correction.
- 7.12 After taking into consideration of above factors MSEDCL has revised power purchase cost for FY 2022-23. Whiling doing so it has reworked the merit order dispatch. The combined net impact comes out to Rs. 3,937.27 Cr which needs to be additionally allowed under power purchase expenses for FY 2022-23.

***Commission's Analysis & Ruling:***

- 7.13 This claim is for provisional true up of FY 2022-23. Upon perusal of MSPGCL MTR Order in Case No.227 of 2022, it is evident that the Commission has accepted the availability estimated by MSPGCL and reduced the approved AFC on pro-rata basis. But same is not considered while working out power purchase basket of MSEDCL for FY 2022-23. This is clearly an error apparent on face of record.
- 7.14 Further, for Bhusawal 4 & 5 and Khaparkheda 1 to 4 units, the Commission in impugned MTR Order has considered reduced tariffs. This is an error apparent in the impugned MYT Order.
- 7.15 Although above errors have impacted power purchases expenses approved in the MTR Order, but on account of FAC mechanism under MYT Regulations 2019, MSEDCL is able to pass on actual power purchase expenses to its consumers. Hence, impact of above said errors needs not be approved separately. Further, all these expenses are pertaining to FY

2022-23, which will be trued up during upcoming tariff Petition. Hence, MSEDCL can claim its actual power purchase expenses for FY 2022-23 during upcoming MYT Petition.

**8. Issue (B): InSTS charges for FY 2021-22:**

MSEDCL's Submission:

8.1 The Commission has approved the following amounts with respect to InSTS charges for FY 2021-22 as against the amounts claimed by MSEDCL in its MTR Petition.

Particulars (Rs. Cr.)	Approved in MYT	Claimed by MSEDCL in MTR	Approved in MTR	Disallowance
InSTS charges	5,782.39	5,950.98	5,782.39	168.59

8.2 MSEDCL had claimed the amount of InSTS charges for FY 2021-22 in its MTR Petition based on the actual bills raised by STU which were also verified by MSEDCL from their end. Further, MSEDCL had also provided the monthly break-up of these expenses and reconciliation statement of the same to substantiate its claim in MTR Petition during data gaps reply.

8.3 However, the Commission has disallowed certain amounts and noted that MSEDCL has not clarified why it has paid the InSTS charges and MSLDC charges higher than what the Commission has approved in the Case No. 327 of 2019 dated 30 March 2020 and Case No. 291 of 2019 dated 30 March 2020. Therefore, for FY 2020-21 and FY 2021-22, the Commission has considered the Transmission Charges and SLDC charges paid by MSEDCL as per the above respective Orders of the Commission for the purpose of truing up of FY 2020-21 and FY 2021- 22.

8.4 MSEDCL submitted that these amounts were claimed in line with the bills raised by STU to MSEDCL during FY 2021-22.

8.5 On the contrary, it is observed that the Commission in MTR Order for STU in Case No. 239 of 2022 has considered certain amount under Short Term Charges (STC) while approving the True-up amounts for MSEDCL. The Tables below shows the amounts that have been considered for MSEDCL under short term charges while Truing-up of FY 2020-21 and FY 2021-22:

**FY 2020-21**

Particulars	MYT Order			Actual		True-up			
	MYT Order	TTSC billed	Share of Avg. of CPD and NCPD (%)	Share of TTSC as per Actual TCR	Share of Avg. of CPD and NCPD (%)	Difference payable/ (receivable)	Short Term Charges (STC)	Short Term Charges Adjustment	Final True-up
	(a)	(b)	(c)	(d)	(e)	(f) = (d)-(b)	(g)	(h) = (f)-(g)	(i) =(f)+(h)

MSEDCL	5,671.59	5,671.56	83.53%	5,877.21	86.560%	205.65	83.5461	122.11	122.11
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8.6 As seen from the above Table, the Commission had determined the difference amount payable to STU at Rs. 205.65 Cr based on the difference of TTSC as per actual TCR and the TTSC as per MYT Order. However, the Commission has reduced the amount of Short-Term Charges (STC) to the tune of Rs. 83.5461 Cr from the differential amounts payable to STU by MSEDCL (i.e. Rs. 205.65 Cr) and hence derived the amounts to be approved in True-up for FY 2020-21 (i.e. Rs 122.11 Cr) which was allowed and passed on in ARR of STU for FY 2023-24.

8.7 Accordingly, it is evident that the amount allowed in True-up is after reducing the amount of Short-Term Charges which are claimed by STU and paid by MSEDCL. Hence, the amount of Rs. 83.5461 Cr is admitted by the Commission in True-up of FY 2020-21 which was recoverable by the STU and is allowed in the MTR Order for STU in Case No. 239 of 2022.

#### **FY 2021-22**

Particulars	MYT Order			Actual		True-up			
	MYT Order	TTSC billed	Share of Avg. of CPD and NCPD (%)	Share of TTSC as per Actual TCR	Share of Avg. of CPD and NCPD (%)	Difference payable/ (receivable)	Short Term Charges (STC)	Short Term Charges Adjustment	Final True-up
	(a)	(b)	(c)	(d)	(e)	(f) = (d)-(b)	(g)	(h) = (f)-(g)	(i) =(f)+(h)
MSEDCL	5,782.39	5782.44	83.70%	5,972.42	86.449%	189.98	84.9890	105.00	105.00

8.8 For FY 2021-22, the Commission determined the difference amount payable to STU at Rs. 189.98 Cr based on the difference of TTSC as per actual TCR and the TTSC as per MYT Order. However, the Commission has reduced the amount of Short-Term Charges (STC) to the tune of Rs. 84.9890 Cr from the differential amounts payable to STU by MSEDCL (i.e. Rs. 189.98 Cr). It is evident that the amount allowed in True-up is after reducing the amount of Short-Term Charges which are claimed by STU and paid by MSEDCL. Hence, the amount of Rs. 84.9890 Cr is admitted by the Commission in True-up of FY 2021-22 which was recoverable by the STU and is allowed in the MTR Order for STU in Case No. 239 of 2022.

8.9 The disallowance of Rs. 168.59 Cr is an error apparent on the face of record since the amounts are considered in STU MTR Order in Case No. 239 of 2022 during FY 2020-21 and FY 2021-22 but the same are disallowed in MSEDCL's MTR Order under InSTS Charges during FY 2021-22.

- 8.10 Since the bills of FY 2020-21 were raised in FY 2021-22, MSEDCL has accounted the bills of FY 2020-21 in FY 2021-22 and therefore the combined amount of these bills of FY 2020-21 and FY 2021-22 are accounted for in MSEDCL's accounts of FY 2021-22 and claimed under InSTS charges for FY 2021-22 in its MTR Petition.
- 8.11 Accordingly, MSEDCL requested the Commission to allow the claim of Rs. 168.59 Crs.

***Commission's Analysis & Ruling:***

- 8.12 In the past, the Commission vide its Order dated 14 June 2019 in Case No. 361 of 2018 filed by Tata Power Co. Ltd. seeking review of the Commission's Order dated 12 September 2018 in Case No. 265 of 2018, regarding Mid-Term Review of InSTS Tariff for FY 2018-19 and FY 2019-20 has clarified its view on the inclusion of Partial OA consumers in TSU's demand and treatment to the STOA charges collected from Partial OA consumers by TSU. Relevant extract of the Order is reproduced as below:

“

*9.35. Further, Total Transmission System Charges (TTSC) of Intra-State Transmission System (InSTS) is the result of capital investment made by all the Transmission Licensees to meet the demand of TSUs as a pool. As per principles of pooled ARR, such TTSC is shared by all the consumers of Maharashtra, irrespective of calculating the benefits to the consumers of particular TSU. It means capital investment made by TPCT is shared by all the consumers of Maharashtra including MSEDCL, AEML-D, BEST etc. The demand of partial OA consumers for transmission usage and units consumed by them are catered by InSTS network. Hence, the transmission charges collected by DL from the partial OA consumers as a nodal agency under DOA Regulations 2016 shall have to be remitted to STU and so deducted from TTSC at the time of determining transmission tariff as per MYT Regulations 2015, which in turn benefits consumers of all the DLs in the Maharashtra as well as LTOA users. If transmission charges collected from OA consumers are not paid/remitted to STU and instead is kept with the DL, it will benefit the consumers of that DL only. Further, Regulation 14.1 of the DOA, Regulations, 2016 clearly specifies that the partial OA consumers have to pay the transmission charges to the DLs and in-turn DLs have to remit the same to STU. Hence, TPC-T's claim to allow it to retain the transmission charges collected from OA consumers is unjustified and will be injustice to the other consumers of TSUs.”*  
*(Emphasis added)*

- 8.13 In line with above ruling, in true-up exercise, the Commission has reduced TTSC by short term charges. Similar approach has been adopted by the Commission in its MTR Order for STU in Case No.239 of 2022. The same is evident from MSEDCL's own submission.
- 8.14 In present Review Petition, MSEDCL is claiming InSTS charges for FY 2021-22 (Rs. 83.54 Cr) and FY 2021-22 (Rs. 84.98 Cr) to the tune of Rs. 168.59 Cr. These amounts are short term transmission charges which it has recovered from consumers and paid to

MSETCL. As the claimed amounts have already been recovered from the partial OA consumers as per DOA Regulations 2016 and remitted to STU, same cannot be allowed to recover again from consumers by adding it to MSEDCL's expenses. In view of above, review sought on this issue is not maintainable and hence rejected.

**9. Issue (C): InSTS Charges for FY 2019-20 and FY 2020-21:**

*MSEDCL's Submission:*

9.1 The Commission in its impugned MTR Order has approved the following amounts with respect to InSTS charges for FY 2019-20 and FY 2020-21 as against the amounts claimed by MSEDCL in its MTR Petition.

Particulars (Rs.Cr.)	Approved in MYT	Claimed by MSEDCL in MTR	Approved in MTR	Disallowance
InSTS charges for FY 2019-20	4,839.42	4,847.57	4,839.42	8.15
InSTS charges for FY 2020-21	5,671.59	5,687.41	5,671.59	15.82

9.2 MSEDCL had claimed the amount of InSTS charges for FY 2019-20 and FY 2020-21 in its MTR Petition based on the actual bills raised by STU which were also verified by MSEDCL from their end.

9.3 Further, MSEDCL had also provided the monthly break-up of these expenses and reconciliation statement of the same to substantiate its claim in MTR Petition during data gaps reply. However, the Commission ruled that reconciliation statement does not clarify the reason for paying higher InSTS charges than what the Commission had approved in MYT Order for STU and therefore the additional amounts claimed by MSEDCL were disallowed.

9.4 With regards to the additional amount of Rs. 8.15 Cr for FY 2019-20 and Rs. 15.82 Cr for FY 2020-21 which is over and above the InSTS Charges approved in previous MYT Order, it is submitted that these additional amounts pertain to banking charges, WRLDC/SLDC/DSM charges for drawl of power from Madhya Pradesh, reactive charges, other miscellaneous charges etc. The disallowance of Rs. 8.15 Cr for FY 2019-20 and Rs. 15.82 Cr for FY 2020-21 is an error apparent on the face of record as these are actual amounts claimed and billed by STU to MSEDCL.

***Commission's Analysis & Ruling:***

9.5 For FY 2019-20 and FY 2020-21, the Commission has disallowed Rs. 8.15 Cr and Rs. 15.82 Cr, citing that the reconciliation statement provided by MSEDCL does not clarify

the reason for paying higher InSTS charges than what the Commission had approved in MYT Order for STU.

- 9.6 MSEDCL averred that it has claimed the amount of InSTS charges for FY 2019-20 and FY 2020-21 in MTR Petition based on actual bills raised by STU.
- 9.7 MSEDCL in the Review Petition has submitted these additional amounts pertain to banking charges, WRLDC/SLDC/ DSM charges for drawl of power from Madhya Pradesh, reactive charges, other miscellaneous charges etc. For supporting the claim, MSEDCL submitted the detailed statement of transactions with description. It is pertinent to note that MSEDCL has not furnished the above details during proceedings in MTR in Case No.226 of 2021. However, as these expenses have been actually incurred for supplying power to consumers, same needs to be allowed. Accordingly, the Commission allows impact of Rs. 23.97 Cr. (Rs.8.15 Cr and Rs.15.82 Cr for FY 2019-20 and FY 2020-21) on account of InSTS charges in this Review Petition. But as such allowance is on account of details which MSEDCL could not submit during MTR process, MSEDCL shall not eligible for carrying cost on such impact of Rs. 23.97 Cr.

**10. Issue (D): Error in computation of RPO target of Solar and Non-Solar for FY 2020-21 & FY 2021-22:**

*MSEDCL's Submission:*

- 10.1 The Commission in impugned MTR Order has concluded that upon excluding consumption from hydro sources from the total gross consumption, MSEDCL has not complied with the RPO target during FY 2020-21 and FY 2021-22.
- 10.2 As per Regulations 3.1 of MERC (Renewable Purchase Obligation, its compliance and implementation of Renewable Energy Certificate Framework) Regulations, 2019 (RPO Regulations, 2019) the RPO target is calculated 'on the basis of total consumption of electricity within the area of a Distribution License'.
- 10.3 From impugned MTR Order, it appears that while calculating RPO target of Solar and Non-Solar, the Commission considered total power purchase quantum of MSEDCL instead of total consumption for FY 2020-21 and FY 2021-22 respectively. Due to such considerations, there is increase in RPO target by 178 MU for Solar & 456 MU for Non-Solar for FY 2020-21 and 196 MU for Solar & 376 MU for Non-Solar for FY 2021-22. This is an error apparent on face of the records and needs correction.
- 10.4 MSEDCL's consumption is inclusive of energy consumption by Open Access consumers. While computing RPO targets, MSEDCL has considered total power consumption of 1,23,673 MU for FY 2020-21 and 1,36,005 MU for FY 2021-22 excluding Hydro & Open Access units.

**RPO Compliance during FY 2020-21 & FY 2021-22 as submitted by MSEDCL in MTR Petition**

RPO	FY 2020-21	FY 2021-22
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	Target	Achieved	Shortfall	Target	Achieved	Shortfall
<b>Solar</b>	5555	5673	<b>-118</b>	8164	7184	<b>980</b>
<b>Non-Solar</b>	14196	10769	<b>3427</b>	15648	12186	<b>3462</b>

**RPO Compliance during FY 2020-21 & FY 2021-22 as approved by the Commission**

RPO	FY 2020-21			FY 2021-22		
	Target	Achieved	Shortfall	Target	Achieved	Shortfall
<b>Solar</b>	5733	5673	<b>60</b>	8360	7184	<b>1176</b>
<b>Non-Solar</b>	14652	10769	<b>10769</b>	16024	12186	<b>3838</b>

10.5 Accordingly, MSEDCL requested the Commission to rectify the error and consider the RPO compliance status for FY 2020-21 and FY 2021-22 as per its submission. Further, similar error may be rectified in computation of RPO targets for Solar and Non-Solar by considering total power consumption for FY 2022-23 to FY 2024-25.

***Commission’s Analysis & Ruling:***

10.6 For verification of RPO compliance the Commission has re-computed the of the target quantum based on the gross consumption excluding consumption from hydro. The relevant extract from the RPO Regulation 2019 is detailed below:

“

*7.1 Every Obligated Entity shall procure electricity generated from eligible RE sources to the extent of the percentages, **out of its total procurement of electricity from all sources excluding energy from Hydro power in a year....**”*

10.7 It is observed that MSEDCL has misinterpreted Regulation in its Review Petition. The Commission has correctly considered RPO targets by considering the ex-bus energy procurement from the all the sources excluding hydro as per provisions of the Regulations. Hence, on this issue there is no error apparent on face of record.

**11. Issue (E): O&M Expenses for FY 2019-20 to FY 2024-25:**

MSEDCL’s Submission:

**Normative O&M expenses for FY 2019-20 to FY 2024-25**

11.1 MSEDCL submitted that the Commission in Paragraph 3.7.23 to 3.7.26 of the impugned MTR Order has ruled on approval of normative O&M expenses for FY 2019-20.

