CHHATTISGARH STATE ELECTRICITY REGULATORY COMMISSION

RAIPUR

CSERC

छत्तीसगढ़ राज्य विद्युत नियामक आयोग

Jindal Steel & Power Limited (JSPL)...... P. No. 45/2022

Present: **Hemant Verma, Chairman**
Vinod Deshmukh, Member (Judicial)
Pramod Kumar Gupta, Member

In the matter of –

1. Truing up of JSPL-T for FY 2019-20 and FY 2020-21;
2. Determination of ARR for MYT Control Period from FY 2022-23 to FY 2024-25 and Transmission Tariff for FY 2022-23.

ORDER

(Passed on 28.10.2022)

1. As per provisions of the Electricity Act, 2003 (hereinafter referred as 'the Act') and the Tariff Policy, the Commission has notified the Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for determination of tariff according

to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2021 (hereinafter referred as 'CSERC MYT Regulations, 2021') for determination of tariff for the Generating Company, Licensees, and CSLDC.

2. The Commission had notified the Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for determination of Tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2015 (hereinafter referred as 'CSERC MYT Regulations, 2015') for determination of tariff for the Generating Company, Licensees, and CSLDC, which is applicable for truing up for FY 2019-20 and FY 2020-21 for the Generating Company, Licensees, and CSLDC.

3. This Order is passed in respect of the Petition filed by M/s Jindal Steel & Power Limited (JSPL), a Transmission Licensee, for truing up for FY 2019-20 and FY 2020-21, approval of revised estimate of Aggregate Revenue Requirement (ARR) for FY 2021-22, and determination of ARR and Transmission Tariff for the Control Period from FY 2022-23 to FY 2024-25.

4. A Public Notice along with the gist of the Petition was also published in the newspapers, and objections/suggestions were invited as per the procedure laid down in the Regulations. The Commission conducted Public Hearing on the Petition in its office at Raipur on August 23, 2022.

5. The Commission has undertaken final true-up for FY 2019-20 and FY 2020-21 for JSPL- T based on the audited accounts submitted by the Petitioner, and in accordance with the provisions of the CSERC MYT Regulations, 2015.

6. In the Multi-Year Tariff (MYT) Order for JSPL-T passed on February 10, 2020, the Commission approved the True-up for the period from FY 2012-13to FY 2016-17 and determined the Transmission Tariff for FY 2019-20..

7. The Order will be applicable from Nov 01, 2022 and will remain in force till March 31, 2023 or till the issue of the next Tariff Order, whichever is later.

8. The Commission directs JSPL-T to take appropriate steps to implement the Tariff Order.

Sd/-	Sd/-	Sd/-
(PRAMOD KUMAR GUPTA) **MEMBER**	**(VINOD DESHMUKH)** **MEMBER (JUDICIAL)**	**(HEMANT VERMA)** **CHAIRMAN**

LIST OF ABBREVIATIONS

Abbreviation	Description
A&G	Administrative and General
ARR	Aggregate Revenue Requirement
COD	Date of Commercial Operation
CPI	Consumer Price Index
CSERC	Chhattisgarh State Electricity Regulatory Commission
CSLDC	Chhattisgarh State Load Despatch Centre
DC	Double Circuit
FY	Financial Year
GFA	Gross Fixed Assets
GoI	Government of India
HR	Human Resource
IoWC	Interest on Working Capital
JSPL	Jindal Steel and Power Limited
JSPL-T	Jindal Steel and Power Limited – Transmission
km	kilometre
kV	kilo Volt
kWh	kilo Watt-hour
M&G	Maintenance and General
MAT	Minimum Alternative Tax
MCLR	Marginal Cost of Funds based Lending Rate
MU	Million Units
MYT	Multi Year Tariff
NEP	National Electricity Policy
NPV	Net Present Value
O&M	Operation and Maintenance
R&M	Repair and Maintenance
RoE	Return on Equity
Rs.	Rupees
SBI	State Bank of India
SLDC	State Load Despatch Centre
SLM	Straight Line Method

Abbreviation	Description
STU	State Transmission Utility
WPI	Wholesale Price Index

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1. BACKGROUND AND BRIEF HISTORY

1.1 Background

Jindal Steel & Power Limited **("JSPL")** was granted a Transmission Licence by the Commission vide Order No. 22/2007 (L)/ 2008/722 dated June 20, 2008 for the two transmission lines in Raigarh district of Chhattisgarh, namely:

a. 220 kV Double Circuit (DC) transmission line from JSPL to O.P. Jindal Industrial Park, Punjipatra (23.7 km) and

b. 220 kV Double Circuit (DC) transmission line from O.P. Jindal Industrial Park, Punjipatra to Jindal Power Limited (19.5 km)

The Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2015 (referred as **"CSERC MYT Regulation 2015")** are applicable for the Control Period from FY 2016-17 to FY 2020-21. Regulation 5.8 (b)(i) provides that the Transmission Licensee is required to file yearly Petition for Truing Up for preceding years. The relevant extract from the Regulation is provided below:

> *"(b) After the first year of control period and onwards, the yearly petition shall comprise of:*
>
> *i. Generation, Transmission and SLDC business — truing up for the preceding year(s)."*.

1.2 The Electricity Act, 2003, Tariff Policy and Regulations

Section 61 of the Electricity Act, 2003 (herein after referred as "the EA, 2003" or "the Act") stipulates the guiding principles for determination of tariff by the Commission and mandates that the tariff should progressively reflect the cost of supply of electricity, reduce cross subsidy, safeguard consumers interest and recover the cost of electricity in a reasonable manner. This Section also stipulates that the Commission while framing the Tariff Regulations shall be guided by the principles and methodologies specified by the Central Electricity Regulatory Commission for determination of the tariff applicable to generating companies and transmission licensees.

Section 62 of the Act stipulates that the Commission shall determine the tariff for:

- Supply of electricity by a Generating Company to a Distribution Licensee;
- Transmission of electricity;
- Wheeling of electricity; and
- Retail sale of electricity.

The Tariff Policy notified by the Government of India in January 2006, as well as the amended Tariff Policy notified in January 2016, provides the framework to balance the conflicting objectives of attracting investments to ensure availability of quality power and protecting the interest of consumers by ensuring that the electricity tariffs are affordable.

1.3 Procedural History

The Commission notified the CSERC MYT Regulations, 2015 on September 9, 2015. JSPL-T submitted a Petition dated November 30, 2015 for determination of ARR for FY 2016-17 to FY 2020-21, along with revised estimates of ARR for FY 2015-16 and True up of ARR for FY 2012-13 to FY 2014-15. The Petition was returned by the Commission vide Letter dated March 10, 2016 stating that JSPL-T has not complied with the directions provided by the Commission in the Order dated December 30, 2014 and the information submitted by JSPL-T in the Petition was inadequate for True-up and determination of ARR.

Subsequently, JSPL-T submitted the following two Petitions on 22.01.2018:

a) Petition for determination of ARR for FY 2017-18 along with Multi Year Annual Revenue Requirement for the Control Period from FY 2016-17 to FY 2020-21.

b) Petition for determination of transmission tariff for FY 2018-19 along with revised estimated ARR for FY 2017-18 and True up of ARR for FY 2016-17.

The Commission vide its Order dated February 15, .2018 returned both the Petitions directing JSPL-T to file the Petition for ARR and Tariff for FY 2018-19 along with true-up for FY 2008-09 to FY 2016-17.

The Commission accepted the Petition for determination of the ARR for the MYT Control Period from FY 2016-17 to FY 2020-21 and determination of transmission tariff for FY 2018 19 along with true-up of the FY 2012-13, FY 2013-14, FY 2014-15, FY

2015-16 and FY 2016 -17. The Petition was registered as Petition No. 66 of 2018 (T) on October 1, 2018. Subsequently, the Commission issued Order dated February 10, 2020 wherein the Commission approved the True-up up to FY 2016-17 and determined the Transmission Tariff for FY 2019-20.

Before the issue of the above Order by the Commission, on December 2, 2019, the Petitioner filed the Petition for determination of transmission tariff for FY 2019-20 along with Annual Performance Review of FY 2018-19 and true-up of for FY 2017-18. The Commission registered the same as Petition No. 34 of 2020 (T). Since, the Commission determined the transmission tariff for FY 2019- 20 in its Order dated February 10, 2020, the Commission decided in subsequent hearings of Petition No. 34 of 2020 that only True-up of FY 2017-18 shall be considered, and Commission shall issue suitable Order.