11.2 The Commission in its impugned MTR Order has categorically ruled that as per the amendment to the MYT Regulations, 2015; the Base Year expenses for FY 2015-16 need to be escalated by inflation factor with 30% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index (WPI) of the past five financial years and 70% weightage to the average yearly inflation derived based on the monthly Consumer

Price Index (CPI) for Industrial Workers (all-India) of the past five financial years, as reduced by an efficiency factor of 1% to arrive at the permissible O&M expenses for each year of the Control Period.

- 11.3 No explanation has been provided in the impugned MTR Order regarding which base year expenses considered for derivation of normative O&M expenses for FY 2019-20.
- 11.4 By considering approved O&M expenses for FY 2015-16 of Rs. 6,356.66 Cr as base expenses and five-year escalation of 3.22% (i.e. 4.22% reduced by 1% efficiency factor for FY 2019-20), normative O&M expenses for FY 2019-20 works out to be Rs. 7,215.97 Cr.
- 11.5 MSEDCL in its MTR Petition has also proposed similar expenses, however, the Commission in contrary to its own ruling at Para 3.7.24 of the impugned MTR Order approved Rs. 7,183.12 Cr as O&M expenses.

Approval of O&M expenses for FY 2019-20 to FY 2024-25 is not as per the Commission's own ruling at Paragraph 3.7.24 and hence error apparent on record. Accordingly, MSEDCL requested to rectify the error.

**Actual O&M expenses for FY 2019-20 to FY 2021-22**

- 11.6 While considering actual restated audited O&M expenses, out of total restated audited Employee expenses submitted by MSEDCL for FY 2019-20, FY 2020-21 and FY 2021-22, the Commission has disallowed 'Other Comprehensive Income' stating that MSEDCL has not submitted any justification of the claim or supporting documents. Accordingly, the Commission disallowed Rs. 121.13 Cr, Rs. -(5.43) Cr and Rs. 98.94 Cr of Other Comprehensive Income for FY 2019-20, FY 2020-21 and FY 2021-22 respectively.
- 11.7 As part of Original Petition, MSEDCL already in Para 2.9.8 (for FY 2019-20), Para 3.9.7 (for FY 2020-21) and Para 4.9.7 (for FY 2021-22) has submitted that MSEDCL has added amount towards Re-measurement of defined benefit plans. Gratuity is recognised at the year-end by using projected unit credit method as on 31<sup>st</sup> March of respective year. The Commission vide Query No. 1, Query No. 14 and Query No. 33 of Data Gaps Set-I specifically asked MSEDCL to reconciliation of actual O&M expenses submitted in MTR Petition with audited accounts only for FY 2019-20, FY 2020-21 and FY 2021-22 respectively. MSEDCL in its Reply to Data Gaps Set-I dated 4 January 2023 already submitted reconciliation of actual O&M expenses submitted in MTR Petition with respective restated audited accounts. The Commission has not specifically asked for justification/supporting documents, therefore Commission's observation for disallowance of Other Comprehensive Income that MSEDCL has not submitted any justification of the claim or supporting documents is an error apparent on face of the records and needs correction.
- 11.8 Further, as per IND AS 19 – 'Employee Benefits', the actuary calculation is required to be done for Gratuity, Leave Encashment and pension to employees. The valued amount of

Leave encashment is considered as a part of employee expenses. Whereas the Gratuity & Pension amount is required to be shown separately on face of profit and loss statement under the separate head of 'Other Comprehensive Income' as per IND AS 19.

- 11.9 In view of the above the Other Comprehensive Income is considered in employee expenses while submitting the MTR Petition. Further, it is also relevant to mention that justification and explanation of the same is already available in the detailed 'Notes to Accounts' of Financial Statement of FY 2021-22. In addition, MSEDCL submitted the Actuary Report for FY 2019-20, FY 2020-21 & FY 2021-22 for reference.
- 11.10 While considering actual restated audited O&M expenses, out of total restated audited A&G expenses submitted by MSEDCL for FY 2019-20, FY 2020-21 and FY 2021-22, the Commission has disallowed various expenses stating that Licensees shall book overall expense in the audited accounts and accordingly expenses booked in audited accounts shall be considered for truing up. Accordingly, the Commission disallowed A&G expense of Rs. 36.25 Cr, Rs. 71.58 Cr and Rs. 66 Cr for FY 2019-20, FY 2020-21 and FY 2021-22 respectively.
- 11.11 Audited financial statements are prepared to give the information required by the Companies Act, 2013 in the manner so required and give a true and fair view in the conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind As") and other accounting principles generally accepted in India. Therefore, MSEDCL has prepared audited account as per the Companies Act, 2013 and rules and regulations made thereunder. It has claimed expenses booked in the audited accounts only. Therefore, exclusion of certain booked O&M expense in audited accounts is an error apparent on face of the records and needs correction on this issue.
- 11.12 Further, out of total restated audited A&G expenses submitted by MSEDCL for FY 2020-21 and FY 2021-22, Commission has also disallowed expenses claimed under 'Other scheme expenses' stating that it has not considered expense towards OPEX schemes given in audited accounts as OPEX scheme expense is approved separately for FY 2020-21 and FY 2021-22.
- 11.13 MSEDCL submitted that though 'Opex scheme expenses' are appearing Note-34 of the restated audited accounts, MSEDCL has claimed only balance expense out of such 'Opex scheme expenses' which are not in nature of Opex scheme. Further, such scheme not being in nature of Opex scheme are not approved by the Commission and therefore claimed separately under O&M expenses.
- 11.14 In other words, though Note-34 of the restated audited accounts mention 'Opex scheme expenses' of Rs. 63.43 Cr for FY 2020-21, MSEDCL has claimed only Rs. 27.05 Cr towards Opex schemes expenses (which are approved at the time of MYT) and balance amount of Rs. 36.38 Cr booked under head 'Other scheme expenses' same being in nature

of A&G expense. This expenses booking is as per the Commission's ruling in its MYT Order dated 30 March 2020 while approving Opex for the fourth Control Period from FY 2020-21 to FY 2024-25. In said Order, the Commission opined that the expenses proposed on scheme such as SMS Services, Go Green Initiatives and annual technical support of SAP/HANA/Oracle Software Licenses are of recurring expenses and is in nature of A&G expenses. It is also a fact that these are not new schemes and MSEDCL is already booking expenses on these schemes in O&M expenses. Same needs to be continued for future also.

11.15 In view of above, the Commission's dispensation regarding Opex scheme is an error apparent on face of the records and needs correction.

11.16 The net impact for truing up for FY 2019-20 to FY 2021-22 in terms of sharing of gains/loss on O&M and for FY 2022-23 to FY 2024-25 in terms of revised normative expenses have been summarised in table below:

**Net Impact claimed in the Review Petition on account of review of O&M Expenses for FY 2019-20 to FY 2024-25 (Rs. Cr)**

Particulars	Normative	Actual	Gains/ (Loss)	2/3 of Efficiency gains/ Losses passed on to Consumers	1/3 of Efficiency Gains/ Losses retained by MSEDCL	Net Entitlement after sharing	Net Impact claimed in Review
<b>FY 2019-20</b>							
As approved in MTR	7,183.12	6,636.85	546.27	364.18	182.098	6,818.94	
As claimed in Review	7,215.97	6,794.33	421.65	281.10	140.55	6,934.88	<b>115.94</b>
<b>FY 2020-21</b>							
As approved in MTR	7,108.21	7,100.90	7.31	4.87	2.4	7,103.30	
As claimed in Review	7,229.07	7,168.28	60.79	40.52	20.26	7,188.54	<b>85.24</b>
<b>FY 2021-22</b>							
As approved in MTR	7,467.82	8,570.30	(1,102.47)	(734.98)	(367.49)	7,835.31	
As claimed in Review	7,594.79	8,735.25	(1,140.46)	(760.31)	(380.15)	7,974.94	<b>139.63</b>
<b>FY 2022-23</b>							
As approved in MTR	7,845.63						
As claimed in Review	7,979.02						<b>133.39</b>
<b>FY 2023-24</b>							
As approved in MTR	8,242.55						

Particulars	Normative	Actual	Gains/ (Loss)	2/3 of Efficiency gains/ Losses passed on to Consumers	1/3 of Efficiency Gains/ Losses retained by MSEDCL	Net Entitlement after sharing	Net Impact claimed in Review
As claimed in Review	8,382.69						140.14
<b>FY 2024-25</b>							
As approved in MTR	8,659.55						
As claimed in Review	8,806.78						147.23
<b>Total</b>							<b>761.58</b>

***Commission's Analysis & Ruling:***

11.17 Normative O&M Expenses for FY 2019-20 to FY 2024-25:

With regards to normative O&M expenses, MSEDCL has highlighted that no explanation has been provided in the impugned MTR Order regarding which base year expense has been considered for derivation of normative O&M expenses for FY 2019-20. In present Petition, MSEDCL has derived normative O&M expenses for FY 2019-20 by considering escalation of 3.22% over and above approved O&M expenses for FY 2015-16. As per MSEDCL normative O&M expenses for FY 2019-20 works out to be Rs. 7,215.97.

It clarified that the Commission has computed normative O&M expenses for FY 2019-20 by considering approved normative O&M expenses for FY 2018-19 as base year as approved in MYT Order in Case No.322 of 2019. In said MYT Order, the Commission while devising normative base O&M expenses for FY 2018-19, the Commission has considered recomputed O&M norm for FY 2015-16 based on revised GFA. The relevant Para reads as under:

“

*4.7.24 For Working out normative O&M expense for FY 2017-18, the Commission has recomputed O&M norms for FY 2015-16 based on the revised GFA and escalated it with 3.76% for two years to arrive at O&M expense norms for FY 2017-18 and for working out O&M expense for FY 2018-19, the Commission escalated 3.07% on the recomputed O&M norms for FY 2015-16 for three years to arrive at O&M norms for FY 2018-19.”*

After perusal of above, it is evident that base year for devising O&M norms is FY 2015-16, which has been escalated for three years to arrive at norm for FY 2018-19. Now the norm devised for FY 2018-19 has been escalated further for devising FY 2019-20 norm. Clearly the Commission has followed the regulatory intent and there is no error apparent on this account.

11.18 Actual O&M expenses for FY 2019-20 to FY 2021-22:

### Employee Expenses:

The Commission disallowed Rs. 121.13 Cr, Rs. – (5.43) Cr and Rs. 98.94 Cr of Other Comprehensive Income for FY 2019-20, FY 2020-21 and FY 2021-22 respectively on account of lack of justification. The Commission notes that as per IND AS 19 – ‘Employee Benefits’, the actuary calculation is required to be done for Gratuity, Leave Encashment and pension to employees. Further, the Gratuity & Pension amount is required to be shown separately on face of profit and loss statement under the separate head of ‘Other Comprehensive Income’ as per IND AS 19. Now MSEDCL submitted the Actuary Report for FY 2019-20, FY 2020-21 & FY 2021-22 and justified the expense. Hence, the Commission finds it appropriate to allow expense of Rs.214.64 Cr as a part of employee expense.

### A&G Expenses:

The Commission in impugned MTR Order has disallowed A&G expense of Rs. 36.25 Cr, Rs. 71.58 Cr and Rs. 66 Cr for FY 2019-20, FY 2020-21 and FY 2021-22 respectively.

MSEDCL in present Petition stated that it has claimed expenses booked in the audited accounts only. Exclusion of certain booked O&M expense in audited accounts is an error apparent on face of the records and needs correction on this issue.

The Commission finds that in Review Petition, MSEDCL has not elaborated on nature of expenses and just stated that it has booked the same in books of account. In absence of rationale and justification, the Commission is not able to link the expenses appropriately and rejects the claim on this account.

### Other Scheme Expenses:

The Commission notes that it has not considered the complete basket of Opex Schemes as per restated audited accounts. In past the Commission itself opined that scheme such as SMS Services, Go Green Initiatives and annual technical support of SAP/HANA/Oracle Software Licenses are of recurring expenses and is in nature of A&G expenses. Booking of such schemes needs to be in O&M expenses.

In impugned MTR Order, the Commission has not considered ‘Other Scheme expenses’, which were a part of A&G expenses. This is error apparent of face of record and needs to be considered. Accordingly, the Commission considers Rs.36.38 Cr for pass through.

#### 11.19 Sharing of Gains/Losses:

Based on above Review considerations, the Commission has worked out net impact after sharing of gains/losses as below:

Particulars	Normative	Actual	Gains/ (Loss)	2/3 of Efficiency gains/ Losses passed on to Consumers	1/3 of Efficiency Gains/ Losses retained by MSEDCL	Net Entitlement after sharing	Net Impact approved in Review
<b>FY 2019-20</b>							
As approved in MTR	7,183.12	6,636.85	546.27	364.18	182.09	6,818.94	
As claimed in Review	7,215.97	6,794.33	421.64	281.09	140.55	6,934.88	
As approved in Review Order	7,183.12	6,757.98	425.14	283.43	141.71	6,899.69	<b>80.75</b>
<b>FY 2020-21</b>							
As approved in MTR	7,108.21	7,100.90	7.31	4.87	2.44	7,103.34	
As claimed in Review	7,229.07	7,168.28	60.79	40.53	20.26	7,188.54	
As approved in Review Order	7,102.78	7,131.85	-29.07	-19.38	-9.69	7,112.47	<b>9.13</b>
<b>FY 2021-22</b>							
As approved in MTR	7,467.82	8,570.30	-1,102.48	-734.99	-367.49	7,835.31	
As claimed in Review	7,594.79	8,735.25	-1,140.46	-760.31	-380.15	7,974.94	
As approved in Review Order	7,467.82	8,669.24	-1,201.42	-800.95	-400.47	7,868.29	<b>32.98</b>

**12. Issue (F): Non-consideration of Finance Expense in Other Expenses for FY 2020-21 and FY 2021-22**

*MSEDCL's Submission:*

- 12.1 MSEDCL in its MTR Petition under Form 6A & Form 6B of the Regulatory Formats, has furnished details of 'Other Finance Charges' and 'Other Expenses' respectively. Such expenses are as per the Audited Annual accounts.
- 12.2 Under 'Other Expenses' an amount of Rs. 4.06 Cr (for FY 2020-21) and Rs. 4.37 Cr (for FY 2021-22) are related to 'Finance expenses' and shown/claimed in the 'Other Expenses'. Finance expenses include incentive to distribution franchisee, interests and interest on security deposit of bill collection agency.
- 12.3 As per respective audited accounts such expenses of Rs. 4.06 Cr (for FY 2020-21) and Rs. 4.37 Cr (for FY 2021-22) are reflected in the 'Note-35 Finance Expenses'. Detailed reconciliation of 'Other Expenses' with audited accounts submitted as part of the reply to Data Gaps Set-I in response to Query 22 & Query 24 for FY 2020-21 and in response to Query 42 & Query 43 for FY 2021-22.

Expenses of Rs. 4.06 Cr (for FY 2020-21) and Rs. 4.37 Cr (for FY 2021-22) are clearly reflected in such detailed reconciliation. Non-consideration of the same is an error apparent on face of the records and needs correction.

***Commission’s Analysis & Ruling:***

- 12.4 The Commission notes that in impugned MTR Order it has neither considered the expense of Rs.4.06 Crores (for FY 2020-21) and Rs.4.37 Crores (of FY 2021-22) in other expenses nor in other finance charges. Detailed bifurcation is as below:

<b>Particulars</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Incentive to Distribution Franchisee	0.23	0.64
Other Interest and Charges	0.02	0.00
Interest on Security Deposit on bill collection agency	3.81	3.73
<b>Total</b>	<b>4.06</b>	<b>4.37</b>

- 12.5 It is evident that MSEDCL during MTR proceedings has supported its claim in reply to data gaps and also get reflected in the ‘Note-35 Finance Expenses’. Hence, The Commission allows Rs.4.06 Crores (for FY 2020-21) and Rs.4.37 Crores (of FY 2021-22) as pass through.

**13. Issue (G): Error in consideration of the trade receivables as per audited accounts for calculating provision for bad debt for FY 2019-20**

***MSEDCL’s Submission:***

- 13.1 As per Regulation 73 and 82 of the MYT Regulations, 2015 bad and doubtful debt may be allowed up to 1.5% of the amount shown as trade receivables or receivables in the Audited Accounts of the Distribution Licensee duly allocated for wires and supply business respectively.
- 13.2 MSEDCL has claimed receivables of Rs. 56,997.53 Cr as per the Audited Accounts. However, the Commission allowed only Rs. 39,484.50 Cr. The Commission has considered net amount of Trade receivables as per ‘Note 11 –Trade Receivables’ of the restated Audited Accounts, i.e., by deducting expenses under head of ‘Allowance of expected credit loss’ from the Gross ‘Trade Receivables’ reported in Note 11.
- 13.3 As per Note No. 38 (5)(II)(i)(a) of restated Audited Accounts (FY 2021-22), there is allowance for expected credit loss and impairment that represents its estimate of losses in respect of trade, other receivables and investment. As per MSEDCL, the Commission ought to have considered Trade receivables as per Note 11 of the Audited Accounts without deducting head of ‘Allowance of expected credit loss’.
- 13.4 Further, part of trade receivables has also been shown in ‘Note 14 - Other financial Assets - Current’ of the Restated audited accounts. While computing the provision for bad and

doubtful debt for FY 2019-20, the Commission ought to have considered trade receivables shown in 'Note 14 - Other financial Assets- Current' in addition to the Trade receivables as per Note 11 of the Audited Accounts without deducting head of 'Allowance of expected credit loss'. This is an error apparent on face of the records and needs correction.

- 13.5 Therefore, MSEDCL requested the Commission to rectify the error and consider the trade receivables of Rs. 56,997.53 Cr as per Restated audited accounts (Rs. 44,435.72 Cr as per Note 11 + Rs. 12,561.80 Cr), which was submitted earlier. Accordingly, to approve Rs. 854.97 Cr for FY 2019-20 towards Provision for Bad Debts for Wire and Supply Business. The resultant impact of disallowance is Rs. 262.69 Cr.

**Commission's Analysis & Ruling:**

- 13.6 The Commission notes that in impugned MTR Order it has considered Rs.39,484.51 Cr as a trade receivables. Note 11 depicts following trade receivables:

<b>NOTE - 10</b>	
<b>TRADE RECEIVABLES</b>	
<b>PARTICULARS</b>	<b>2019-20</b>
<b>(a) Secured &amp; Considered good [refer Note No.36(6)(II)(i)(a)]</b>	<b>4,52,228.56</b>
<b>(b) Considered Good - Unsecured</b>	
<b>(i) Receivable from Government of Maharashtra towards subsidy /Grant etc [refer Note no. 36(8) for subsidy receivable]</b>	3,09,422.72
<b>(ii) Other</b>	18,59,247.66
<b>Less: Allowance for Expected Credit Loss [Refer Note No.38(5)(II)(i)(a)]</b>	52,901.63
<b>Sub total (ii)</b>	<b>18,06,346.04</b>
<b>Sub total (b) (i+ii)</b>	<b>21,15,768.76</b>
<b>(c) Significant increase in Credit Risk</b>	<b>1,486,580.40</b>
<b>Less: Allowance for Expected Credit Loss [Refer Note No.38(5)(II)(i)(a)]</b>	<b>1,06,126.79</b>
<b>Sub total (c)</b>	<b>13,80,453.61</b>
<b>(d) Credit Impaired</b>	<b>336,093.08</b>
<b>Less: Allowance for Expected Credit Loss [Refer Note No.38(5)(II)(i)(a)]</b>	<b>336093.08</b>
<b>Sub total (d)</b>	<b>-</b>
<b>Total ::::: (a+b+c+d)</b>	<b>39,48,450.94</b>

- 13.7 It is pertinent to note that the allowance for credit losses method is a way of estimating the amount of money that a business may lose due to bad debts. IND AS 109 introduced expected credit loss approach. Credit losses are determined based on anticipated future events and conditions. Provision for bad debts is for covering credit loss for year under

consideration. In regulatory sense, future expected losses cannot be part of trade receivables. Hence, there is no error in deducting expected credit loss from trade receivables shown in books for allowing provision for bad debts as per provision of MYT Regulations. Hence, review on this aspect is rejected.

- 13.8 Further, MSEDCL mentioned that Rs. 12,561.80 Cr needs to be considered, which is reflected in 'Note 14 - Other financial Assets - Current'.

Particulars	As on 31-Mar-20
(a) Unbilled Revenue	1,18,369.61
(b) Interest on Trade Receivables	
(i) Considered Good - Unsecured	58,714.60
(ii) Significant increase in Credit Risk	9,00,027.97
(iii) Credit Impaired	1,79,068.77
Total : (a+b)	<b>12,56,180.96</b>

- 13.9 As above assets are not part of trade receivables, same cannot be considered for allowing provision towards trade receivable. Hence there is no error on this aspect and hence review sought on this aspect is rejected.

**14. Issue (H): Difference in computation of Debt: Equity ratio and its impact on computation of interest expenses for FY 2021-22 and onwards**

*MSEDCL's Submission:*

- 14.1 MSEDCL submitted that the normative equity is mentioned as 30% in the impugned MTR Order. However, normative equity in Table 4-65 & for approving Return on Equity for FY 2021-22 is considered at 25.60% i.e. as Rs. 506.48 Cr (Rs. 455.83 Cr+ Rs. 50.65 Cr). Table 4-65 is reproduced as below:

Particulars	FY 2020-21		FY 2021-22	
	Amount (Rs Cr)	Funding Mix (%)	Amount (Rs Cr)	Funding Mix (%)
Total Capitalisation	4,485.48		3,909.01	
Less: Consumer Contribution	367.27		841.34	
Less: Grants	1,118.83		1,089.34	
<b>Balance to be funded</b>	2,999.39		1,978.33	
Equity	1,592.12	53%	506.48	25.60%
Debt	1,407.27	47%	1,471.85	74.40%
Normative Equity	899.82	30%	<b>593.50</b>	<b>30%</b>
Normative Debt	2,099.57	70%	<b>1,384.83</b>	<b>70%</b>

This is an error apparent and needs review.

- 14.2 The Commission in its impugned MTR Order at Paragraph 4.12-9 has approved the Interest Expenses for FY 2020-21 and FY 2021-22 as under:

Particular	FY 2020-21			FY 2021-22		
	MYT Order	MTR Petition	Approved in this order	MYT Order	MTR Petition	Approved in this order
Opening Balance of Net Normative Loan	12,892.08	12,093.87	12,275.37	12,817.74	11,542.48	11,722.99
Addition of Normative Loan due to capitalisation	2,743.57	2,102.79	2,099.57	2,157.12	1,296.01	<b><u>1,384.83</u></b>
Repayment of Normative Loan	2,817.91	2,654.18	2,651.95	2,963.97	2,880.50	2,871.95
Closing Balance of Net Normative Loan	12,817.74	11,542.48	11,722.99	12,010.89	9,957.99	10,235.87
Average Balance of Net Normative Loan	12,854.91	11,818.17	11,999.18	12,414.31	10,750.24	10,979.43
Weighted average Rate of Interest on actual Loans (%)	10.28%	9.98%	9.98%	10.28%	9.85%	9.85%
Interest Expenses	1,320.86	1,179.89	1,197.96	1,275.59	1,058.84	1,081.42
<b>Total Interest Expenses</b>	<b>1,320.86</b>	<b>1,179.89</b>	<b>1,197.96</b>	<b>1,275.59</b>	<b>1,058.84</b>	<b>1,081.42</b>

- 14.3 In Paragraph 4.12.9 of the impugned MTR Order, for truing up of Interest expenses for FY 2021-22, addition of normative loan due to capitalisation is capped at 70% i.e. Rs. 1,384.83 Cr. This is an error apparent on the face of records. From the above table, it is evident that there is difference of Rs. 87.02 Cr in addition of normative loan due to capitalisation. Therefore, MSEDCL requested to rectify the same and allow the impact of same for future computations i.e. from FY 2021-22 and onwards as submitted below:

**Impact on Interest Expenses for FY 2021-22 to FY 2024-25 (Rs. Cr)**

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
As approved in MTR Order	1,081.42	948.70	826.17	670.11
Claimed in Review Petition	1,085.70	957.27	834.74	678.68
<b>Net Impact</b>	<b>4.28</b>	<b>8.57</b>	<b>8.57</b>	<b>8.57</b>

- 14.4 Alternatively, as per approved normative equity of Rs. 593.50 Cr (@ 30%), RoE needs to be allowed. Therefore, MSEDCL requested the Commission to rectify the same and allow the impact of same for future computations i.e. from FY 2021-22 and onwards as submitted below:

**Impact on Base Return on Equity for FY 2021-22 to FY 2024-25 (Rs. Cr)**

Particulars	FY 2021-22*	FY 2022-23	FY 2023-24	FY 2024-25
As approved in MTR Order	1,916.36	1,934.55	1,946.35	1,951.47
Claimed in Review Petition	1,922.52	1,946.86	1,958.66	1,963.78
<b>Net Impact</b>	<b>6.16</b>	<b>12.31</b>	<b>12.31</b>	<b>12.31</b>

*Note: Excludes Additional RoE (Supply Business) of Rs. 27.09 Cr*

**Commission's Analysis & Ruling:**

- 14.5 After perusal of the financial model, it is evident that for FY 2021-22 the Commission in its impugned MTR Order has considered reduced debt component of Rs. 1384.13 Cr for computing interest expenses. This is clearly, an error apparent on face of record. The revised interest expenses are worked out as below:

Particular	FY 2021-22		
	MYT Order	MTR Petition	Approved in this order
Opening Balance of Net Normative Loan	12,817.74	11,542.48	11,722.99
Addition of Normative Loan due to capitalisation	2,157.12	1,296.01	<b>1,471.85</b>
Repayment of Normative Loan	2,963.97	2,880.50	10,322.89
Closing Balance of Net Normative Loan	12,010.89	9,957.99	11,022.94
Average Balance of Net Normative Loan	12,414.31	10,750.24	9.85%
Weighted average Rate of Interest on actual Loans (%)	10.28%	9.85%	1,085.76
Interest Expenses	1,275.59	1,058.84	1,085.76
<b>Total Interest Expenses</b>	<b>1,275.59</b>	<b>1,058.84</b>	<b>1,085.76</b>

Further, on analysing Financial Model it is observed that the Commission has correctly factored in equity portion of Rs. 506.48 Cr for FY 2021-22 in financial model and hence there is no impact on this account.

- 14.6 Accordingly, the Commission allows interest expenses of Rs.4.29 Cr. MSEDCL may claim this amount along with carrying cost in upcoming MYT proceedings.

**15. Issue (I): Withholding of claim of additional Return in Equity for Wires Business**

*MSEDCL's Submission:*

- 15.1 As required by MERC MYT Regulations, 2019, MSEDCL has already achieved availability of more than 95%, i.e. 98.95% for FY 2021-22 and 97.47% for FY 2021-22. Further, as per the MERC MYT Regulations, 2019, it has claimed additional RoE towards over-achievement in Wires Availability. However, the Commission has withheld additional RoE due to few objections received on interruptions during public hearing.

- 15.2 In terms of infrastructure, MSEDCL operates a vast far-flung network comprising of distribution lines at various voltage level, sub-stations and distribution transformers, 10,000+ HV feeders and several thousand circuit km of HT and LT lines. MSEDCL submitted that based on select instances highlighted during stakeholder consultations that too without any evidence, it would be unjust and arbitrary to withholding the entire claim of additional RoE.
- 15.3 MSEDCL caters to huge consumer base of more ~2.88 Crs consumers with diversified load throughout the state spread over ~ 3.07 lakh sq. km. Based on miniature representation i.e. objections of few consumers received during public hearing withholding the entire claim of additional RoE is unjust and arbitrary.
- 15.4 Though Commission acknowledged the exceptional Covid-19 Pandemic situation and its impact of the MSEDCL revenue collection, performance wise it should also have considered that MSEDCL has catered its entire consumer base during Covid-19 pandemic period i.e., FY 2020-21 & FY 2021-22 (part).
- 15.5 The Commission's opinion that with deployment of smart meters, measurements of interruptions and reporting would be readily available for verification of supply availability claims and entitlement of additional RoE thereon. However, the Commission has not allowed at the moment the proposed expense towards smart meter deployment. It is also a fact that, past year performance for FY 2020-21 and FY 2021-22 cannot be changed.
- 15.6 In view of above submission, MSEDCL requested to review the decision regarding withholding of additional RoE and allow entire additional RoE of Rs. 356.16 Cr (Rs. 173.33 Cr for FY 2020-21 and Rs. 182.83 Cr for FY 2021-22).

***Commission's Analysis & Ruling:***

- 15.7 The Commission in Paragraph 4.13.10 of impugned MTR Order ruled as under:

“

*4.13.10 As per MYT Regulations 2019, additional RoE shall be approved at the time of truing up of 1.5% for Distribution wire business on achieving wire availability of 95% (for MSEDCL). MSEDCL has claimed wire availability of 98.95% and 97.47% for FY 2020-21 and FY 2021-22 respectively. It is to be noted that, although MSEDCL has claimed wire availability of 98.95% and 97.47% for FY 2020-21 and FY 2021-22, several comments and objections were received in public consultation procedure regarding power quality and supply across the State as regards quality of power supply, performance on reliability indices and availability as such. **It is important to ascertain performance for such important performance parameters through proper measurement of interruptions and devise procedure for automated recording of the supply availability and reliability indices thereof.** With deployment of smart meters, such measurements and reporting would be readily available for verification of supply availability claims and entitlement of*

*additional RoE thereon. Until such mechanism is put in place, the Commission has not considered the claim of additional RoE for true up years as of now. However, the Commission hereby directs MSEDCL to put in place a protocol for automated measurement and reporting of supply availability across various circles/ divisions and submit such records along with next tariff review exercise. **Upon scrutiny and prudence check of such submissions, the Commission may allow MSEDCL additional claim of RoE for FY 2020-21 and FY 2021-22 along with carrying cost.**” (Emphasis added)*

- 15.8 The Commission in above ruling has provided detailed justification for not allowing additional RoE linked with supply availability. Such reasoned decision cannot be the ground for a review and hence, same needs to be rejected. Review Petition cannot be appeal in disguise.
- 15.9 As far as MSEDCL’s contention that smart meter logs cannot be relied upon to judge past network performance, the Commission is of the opinion that such data can establish present network reliability which can be used to compare MSEDCL’s claim for previous period. This is because, by infusion of capex and undertaking R&M activities, Distribution Licensee is bound to improve its network reliability year on year. Hence, there is no error on this aspect.

**16. Issue (J): Disallowance of consumer contribution and grants in opening GFA for working out maintenance spares under working capital provisions for FY 2020-21 to FY 2024-25:**

MSEDCL’s Submission:

- 16.1 MSEDCL submitted that the Commission in the Paragraph 4.14.26 (for FY 2020-21 & FY 2021-22), Paragraph 5.14.13 (for FY 2022-23), Paragraph 6.13.14 (for FY 2023-24 & FY 2024-25) of the impugned MTR Order has approved Interest on Working Capital for Distribution Wires Business.
- 16.2 Consumer contribution and grants are released/received for specific assets. However, irrespective of mode of funding of fixed assets i.e. consumer contribution or grants or debt or equity, every asset needs to be maintained. MSEDCL is required to make provision for spares for assets funded through consumer’s contribution and grants.
- 16.3 Cost of maintenance spares limited to 1% of opening GFA, corresponding to entire GFA base including plant, equipment and installations is considered for calculation of normative Interest on Working Capital.
- 16.4 The Commission in Impugned Order worked out Interest on Working capital by considering the cost of the maintenance spares limited to 1% opening GFA excluding the consumer contribution and grants for FY 2020-21 to FY 2024-25. This is an error apparent on face of the records and needs correction.