JSPL-T also submitted its Petition for true-up for FY 2018-19, Annual Performance Review for FY 2019-20 and determination of ARR for FY 2020-21 along with segregated annual accounts on January 7, 2021 which was registered as Petition No. 08 of 2021, and the Petition for determination of ARR for FY 2021-22 filed on January 15, 2021 was registered as Petition No. 15 of 2021..This Common Order dated August 23, 2022 has been passed for true-up of the FY 2017-18 and FY 2018-19 under Section 61, 62 and 86 (1) (a) of the Electricity Act, 2003 and MYT Regulations, 2015.

JSPL-T also filed a Review Petition against Order dated February 10, 2020 in Petition No. 66 of 2018 (T) for reconsideration of the capital cost approved by the Commission. The Review Petition was registered as Petition No. 64 of 2020 and was dismissed vide Commission’s Order dated 18.02.2021.

The Commission notified the Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions for determination of tariff according to Multi-Year Tariff principles and Methodology and Procedure for determination of Expected revenue from Tariff and Charges) Regulations, 2021 (hereinafter referred as “CSERC MYT Regulations, 2021”) for determination of tariff for the Generating Company, Licensees, and CSLDC.

JSPL-T filed the Petition for approval of final true-up for FY 2019-20 and FY 2020-21 and Determination of ARR for MYT Control Period from FY 2022-23 to FY 2024-25 and Transmission Tariff for FY 2022-23 on June 23, 2022, which was registered as Petition No. 45 of 2022.

In this instant Order, the Commission has undertaken the final true-up for FY 2019-20 and FY 2020-21 based on audited accounts, in accordance with the provisions of the CSERC MYT Regulations, 2015, determined the ARR for the MYT Control Period from FY 2022-23 to FY 2024-25, and approved the Transmission Tariff for FY 2022-23 in accordance with the provisions of the CSERC MYT Regulations, 2021.

1.4 Admission of the Petition and Hearing Process

The Petition filed by JSPL-T was registered as Petition No. 45 of 2022 on, 01/07/2022.

JSPL-T was directed to publish the abridged version of the Petition in Hindi and English newspapers for inviting comments/objections/suggestions from all the stakeholders. The Petitions were made available on the website of the Commission as well as on the Petitioner's website. As required under Clause 21 of the CSERC (Details to be furnished by licensee, etc.) Regulations, 2004, notices inviting suggestions /comments/objections from the stakeholders on the above Petition were published by the Petitioner in the leading newspapers of the State.

The notices under Section 94(2) of the Act were published in the leading newspapers of the State.

The hearing was scheduled on August 23, 2022 and Public Notice in this regard was also published. However, the Commission has not received any objections/comments from stakeholders. Therefore, the Hearing was concluded without public objections/comments.

1.5 Organisation of the Order

This Order includes the following Chapters:

Chapter 1: Introduction (present Chapter) - provides a brief background of the regulatory process undertaken by the Commission.

Chapter 2: Objections Received, JSPL-T's Response and Commission's Ruling – as no written or oral suggestions or objections were raised, the same is stated.

Chapter 3: True-up for FY 2019-20 and FY 2020-21 - deals with Final True-up for FY 2019-20 and FY 2020-21 as per CSERC MYT Regulations, 2015.

Chapter 4: Approval of Revised estimates of ARR for FY 2021-22 - deals with the request of JSPL-T for approval of revised estimates of ARR for FY 2021-22 in accordance with CSERC MYT Regulations, 2015.

Chapter 5: ARR for FY 2022-23 to FY 2024-25 - deals with approval of ARR for the MYT Control Period from FY 2022-23 to FY 2024-25 in accordance with CSERC MYT Regulations, 2021.

Chapter 6: Determination of Transmission Charges for FY 2022-23 – sets out the Commission's Tariff Philosophy applicable for FY 2022-23.

Chapter 8: Directives - discusses the directives issued to the Petitioner.

2. HEARING PROCESS, INCLUDING THE COMMENTS MADE BY VARIOUS STAKEHOLDERS, THE PETITIONER'S RESPONSES AND VIEWS OF THE COMMISSION

The hearing was scheduled on August 23, 2022and Public Notice in this regard was also published. However, the Commission has not received any objections/comments from stakeholders. Therefore, the Hearing was concluded without public objections/comments.

3. TRUE-UP FOR FY 2019-20 AND FY 2020-21

3.1 Background

The Commission notified the CSERC MYT Regulations, 2015 for the third MYT Control Period from FY 2016-17 to FY 2020-21 on September 9, 2015. Subsequently, the Commission notified the First Amendment to CSERC MYT Regulations, 2015 on June 16, 2017.The Commission issued the Order dated August 23, 2022 for JSPL-T approving the true up of FY 2017-18 and FY 2018-19.

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JSPL-T has submitted the Petition for final true up of ARR for FY 2019-20 and FY 2020-21 based on the audited accounts of FY 2019-20 and FY 2020-21.

Regulation 10.4 of the CSERC MYT Regulations, 2015 specifies as under:

> *"10.4. The scope of the truing up shall be a comparison of the performance of the generating company or STU/transmission licensee or distribution licensee or SLDC with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:*
>
> *(a) A comparison of the audited performance of the applicant for the previous financial year(s) with the approved forecast of such previous financial year(s), subject to the prudence check including pass-through of impact of uncontrollable factors;*
> *(b) Review of compliance with directives issued by the Commission from time to time;*
> *(c) Other relevant details, if any."*

In accordance with the above Regulation, the Commission, in the present Order, has undertaken true-up of ARR for FY 2019-20 and FY 2020-21 on the basis of Audited Accounts of JSPL-T.

In this Chapter, the Commission has analysed all the elements of actual expenditure and revenue of JSPL-T for FY 2019-20 and FY 2020-21 and considered the final true-up of expenses and revenue in accordance with Regulation 10 of the CSERC MYT Regulations, 2015. The Commission has approved the sharing of gains and losses on account of controllable factors between JSPL-T and its beneficiaries, in accordance with Regulation 13 of the CSERC MYT Regulations, 2015.

3.2 Gross Fixed Assets

JSPL-T's submission

The Petitioner submitted the Gross Fixed Assets (GFA) as Rs. 3622.33 Lakh for FY 2019-20 and FY 2020-21 and has claimed that no capital investment has been made in FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 3-1: Gross Fixed Assets as submitted by JSPL-T for FY 2019-20 and FY 2020-21 (Rs. Lakh)

Sl. No.	Particulars	FY 2019-20		FY 2020-21	
		MYT Order	Petition	MYT Order	Petition
1	Land under full ownership	3.92	3.92	3.92	3.92
2	Switchgears, Control gear & Protection equipment including cable	748.82	748.82	748.82	748.82
3	SCADA	152.93	152.93	152.93	152.93
4	Others	9.15	9.15	9.15	9.15
5	Lines	2702.56	2702.56	2702.56	2702.56
6	Furniture and fixtures	0.37	0.37	0.37	0.37
7	Office equipment	4.57	4.57	4.57	4.57
8	**Total**	**3622.33**	**3622.33**	**3622.33**	**3622.33**

The Petitioner submitted that since, the Review Petition against Order dated February 10, 2020 in Case No. 66 of 2018 (T) filed by the Petitioner has been dismissed and the Commission has approved GFA of Rs. 3622.33 Lakh for FY 2012-13 to FY 2020-21, therefore, the same has been considered for calculation of ARR for FY 2019-20 and FY 2020-21.

Commission's View

Since, no additional capitalization has been achieved during FY 2019-20 and FY 2020-21, the Commission has approved the GFA for FY 2019-20 and FY 2020-21 as Rs. 3622.33 Lakh, which is the closing GFA for FY 2018-19, as approved in the true up for FY 2018-19.

3.3 O&M Expenses

JSPL-T's submission

The Petitioner submitted that it has claimed O&M expenses in accordance with Clause 47.5 of the CSERC MYT Regulations, 2015 for true-up of FY 2019-20 and FY 2020-21. Accordingly, the Petitioner has considered actual employee expenses for FY 2019-20 and FY 2020-21 as per the audited accounts.

The Petitioner has computed the last five years average increase in WPI as 6.77%, which has been applied on actual employee expenses for the period from FY 2010-11 to FY 2014-15 to arrive at the normalised average base value of Rs. 39.45 Lakh for A&G expense and Rs. 231.98 Lakh for R&M expense. The base value has then been escalated with actual annual WPI inflation rate for calculation of normative A&G and R&M expenses. The actual WPI inflation rate for FY 2019-20 and FY 2020-21 was 1.67% and 1.31%, respectively. The actual WPI inflation rate for FY 2019-20 and FY 2020-21 have been used for calculation of normative A&G and R&M expenses for FY 2019-20 and FY 2020-21.