- 16.5 MSEDCL requested to allow the impact of same of Rs. 24.45 Cr on computations of Interest on Working Capital i.e. from FY 2020-21 to FY 2024-25.

**Impact on Interest on Working Capital for FY 20-21 to FY 24-25 (Rs. Cr)**

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
As approved in MTR Order	111.21	115.16	123.98	125.75	127.18
Claimed in Review Petition	112.93	118.02	128.88	132.34	135.57
<b>Net Impact</b>	<b>1.72</b>	<b>2.86</b>	<b>4.89</b>	<b>6.59</b>	<b>8.39</b>

***Commission's Analysis & Ruling:***

- 16.6 As per MYT Regulations, 2019, the working capital requirement of the Distribution Wires Business is worked out by considering Maintenance spares at one per cent of the opening Gross Fixed Assets (GFA) for the Year and one month O&M expense along with other factors.
- 16.7 MSEDCL has contended that as while adding GFA, grants and consumer contribution is deducted and hence 1% spare on GFA considered for working capital does not include spares on asset created through grants or consumer contribution.
- 16.8 In this regard, the Commission notes that formula for determination of Working Capital in existing Regulations has been there since multiple Control Period in the past. As per provisions of Regulations, GFA is added by deducting grants and consumer contribution. Hence, 1% spare on GFA may not include spare for asset created by such grant or contribution. This does not mean that such asset remains unattended. Expenses for the same can be incurred through R&M expenses under O&M expenses. As such O&M expenses is part of Working Capital computation, its covers working capital requirement of MSEDCL.
- 16.9 Hence, there is no error on this aspect.

**17. Issue (K): Error in consideration of interest on security deposit as per audited accounts for FY 2020-21:**

***MSEDCL's Submission:***

- 17.1 MSEDCL has paid Interest on Security Deposit amounting to Rs. 282.69 Cr for FY 2020-21, which is as per the Audited book of accounts for FY 2020-21. The same has been claimed in the MTR Petition. However, the Commission has allowed only Rs. 282.25 Cr towards Interest on Consumer Security Deposit (Wires & Supply).
- 17.2 MSEDCL in its restated Audited Accounts for FY 2020-21 (submitted along with the MTR Petition) shows the Interest on Security Deposit paid as Rs. 282.69 Cr.

NOTE - 35 FINANCE EXPENSES			
(₹ in Lakhs)			
PARTICULARS	FOR THE YEAR ENDED 31-MAR-22	FOR THE YEAR ENDED 31-MAR-21	FOR THE YEAR ENDED 31-MAR-20
(b) On Security Deposits from Consumers	36,038.22	28,269.55	74,891.72

- 17.3 Therefore, non-consideration of ~ Rs. 0.44 Crs towards Interest on Security deposit is an error apparent on face of the records and needs correction.

***Commission's Analysis & Ruling:***

- 17.4 The Commission noted MSEDCL's submission and verified the error. In impugned MTR Order, the Commission has considered Rs 282.25 Crore interest on security deposit as per Note 33 (b) of Audited account. But, as per Restated Audited account (submitted along with Revised MTR Petition) Note 35 (b) it is Rs 282.69 Crore for FY 2020-21. Thus, differential amount of Rs.0.44 Cr is allowed.

**18. Issue (L): Non-consideration of Additional Consumer Security Deposit for FY 2022-23 To FY 2024-25:**

**MSEDCL's Submission:**

- 18.1 MERC notified Supply Code Regulations 2021 repealing earlier Supply Code Regulations 2005 wherein the provision for recovery of security deposit (SD) under Section (47) of EA 2003 is amended. For the consumers having billing cycle of one month, it is modified from average bill of one month to average bill of two months. Subsequently, MSEDCL issued Commercial Circular No. 336 dated 16 March 2022 for recovery of additional SD.
- 18.2 In the MTR Petition, from FY 2022-23, MSEDCL had considered actual amount of additional SD received as on 13 November 2022 in cash for calculation of Interest on Security Deposit. MSEDCL submitted that despite its proposal in compliance with the regulation, the Commission has not considered actual amount of additional SD received as on 13 November 2022 in cash for calculation of Interest on Security Deposit for FY 2022-23 onwards. This is an error apparent on face of the records and needs correction.
- 18.3 Therefore, MSEDCL request the Commission to rectify the above error and allow the cumulative impact of same of Rs. 81.80 Cr on computations of Interest on Consumer Security Deposit as well as impact of additional consumer security deposit in cash on Interest on Working capital workings from FY 2022-23 to FY 2024-25 as submitted below.:

**Net Impact for FY21-22 to FY24-25 (Rs. Cr)**

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Impact on IoWC			
As approved in MTR Order	123.98	125.75	127.18
Claimed in Review Petition	116.37	117.75	118.78
<b>Impact</b>	<b>-7.61</b>	<b>-8.00</b>	<b>-8.40</b>
Impact on Int. on CSD			
As approved in MTR Order	404.44	424.66	445.90
Claimed in Review Petition	437.80	460.00	483.00
<b>Impact</b>	<b>33.36</b>	<b>35.34</b>	<b>37.10</b>
<b>Net Impact</b>	<b>25.75</b>	<b>27.34</b>	<b>28.71</b>

***Commission's Analysis & Ruling:***

- 18.4 In this Petition, MSEDCL pointed out that the Commission in impugned MTR Order has not considered the security deposit held in cash as on 13 November 2022.
- 18.5 It is pertinent to note that Regulation 30.11 of MYT Regulation, 2019 provides for interest on Security Deposit at Bank Rate. The relevant extract is reproduced below:

“

***30.11 Interest shall be allowed only on the amount held in cash as security deposit from Transmission System Users, Distribution System Users and Retail consumers at the Bank Rate as on 1st April of the Year for which the interest is payable:”***

- 18.6 Accordingly, for computing the interest on consumer security deposit, interest rate of 4.25% is applied on security deposit for FY 2022-23 obtained by considering a nominal growth of 5% over the amount of consumer deposit collected from the consumers for the previous year i.e FY 2021-22. Such consideration is as per prevalent practice followed by the Commission in past. Moreover, MSEDCL has not showcased reasons for considering security deposit as on 13 November 2022. Hence, this issue cannot be considered as ground for review and rejected.

**19. Issue (M): Interest on Working Capital for FY 2019-20 To FY 2021-22:**

**MSEDCL's Submission:**

- 19.1 The Commission has approved the following amounts for Interest on Working Capital (IoWC) for FY 2019-20 to FY 2021-22 as against the amounts claimed in MTR Petition:

Particulars (Rs.Cr.)	Approved in MYT	Claimed by MSEDCL in MTR	Approved in MTR	Disallowance
IoWC for FY 2019-20	135.77	131.39	128.59	2.8
IoWC for FY 2020-21	140.96	2,441.12	111.21	2,329.91
IoWC for FY 2021-22	142.71	123.08	115.16	7.92

19.2 Similarly, the following amounts were approved under Sharing of Gains and Losses for FY 2019-20 to FY 2021-22 for IoWC as against the claim made by MSEDCL in its MTR Petition.

**FY 2019-20:**

Particulars (Rs. Cr.)	Normative	Actual	Gain/ (Loss)	2/3 <sup>rd</sup> passed to consumers	1/3 <sup>rd</sup> retained by MSEDCL	Net Entitlement
Claimed by MSEDCL	131.39	1,606.06	(1,474.66)	(983.11)	(491.55)	622.95
Approved by MERC	128.59	252.89	(124.30)	(82.90)	(41.40)	170.00
Disallowance						452.95

**FY 2020-21:**

Particulars (Rs. Cr.)	Normative	Actual	Gain/ (Loss)	2/3 <sup>rd</sup> passed to consumers	1/3 <sup>rd</sup> retained by MSEDCL	Net Entitlement
Claimed by MSEDCL	2,441.12	2,441.12	-	-	-	2,441.12
Approved by MERC	111.21	560.80	(449.6)	(299.7)	(149.9)	261.1
Disallowance						2,180.02

**FY 2021-22:**

Particulars (Rs. Cr.)	Normative	Actual	Gain/ (Loss)	2/3 <sup>rd</sup> passed to consumers	1/3 <sup>rd</sup> retained by MSEDCL	Net Entitlement
Claimed by MSEDCL	123.08	2,384.99	(2,261.9)	(1,507.94)	(754.0)	877.1
Approved by MERC	115.16	864.76	(749.6)	(499.7)	(249.9)	365.0
Disallowance						512.10

19.3 Interest on Working Capital (IoWC) for FY 2019-20

Normative IoWC

19.3.1 The normative IoWC approved for FY 2019-20 is Rs. 128.59 Cr as against Rs. 131.39 Cr claimed in MTR Petition of MSEDCL.

19.3.2 The disallowance in normative amount of IoWC is mainly due to lower consideration of normative O&M expenses for FY 2019-20 and lower consideration of One and half months equivalent of the expected revenue from sale of electricity.

19.3.3 MSEDCL has separately dealt with these parameters in other Sections and therefore the corresponding impact of the review on these parameters may also be passed on while allowing the normative IoWC for FY 2019-20 under Review Petition.

### Sharing of Gains and Losses for IoWC

- 19.3.4 It is observed that the net entitlement allowed after sharing of gains and losses for IoWC is Rs. 170 Cr as against Rs. 622.95 Cr claimed in MTR Petition resulting into a disallowance of Rs. 452.95 Cr.
- 19.3.5 The disallowance in net entitlement is on account of inappropriate consideration of actual IoWC (i.e. Rs. 252.89 Cr) by the Commission as against the actual amount submitted by MSEDCL (i.e. Rs. 1,606.06 Cr).
- 19.3.6 MSEDCL in its data gaps reply had submitted the detailed break-up of actual IoWC incurred during FY 2019-20 and substantiated its claim by showing monthly opening and closing cash balances, total receipts and total payments made during each of the month of FY 2019-20. MSEDCL through this statement has validated that due to the negative cash balances that were prevailing during the respective months of FY 2019-20, MSEDCL was compelled to take Working capital loan to finance its regular day to day expenditure.
- 19.3.7 The statement also clearly stated that wherever possible, MSEDCL has tried to avoid taking Working capital loan and have financed its regular expenditure through its receipts. As per the statement, working capital loan was availed in the months of April, June, July, Sep, Nov, Jan, Feb and March while for the remaining months no working capital loan was availed by MSEDCL.
- 19.3.8 However, the Commission has inadvertently taken the opening cash and bank balance submitted in the data gaps reply as the opening balance of Working Capital Loan for FY 2019-20 (i.e. for April 2019) and accordingly calculated the actual IoWC incurred by MSEDCL. There is no basis for equating the opening working capital loan with opening cash and bank balance for computation of actual interest on working capital. The opening cash balances were submitted to demonstrate that MSEDCL is in need to avail working capital loan for that period of FY 2019-20 and therefore the opening cash balances cannot be considered as opening working capital loan balances for that period. Both the parameters are separate and convey separate implication, therefore they cannot be treated as same for computation of actual IoWC.
- 19.3.9 There is an error apparent on the face of record while considering the opening actual working capital loan equal to the opening cash and bank balances for computation of actual IoWC. MSEDCL requested to allow the amount of Rs. 622.95 Cr worked out based on the actual working capital loan availed by MSEDCL during FY 2019-20.

### 19.4 Interest on Working Capital for FY 2020-21

#### Normative IoWC

- 19.4.1 The normative IoWC approved for FY 2020-21 is Rs. 111.21 Cr. The disallowance in normative amount of IoWC is mainly due to lower consideration of normative O&M expenses for FY 2020-21, lower consideration of maintenance spares (i.e. 1% of opening

GFA) and lower consideration of One and half months equivalent of the expected revenue from sale of electricity.

- 19.4.2 MSEDCL has separately dealt with these parameters in other Sections and therefore the corresponding impact of the review on these parameters may also be passed on while allowing the normative IoWC for FY 2020-21 under Review Petition.
- 19.4.3 MSEDCL in its MTR Petition had claimed the actual interest on working capital owing to the dispensation allowed by the Commission vide its Order in Case No. 60 of 2022 dated 3 November 2022, which allowed MSEDCL to withdraw the Petition with liberty to raise the issue of working capital requirement for COVID-19 pandemic in its MTR Petition.
- 19.4.4 MSEDCL in its reply to data gaps dated 17 March 2023 provided the details of the actual impact on its Interest on working capital due to Covid-19. As per the submission the additional expense incurred during FY 2020-21 owing to Covid-19 pandemic was Rs. 588.62 Cr.
- 19.4.5 In impugned MTR Order, the Commission acknowledged the impact of Covid-19 on IoWC and granted the relief to the tune of Rs 588.62 Cr. However, while allowing the normative IoWC for FY 2020-21, the Commission has considered the same amount of Rs. 111.21 Cr, while Rs. 588.62 Cr was considered as actual IoWC for the purpose of sharing of gains and losses.
- 19.4.6 The amount of Rs. 588.62 Cr is the additional impact that is incurred to MSEDCL on account of Covid-19 pandemic and not the actual Working Capital Interest amount incurred during FY 2020-21.
- 19.4.7 The Commission has erred in considering the impact amount of Rs. 588.62 Cr as the actual working capital interest amount for sharing of gains and losses for FY 2020-21. MSEDCL submits that Rs. 588.62 Cr which is admitted by the Commission as an impact of Covid-19 pandemic shall be passed on additionally over and above the normative Interest on working Capital approved by Commission for FY 2020-21.
- 19.4.8 The impact of Interest on Working Capital due to Covid-19 pandemic is an force majeure event and shall be treated as an uncontrollable expense. As per the methodology adopted by the Commission for any uncontrollable expenses, this amount shall be included in the normative IoWC and the normative IoWC shall be increased to that extent for that particular year. Accordingly, MSEDCL requested to include Rs. 588.62 Cr in normative IoWC expenses approved for FY 2020-21.

With such analogy, the Normative IoWC works out to be Rs. 699.83 Cr (i.e. Rs. 111.21 Cr as normative Working Capital Interest and Rs. 588.62 Cr as net impact of Covid-19 pandemic)

Sharing of Gains and Losses for IoWC

19.4.9 The Commission has considered the sharing of gains/losses for FY 2020-21 between the normative IoWC expenses approved of Rs. 111.21 Cr and the impact of Covid-19 pandemic submitted by MSEDCL in data gaps reply i.e. Rs. 588.62 Cr.

19.4.10 The actual IoWC incurred by MSEDCL during FY 2020-21 is Rs. 2,441.12 Cr, out of which Rs. 588.62 Cr was on account of Covid-19 pandemic situation. Hence under normal circumstances if Covid-19 would not have occurred the actual Interest on Working Capital would have been to the tune of Rs. 1,852.50 Cr, which is in line with the actual interest on working capital incurred in past years when Covid-19 did not exist.

19.4.11 Hence, the Commission has erred in considering the actual IoWC of Rs. 588.62 Cr instead of Rs. 2,441.12 Cr for the purpose of sharing of gains and losses on account of IoWC. Accordingly, MSEDCL requested to allow net entitlement of Rs. 1,280.12 Cr after sharing of gains and losses on IoWC for FY 2020-21. The following Table shows the net entitlement claim of MSEDCL made in present Review Petition based on the submission made by MSEDCL in its data gaps reply.

Particulars (Rs. Cr.)	Normative	Actual	Gain/ (Loss)	2/3 <sup>rd</sup> passed to consumers	1/3 <sup>rd</sup> retained by MSEDCL	Net Entitlement
Claimed by MSEDCL in Review	699.83	2,441.12	(1,741.21)	(1,160.86)	(580.35)	1,280.18

#### 19.5 Interest on Working Capital for FY 2021-22

##### Normative IoWC

19.5.1 The normative IoWC approved for FY 2021-22 is Rs. 115.16 Cr as against Rs. 123.08 Cr claimed in MTR Petition of MSEDCL.

19.5.2 The disallowance in normative amount of IoWC is mainly due to lower consideration of normative O&M expenses for FY 2021-22, lower consideration of maintenance spares (i.e. 1% of opening GFA) and lower consideration of One and half months equivalent of the expected revenue from sale of electricity.