The O&M expenses for FY 2019-20 and FY 2020-21 as submitted by the Petitioner is shown in the following Table:

Table 3-2: O&M Expenses for FY 2019-20 and FY 2020-21 submitted by JSPL-T (Rs. Lakh)

Particulars	**FY 2019-20**		**FY 2020-21**	
	MYT Order	**Petition**	**MYT Order**	**Petition**
Employee Expenses	338.16	142.14	362.64	238.53
A&G Expenses	38.54	43.80	39.66	44.38
R&M Expenses	226.57	257.57	233.17	260.95
Total O&M Expenses	**603.27**	**443.52**	**635.47**	**543.86**

Sharing of Gains and Losses on Account of Controllable Factors

The Petitioner has computed the net gains and losses in accordance with CSERC MYT Tariff Regulations, 2015 and the First Amendment Regulations, as shown in the following Table:

Table 3-3: Sharing of Gains and Losses for FY 2019-20 and FY 2020-21 as submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2019-20			FY 2020-21		
	Normative	Actual	(Gain)/Loss	Normative	Actual	(Gain)/Loss
A&G Expenses	43.80	53.05	9.25	44.38	27.86	(16.52)
R&M Expenses	257.57	45.44	(212.13)	260.95	49.09	(211.86)
Total Expenses	**301.37**	**98.49**	**(202.88)**	**305.33**	**76.96**	**(228.37)**

Commission's View

The Commission had approved O&M expenses of Rs. 603.27 Lakh and Rs. 635.47 Lakh for FY 2019-20 and FY 2020-21, respectively, in the MYT Order. As against this, the Petitioner has claimed actual O&M Expenses of Rs. 443.52 Lakh and Rs. 543.86 Lakh for FY 2019-20 and FY 2020-21 respectively based on audited accounts.

Actual O&M Expenses

The Commission has verified the actual O&M expenses from the Audited Accounts of FY 2019-20 and FY 2020-21.

The Commission asked JSPL-T to submit the details of expenses incurred against Corporate Social Responsibility (CSR) and Donations that are included under A&G expenses or any other head of expenses claimed for FY 2019-20 and FY 2020-21. Vide its reply dated October 7, 2022, JSPL-T submitted the Social Welfare Expenses under A&G expenses for FY 2019-20 as Rs. 69,823.35 and FY 2020-21 as Rs. 17,702.75. As these expenses are to be incurred by the Licensee from its profits and cannot be recovered from the beneficiaries in the regulatory regime, the Commission has deducted these expenses from the actual A&G expenses for the respective years.

The Commission asked JSPL-T to submit the justification for steep increase in A&G expenses in FY 2019-20 (Rs. 53.05 Lakh) as compared to that in FY 2018-19 (Rs. 35.43 Lakh). In its reply, JSPL-T submitted the detailed breakup of A&G expense for FY 2018-19 and FY 2019-20 and clarified that the increase in expense allocation is mainly from Corporate Office's Other A&G expenses (Rs. 24.86 Lakh for FY 2019-20 and Rs. 7.68 Lakh for FY 2018-19).

The Commission asked JSPL-T to submit the justification for steep reduction in A&G expenses in FY 2020-21 (Rs. 27.86 Lakh) as compared to that in FY 2019-20 (Rs. 53.05 Lakh). In its reply, JSPL-T submitted the detailed breakup of A&G expense for

FY 2019-20 and FY 2020-21 and clarified that the decrease in expense for FY 2020-21 over FY 2019-20 is mainly due to decrease in expense under Legal & Professional Charges and allocation from Corporate Office amidst COVID-19 pandemic. The expense under Legal & Professional Charges is Rs. 21.25 Lakh for FY 2019-20 and Rs. 3.21 Lakh for FY 2020-21.

Accordingly, the actual O&M Expenses considered by the Commission for sharing of gains and losses are given in the following Table:

Table 3-4: Actual O&M Expenses for FY 2019-20 and FY 2020-21 as approved by the Commission (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	True-up Petition	Approved after True-up	True-up Petition	Approved after True-up
Employee Cost	142.14	142.14	238.53	238.53
A&G Expenses	53.05	52.35	27.86	27.68
R&M Expenses	45.44	45.44	49.09	49.09
Total O&M Expenses	**240.63**	**239.93**	**315.48**	**315.30**

Normative O&M Expenses

Regulation 47.5 of the CSERC MYT Regulations, 2015 specifies as under:

"

(a) Operation and Maintenance (O&M) Expenses for the distribution licensee shall include:

I. Employee Cost;

II. Administrative and general Expenses

III. Repairs and Maintenance Expenses

(b) The Commission shall stipulate a separate trajectory for each of the components of O&M expenses viz. employee cost, R&M expense and A&G expense for the control period.

(c) The employee cost, excluding pension fund contribution and impact of pay revision arrears for the base year i.e. FY 2015-16, shall be derived on the basis of

the normalized average of the actual employee expenses, excluding pension fund contribution and impact of pay revision arrears, available in the accounts for the previous five years immediately preceding the base year FY 2015-16, subject to prudence check by the Commission. Any other expense of non-recurring nature shall also be excluded while determining normalized average for the previous five years.

(d) The normalization shall be done by applying last five years average increase in Consumer Price Index (CPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the employee expenses (excluding impact of pension fund contribution and pay revision, if any) for each year of the control period.

At the time of true-up the employee costs shall be considered after taking into account the actual increase in CPI during the year instead of projected inflation for that period.

Provided further that impact of pay revision (including arrears) and pension fund contribution shall be allowed on actual during true-up as per accounts, subject to prudence check and any other factor considered appropriate by the Commission." Further, Regulation 47.5 (e) and (f) of CSERC MYT Regulations, 2015 regarding A&G Expenses and R&M Expenses specify as under: "(e) The administrative and general expenses and repair and maintenance expenses, for the base year i.e. FY 2015-16, shall be derived on the basis of the normalized average of the actual administrative and general expenses and repair and maintenance expenses, respectively available in the accounts for the previous five (5) years immediately preceding the base year FY 2015-16, subject to prudence check by the Commission. Any expense of non-recurring nature shall be excluded while determining normalized average for the previous five (5) years.

(f) The normalization shall be done by applying last five-year average increase in Wholesale Price Index (WPI) on year to year basis. The average of normalized net present value for FY 2010-11 to FY 2014-15, shall then be used to project base year value for FY 2015-16. The base year value so arrived, shall be escalated by the above inflation rate to estimate the administrative and general expense and repair and maintenance expenses for each year of the control period.

At the time of true up, the administrative and general expenses and repair and maintenance expenses shall be considered after taking into account the actual inflation instead of projected inflation for that period."

Based on the above Regulations, the Commission has computed the revised normative A&G expenses and R&M expenses for FY 2019-20 and FY 2020-21. The Commission has considered escalation factor of 1.68% and 1.27% for R&M expenses and A&G Expenses for FY 2019-20 and FY 2020-21 based on the applicable WPI. The revised normative A&G expenses and R&M expenses approved for FY 2019-20 and FY 2020-21 are shown in the Table below:

Table 3-5: Revised Normative O&M Expenses for FY 2019-20 and FY 2020-21 as approved by the Commission (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	True-up Petition	Approved after True-up	True-up Petition	Approved after True-up
A&G Expenses	43.80	38.60	44.38	39.09
R&M Expenses	257.57	220.12	260.95	222.93

As regards sharing of Gain and Loss, Regulation 13 of the CSERC MYT Tariff Regulations, 2015 specifies as under:

"13. MECHANISM FOR SHARING OF GAINS OR LOSSES ON ACCOUNT OF CONTROLLABLE FACTORS

13.1. The mechanism for sharing of aggregate net gain on account of over achievement in reference to the target set in tariff order for efficiency linked controllable items other than energy losses computed in accordance to Regulation 7l shall be passed on to the beneficiary / consumer(s) and retained by the generating company or the licensee or SLDC, as the case may be, in the ratio of 50:50 or as may be specified in the Order of the Commission passed under these Regulations.

Provided that the mechanism for sharing of aggregate net gain on account of over achievement in reference to the target set in tariff order for energy losses computed in accordance to Regulation 7l shall be passed on to the consumer(s) and retained by the licensee, as the case may be, in the ratio of 2:1 or as may be specified in the Order of the Commission passed under these Regulations.

13.2 The mechanism for sharing of aggregate net loss on account of under achievement in reference to the target set in tariff order for efficiency linked controllable items shall be passed on to the beneficiary / consumer(s) and retained by the generating company or the licensee, as the case may be, in the ratio of 50:50 or as may be specified in the Order of the Commission passed under these Regulations."

The Commission notified the CSERC MYT Regulations, 2016 (First amendment) on June 16, 2017 and made it effective from April 1, 2017, whereby employee expenses are excluded from accounting of sharing of (gains)/losses. The relevant Regulation is as under:

"In clause 13.1 of the principal regulations, the following proviso shall be inserted, namely: -

Provided further that the employee cost shall not be factored in for sharing of gains or losses on account of Operation and Maintenance expenses"

In line with above amendment, the employee expenses are now considered as uncontrollable expenses and therefore, the actual employee expenses approved in the truing-up of FY 2019-20 and FY 2020-21 after due prudence check, are considered without any sharing of efficiency gains/losses.

As per the provisions in the Regulations for sharing of (gains)/losses of O&M expenses, the Commission has computed the efficiency gains/losses for FY 2019-20 and FY 2020-21 on the basis of revised normative A&G expenses and R&M expenses, in accordance with the CSERC MYT Regulations, 2015, as shown in the following Table:

Table 3-6: Revised Normative O&M Expenses and Sharing of Gain and Loss for FY 2019-20 and FY 2020-21 as approved by the Commission (Rs. Lakh)

Particulars	Revised Normative	Actual Expenses	(Gain)/Loss
FY 2019-20			
Employee Expenses	142.14	142.14	-
A&G Expenses	38.60	52.35	13.75
R&M Expenses	220.12	45.44	(174.68)
Total	**400.87**	**240.63**	**(160.93)**
FY 2020-21			
Employee Expenses	238.53	238.53	-

Particulars	Revised Normative	Actual Expenses	(Gain)/Loss
A&G Expenses	39.09	27.68	(11.41)
R&M Expenses	222.93	49.09	(173.84)
Total	**500.55**	**315.48**	**(185.24)**

The Commission approves the sharing of (Gain)/Loss after true-up for FY 2019-20 and FY 2020-21 as shown above. In accordance with the CSERC MYT Regulations, 2015, 50% of the above computed Gains have been shared with the beneficiaries of JSPL-T, and the effective Gains to be shared works out to Rs. 80.47 Lakh and Rs. 92.62 Lakh for FY 2019-20 and FY 2020-21, respectively.

3.4 Depreciation

JSPL-T's submission

The Petitioner submitted that the depreciation has been calculated on the aforesaid GFA based on the methodology and depreciation rates prescribed under CSERC MYT Regulations, 2015 and approved by the Commission in the MYT Order dated February 10, 2020.

Accordingly, the Depreciation claimed by the Petitioner for FY 2019-20 and FY 2020-21 is as shown in the Table below:

Table 3-7: Depreciation for FY 2019-20 and FY 2020-21 submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	MYT Order	Petition	MYT Order	Petition
Land under full ownership	0.00	0.00	0.00	0.00
Switchgears, Control gear & Protection equipment including cable	23.35	23.35	23.35	23.35
SCADA	8.07	8.07	8.07	8.07
Others	0.34	0.34	0.34	0.34
Lines	126.51	126.51	117.77	117.77
Furniture and fixtures	0.01	0.01	0.00	0.00
Office equipment	0.08	0.08	0.00	0.00
Total	**158.36**	**158.36**	**149.53**	**149.53**

Commission's View

The Commission has approved the depreciation in accordance with the approach adopted in the past Orders.

For computation of depreciation, the closing GFA for FY 2018-19 as approved in the true up for FY 2018-19, has been considered as the opening GFA for FY 2019-20 and the closing GFA for FY 2019-20 has been considered as the opening GFA for FY 2020-21. Capitalisation during the year is Nil. The rate of Depreciation approved by the Commission for FY 2018-19 works out to 3.91%. Hence, the Commission has allowed the same Depreciation rate of 3.91% for FY 2019-20 and FY 2020-21.

The depreciation approved by the Commission for FY 2019-20 and FY 2020-21 after true-up is shown in the following Table:

Table 3-8: Depreciation for FY 2019-20 and FY 2020-21 approved by the Commission (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	True-up Petition	Approved after True-up	True-up Petition	Approved after True-up
Opening GFA	3622.33	3622.33	3622.33	3622.33
Capitalisation during the year	0.00	0.00	0.00	0.00
Closing GFA	3622.33	3622.33	3622.33	3622.33
Average GFA for the year	3622.33	3622.33	3622.33	3622.33
Depreciation Rate (%)	4.37%	3.91%	4.13%	3.91%
Depreciation	**158.36**	**141.77**	**149.53**	**141.77**

3.5 Interest on Loan

JSPL-T's submission

Regulation 17.2 of the CSERC MYT Regulations, 2015 specifies as under:

"In case of the generating station and the licensee declared under commercial operation prior to 01.04.2016, debt-equity ratio allowed by the Commission for determination of tariff for the period ending 31.03.2015 shall be considered."

The Petitioner submitted that the Commission in its Order dated February 10, 2020 approved normative debt:equity ratio of 70:30. Since, there has been no addition to the asset base for FY 2019-20 and FY 2020-21, the Petitioner has considered same ratio while calculating the normative loan.

The Petitioner submitted that the opening balance of the normative loan has been calculated by deducting the cumulative depreciation up to previous year from the gross normative loan in line with the methodology provided in the CSERC MYT Regulations 2015. Normative Repayment has been considered to be equal to depreciation during the year. The Petitioner has calculated interest on the aforesaid normative loan at the actual weighted average rate of interest.

The interest on loan capital for FY 2019-20 and FY 2020-21 as claimed by JSPL-T are shown in the following Table:

Table 3-9: Interest on Loan for FY 2019-20 and FY 2020-21 as submitted by JSPL-T (Rs. Lakh)

Particulars	**FY 2019-20**		**FY 2020-21**	
	MYT Order	**Petition**	**MYT Order**	**Petition**
Opening Net Normative loan for the year	508.56	508.56	350.20	350.20
Repayment of normative loan during the year	158.36	158.36	149.53	149.53
Closing Net Normative loan	350.20	350.20	200.67	200.67
Average Normative Loan	429.38	429.38	275.43	275.43
Rate of Interest (%)	11.50%	11.72%	11.50%	11.42%
Interest on loan capital	**49.38**	**50.32**	**31.67**	**31.45**

Commission's View

The Commission has approved interest on loan capital for FY 2019-20 and FY 2020-21 as per Regulation 23 of the CSERC MYT Regulations, 2015.

The Commission has considered the closing net normative loan balance for FY 2018-19, as approved after True-up, as the opening net normative loan balance for FY 2019-20 and so on. The allowable depreciation for the year has been considered as the normative repayment for the year. Since, the capital investment is Nil, there is no addition of loan during the year.

JSPL-T, vide its submission dated 28th January 2022 has submitted that the weighted average rate of interest on actual loans for JSPL's Chhattisgarh Business is 11.72% and 11.42% for FY 2019-20 and FY 2020-21, respectively. JSPL-T has also submitted that the weighted average rate of interest on actual loans for overall loan portfolio of JSPL's

Business is 10.69% and 10.30% for FY 2019-20 and FY 2020-21, respectively. The Commission has considered the weighted average rate of interest of 10.69% for FY 2019-20 and 10.30% for FY 2020-21, as per the additional information submitted by JSPL-T in respect of Petition No. 08/2021, 15/2021 and 34/2020 dated January 11, 2022.

Interest on loan capital approved y the Commission after True-up for FY 2019-20 and FY 2020-21 is shown in the following Table:

Table 3-10: Interest on Loan for FY 2019-20 and FY 2020-21 approved by the Commission (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	True-up Petition	Approved after True-up	True-up Petition	Approved after True-up
Opening Net Normative loan for the year	508.56	525.62	350.20	383.85
Addition of Loan during the year	0.00	0.00	0.00	0.00
Repayment of normative loan during the year	158.36	141.77	149.53	141.77
Closing Net Normative loan	350.20	383.85	200.67	242.08
Average Normative Loan	429.38	454.74	275.43	312.97
Rate of Interest (%)	11.72%	10.69%	11.42%	10.30%
Interest on loan capital	**50.32**	**48.61**	**31.45**	**32.24**

3.6 Interest on Working Capital

JSPL-T's submission

The Petitioner has calculated normative working capital as per the norms specified in Regulation 25.1 of the CSERC MYT Regulations, 2015. The Petitioner has considered one month equivalent of revenue billed, one month of normative O&M expense, maintenance spare @ 40% of R&M expense and has deducted security deposit for calculation of working capital.

Regulation 25.2 of CSERC MYT Regulations, 2015 specifies the basis for considering rate of interest to be charged for working capital requirement. It has also been provided that at the time of true up, the interest rate shall be adjusted as per the actual rate prevailing on 1st April of the financial year for which truing up exercise has been undertaken.