19.5.3 MSEDCL has separately dealt with these parameters in other Sections of present Review Petition and therefore the corresponding impact of the review on these parameters may also be passed on while allowing the normative IoWC for FY 2021-22.

##### Sharing of Gains and Losses for IoWC

19.5.4 It is observed that the net entitlement allowed after sharing of gains and losses for IoWC is Rs. 365.00 Cr as against Rs. 877.10 Cr claimed in MTR Petition resulting into a disallowance of Rs. 512.10 Cr.

- 19.5.5 The disallowance in net entitlement is on account of inappropriate consideration of actual IoWC (i.e. Rs. 864.76 Cr) by the Commission as against the actual amount submitted by MSEDCL (i.e. Rs. 2,384.99 Cr).
- 19.5.6 MSEDCL in its data gaps reply had submitted the detailed break-up of actual IoWC incurred during FY 2021-22 and substantiated its claim by showing monthly opening and closing cash balances, total receipts and total payments made during each of the month of FY 2021-22.
- 19.5.7 MSEDCL through this statement has validated that due to the negative cash balances that were prevailing during the respective months of FY 2021-22, MSEDCL was compelled to take Working capital loan to finance its regular day to day expenditure. The statement also clearly stated that wherever possible, MSEDCL has tried to avoid taking Working capital loan and have financed its regular expenditure through its receipts. However, Commission has inadvertently taken the opening cash and bank balance submitted in the data gaps reply as the opening balance of working capital loan for FY 2021-22 (i.e. for April 2021) and accordingly calculated the actual IoWC incurred by MSEDCL.
- 19.5.8 There is an error apparent on the face of record while considering the opening actual working capital loan equal to the opening cash and bank balances for computation of actual Working capital Interest for FY 2021-22.
- 19.5.9 MSEDCL requested to consider the amount of Rs. 877.10 Cr worked out based on the actual working capital loan availed by MSEDCL during FY 2021-22.

***Commission's Analysis & Ruling:***

**Normative IoWC:**

- 19.6 The Commission notes that Normative IoWC claimed by MSEDCL and approved in impugned MTR Order are as below:

<b>Particulars (Rs. Cr.)</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Claimed by MSEDCL	131.39	2,441.12	123.08
Approved by MERC	128.59	111.21	115.16

- 19.7 MSEDCL pointed out that disallowance in normative IoWC is on account of following factors:
- Lower consideration of normative O&M expenses for FY 2019-20
  - Lower consideration one and half month equivalent of the expected revenue from sale of electricity.

- Lower consideration of maintenance spares (i.e. 1% of Opening GFA) – only for FY 2020-21 to FY 2021-22.

19.8 The Commission in Paragraph 16 of this Order has not considered GFA additions through consumer contribution and grants for working out provisioning of maintenance spares under working capital for FY 2020-21 to FY 2024-25. In Paragraph 9 of this Order, the Commission has clarified on normative provision of O&M expenses for FY 2019-20 and said ground does not have any impact. MSEDCL in Petition has not contested the issue of revenue from sale of electricity and hence remain unaltered. Hence, normative IoWC is not impacted in any manner and hence no error apparent in computation of normative IoWC.

Sharing of Gains and Losses for IoWC:

19.9 For computing, actual IoWC, the Commission during MTR proceedings in data gap set 2 sought explicit data on detailed month wise working capital requirement (Opening & Closing Balance), source of funding, tenure, applicable interest rate in excel format. In Reply, MSEDCL provided excel spread sheets indicating working capital requirement and linked it to Opening Cash/ Bank Balance. MSEDCL has itself submitted the said data and now claiming that there exists an error in equating the opening actual working capital loan with the opening cash and bank balances. The decision of the Commission is based on data submitted by MSEDCL, hence at Review stage MSEDCL cannot backtrack its submission.

19.10 It is pertinent to note that in impugned MTR the Commission has elaborately dealt with the issue of actual working capital and impact of Covid-19 pandemic situation. Relevant paragraph read as under:

“

*4.14.10 Interest Cost of Revenue Shortfall: MSEDCL has submitted that, from the month of March 2020 onwards, its revenue collection was badly hampered due to lockdown situations. The actual revenue shortfall due to deferment of fixed charges and average billing during March 2020 to July 2020 comes to Rs. 2,054.31 Crs. Even though, the Commission directed the beneficiary consumers for the payment of deferred amount in the subsequent three billing cycles in equal interest free instalments, actual recovery has started only after January 2021. The shortfall in cash flows due to such delayed recoveries has been mitigated by availing additional Working Capital loans in the form of STL/MTL/BoE/WCDL. The interest cost of the revenue shortfall due to the Commission's directive comes to Rs. 147.27 Cr.*

*4.14.11 Interest Burden due to poor collection: The COVID-19 pandemic was one of the crises situations in which MSEDCL has worked as an extended arm to the State Government in its social responsibility. Since, the pandemic has hit hard to all the consumers and a large sector was financially affected due to shut down and layoffs, MSEDCL has to restrain itself from taking any coercive actions for recovery of the legitimate energy bills. Numerous regular paying consumers have defaulted during the*

*pandemic period affecting the collection of seven months of the year. Due to lock down, collection centres were closed and only online payment option was available for the payment of energy bills affecting the offline collection. In view of such a force majeure condition, MSEDCL had to consider the delayed payments on humanitarian grounds. The Non-AG collection shortfall for first half of FY 2020-21 is Rs. 6,922.85 Cr. Interest on additional borrowing against shortfall in collection due to force majeure comes to Rs. 441.35 Cr.*

*4.14.12 In view of the above, MSEDCL has requested allow additional interest on working capital of Rs. 147.27 Cr. being interest cost of revenue shortfall to the MSEDCL due to the Commission's directives in wake of COVID-19 Pandemic situation and allow additional interest on working capital of Rs. 441.35 Cr. resulted on account of additional borrowings against shortfall in collection due to force majeure condition during the pandemic period. Accordingly, MSEDCL has claimed actual interest on working capital of Rs. 588.62 Crores for FY 2020-21.*

*4.14.13 Further MSEDCL has submitted that, the element of security deposit considered for calculation of normative working capital requirement as per the MYT Regulations is practically not available to meet out the genuine working capital requirement of the Company. As such, MSEDCL has requested to take the practical approach and allow the amount of interest on working capital as claimed.*

*4.14.14 Further, MSEDCL has submitted that, due to COVID-19 pandemic, variation on amount of interest on working capital was beyond control of MSEDCL. Therefore, no sharing of gains/losses on account of 'variation on amount of interest of working capital is done, as the same is treated as uncontrollable parameter. MSEDCL has requested the Commission to allow actual working capital requirement on account of COVID-19 during FY 2020-21 while dealing the present matter.*

*4.14.15 The Commission acknowledges the exceptional COVID-19 Pandemic situation and its impact on the review collection. Further MSEDCL was obliged to provide relief to the consumers from paying the monthly bills similar to normal condition. Accordingly, the Commission accepts the submission of MSEDCL and grant the relief by allowing the IoWC as requested by MSEDCL to that extent, which as per MSEDCL's estimate itself is Rs 588.62 Crore subject to prudence check..*

*4.14.16 However, the Commission is not inclined to accept the submission of MSEDCL to treat IoWC as un-controllable factor and not to consider for sharing of gains/losses. The Commission is allowing the IoWC as Rs. 588.62 Crore as per revised submission of MSEDCL as an exceptional case for FY 2020-21 and considers the same for sharing of gain /losses over and above normative IoWC."*

- 19.11 After perusal of above dispensation, it is abundantly clear that the Commission has correctly considered impact of Covid-19 on working capital requirement but not allowed to consider the same as uncontrollable factor.
- 19.12 Further, based on the month wise requirement of working capital and the Commission has computed actual IoWC expenses of Rs. 891.90 Crore (wires + supply business) for FY 2021-22.
- 19.13 As per Regulation 32.6 of MYT Regulations, 2019 specifies that the contribution of delay in receipt of payment to the actual interest on working capital shall be deducted from the actual interest on working capital, before sharing of the efficiency gain or efficiency loss.
- 19.14 Accordingly, the Commission has reduced IoWC by the amount of contribution of interest on actual delay payment charges for FY 2020-21 and FY 2021-22. Thus, the net actual IoWC works out to Rs. 560.80 Crores and Rs. 864.76 Crore for FY 2020-21 and FY 2021-22 respectively. This amount of net IoWC has been considered for the purpose of sharing of gains and losses on account of IoWC.
- 19.15 Consideration of actual IoWC is based on pleading of MSEDCL and the Commission do not find any ground for Review of actual IoWC.
- 19.16 Considering above, the Commission do not find merit in MSEDCL's contentions and Review on this account is rejected.

**20. Issue (N): Depreciation for FY 2019-20 and FY 2022-23 to FY 2024-25:**

*MSEDCL's Submission:*

Double pro-rata reduction for computation of depreciation for FY 2019-20

- 20.1 The Commission in its impugned MTR Order has considered the composite weighted average depreciation rate of 4.29% for FY 2019-20.
- 20.2 MSEDCL submitted that detailed calculation is not available in the MTR Order. However, it is observed that the Commission has derived asset class-wise depreciation rates based on actuals submitted in the Petition. Such class-wise rates have been applied on the regulatory asset class wise asset base approved in MYT Order dated 30 March 2020 and addition during the year excluding consumer contribution and grants. Further, the pro-rata reduction has been erroneously done twice for computing regulatory depreciation for FY 2019-20 of Rs. 2,247.49 Cr.
- 20.3 Such double pro-rata reduction is an error apparent on face of the records and needs correction. The computation worked out is provided below.

(Rs. Cr)

Sr. No.	Particulars	Balance at beginning of year (Actual)	Balance at beginning of year (Regulatory)	Additions during the year	Rates based on MSEDCL submission	Depreciation addition worked out by the Commission	Extra Depreciation Addition Worked by the Commission
		(a)	(b)	(c)	(d)	$e=(d)*(b+c/2)$	$f_{(x)} = 2247.49/2485.64 \times e_{(x)}$
1	Free hold land	353.30	336.93	1.53	0.0%	0.00	0.00
2	Lease hold land	27.77	26.17	0.05	0.0%	0.00	0.00
3	Building	495.02	462.37	5.99	2.8%	12.83	11.60
4	Hydraulic works	9.75	8.58	0.13	2.6%	0.22	0.20
5	Other Civil works	264.34	246.69	2.52	9.0%	22.39	20.25
6	Plant and Machinery	20,116.18	18020.97	914.85	4.6%	847.80	766.57
7	Batteries & Charging			0.00	0.0%	0.00	
8	Lines and Cables	36,053.39	32797.10	1281.27	4.7%	1576.77	1425.70
9	Meters				0.0%	0.00	
10	Communication Equipment	47.74	45.74	0.04	5.4%	2.47	2.23
11	Vehicles	30.46	29.44	0.09	1.2%	0.34	0.31
12	Furniture and Fixture	99.75	83.10	0.41	3.1%	2.62	2.36
13	IT Equipment	61.51	74.10	0.01	13.4%	9.95	9.00
14	Office Equipments	233.06	197.96	0.55	3.6%	7.19	6.50
15	Other Assets	55.86	45.46	0.04	6.1%	2.76	2.49
16	Computer Software	76.28	0.00	5.29	11.5%	0.30	0.28
	<b>Total</b>	<b>57,924.40</b>	<b>52374.61</b>	<b>2212.78</b>	<b>4.7%</b>	<b>2485.64</b>	<b>2247.49</b>

20.4 MSEDCL requested to rectify the error and allow Rs. 2,485.65 Cr of depreciation as against Rs. 2,247.49 Cr for FY 2019-20. Accordingly, seeking allowance of impact of Rs. 238.16 Cr.

Computation of depreciation for FY 2022-23

20.5 The Commission in the Paragraph 5.9.2 of the impugned MTR Order ruled that, depreciation rate for computation of depreciation for FY 2022-23, is considered as actual weighted average rate for FY 2021-22. Based on such considerations, approved following depreciation:

**Depreciation approved for FY 2022-23 (Rs. Cr)**

Particulars	MYT Order	MTR Petition	Approved in this Order
Opening GFA	61,185.77	59,436.93	58,869.77
Depreciation	3060.76	2,968.79	<b>2,688.58</b>
% Depreciation	4.95%	4.99%	<b>4.56%</b>

20.6 The composite weighted average rate of depreciation for FY 2021-22 is 4.99%.

- 20.7 For working out depreciation for FY 2022-23, the Commission has considered composite weighted average rate of 4.56% instead of 4.99%. This is an error apparent on face of the records and needs correction.
- 20.8 MSEDCL requested the Commission to rectify the error and allow Rs. 2,940.46 Cr of depreciation for FY 2022-23. And accordingly, allow the additional impact of Rs. 251.88 Cr.

Computation of depreciation for FY 2023-24 and FY 2024-25

- 20.9 In Para 6.9.4 of the impugned MTR Order, the Commission has categorically mentioned the depreciation rate of 4.70%. But worked out depreciation by considering depreciation rate of 4.56%.

**Depreciation for FY 2023-24 and FY 2024-25 as approved by the Commission (Rs. Cr)**

Particulars	FY 2023-24			FY 2024-25		
	MYT Order	MTR Petition	Approved in this Order	MYT order	MTR Petition	Approved in this Order
Opening GFA	62,438.45	61,665.81	60,451.39	63,677.44	66,242.84	61,999.42
Depreciation	<b>3,122.45</b>	<b>3,080.11</b>	<b>2,762.36</b>	<b>3,183.82</b>	<b>3,308.73</b>	<b>2,820.60</b>
% Depreciation	5.00%	4.99%	4.56%	5.00%	4.99%	4.56%

- 20.10 As per Paragraph 4.10.6 of the MTR Order, the composite weighted average rate of depreciation for FY 2021-22 is 4.99%. Approval of depreciation for FY 2023-24 and FY 2024-25 at the composite weighted average rate of depreciation at 4.56% instead of 4.99% is an error apparent on face of the records and needs correction.
- 20.11 MSEDCL requested to allow Rs. 3,019.46 Cr and Rs. 3,096.77 Cr of depreciation for FY 2023-24 and FY 2024-25 respectively. And, accordingly, allow the impact of Rs. 257.10 Cr and Rs. 276.17 Cr for FY 2023-24 and FY 2024-25 respectively.

***Commission's Analysis & Ruling:***

Depreciation for FY 2019-20

- 20.12 MSEDCL in review Petition has pointed out that detailed calculation of depreciation is not available in impugned MTR Order. Further, while calculating depreciation the Commission erroneously carried out double pro-rata reduction for excluding component of consumer contribution and grants for FY 2019-20.
- 20.13 The Commission notes that additional capitalisation during FY 2019-20 is bifurcated as below:

Consumer contribution and grants (a)	2,207.81 Cr
Capitalisation through equity placement (b)	2,212.78 Cr
Additional Capitalisation (c)=(a)+(b)	4,420.59 Cr

After perusal of financial model, it is evident that post consideration of GFA additions without consumer contribution & grants, while calculating depreciation the Commission has carried out pro-rata reduction in depreciation.

Above aspect is clearly an error apparent on face of record. Considering the same the Commission allows Rs.2485,65 Cr of depreciation for FY 2019-20 and allows net impact of Rs.238.16 Cr.

Depreciation for FY 2022-23, FY 2023-24 and FY 2024-25

- 20.14 MSEDCL highlighted that the Commission in impugned MTR Order has mentioned depreciation rate of 4.99% for FY 2021-22. The same needs to be considered for calculation of depreciation for FY 2022-23, FY 2023-24 and FY 2024-25. But, the Commission in impugned MTR Order has worked out depreciation at rate of 4.56%. This is clearly an error apparent on face of record.
- 20.15 After perusal of impugned MTR Order and financial model, it is evident that there is a typo error in mentioning depreciation rate of 4.99% in the Paragraph 5.9.5 and 6.9.4. The Commission has considered 4.56% weighted average rate as per MYT Regulation, 2019 and worked out depreciation accordingly. Hence on this issue, there is only typographical error and same stands corrected as above, and no financial impact needs to be allowed.