The interest on working capital has been calculated considering SBI Base Rate of 9.05% and 8.15% prevailing in April 2019 and April 2020, respectively, on which 350 basis points has been added to arrive at applicable rate of interest on working capital. The detailed calculation of interest on working capital for FY 2019-20 and FY 2020- 21 as submitted by the Petitioner is provided below:

Table 3-11: Interest on Working Capital for FY 2019-20 and FY 2020-21 submitted by JSPL-T (Rs. Lakh)

Particulars	**FY 2019-20**		**FY 2020-21**	
	MYT Order	**Petition**	**MYT Order**	**Petition**
O&M Expenses for one month	50.27	36.96	52.96	45.32
Maintenance Spares @ 40% of R&M Expenses	90.63	103.03	93.27	104.38
Receivables for one month	83.97	52.13	84.51	48.63
Less: Consumer security deposit	0.00	0.00	0.00	-00
Working Capital Requirement	**224.87**	**192.12**	**230.74**	198.33
Rate of Interest (%)	12.55%	12.55%	12.55%	11.65%
Interest on Working Capital	**28.22**	**24.11**	**28.96**	**23.11**

Commission's View

Regulation 25.4 and 25.5 of the CSERC MYT Regulations, 2015 specifies as under:

"25.4. Interest on working capital shall be allowed at a rate equal to the Base rate of State Bank of lndia as on 30" September of the financial year in which the Petition is filed plus 350 basis points. ***At the time of true up, the interest rate shall be adjusted as per the actual rate prevailing on 1st April of the financial year for which truing up exercise has been undertaken***

25.5. ***Interest on working capital shall be payable on normative basis*** *notwithstanding that the generating company or the transmission licensee or the distribution licensee or SLDC' has not taken loan for working capital from any outside agency."****(emphasis added)***

The normative Interest on Working Capital (IoWC) has been computed in accordance with the CSERC MYT Regulations, 2015. The Commission has considered the revised normative O&M expenses for computing the working capital requirement. The receivables have been considered equivalent to one month's actual revenue received.

The actual interest on working capital has been calculated considering SBI Base Rate of 9.05% and 8.15% prevailing on 1st April 2019 and 1st April 2020, respectively, on which 350 basis points have been added to arrive at applicable rate of interest on working capital. The rate of interest has been considered as 12.55% for FY 2019-20 and 11.65% for FY 2020-21, in accordance with CSERC MYT Regulations, 2015. The normative IoWC approved by the Commission after true-up for FY 2019-20 and FY 2020-21 is shown in the following Table:

Table 3-12: Interest on Working Capital for FY 2019-20 and FY 2020-21 approved by the Commission (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	True-up Petition	Approved after True-up	True-up Petition	Approved after True-up
O&M Expenses for one month	36.96	33.41	45.32	41.71
Maintenance Spares @ 40% of R&M Expenses	103.03	88.05	104.38	89.17
Receivables for one month	52.13	52.13	48.63	48.63
Less: Consumer security deposit	0.00	0.00	-00	0.00
Working Capital Requirement	192.12	173.58	198.33	179.51
Rate of Interest (%)	12.55%	12.55%	11.65%	11.65%
Interest on Working Capital	**24.11**	**21.78**	**23.11**	**20.91**

3.7 Return on Equity

JSPL-T's submission

The Petitioner has considered the opening normative equity for FY 2019-20 to be equal to the closing normative equity of FY 2018-19 approved by the Commission in its Order dated February 10, 2020. Further, the closing normative equity of FY 2019-20 is considered as the opening normative equity of FY 2020-21. Since, there is no asset addition during the year, there is no increase in equity base.

Regarding rate of return on equity investment, Regulation 22 of the CSERC MYT Regulations allows for a return of 15.50%.

Accordingly, a rate of 15.50% has been applied for calculating the normative return on equity. As no Tax has been paid for FY 2019-20 and FY 2020-21, the same has been considered as Nil. Therefore, return on equity for FY 2019-20 and FY 2020-21 is computed as shown in Table below:

Table 3-13: Return on Equity for FY 2019-20 and FY 2020-21 submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	MYT Order	Petition	MYT Order	Petition
Opening Equity	1086.7	1086.7	1086.7	1086.7
Equity Addition during the year	0.00	0.00	0.00	0.00
Closing Equity	1086.7	1086.7	1086.7	1086.7
Rate of Return	15.50%	15.50%	15.50%	15.50%
Return on Equity	**168.44**	**168.44**	**168.44**	**168.44**

Commission's View

The RoE has been computed in accordance with Regulation 22 of the CSERC MYT Regulations, 2015, which specifies as under:

> *"22. RETURN ON EQUITY*
>
> *22.1 Generation, Transmission and SLDC: Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulations 17. Return on equity shall be computed on pre-tax basis at the base rate of 15.5 % to be grossed up as per Regulation 22.3 of these Regulations.*
>
> .....
>
> *22.3... In case, no tax is payable during the financial year, the tax rate for the purpose of truing up shall be taken as nil."*

For computation of RoE, the closing equity as approved after True-up for FY 2018-19 has been considered as opening equity for FY 2019-20 and so on. Equity addition during the year is Nil as there is no capitalisation during the year.

In view of the above, the Commission has considered rate of return as 15.50% (base rate) on average equity for the year, as loss has been incurred in FY 2019-20 and FY 2020-21, and no Income Tax has been paid in these years. The RoE approved after True-up for FY 2019-20 and FY 2020-21 is shown in the following Table:

Table 3-14: Return on Equity for FY 2019-20 and FY 2020-21 approved by the Commission (Rs. Lakh)

Particulars	FY 2019-20		FY 2020-21	
	True-up Petition	Approved after True-up	True-up Petition	Approved after True-up
Opening Equity	1086.7	1086.7	1086.7	1086.70
Addition during the year	0.00	0.00	0.00	0.00
Closing Equity	1086.7	1086.70	1086.7	1086.70
Rate of Return	15.50%	15.50%	15.50%	15.50%
Return on Equity	**168.44**	**168.44**	**168.44**	**168.44**

3.8 Aggregate Revenue Requirement for FY 2019-20 and FY 2020-21

JSPL-T's submission

The Petitioner has sought approval for the ARR after True-up for FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 3-15: ARR for FY 2019-20 and FY 2020-21 submitted by JSPL-T (Rs. Lakh)

Sr. No.	Particulars	FY 2019-20		FY 2020-21	
		MYT Order	Petition	MYT Order	Petition
1	Employee Expenses	338.16	142.14	362.64	238.53
2	A&G Expenses	38.54	43.80	39.66	44.38
3	R&M Expenses	226.57	257.57	233.17	260.95
4	Depreciation	158.36	158.36	149.53	149.53
5	Interest on Loan	49.38	50.32	31.67	31.45
6	Interest on Working Capital	28.22	24.11	28.96	23.11
7	Return on Equity	168.44	168.44	168.44	168.44
8	Sharing of Gain & Loss		(101.44)		(114.19)
9	Less: Non-Tariff Income	-	-	-	-
10	**Annual Fixed Cost**	**1,007.67**	**743.31**	**1,014.07**	**802.20**

Commission's View

The ARR approved by the Commission after True-up for FY 2019-20 and FY 2020-21, as discussed in the earlier paragraphs, is summarised in the Table below:

Table 3-16: ARR for FY 2019-20 and FY 2020-21 approved by the Commission (Rs. Lakh)

Sr. No.	Particulars	FY 2019-20			FY 2020-21		
		MYT Order	Petition	Approved	MYT Order	Petition	Approved
1	Employee Expenses	338.16	142.14	142.14	362.64	238.53	238.53
2	A&G Expenses	38.54	43.80	38.60	39.66	44.38	39.09
3	R&M Expenses	226.57	257.57	220.12	233.17	260.95	222.93
4	Depreciation	158.36	158.36	141.77	149.53	149.53	141.77
6	Interest on Loan	49.38	50.32	48.61	31.67	31.45	32.24
7	Interest on Working Capital Requirement	28.22	24.11	21.78	28.96	23.11	20.91
9	Return on Equity	168.44	168.44	168.44	168.44	168.44	168.44
11	Less: (Gain)/Loss on Sharing O&M Efficiency		(101.44)	(80.47)		(114.19)	(92.62)
12	**Aggregate Revenue Requirement (ARR)**	**1,007.67**	**743.31**	**701.00**	**1,014.07**	**802.20**	**771.28**
13	Less: Non-Tariff Income	-	-	-	-	-	-
14	**Net ARR**	**1,007.67**	**743.31**	**701.00**	**1,014.07**	**802.20**	**771.28**

Further, the Commission asked JSPL-T to submit the capacity of transmission used in FY 2019-20 and FY 2020-21. Vide its reply dated August 27, 2022, JSPL-T submitted the transmission capacity utilization for FY 2019-20 as 60.39% and FY 2020-21 as 62.09%. Accordingly, the Commission has allowed 60.39% and 62.09% of the ARR approved after true-up for FY 2019-20 and FY 2020-21, respectively.

Based on the above, the Net ARR approved by the Commission after true-up for FY 2019-20 and FY 2020-21 is shown in the following Table:

Table 3-17: Net ARR for FY 2019-20 and FY 2020-21 approved by the Commission (Rs. Lakh)

Sr. No.	Particulars	FY 2019-20			FY 2020-21		
		MYT Order	Petition	Approved	MYT Order	Petition	Approved
1	Net ARR	1,007.67	743.31	701.00	1,014.07	802.20	771.28
2	Transmission Capacity Utilised (%)			60.39%			62.09%

Sr. No.	Particulars	FY 2019-20			FY 2020-21		
		MYT Order	Petition	Approved	MYT Order	Petition	Approved
3	**ARR Allowable**			**423.34**			**478.89**

3.9 Revenue from Operations and Other Income

JSPL-T's submission

The Commission in the Order dated February 10, 2020 has allowed the Petitioner to recover Rs. 850.09 Lakh for FY 2019-20 considering approved capacity utilization of 66.7% (i.e. 66.7% x 1007.66) and True-up Revenue Gap of Rs. 177.98 Lakh.

The Petitioner has recovered Rs. 625.53 Lakh for FY 2019-20 and Rs. 583.54 Lakh for FY 2020-21 as Transmission Charges as reflected in the Audited Accounts.

Commission's View

The actual Revenue from Transmission Charges received for FY 2019-20 and FY 2020-21 has been approved by the Commission based on the audited accounts, same as submitted by the Petitioner.

3.10 Revenue Gap for FY 2019-20 and FY 2020-21

JSPL-T's submission

The Commission in the Order dated February 10, 2020 in Case No. 66 of 2018 has determined the GFA of Rs. 3622.33 Lakh, hence, the entire ARR calculated as per Regulations should be allowed to be recovered. In view of the same, the Petitioner has calculated the Revenue Gap by deducting the ARR eligible for recovery and revenue recovered during FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 3-18: Revenue Gap for FY 2019-20 and FY 2020-21 as submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2019-20	FY 2020-21
ARR eligible for recovery	743.31	802.21
Revenue recovered	625.53	583.54
Revenue Gap	**117.78**	**218.67**

Commission's View

The Commission has computed the Revenue Gap/(Surplus) after true-up of FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 3-19: Revenue Gap/(Surplus) for FY 2019-20 and FY 2020-21 approved by the Commission (Rs. Lakh)

Particulars	**FY 2019-20**		**FY 2020-21**	
	True-up Petition	**Approved after True-up**	**True-up Petition**	**Approved after True-up**
Allowable ARR	743.31	423.34	802.20	478.89
Revenue from Transmission Charges	625.53	625.53	583.54	583.54
Revenue Gap/(Surplus)	**117.78**	**(202.19)**	**218.66**	**(104.65)**

The treatment of the Revenue Surplus approved as above after true-up for FY 2019-20 and FY 2020-21, along with associated carrying/(holding) cost, is discussed in subsequent Chapter, while approving the Transmission Tariff for FY 2022-23.

4. APPROVAL OF REVISED ESTIMATES OF ARR FOR FY 2021-22

4.1 Background

The Commission notified the CSERC MYT Regulations, 2015 for the third MYT Control Period from FY 2016-17 to FY 2020-21 on September 9, 2015. Subsequently, the Commission notified the First Amendment to CSERC MYT Regulations on June 16, 2017.

JSPL-T has submitted that it is seeking approval for revised estimates of ARR for FY 2021-22 for the licensed transmission business based on provisional figures and applicable CSERC MYT Regulations, 2015 and its amendments.

Commission's View

In this Chapter, the Commission has briefly summarised the Petitioner's submissions on components of the revised ARR. However, there is no scope for approval of revised ARR for any year under the CSERC MYT Regulations, 2015. Accordingly, no approval has been given for any of the components of the revised ARR, as claimed by JSPL-T. The true-up of the components of the ARR for FY 2021-22 shall be done at the time of true-up for FY 2021-22, in accordance with the provisions of the CSERC MYT Regulations, 2015.

However, the Commission has estimated the values of GFA, equity, and outstanding loan for FY 2021-22, only for the purpose of estimating the opening value of these items for FY 2022-23.

4.2 Gross Fixed Assets

The Petitioner submitted the GFA as Rs. 3622.33 Lakh for FY 2021-22 and has claimed that no capital investment has been carried out for FY 2021-22.

4.3 O&M Expenses

The Petitioner submitted that the revised normative O&M expenses for FY 2021-22 have been computed in accordance with Regulation 47.5 (c) and (d) of the CSERC MYT Regulations, 2015, as shown in the Table below:

Table 4-1: O&M Expenses as submitted by JSPL-T for FY 2021-22 (Rs. Lakh)

Particulars	**Petition**
Employee Expenses	376.35
A&G Expenses	49.79
R&M Expenses	292.79
Total	**718.93**

4.4 Depreciation

The Petitioner submitted that depreciation has been calculated on the aforesaid GFA based on the methodology and depreciation rates prescribed under Regulation 24 of the CSERC MYT Regulations, 2015, at Rs. 149.53 lakh.

4.5 Interest on Loan

The Petitioner submitted that the opening balance of normative loan for FY 2021-22 has been calculated by deducting the cumulative depreciation up to 31.03.2021 from the gross normative loan in line with the methodology given under the CSERC MYT Regulations, 2015 and Commission's Order dated 10.02.2020. Normative Repayment has been considered to be equal to depreciation during the year in line with Regulation 23.3 of the CSERC MYT Regulations 2015.

The computation of Interest on loan for FY 2021-22 is as shown in the Table below:

Table 4-2: Interest on Loan for FY 2021-22 as submitted by JSPL-T (Rs. Lakh)

Particulars	**Petition**
Opening balance of GFA	3622.33
Accumulated depreciation till previous FY	2334.97
Opening Net Normative loan for the year	200.66
Repayment of normative loan during the year	149.53
Closing Net Normative loan	51.13
Average Normative loan	125.89
Rate of Interest (%)	11.42%
Interest on loan capital	**14.38**

4.6 Interest on Working Capital

The Petitioner has submitted that it has computed the normative Interest on Working Capital in accordance with Regulation 25.1 and 25.2 of the CSERC MYT Regulations, 2015, as Rs. 29.11 Lakh.

4.7 Return of Equity

The Petitioner submitted that the closing equity of FY 2020-21 has been considered as opening equity for FY 2021-22. Since there is no asset addition during the year, there is no increase in equity base. The rate of return on equity investment has been considered as 15.50% in accordance with Regulation 22 of the CSERC MYT Regulations, 2015. As no Tax has been paid for FY 2021-22, the same has been considered as Nil. The detailed calculation of RoE is as shown in the Table below:

Table 4-3: ROE for FY 2021-22 submitted by JSPL-T (Rs. Lakh)

Particulars	**Petition**
Opening Equity	1086.7
Normative Addition during the year	0.00
Closing Equity	1086.7
Allowable rate of return	15.50%
Return of Equity	168.44

4.8 Aggregate Revenue Requirement for FY 2021-22

The Petitioner has estimated the ARR for FY 2021-22 as summarised in the Table below:

Table 4-4: ARR submitted by JSPL-T for FY 2021-22 (Rs. Lakh)

Sr. No.	**Particulars**	**Petition**
1	Employee Expense	376.35
2	A&G Expense	49.79
3	R&M Expense	292.79
4	Depreciation	149.53
5	Interest on Loan	14.38
6	Interest on Working Capital Requirement	29.11
7	Return on Equity	168.44
8	Less: Non-Tariff Income	0.00
9	**Net ARR**	**1080.39**

Commission's View

As stated earlier, there is no scope for approval of revised ARR for any year under the CSERC MYT Regulations, 2015. Accordingly, no approval has been given for any of the components of the revised ARR, as claimed by JSPL-T. The true-up of the components of the ARR for FY 2021-22 shall be done at the time of true-up for FY 2021-22, in accordance with the provisions of the CSERC MYT Regulations, 2015.

However, the Commission has estimated the values of GFA, equity, and outstanding loan for FY 2021-22, only for the purpose of estimating the opening value of these items for FY 2022-23.