**21. Issue (O): Carrying cost on Impact of True-up of MSPGCL from FY 2019-20 to FY 2022-23**

MSEDCL's Submission:

- 21.1 The Commission in its impugned MTR Order has approved a revenue recovery of Rs. 39,567 Crs. Details of the same are as below:

Sr. No.	Particulars	Draft Analysis
1	Final True Up Requirement for FY 19-20	9,309
2	Final True Up Requirement for FY 20-21	1,602
3	Final True Up Requirement for FY 21-22	4,146
4	Provisional True Up Requirement/Revenue Gap for FY 22-23	(6,241)
5	Revenue Gap for FY 23-24	11,644
6	Revenue Gap for FY 24-25	12,998
7	Impact of Review Order (MYT Order)	247
8	Impact of true up of MSPGCL from FY 2019-20 to FY 2022-23	1,090
9	Carrying Cost for previous gaps/impact and unrecovered gaps during Control Period	4,772

Sr. No.	Particulars	Draft Analysis
10	Total Revenue Gap for the MYT Period	39,567
11	Total Recovery	39,567

This revenue recovery includes impact of true-up of MSPGCL from FY 2019-20 to FY 2022-23 amounting to Rs. 1,090.37 Crs. which is shown at Sr. No. 8 in table above.

- 21.2 MSEDCL has already paid Rs. 1,090.37 Crs. to MSPGCL. However, revenue recovery of the same is approved over two years i.e. in FY 2023-24 & FY 2024-25. Hence, the carrying cost on the same needs to be allowed. However, while calculating the carrying cost on unrecovered gap, the Commission has only considered Rs. 9,063.25 Cr. as revenue gap for previous years which is error apparent on the face of record. The same can be seen from following Table:

Revenue Recovery	Formula	FY 2023-24	FY 2024-25	Total
Total Revenue Gap for previous years	a	9,063	4,460	
Revenue Gap for current year	b	11,645	12,998	24,643
Total Revenue Gap upto current year	c=a+b	20,708	17,458	
Net Revenue Gap upto current year	d	20,708	17,458	
Recovery from Tariff hike	e	-16,248	-23,327	39,575
Revenue gap to be carried forward	f=d+e	4,460	-5,869	
Interest Rate	g	9.55%	9.55%	
Carrying Cost on unrecovered Gap	h=a*g	433	426	859
Carrying Cost on previous claims till FY 22-23	i	3,913		
Total Carrying Cost	j=h+i	4,346	426	4,772

- 21.3 The revenue gap considered for previous years for FY 2023-24 doesn't include the impact of past year's true-up of MSPGCL amounting to Rs. 1090.37 Crs. The same can be seen from the below table. This is an error apparent on the face of records and needs correction.

Particulars	Approved Revenue Gap	Total Revenue Gap for Carrying Cost
Final True Up Requirement for FY 19-20	9,309	9,309
Final True Up Requirement for FY 20-21	1,602	1,602
Final True Up Requirement for FY 21-22	4,146	4,146

Particulars	Approved Revenue Gap	Total Revenue Gap for Carrying Cost
Provisional True Up Requirement for FY 22-23	-6,241	-6,241
Impact of Review Order	247	247
Total revenue gap considered for carrying cost of calculation for FY 2023-24	9,063	
Additional Impact of true up of MSPGCL from FY 2019-20 to FY 2022-23 to be considered	<u>1,090</u>	
Considering the Additional Impact of MSPGCL revenue gap, Calculated Total revenue gap for carrying cost of calculation for FY 2023-24	10,154	

21.4 The following table shows the corrected calculation for the carrying cost.

Revenue Recovery	Formula	FY 2023-24	FY 2024-25	Total
Total Revenue Gap for previous years	a	10,154	5,550	
Revenue Gap for current year	b	11,645	12,998	24,643
Total Revenue Gap upto current year	c=a+b	21,798	18,548	
Net Revenue Gap upto current year	d	21,798	18,548	
Recovery from Tariff hike	e	-16,248	-23,327	39,575
Revenue gap to be carried forward	f=d+e	5,550	-4,779	
Interest Rate	g	9.55%	9.55%	
Carrying Cost on unrecovered Gap	h=a*g/2	485	530	1,015
Carrying Cost on previous claims till FY 22-23	i	3,913		
Total Carrying Cost	j=h+i	4,398	530	4,928

21.5 Due to non-consideration of impact of MSPGCL true-up for past years while calculating the carrying cost, the differential impact in carrying cost of Rs. 156.20 Crs. (Difference between Rs. 4928 Crs. & Rs. 4772 Crs.) has not been approved by the Commission. Accordingly, MSEDCL requested the Commission to approve additional carrying cost of Rs. 156.30 Crs. and allow total recovery of Rs. 8,819 Crs. along with carrying cost by way of appropriate mechanism.

***Commission's Analysis & Ruling:***

- 21.6 The Commission notes that MSEDCL has stated that it has paid the amount to MSPGCL in previous years (FY 2019-20 to FY 2022-23), but the Commission has approved the revenue recovery over two years i.e. FY 2023-24 and FY 2024-25. As per MSEDCL's own statement, amount is actually paid and hence said amount paid by MSEDCL should have been reflected in their power purchase expenses for respective year and same must have been trued-up along with true-up of respective year with carrying cost on gap or surplus. As amounts have been settled, the Commission do not find logical to extend the carrying costs on such amounts. Hence, review sought on this account is not tenable.

### **PART B:**

#### **AGRICULTURAL SALES ASSESSMENT**

##### MSEDCL's Submission:

22. The Commission notes that MSEDCL in present Review Petition has raised following (3) issues related to AG sales assessment:
- Error in consideration of AG consumption norm for True-up and estimation of AG sales for FY 2019-20.
  - Non-consideration of available data for 502 feeders with respect to FY 2020-21 and FY 2021-22.
  - Non-consideration of MSEDCL's additional submission dated 17 March 2023 related to computation of AG sales based on AGWG methodology itself.

The above issues are inter-related and hence captured combinedly in this Order.

23. The Commission in its impugned MTR Order has trued-up and estimated AG sales for FY 2019-20 based on AG Index and methodology in line with the MYT Order in Case No. 322 of 2019. Accordingly, the Commission in the impugned MTR Order dated 31 March 2023 has approved the LT AG sales by considering AG consumption norm of 1054 units/HP/annum.
24. The Commission in its Order dated 30 June 2020 in Case No. 84 of 2020 (Review of the MYT Order dated 30 March 2020 in Case No.322 of 2019) ruled that projection of AG sales for FY 2019-20 is provisional estimate which will undergo change during true-up process based on more accurate data estimation that would be available at the time of MTR process.
25. In view of above, consideration of AG consumption norm of 1054 units/HP/annum based on MYT Order in Case No.322 of 2019 dated 30 March 2020 is contrary to the Commission ruling in Review Order dated 30 June 2020 in Case No. 84 2020. This is an error apparent on face of the records and needs correction. Even though the Commission has disallowed the claim of increase in AG sales, true-up and estimation of AG sales for FY 2019-20 should have been based on approved Ag consumption norm of 1181 units/HP/annum.

26. In reply to Data Gaps, MSEDCL has submitted feeder wise annual consumption data for FY 2020-21 and FY 2021-22. Out of the total 502 AG feeders, MSEDCL submitted data for 363 feeders for FY 2020-21 and 417 feeder for FY 2021-22. The estimated AG Sale based on such total no. of feeders is 30,264 MU and 30,398 MU for FY 2020-21 and FY 2021-22 respectively. However, in the impugned MTR Order the Commission had approved the AG Sale of 26,549 MU and 26,775 MU for the respective FYs.
27. Non-consideration of data is clearly an error apparent on face of record.
28. In compliance with the Commission’s directives during the Public Hearings and Daily Order, MSEDCL vide its letter dated 17 March 2023 made additional submission regarding feeder-based assessment of AG sales.
29. In additional submission, MSEDCL submitted feeder data enlarging the sample size for better and appropriate consideration of AG sales. The feeder selection was strictly in terms of the AGWG methodology itself.
30. Feeder Selection:

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
<b>Total No. of AG Feeders</b>	10854	10506*	10726	10991
<b>Feeders after initial 500-4000 Hr Outlier</b>	9870	10164	10253	10656
<b>Feeders</b> 1. Feeders having 100% AMR data 2. No assessment to feeders. 3. 300 to 3000 Hrs. Outlier after computation of Ag Index/usage Hrs.	1427	996	1362	1537

\*During survey of Ag consumer, feeder type corrected hence AG feeder count reduced.

31. After applying AGWG feeder selection criteria, for purpose of analysis, MSEDCL has considered feeders no. as 1427 (FY 2019-20), 996 (FY 2020-21), 1362 (2021-22), as against the actual no. of total AG feeders, as indicated in the 1st row of the above table. MSEDCL has then determined the AG sales based on the AG index computed as per the AGWG methodology itself without any deviation and not based on MSEDCL’s proposed methodology.
32. As such, the entire premise of the Commission of placing on record the increased sample size of feeder by deviating from the AGWG methodology, is an error apparent on the face of the record. Further, the increased sample size of the feeder was not derived based on actual billed sale, a presumption that was incorrectly drawn by the Commission, as contrary to the pleadings in MSEDCL’s additional submissions dated 17 March 2023.
33. As feeder data was based on approved AGWG methodology, there would be as such no requirement of calling for any objections/comments from stakeholders.

34. The non-consideration of additional submission qua increased sample size feeders for computation of AG sales on feeder-based assessment is error apparent on face of record.

***Commission's Analysis & Ruling:***

35. The Commission notes that MSEDCL in its MTR Petition proposed to reconsider estimation of AG Sales for FY 2019-20 and relied upon the Commission's Order dated 30 June 2020 in Case No.84 of 2020. The Commission has dealt with this issue and ruled as follows:

“

***3.2.19 Thus, considering the directives of the Commission in MYT Order and subsequent clarifications in the Order in Review Petition, MSEDCL, was required to undertake the AG sales estimation for MTR Petition based on the methodology specified by the Commission in MYT Order based on recommendations of AGWG. However, the Commission notes that, MSEDCL has not considered the methodology specified by the Commission in MYT Order for estimation of Ag sales.***

*3.2.20 The Commission observes that the process/methodology for selection of feeders for AG Index methodology has been amply elaborated with associated conditions under MYT Order in Case 322 of 2019 and any deviation from the same is not appropriate. Besides, the addition of more feeders in the AG index methodology will have to be undertaken upon careful diligence of all the steps outlined therein and certainly not in substitution /replacement of identified 502 feeders, just because significant discrepancy in actual billed sale and estimated sale is noticed or it is inconvenient to use such identified 502 feeders. The Commission observes that these 502 feeders were so selected upon extensive exercise of field survey, mapping of DTs and AG consumers and connected load thereon based on rigorous stratified random sample-based feeder selection approach. Any addition to the sample feeders will have to strictly follow all the steps outlined under MYT Order in Case 322 of 2019 and part substitution/replacement of such identified 502 feeders without valid reasons/justification is not envisaged. The Commission also noted that MSEDCL has not provided any reasons/justification for the discrepancy noted and non-consideration of 502 sample feeders (partly or otherwise) as covered at the time of MYT Order.”*

36. The Commission has extensively dealt with the aspect of non-consideration of MSEDCL's additional submission dated 17 March 2023 in its impugned MTR Order. Relevant para read as under:

“

*3.2.27 The Commission observes that MSEDCL has not submitted this information neither at the time of technical validation nor prior to or during the public hearing process to enable scrutiny and filing of objections/comments/suggestions from stakeholders. Further, there could be a possibility that MSEDCL has chosen feeders which support/favor its*

arguments. Selection of representative sample should be unbiased and such sampling should be done at the start of billing exercise. MSEDCL's argument to enlarge the sample size at later stage, when billing is done as per conventional method is not correct. It is highlighted that for 502 feeders, MSEDCL has implemented feeder input based billing. In fact, the Commission had categorically highlighted this point in the Public Notice, published for public hearing as a part of regulatory process as under:

*Note:- LT-AG Sales and Energy Balance reported and estimated by MSEDCL in this Petition is not as per the methodology specified by the Commission in MYT Order in Case No 322 of 2019. Consequently, with the change in methodology for assessment of AG sales, the AG sale would undergo change, which would also have an impact on the total sales, distribution losses and sharing of gains/losses.*

3.2.28 During the course of the Public Hearing, several objectors have raised objections regarding the methodology followed by MSEDCL for estimation of AG Sales and non-compliance of Commission's directions to adopt feeder-based input methodology, delay in sharing feeder-based input data to be put out in public domain in timely manner for verification/validation by stakeholders. Even the specific objections of the objectors in this respect are not responded to appropriate manner and only generic reply is provided at times. The Commission observes that sanctity of the regulatory and public consultation process demands that all the information and data that is required to be considered as part of regulatory process should have been part of the MTR petition and stakeholders/general public should have chance to scrutinize and an opportunity to offer its objections/comments in the process.

3.2.29 Hence, it will not be appropriate for the Commission to consider the same on such critical issue of estimation/assessment of AG sales and consequently assessment distribution loss thereon, with revised sets of feeder data. Hence, the Commission is not inclined to consider this additional submission and is of the considered view to consider the feeder input based AG Index as approved under its MYT Order in Case 322 of 2019 for estimation of AG sales in present MTR purpose as well. Further, the Commission notes that improvements in the feeder-based input methodology, enhancement of sample size, selection of feeders strictly in accordance with the principles, methodology and conditions outlined under the MYT Order in Case 322 of 2019 is a continuous process for further refinements in assessment of AG sales, which MSEDCL should continue. MSEDCL should submit such information in public domain from time to time in accordance with conditions outlined under MYT Order and also incorporate the same as part of next tariff revision filing in timely manner. This would improve the confidence level of stakeholders not only on datasets but also on the process and their feedback/suggestions can be incorporated including adoption of measures for course correction, if necessary, in timely manner.

Accordingly, the Commission shall consider the same at the time of next tariff revision process while truing up the sales for prospective periods.

3.2.30 In view of the above, the Commission has disallowed the claim of MSEDCL regarding increase in AG sales and has approved the AG sales based on AG Index and methodology in line with the MYT order in Case No.322 of 2019 dated 30 March 2020.”

37. Such a reasoned decision of the Commission cannot be considered as error apparent of face of record. Review petition cannot be appeal in disguise. Hence, the Commission rejects the review sought on this aspect.

### **PART C: CLARIFICATIONS**

#### **38. Issue (A): Clarity on penalty for exceeding contract demand**

MSEDCL's Submission:

- 38.1 In impugned MTR Order, 'Annexure I' categorically mentioned that Distribution Licensee can enhance the Contract Demand of the consumer when the consumers exceeds the Contract Demand on more than three occasions during a calendar year, irrespective whether the Consumer submits an application for the same or otherwise. However, before such revision of Contact Demand, Distribution Licensee must give 15 days' notice to such consumer. Apart from that, the Consumer is liable to pay necessary charges as may be stipulated in the approved Schedule of Charges for the revised Contract Demand.

- 38.2 MSEDCL pointed out that Regulation 7.6 of MERC (Electricity Supply Code and Standards of Performance of Distribution Licensees including Power Quality) Regulations, 2021 specifies following:

“

*7.6 The Distribution Licensee shall revise (increase or decrease) the Contract Demand / Sanctioned Load of the Consumer upon receipt of an application for the same from the Consumer:*

*Provided that in case **Consumer exceeds its Contract Demand on Three (3) occasions in any Financial Year**, then Distribution Licensee shall intimate such Consumer to apply for regularising its Contract Demand. In case Consumer refuses or fails to do so, Distribution Licensee shall revise its Contract Demand to the highest recorded Maximum Demand in that Financial Year in the immediate next ensuing bill:*

*...” (emphasis added)*

- 38.3 As per MERC Supply Code & SOP Regulations, 2021, demand revision is applicable in case of exceeding Contract Demand on three (3) occasions whereas as per 'Annexure-I of impugned MTR Order demand penalty is applicable in case of exceeding Contract Demand on more than three (3) occasions. MSEDCL requested for clarification regarding whether

demand penalty would be applicable on exceeding contract demand on 3 occasions or more than 3 occasions.

***Commission's Analysis & Ruling:***

38.4 The Commission stipulations in impugned MTR Order needs to be read in consonance with MERC Supply Code & SOP Regulations, 2021. The Commission notes that in impugned MTR Order reference is made to calendar year and in Regulations it is financial year. This is error on face of record. The Commission clarifies that in case Consumer exceeds its Contract Demand on Three (3) occasions in any Financial Year, then MSEDCL shall intimate such Consumer to apply for regularising its Contract Demand. In case Consumer refuses or fails to do so, MSEDCL shall revise its Contract Demand to the highest recorded Maximum Demand in that Financial Year in the immediate next ensuing bill. Also, the consumer is liable to pay necessary charges as may be stipulated in approved schedule of charges for the revised contract demand.

**39. Issue (B): Clarity on certain applicable conditions for operationalization of incremental consumption rebate for HT and LT categories**

***MSEDCL's Submission:***

39.1 In Paragraph 7.13.22 of the MTR Order, the Commission has approved the Detailed modalities for operationalization of rebate for incremental consumption during the remaining period of 4th Control Period (i.e. for FY 2023-24 and FY 2024-25) for specified HT category (incl. EHV consumers) and LT category along-with relevant conditions for applicable consumer categories and eligible consumers.

39.2 MSEDCL requested the Commission to provide clarification regarding following:

- Whether only above 20 kW consumers are eligible for this rebate or otherwise?
- In case of Lock Credit Release (LCR) and Average Billing guidelines are required for computation of Incremental Consumption.

39.3 MSEDCL in its additional submission dated 02 November 2023 submitted that for FY 2020-21 and FY 2021-22, MSEDCL has calculated units eligible for the Incremental Consumption Rebate as follows:

- Current month units (kWh) less baseline consumption (or monthly threshold consumption) units (kWh) are divided by current monthly PF. As the rebate is given on the kVAh based units i.e., Rs. 0.75/kVAh.
- Now, for computation of Incremental consumption rebate for FY 2023-24, baseline consumption date of FY 2020-21 to FY 2022-23 is already available in kVAh. Hence, all computation will be done on kVAh basis.

39.4 MSEDCL in its additional submission dated 9 February 2024 submitted that the provision of incremental consumption rebate has been initiated to encourage higher energy

consumption compared to the average consumption of the previous three years. It has been observed that there is no clarity regarding inclusion of assessed units in calculation of the baseline consumption for the incremental consumption rebate in case of non-availability of normal consumption of the consumer.

The present issue arises from the fact that the assessment unit's consumption is not included when calculating the baseline consumption (or monthly threshold consumption) for incremental consumption rebate eligibility. This exclusion is leading to inaccuracies, particularly for consumers who have been issued bills based on the assessment unit due to various reasons such as incorrect Multiplying Factor, CT-PT failure, energy theft or faulty/slow meters. Consequently, such consumers are receiving incremental Consumption rebates based on lower baseline consumption than actual average consumption, leading to financial implications for both consumers and MSEDCL.

39.5 MSEDCL Proposed following:

- (a) Incorporating Assessment Unit Consumption: Incorporate the consumption from the assessment unit in the calculation of the threshold limit each time an assessment occurs, regardless of the reason, before releasing the incremental consumption rebate in the current bill. This will ensure that any discrepancies arising from assessment units are accounted in the threshold calculation.
- (b) Re-evaluation of Incremental consumption Rebates: Re-evaluate the incremental consumption rebates provided from April 2023 for consumers whose consumption data over the last three years was impacted using assessment units. Any unjustified incremental consumption rebates that were previously passed on to consumers should be recovered as per the norms. This will help to rectify any discrepancies in the rebate allocation and ensure that consumers receive the appropriate entitled amount.
- (c) Adjustments for Theft Cases: In situations where consumers are flagged for theft and the actual meter recorded consumption is not available for calculating the threshold limit, it is essential to ensure that the incremental consumption rebate is calculated accurately. Therefore, such consumer's actual threshold limit can be established only after three years from the date of normalization of consumer metering. Such consumer shall become eligible for availing incremental consumption rebate from the next billing cycle upon completion of 3-year period from the date of normalization of consumer metering and accordingly average monthly consumption for past three years shall be considered as its baseline consumption (or monthly threshold consumption) in such cases for determination of their incremental consumption for the purpose of rebate.

***Commission's Analysis & Ruling:***

- 39.6 The Commission notes that MSEDCL has proposed new modalities for passing on incremental consumption rebate. Further, it intends to re-evaluate the incremental consumption rebate provided from April-2023 for consumers whose consumption data

over the last three years was impacted using assessment units and allow necessary recovery from such consumers.

- 39.7 MSEDCL highlighted that incorrect Multiplying Factor, CT-PT failure, energy theft or faulty/slow meters are main reasons for assessment units. Being a Distribution Licensee, it is MSEDCL's responsibility to ensure correct billing by carrying out meter replacements/Theft detection/correcting MFs etc. Just lapses on account of its own action cannot be a reasons for revision of modalities for incremental consumption rebate.
- 39.8 Further, the scope of Review jurisdiction is very limited, and it does not allow to change any tariff modalities, which have been decided through public consultation. If MSEDCL intends to change any conditionalities of incremental consumption rebate, then it is free to propose such changes in upcoming MYT proceedings.

**40. Issue (C): Clarification on implementation of following Tariff-related features of the MTR Order**

*MSEDCL's Submission:*

- 40.1 MSEDCL submitted that following aspects have not been mentioned in Annexure-I Tariff Schedule:
- (a) Green Tariff and terms & conditions for levy of Green Tariff.
  - (b) Stipulations regarding Advance payment/Pre-payment of the bills.
  - (c) Tariff applicability to hotels, independent villas/bungalows and homestays.
  - (d) Applicability of Bulk Consumption rebate to Partial Open Access consumer.
- 40.2 MSEDCL requested to provide clarity on above aspects.

**Commission's Analysis & Ruling:**

- 40.3 The Commission notes that elaborate dispensation has been provided by the Commission on above referred aspects. Annexure-I Tariff Schedule is a part of impugned MTR Order and needs to be read cohesively and not on standalone manner. The Commission do not find merit in MSEDCL's request and hence rejected.

**41. Issue (D): Clarification on implementation of following revised approved tariff categorization:**

*MSEDCL's Submission:*

- 41.1 As per Paragraph 7.23.14 of the impugned MTR Order, the Commission has approved ready-mix and hot mix concrete plants used for construction of infrastructure projects to be considered under Industrial category.

- 41.2 Further, at Paragraph 7.24.3 of the impugned MTR Order, Commission has approved ‘floriculture, horticulture, (incl. Phalsheti), nursery and plantation’ to be considered under ‘LT-IV(B) LT Ag (metered) category.
- 41.3 MSEDCL requested the Commission to provide clarification regarding implementation of such revised approved categorisation, i.e., whether revised approved change in categorisation is prospective or retrospective in nature? In case of retrospective applicability, effective date may be provided.

***Commission’s Analysis & Ruling:***

- 41.4 The issue of applicability of industrial tariff to ready-mix and hot mix concrete plants has been dealt by the Commission in its Order dated 45 of 2023 dated 3 October 2023. In said matter MSEDCL filed the Petition in compliance with directions of Hon’ble Bombay High Court in Judgement dated 24 January 2023 in Civil Writ Petition No.1009 of 2023 and 16 March 2023 in Civil Writ Petition No. 2511 of 2023, 2516 of 2023 & 2587 of 2023. The relevant portion of Order dated 3 October 2023 read as under:

“

19.5 *The Commission notes that in past Tariff Orders (prior to Order dated 31 March 2023 in Case No.226 of 2022) the Commission has not specified category/tariff applicable to Ready-mix plants. The Commission generally specify tariff applicability to set of activities in its Tariff Orders and it is not possible to cover all usage types. The tariff schedule is indicative in nature and not exhaustive. It is expected that the Distribution Licensee will interpret the Order and apply the tariff category based on usages analogous to those specified in Tariff Orders.*

19.6 *The Commission in past tariff Orders has specified ‘Construction’ (for all types of structures/infrastructure such as building, bridge, flyovers, dams, Power Stations, road, Aerodromes, tunnels for laying of pipelines activity) under Commercial Tariff Category. MSEDCL has extended the Commercial tariff applicability to RMC plants based on the premises that the RMC is associated with construction activity. Therefore, since RMC is used only for construction of structures/infrastructures, roads etc., if connections are sought for RMC manufacturing plants (whether stand-alone or on site of construction activity) then commercial tariff is applicable.*

19.7 *The Commission notes that RMC plant provides ready mix concrete to construction projects and is altogether a different set of activity. In this case output provided by RMC plants is having different forms than its input and is processed scientifically. The activity carried out herein cannot be equated with construction activities. Further, logic as stated by MSEDCL i.e. as Ready Mix Concrete is used for construction activity it should be categorized under commercial category is also not correct because by such logic cement manufacturing, steel manufacturing*

*etc will become commercial, but these have been specifically categorized under Industrial category. Hence, RMC plants needs to be categorized under Industrial Category only, which MSEDCL has been doing before report of their flying squad unit. Hence, **the Commission clarifies that categorization of RMC plants under Industrial Category is correct in terms of its earlier Tariff Orders applicable till 31 March 2023.***

19.8 *For the period starting from 1 April 2023, the Commission in its recently issued MTR Order 23 dated 31 March 2023 in Case No.226 of 2022 has specifically ruled that RMC plants be categorized under Industrial tariff category. Relevant part of the Tariff Order is reproduced below:*

“

*7.23.14 MSEDCL has proposed that the category for Ready-mix and Hot Mix plants used for construction of infrastructure projects mentioned in clause (i) of LT Commercial as Commercial category. The Commission observes that activity of Ready-mix and Hot Mix plants for construction of infrastructure projects are in the nature of industrial activities to support infrastructure development and are typically for longer term (more than 2 years) duration at fixed locations unlike temporary connections for construction purposes at project site. The Commission hereby approves that Ready-mix and Hot Mix concrete plants used for construction of infrastructure projects are to be considered under Industrial category.”*

*Above ruling in recent Tariff Order is consonance with reasoning given in para 19.7 above for clarifying categorization of RMC plants under Industrial category in terms of earlier Tariff Orders.*

19.9 ***Hence, the Commission rules that RMC plants needs to be categorized under Industrial Tariff category in terms of its earlier Tariff Order and MSEDCL’s action of re-classifying them into commercial category is not correct. ”***

As far as ready-mix and hot mix concrete plants are concerned, above clarification is self-explanatory, and no more clarification is required in this matter.

41.5 Inclusion of phalsheti under LT-IV (B) LT AG (Metered) category is done after considering the objections of farmers in public proceedings in Case No.226 of 2021. Hence, the said dispensation is applicable prospectively.

#### **42. Issue (E): Clarification on applicability of Additional Surcharge:**

*MSEDCL’s Submission:*

42.1 As per the Supreme Court Judgement 15 March 2022 in Civil Appeal No.5074 of 2019 and 5075 of 2019, MSEDCL immediately stopped levy of Additional Surcharge (ASC) to

group Captive Consumer from January 2022. MSEDCL in its MTR Review Petition further elaborated the methodology adopted by it for refund of ASC.

- 42.2 Considering the Supreme Court Judgement, MSEDCL in its MTR Petition has specifically prayed to approve the levy of Additional Surcharge to all Open Access consumers excluding those OA consumers who incur the expenditure and/or invest the money for constructing, maintain or operating a captive generating plant and dedicated transmission lines.
- 42.3 As per MSEDCL Para 7.29.17 to Para 7.29.23 of the impugned MTR, it is not clear whether proposal submitted in MTR Petition in view of the Supreme Court Judgment is accepted or not.

***Commission's Analysis & Ruling:***

- 42.4 The Commission notes that Hon'ble Supreme Court vide its Order dated 10 December 2021 ruled that the consumers defined under Section 2(15) and the captive consumers are different and distinct and they form a separate class by themselves. The relevant portion of the Judgement read as under:

“

*14. Even otherwise, it is required to be noted that the consumers defined under Section 2(15) and the captive consumers are different and distinct and they form a separate class by themselves. **So far as captive consumers are concerned, they incur a huge expenditure/invest a huge amount for the purpose of** construction, maintenance or operation of a captive generating plant and dedicated transmission lines. However, so far as the consumers defined under Section 2(15) are concerned, they as such are not to incur any expenditure and/or invest any amount at all. Therefore, if the appellant is held to be right in submitting that even the captive consumers, who are a separate class by themselves are subjected to levy of additional surcharge under Section 42(4), in that case, it will be discriminatory and it can be said that unequals are treated equally. Therefore, **it is to be held that such captive consumers/captive users, who form a separate class other than the consumers defined under Section 2(15) of the Act, 2003, shall not be subjected to and/or liable to pay additional surcharge leviable under Section 42(4) of the Act, 2003.**”*

- 42.5 Considering above, the Commission clarifies that CGP consumers are exempted from levy of Additional Surcharge subject to fulfilment of equity and consumption criteria as stipulated in Electricity Rules, 2005.

**43. Issue (F): Operational issues regarding Smart Meters implementation**

***MSEDCL's Submission:***

- 43.1 MSEDCL pointed out that in impugned MTR Order, the Commission has observed that under RDSS scheme, meters are expected to be replaced with smart meters in near future.

- 43.2 In view of statewide roll-out of smart meters, MSEDCL raised operational issues relating to following:
- (a) Mandatory pre-paid implementation.
  - (b) Monthly bill distribution.
  - (c) Recovery of Meter Cost.
  - (d) Disconnection notice in case of smart meters with pre-payment facility.
  - (e) Refund of security deposit in case of smart meters with pre-payment facility.
  - (f) Monthly Bill settlement process in case of smart meters with pre-payment facility.
  - (g) Digital Payment discount in case of smart meters with pre-payment facility.
  - (h) Rebate for consumers with prepaid connections and prompt payment discount in case of smart meters with pre-payment facility.
  - (i) Minimum recharge in case of smart meters with pre-payment facility.
  - (j) Deduction against electricity usage in case of smart meters with pre-payment facility.
  - (k) Arrears recovery in case of smart meters with pre-payment facility & delayed payment charges on arrears.
  - (l) Demand penalty in case of smart meters with pre-payment facility.
- 43.3 MSEDCL elaborated on above operational aspects and requested for guidelines for implementation of smart meters.

***Commission's Analysis & Ruling:***

- 43.4 The Commission notes that the issues flagged by MSEDCL were neither a part of original MTR Petition nor impugned MTR Order.

If MSEDCL need guidelines, then such issues cannot be dealt in Review Jurisdiction. Hence, MSEDCL is suggested to approach a separately under appropriate provisions for seeking guidelines on operational difficulties in smart metering.

**44. Issue (G): Clarification on implementation incentive/disincentive mechanism linked to AT&C loss level at feeder level for AG Consumers**

***MSEDCL's Submission:***

- 44.1 MSEDCL submitted that the Commission in its impugned MTR Order has not referred AT &C Loss linked mechanism in Annexure I of Tariff schedule. Reference of same is required for ease in implementation of MTR Order.
- 44.2 MSEDCL vide its additional submission dated 2 November 2023 highlighted that amongst the AG dominated feeders, there are certain feeders having more than 30% contribution of non-AG consumer sales in Total sales. The feeder wise AT&C loss will have contribution

of non-AG consumer sales, Demand & Collection which have less distribution loss and likewise high Collection Efficiency.

- 44.3 The feeder with high quantum of non-AG sales contribution will help in bringing down AT&C loss of feeder. MSEDCL requested to provide clarification regarding treatment to be given to feeders for AT&C loss calculation with sizeable presence of non-AG Consumer sale, Demand & Collection. Also, request the Hon'ble Commission whether complete feeder loss & AG collection efficiency to be considered?