5. ARR FOR MYT CONTROL PERIOD FROM FY 2022-23 TO 2024-25

5.1 Background

The Commission has notified the CSERC MYT Tariff Regulations, 2021, which are applicable for the MYT Control Period from FY 2022-23 to FY 2024-25. In this Chapter, the Petitioner's submissions of estimates for the period from FY 2022-23 to FY 2024-25 and the Commission's approval for each component of the ARR, in accordance with the methodology prescribed under CSERC MYT Tariff Regulations, 2021 have been elaborated.

5.2 Gross Fixed Assets

JSPL-T's submission

The Petitioner has considered the closing GFA of Rs. 3,622.33 Lakh for FY 2021-22 as the opening GFA for FY 2022-23 and so on. No capital expenditure has been planned for the Control Period. The GFA for FY 2021-22 is taken as the base for FY 2022-23, FY 2023-24 and FY 2024-25 as well, as shown in the Table below:

Table 5-1: Fixed Assets as submitted by JSPL-T for FY 2022-23 to FY 2024-25 (Rs. Lakh)

S. No.	Particulars	FY 2022-23	FY 2023-24	FY 2024-25
1	Land under full ownership	3.92	3.92	3.92
2	Switchgears, Control gear & Protection equipment including cable	748.82	748.82	748.82
3	SCADA	152.93	152.93	152.93
4	Others	9.15	9.15	9.15
5	Lines	2702.56	2702.56	2702.56
6	Furniture and fixtures	0.37	0.37	0.37
7	Office equipment	4.57	4.57	4.57
8	**Total**	**3622.33**	**3622.33**	**3622.33**

Commission's View

The Commission has considered the closing GFA of Rs. 3,622.33 Lakh for FY 2021-22 as opening GFA for FY 2022-23. As the Petitioner has not projected any capitalization for each year of the Control Period, the GFA is considered at the same level for the Control Period from FY 2022-23 to FY 2024-25.

5.3 O&M Expenses

JSPL-T's submission

The Petitioner has computed O&M expenses as per Regulation 73.5 of the CSERC MYT Regulations, 2021 for its licensed Transmission Business for FY 2022-23, FY 2023-24 and FY 2024-25.

The average of CPI yearly inflation for FY 2016-17 to FY 2020-21 has been calculated as 4.49%. Similarly, average of WPI yearly inflation for FY 2016-17 to FY 2020-21 has been calculated as 2.39%.

Human Resource (HR) expenses

The human resource expenses for the base year, i.e., FY 2021-22 is derived on the basis of the normalized average of the actual HR expenses for FY 2016-17 to FY 2020-21. The normalization has been done by applying last five-year average increase in CPI, i.e., 4.49%, on year-to-year basis. The average of normalized net present value (NPV) for FY 2016-17 to FY 2020-21 has been used to project the HR expense for the base year, i.e., FY 2021-22. The base year value of Rs. 193.51 Lakh so arrived has then been escalated by the above inflation rate to estimate the employee expense for each year of the Control Period.

Administrative and General (A&G) expenses

The A&G expenses for the base year, i.e., FY 2021-22 is derived on the basis of the normalized average of the actual A&G expenses as per the accounts for FY 2016-17 to FY 2020-21. The normalization has been done by applying last five-year average increase/decrease in inflation considered on the basis of 40% weightage of WPI and 60% weightage of CPI (which works out to 3.65%) on year-to-year basis. The average of normalized NPV for FY 2016-17 to FY 2020-21, has then been used to project base year value for FY 2021-22, which works out to Rs. 50.16 Lakh. The calculated base year value has then been escalated by the above inflation rate to estimate the A&G expenses for subsequent years of the Control Period.

Repair & Maintenance (R&M) expenses

The R&M expenses for the base year of the Control Period, i.e., FY 2021-22 is calculated as Rs. 52.41 Lakh, which is 1.45% of opening GFA. To calculate the R&M expenses of subsequent years, i.e., FY 2023-24 to FY 2024-25, the last 5 year average increase in WPI of 2.39% has been applied on year to year basis.

The Petitioner submitted the O&M expenses projected for the Control Period from FY 2022-23 to FY 2024-25, as shown in the table below:

Table 5-2: O&M Expenses as submitted by JSPL-T for FY 2022-23 to FY 2024-25 (Rs. Lakh)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Employee Expenses	202.20	211.29	220.78
A&G Expenses	51.99	53.89	55.85
R&M Expenses	53.66	54.94	56.25
Total	**307.85**	**320.11**	**332.88**

Commission's View

The O&M expenses for the Control Period from FY 2022-23 to FY 2024-25 have been estimated in accordance with the methodology specified in the CSERC MYT Regulations, 2021.

Regulation 73.5 of the CSERC MYT Regulations, 2021 specifies as under:

"73.5. Operation And Maintenance (O&M) Expenses

73.5.1. Human Resource (HR) Expenses

(a) HR expenses shall include:

(i) employees costs;

(ii) impact of Pay revision;

(iii) manpower deployed on outsourcing basis;

(b) The Commission shall stipulate a separate trajectory for each of the components of HR expenses for the Control Period.

(c) The HR expenses includes employee cost, impact of pay revision arrears, all expenses towards manpower deployed on outsourcing basis, pension fund contribution, and any other expense of non-recurring nature related to HR. The base

year i.e. FY 2021-22, shall be derived on the basis of the normalized average of the actual HR expenses excluding pension fund contribution, impact of pay revision arrears and any other expense of non-recurring nature, available in the accounts for the previous five (5) years immediately preceding the base year FY 2021-22, subject to prudence check by the Commission.

(d) The normalization of HR expenses shall be done by applying last five year average increase in Consumer Price Index Industrial Worker (CPI (IW)) on year to year basis. The average of normalized net present value for FY 2016-17 to FY 2020-21, shall then be used to project base year value for FY 2021-22. The projected base year value shall be escalated by the above inflation rate to estimate the HR expense (excluding impact of pension fund contribution and pay revision and any other expense of non-recurring nature, if any) for each year of the control period.

(e) At the time of true up, the HR expenses shall be considered at actual and shall not be subjected to gain/loss mechanism.

Provided further that during the true-up, actual cash outflow on impact of pay revision (including arrears) and pension fund contribution shall be allowed as per accounts, subject to prudence check and any other factor considered appropriate by the Commission.

(f) CPI (IW) (all India) shall be as per Labour Bureau, Government of India {Base Year: 2001=100}.

73.5.2. Maintenance & General (M&G) Expenses

(a) Maintenance & General (M&G) expenses shall include:

(i) Administrative and General (A&G) expenses;

(ii) Repair and Maintenance (R&M) expenses

(b) The Commission shall stipulate a separate trajectory for M&G expenses i.e., R&M and A&G expenses for the Control Period.

(c) The A&G expenses (excluding expenses towards outsourcing manpower if any) for the base year i.e. FY 2020-21, shall be derived on the basis of the normalized average of the actual A&G expenses (excluding expenses towards outsourcing manpower if any) available in the accounts for the previous five (5) years immediately preceding the base year FY 2021-22, subject to prudence check by the

Commission. Any other expense of non-recurring nature shall be excluded while determining normalized average for the previous five (5) years.

(d) For normalization of A&G expenses shall be estimated by applying last five year average increase/decrease in inflation to be considered on the basis of 40% weightage of WPI and 60% weightage of CPI respectively on year to year basis. The average of normalized net present value for FY 2016-17 to FY 2020-21, shall then be used to project base year value for FY 2020-21. The projected base year value shall be escalated by the above inflation rate to estimate the A&G expense.

(e) R&M expenses for the first year of the control period shall be calculated as a percentage (as per the norm decided in the tariff order) of opening Gross Fixed Assets. For arriving at the R&M expenses of subsequent years of the control period, projected WPI rate shall be applied on the estimated R&M expenses of first year.

(f) Wholesale Price Index numbers of all commodities shall be as per Office of Economic Advisor, Ministry of Commerce & Industry, Government of India

{Base Year: 2011-12 Series}; (g) Consumer Price Index for Industrial Workers (all India) shall be as per Labour Bureau, Government of India {Base Year: 2001=100}.

(h) At the time of true up, the A&G and R&M expenses shall be considered after taking into account the actual inflation instead of projected inflation for that period."