***Commission's Analysis & Ruling:***

- 44.4 The Commission notes that it has devised feeder wise incentive/disincentive mechanism linked to AT&C loss level for targeting higher technical loss levels and lower collection efficiency of AG consumers fed from AG dominated feeders. Feeders with AG dominated loads were targeted group.

- 44.5 As such proposal was new in its kind and AT&C loss data is crucial for such assessment. Hence, the Commission in its impugned MTR Order directed following:

“

*7.1.40 The Commission is aware that the situation can improve, with the proactive participation of the consumers and thus expects co-operation from the consumers. In order to garner support of consumers to achieve the envisaged AT&C loss reduction trajectory and improvement in its collection efficiency, the Commission has introduced such tariff differential for LT-AG consumers linked to AT&C loss level at Feeder level. **The Commission hereby directs MSEDCL to submit list of AG dominant feeders with their AT&C loss levels during FY2022-23 alongwith operational modalities for implementation of such differential Tariff for AG consumers, within three months from date of issuance of the Order and also provide wide publicity for same including publishing the same on its website to implement this arrangement. As MSEDCL follows quarterly billing cycle in case of AG consumers, the Commission does not foresee any difficulty in implementation of this directive after six months from date of issuance of this Order (i.e. from third quarter) of FY 2023-24 itself. Depending on the scrutiny and review of performance of such measures, the Commission shall revisit and/or modify such differential tariff treatment for LT-AG consumers linked to Feeder level AT&C loss during next Tariff revision exercise.**”*

- 44.6 In compliance to above directive, MSEDCL vide its submission dated 24 February 2024 submitted following:

“

*Methodology to be adopted for deciding incentive/Dis-incentive for AG Consumers:*

*The criteria of AT&C loss of the feeder is considered by the Hon'ble Commission to courage improvement in collection efficiency and disincentive poor performance. To face*

*this challenge of poor Collection efficiency, the Incentive / Dis-incentive to AG consumers on the basis of feeder AT&C loss is suggested by Hon'ble Commission. However it is injustice to the AG consumers who are timely paying their Energy bills but due to inefficiency of other AG consumers the Feeder collection efficiency and further AT&C loss is poor and could not avail the incentives. On the contrary the non-paying consumers on low Distribution loss feeders will receive subsidised tariff.*

*To address this, it is proposed to consider the Distribution loss of the feeder instead of AT&C loss, as the Collection efficiency may be healthier due to non-Ag consumer's collection or Ag Subsidy to AG consumers, or the Collection efficiency is poor due to non-paying attitude of Consumers.*

*Further, the incentives can be applied to:*

- 1. If the feeder is having Distribution Loss up to 50% and the consumers connected on these feeders who have paid their last bill.*
- 2. The slabs of the incentives may be increased as per feeder loss.*

<i>Sr. No</i>	<i>Distribution Loss (%)</i>	<i>% of approved Tariff hike implemented</i>	<i>Incentive proposed</i>
<i>1</i>	<i>Above 50%</i>	<i>100%</i>	<i>No incentive</i>
<i>2</i>	<i>35-50 %</i>	<i>66.67%</i>	<i>33.33%</i>
<i>3</i>	<i>20-35 %</i>	<i>33.33%</i>	<i>66.67%</i>
<i>4</i>	<i>Upto 20 %</i>	<i>0%</i>	<i>100 %</i>

...”

44.7 Here in this Petition, MSEDCL is seeking clarification but while submitting compliance of above directive, it has suggested distribution loss-based approach instead of AT&C losses. The Commission has already initiated *Suo-Motu* proceedings (Case No.4/SM/2024) for verification of compliance of directives in impugned MTR Order.

Clearly stand taken by MSEDCL is contradictory and hence, the Commission directs MSEDCL to take holistic view and propose incentive/disincentive mechanism in upcoming MYT filing, so that it can be decided through public consultation.

**45. Issue (H): Clarification on applicability of LT II LT – non-residential or commercial**

45.1 The Commission in Para 7.22.10 of the impugned MTR Order has clarified that Non-Residential or Commercial tariff will be applicable to Toll Collection plazas including lightings on Express / National / State Highways.

45.2 In Annexure I - Tariff schedule for FY 2023-24 and FY 2024-25 of the impugned MTR Order the Commission has provided category wise tariff applicability in detail. However,

the section pertaining to LT II: LT – Non-Residential or Commercial does not include specific details about ‘Toll Collection Plazas’, as mentioned in paragraph 7.22.10.

- 45.3 Considering above, MSEDCL requested the Commission to rectify Annexure I - Tariff schedule by amending tariff applicability of Toll Collection plazas to include lighting on Express / National / State Highways.

***Commission’s Analysis & Ruling:***

- 45.4 With regards to above clarification, it is pertinent to note that Hon’ble APTEL vide its Judgement dated 9 September 2024 in Appeal No.230 of 2024 & IA No.2314 of 2023 & IA No.363 of 2024 ruled following:

“

***XII. CONCLUSION***

*For the reasons afore-mentioned, we are of the view that MSEDCL was not justified in treating street lighting on the National Highway, other than those in and around the toll collection plazas and in places where commercial activities are carried on, as falling under LT-II category, and that such lighting on the National Highway would continue to be governed under the LT-VI category. The impugned order, to this limited extent, is clarified. The Appeal is allowed, and all the I.As therein stand disposed of.”*

In view of above clarification, the Commission do not find it appropriate to delve into this matter further.

**46. Issue (I): Tariff for EV Charging**

**MSEDCL’s Submission:**

- 46.1 Government of India has undertaken multiple initiatives to promote manufacturing and adoption of Electric Vehicles (EV) in India. Accordingly, Electric vehicles have started penetrating in the Indian market. As such, being a natural colliery, availability of adequate charging infrastructure is necessarily required for accelerated adoption of Electric Vehicles.
- 46.2 The Guidelines & Standards for charging infrastructure for Electric Vehicle have been issued from time to time with objectives to promote affordable tariff chargeable from EV Owners and charging Station.
- 46.3 MSEDCL is the State Nodal Agency for roll out mechanism of Electric Vehicle charging infrastructure in Maharashtra.
- 46.4 The Commission vide its MYT Tariff Order dated 30 March 2020 passed in Case No. 322 of 2019 had approved separate Tariff for EV charging LT- V / HT–IX. Subsequently, vide impugned MTR Order the Commission has revised Electric Vehicle charging station tariff.

- 46.5 Meeting of Oil Marketing Companies (OMCs) under the Chairmanship of Secretary (Power) was held on 02 June 2023, for discussion on issues related to tariff being charged by various Distribution Licensees for Electric Vehicle stations. Services Charges, Fixed Charges for EV Tariff of various States in India were discussed. Also, instruction for issuing of EVCS connections on priority was given by Ministry of Power (MoP).
- 46.6 OMCs IOCL, BPCL and HPCL have approached to MoP mainly to consider inconsistencies between the Central and State policies impacting Public EV charging station at Fuel Retail Outlets.
- 46.7 In view of concerns raised by OMCs, MoP has directed to ensure the following:
- a) Tariff for supply of electricity to Public EV charging station in the State be single part and not exceed Average Cost of Power Supply (ACoS).
  - b) Waiver of fixed demand charges component in EV supply Tariff for Public EV charging stations’.
  - c) Promotion of residential, office and community charging in Group Housing societies and commercial complexes.
  - d) Issue of EVCS (Electric Vehicle Charging Station) connections on priority.
- 46.8 In view of the above MOP Guidelines/Directives, MSEDCL prayed for waiver of Fixed / Demand Charge for EVCS tariff. If the Commission finds it deem fit and is inclined to consider the proposal, then the financial impact of the same may please be provided during trueing up.

***Commission’s Analysis & Ruling:***

- 46.9 MSEDCL is essentially seeking waiver of fixed/demand charges and consider the financial impact at the time of true-up. Clearly, above dispensation is having impact on revenue of MSEDCL. Such a new proposal does not qualify for Review. MSEDCL is directed to approach the Commission with above/such proposal during next MYT filing.

**47. Issue (J): Clarification on applicability of Tariff for consumers such as milk collection centre supplying milk only to co-operative dairies**

***MSEDCL’s Submission:***

- 47.1 The Commission has mentioned the tariff applicability in ‘Annexure- I’ of impugned MTR Order. For consumers like milk collection centres, the applicable tariff category is ‘LT II: LT – Non-Residential or Commercial’ and ‘HT II: HT-Commercial’.
- 47.2 It is important to note that among the consumers comprising milk collection centres, there are milk collection centres who are supplying milk to Co-operative Dairies. Such milk collection centres operate in a manner similar to non-profit organizations and are established primarily for the purpose of collecting milk from various small farmers in rural areas or from tabelas to fulfil the demand for milk in different regions of the State.

- 47.3 It is observed that the milk collection centres not only collect the milk, but also preserve the milk under low temperature. Therefore, the activities carried out by such milk collection centres are not only milk collection but in fact it is related to chilling of milk. Further, quantum of milk being collected by such Milk collection centres who supply milk only to co-operative dairies is generally larger and it required to be transported to different locations based on the demand of the product. Considering this, chilling of the milk is essential in order to increase its storage life and it need to be preserved in order to maintain its quality to supply to the end consumers in usable form.
- 47.4 Further, considering agriculture as a seasonal and risky business, State and Central government are putting their best possible efforts to increase the income of farmer. As a part of this exercise, both Governments are promoting animal husbandry and promoting dairy business through it. While farmers could produce milk at affordable cost due to availability of low-cost cattle maintained at their farm, it is important to promote eco system for collection, preservation and processing of milk and its transportation up to dairy.
- 47.5 It is observed through various Tariff Orders in past that the Commission has taken a holistic view in terms classifying poultry, hatchery, fishery, tissue culture, cold storage etc. in AG- Others Tariff category.
- 47.6 Business of Milk is also a broadly associated activity mainly undertaken by farmers as a connecting business to their agricultural land due to availability of agriculture waste as low-cost cattle feed. Therefore, MSEDCL is of view that to promote sustainable ecosystem for increasing farmer's income, classifying milk collection centres under 'AG others' or under 'Industrial' category would help the required eco system to grow for sustainable allied business for farmers.
- 47.7 Considering the above, the tariff categorization of such milk collection centre who supply milk only to Co-operative dairies needs to be considered under AG- Others or under Industrial Category similar to the classification of milk processing and chilling plants, i.e. under LT- Industry and HT - Industry, as stipulated in the tariff applicability of impugned MTR Order.
- 47.8 Considering above, MSEDCL requested the Commission to provide clarification on the issue of categorization of milk collection centres who supply milk only to only Co-operative Dairies and provide suitable directions or Orders in this regard.

***Commission's Analysis & Ruling:***

- 47.9 The Commission notes that under the garb of clarification, MSEDCL is seeking reclassification of Co-Operative sector driven Milk Collection Centres under AG- Others or under Industrial Category.
- 47.10 Such reclassification cannot be done through the Review proceedings and hence, this ground is does not qualify for any dispensation.

**PART D:**  
**CORRIGENDUM**

48. The Commission vide its Corrigendum Order dated 28 April 2023 has made certain corrections to the impugned MTR Order. Apart from said corrections, MSEDCL has pointed out certain typo and representation errors. For sake of brevity, the correction having financial impact and those which can lead to incorrect interpretation have been presented herein. Other typo errors are deemed to be accepted.
49. Missing Units:
- 49.1 Units of Energy Charge and Wheeling Charge for following tables are missing:
- a) Table 7-14: Summary of LT Tariff for FY 2023-24, effective from 1 April 2023
  - b) Table 7-15: Summary of LT Tariff for FY 2024-25, effective from 1 April 2024
  - c) Table 7-16: Summary of HT Tariff for FY 2023-24, effective from 1 April 2023
  - d) Table 7-17: Summary of HT Tariff for FY 2024-25, effective from 1 April 2024
- 49.2 The Commission clarifies that units of both Energy Charges and Wheeling Charges shall be Rs/kWh.
50. Typo Errors: Energy Changes for Electric Vehicle Charging Station
- 50.1 MSEDCL pointed out that in 'Table 7-16: Summary of HT Tariff for FY 2023-24, effective from 1 April 2023' of MTR Order, Energy Charge for '**HT IX: HT-Electric Vehicle Charging Station' for EHV Category is Rs. 7.05** whereas 'HT IX: HT-Electric Vehicle Charging Station' for HV Category mentioned as Rs. 6.90.
- As per 'Table 7-17: Summary of HT Tariff for FY 2024-25, effective from 1 April 2024' of MTR Order, Energy Charge for '**HT IX: HT-Electric Vehicle Charging Station' for EHV Category is Rs.7.60** whereas 'HT IX: HT-Electric Vehicle Charging Station' for HV Category mentioned as Rs. 7.40.
- 50.2 The Commission noted the above discrepancy and ruled that above highlighted entries shall be read as under:
- Table 7-16
- Energy Charge for 'HT IX: HT-Electric Vehicle Charging Station' for EHV Category is **Rs. 6.90.**
- Table 7-17
- Energy Charge for 'HT IX: HT-Electric Vehicle Charging Station' for EHV Category is **Rs. 7.40.**
51. ABR for FY 2023-24 and FY 2024-25

- 51.1 ‘Table 7-8: Comparison of ABR for FY 2023-24 and FY 2024-25
- Approved ‘ABR’ mentioned for FY 2023-24 of Rs. 8.45/unit as against Rs. 8.46/unit
  - Approved ‘ABR’ mentioned for FY 2024-25 of Rs. 8.93/unit as against Rs. 8.94/unit
- 51.2 The Commission notes the above discrepancy and rules that ABR mentioned in Table 7-8 stands corrected as follows:
- For FY 2023-24- **Rs.8.46/unit**
- For FY 2024-25- **Rs.8.94/unit**
52. ARR for Supply Business FY 2023-24:
- 52.1 In ‘Table 6-110: Aggregate Revenue Requirement for Supply Business FY 2023-24 approved by the Commission (Rs. Crore)’, approved amount against the ‘Opex Scheme’ has been mentioned as **Rs. 98.72 Cr.**
- Considering ‘Opex Scheme’ expenses of Rs. 98.72 Cr expenses, ‘Total Revenue Expenditure’ works out to be Rs. 92,503.11 Cr as against mentioned amount of Rs. 92,444.74 Cr.
- 52.2 The Commission noted above submission and after perusal of financial model, it is clarified that in ‘Table 6-110, the approved amount against the ‘Opex Scheme’ needs to be read as **Rs. 40.23 Cr.**
53. Hence, the following Order

**ORDER**

- The Petition in Case No. 102 of 2023 is party allowed.**
- The financial impact on account of review allowed in this Order is tabulated below:**

Sr. No.	Particulars	Amount (Rs. Crs)
1	Review of Additional cost to be allowed in InSTS (True-up) (FY 19-20 & FY 20-21)	23.97
2	Review of normative O&M and actual O&M expenses for FY 2019-20 to FY 2024-25	122.86
3	Non-consideration of finance expense in other expenses for FY 2020-21 and FY 2021-22	8.43
4	Difference in computation of Debt: Equity ratio and its impact on Computation of Interest Expenses for FY 2021-22 and onwards	4.29
5	Error in consideration of Interest on Security Deposit as per audited accounts for FY 2020-21	0.44
6	Depreciation for FY 2019-20 and FY 2022-23 to FY 2024-25	238.16

Sr. No.	Particulars	Amount (Rs. Crs)
	<b>Total</b>	<b>398.15</b>

MSEDCL may claim the above expenses in upcoming MYT filings with carrying cost except Sr.No.1 (carrying cost on impact of InSTS charges is not allowed as ruled in para 9.7 above).

Sd/-  
(Surendra J. Biyani)  
Member

Sd/-  
(Anand M. Limaye)  
Member

Sd/-  
(Sanjay Kumar)  
Chairperson

  
(Dr. Rajendra G. Ambekar)  
Secretary