The summary of the yearly escalation in CPI and WPI over the last five years up to FY 2020-21 and the average escalation rate considered for projecting the O&M expenses is shown in the following Table:

Table 5-3: Computation of Escalation Rate for Projections (%)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	Average of 5 years increase
CPI-IW (%)	4.12%	3.08%	5.45%	7.53%	5.02%	5.04%
WPI-AC (%)	1.73%	2.92%	4.27%	1.68%	1.27%	2.38%

Note: *CPI-IW: Consumer Price Index - Industrial Workers*
WPI-AC: Wholesale Price Index - All Commodities

Employee Expenses

In accordance with the CSERC MYT Regulations, 2021, the Commission has considered the employee expenses on the basis of the normalized average of the actual prudent Human Resource (HR) expenses available in the accounts for the previous five (5) years immediately preceding the base year FY 2021-22.

The normalization has been done by applying last five-year average increase in CPI on year-to-year basis. The average of normalized net present value for FY 2016-17 to FY 2021, has then been used to project base-year value for FY 2021-22. The projected base-year value so arrived, has been escalated by the above inflation rate to estimate the HR expense for each year of the Control Period.

A&G Expenses

In accordance with the CSERC MYT Regulations, 2021, the Commission has considered the A&G expenses on the basis of the normalized average of the actual prudent A&G expenses (excluding expenses towards outsourcing manpower) available in the accounts for the previous five (5) years immediately preceding the base-year FY 2021-22.

The normalisation of A&G expenses has been done by applying last five-year average increase/decrease in Inflation on the basis of 40% weightage of WPI and 60% weightage of CPI, respectively, on year-to-year basis. The average of normalized net present value for FY 2016-17 to FY 2020-21, has then been used to project base-year value for FY 2021-22. The projected base-year value has been escalated by the above inflation rate to estimate the A&G expenses for each year of the Control Period.

R&M Expenses

In accordance with the CSERC MYT Regulations, 2021, the Commission has considered the R&M expenses for the first year of the Control Period as 1.17% of Opening GFA of FY 2022-23, and then escalated the same with WPI of 2.38% to determine the normative R&M expenses for the remaining two years of the Control Period. The approved R&M expenses for the Control Period are shown in the Table below

The normative Employee expenses, A&G expenses and R&M expenses as approved for the Control Period from FY 2022-23 to FY 2024-25 are shown in the Tables below:

Table 5-4: Approved Employee Expenses for the Control Period (Rs. Lakh)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Employee Expenses	149.95	161.19	161.41	142.14	238.53				
Normalised FY 2016-17 value to FY 2020-21 NPV	149.95	154.57	162.99	175.27	184.07				
Normalised FY 2017-18 value to FY 2020-21 NPV		161.19	169.97	182.77	191.95				
Normalised FY 2018-19 value to FY 2020-21 NPV			161.41	173.56	182.28				
Normalised FY 2019-20 value to FY 2020-21 NPV				142.14	149.28				
Normalised FY 2020-21 value					238.53				
Net Employee Expenses					**189.22**	**198.76**	**208.78**	**219.30**	**230.36**

Table 5-5: Approved A&G expenses for the Control Period (Rs. Lakh)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
A&G Expenses	35.35	36.38	37.96	53.05	27.86				
Normalised FY 2016-17 value to FY 2020-21 NPV	35.35	36.42	38.23	40.21	41.63				
Normalised FY 2017-18 value to FY 2020-21 NPV		36.38	38.20	40.18	41.59				
Normalised FY 2018-19 value to FY 2020-21 NPV			37.96	39.93	41.33				
Normalised FY 2019-20 value to FY 2020-21 NPV				53.05	54.92				
Normalised FY 2020-21 value					27.86				
Net A&G Expenses					**41.47**	**43.12**	**44.83**	**46.61**	**48.46**

Table 5-6: Approved R&M expenses for the Control Period (Rs. Lakh)

Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2022-23	FY 2023-24	FY 2024-25
R&M Expenses	33.23	45.44	49.09			
GFA	3622.33	3622.33	3622.33			
% (R&M Expense/GFA)	0.92	1.25	1.35			
Average %		**1.17**				
Net R&M Expenses				**42.38**	**43.39**	**44.42**

The summary of O&M expenses approved for the Control Period is shown in the Table below:

Table 5-7 Approved O&M expenses for the Control Period (Rs. Lakh)

Particulars	FY 2022-23		FY 2023-24		FY 2024-25	
	Petition	**Approved**	**Petition**	**Approved**	**Petition**	**Approved**
Employee Expenses	202.20	208.78	211.29	219.30	220.78	230.36
A&G Expenses	51.99	44.83	53.89	46.61	55.85	48.46
R&M Expenses	53.66	42.38	54.94	43.39	56.25	44.42
Total O&M Expenses	**307.85**	**295.80**	**320.11**	**309.10**	**332.88**	**323.03**

5.4 Depreciation

JSPL-T's submission

The Petitioner has computed the depreciation on the aforesaid GFA based on the methodology specified in Regulation 25 and depreciation rates prescribed under CSERC MYT Regulations, 2021.

The Petitioner has computed the depreciation for FY 2022-23, FY 2023-24 and FY 2024-25 as summarized in the Table below:

Table 5-8: Depreciation for FY 2022-23 to FY 2024-25 submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Land under full ownership	0.00	0.00	0.00
Switchgears, Control gear & Protection equipment including cable	23.35	23.35	23.35
SCADA	8.07	8.07	8.07
Others	0.34	0.34	0.34
Lines	117.77	117.77	117.77
Furniture and fixtures	0.00	0.00	0.00
Office equipment	0.00	0.00	0.00
Total	**149.53**	**149.53**	**149.53**

Commission's View

Depreciation for the Control Period from FY 2022-23 to FY 2024-25 has been calculated in accordance with Regulation 25 of the CSERC MYT Regulations, 2021, on the average GFA during the year. The Commission has considered the opening GFA for FY 2022-23 as per closing GFA of FY 2021-22. Since, there is no GFA addition during the Control Period, the GFA is same for the Control Period from FY 2022-23 to FY 2024-25. The Commission has considered the rate of depreciation of 3.91% as considered for computation of depreciation for FY 2020-21.

The depreciation estimated by the Commission for the Control Period from FY 2022-23 to FY 2024-25 is shown in the following Table:

Table 5-9: Depreciation for FY 2022-23 to FY 2024-25 as estimated by Commission (Rs. Lakh)

Particulars	FY 2022-23		FY 2023-24		FY 2024-25	
	Petition	**Approved**	**Petition**	**Approved**	**Petition**	**Approved**
Opening GFA	3622.33	3622.33	3622.33	3622.33	3622.33	3622.33
Additional capitalisation during the year	0.00	0.00	0.00	0.00	0.00	0.00
Closing GFA	3622.33	3622.33	3622.33	3622.33	3622.33	3622.33
Average GFA of the year	3622.33	3622.33	3622.33	3622.33	3622.33	3622.33
Depreciation Rate (%)	4.13%	3.91%	4.13%	3.91%	4.13%	3.91%
Depreciation	**149.53**	**141.77**	**149.53**	**141.77**	**149.53**	**141.77**

5.5 Interest on Loan

JSPL-T's submission

The Petitioner submitted that there is no plan of capital expenditure for FY 2022-23 to FY 2024-25. The opening balance of the normative loan for each year has been calculated by deducting the cumulative depreciation up to the preceding financial year from the gross normative loan. The Petitioner has considered normative repayment of loan to be equal to the depreciation during the year in line with Regulation 24.3 of the CSERC MYT Regulations, 2021 for FY 2022-23, FY 2023-24 and FY 2024-25.

The Petitioner has calculated interest on the aforesaid normative loan at the actual weighted average rate of interest on loans for JSPL for FY 2020-21 as per Regulation 24.5 of the CSERC MYT Tariff Regulations, 2021. The detailed calculation of normative interest on loan is as shown in the table below:

Table 5-10: Interest on Loan for FY 2022-23 to FY 2024-25 as submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Opening Net Normative loan for the year	51.12	0.00	0.00
Repayment of normative loan during the year	51.12	0.00	0.00
Closing Net Normative loan	0.00	0.00	0.00
Average Normative loan	25.56	0.00	0.00
Rate of Interest (%)	11.42%	11.42%	11.42%
Interest on loan capital	**2.92**	**0.00**	**0.00**

Commission's View

Regulation 24 of the CSERC MYT Regulations, 2021 specifies as under:

*"**24. INTEREST AND FINANCE CHARGES ON LOAN CAPITAL***

24.1 The debt arrived at in the manner indicated in Regulation 17 shall be considered as gross normative loan for calculation of interest on loan.

24.2. The normative loan outstanding as on 01.04.2022 shall be worked out by deducting, the cumulative repayment as admitted by the Commission up to 31.03.2022, from the gross normative loan.

24.3. The repayment of loan for the year of the tariff period shall be deemed to be equal to the depreciation allowed for that year.

24.4. Notwithstanding any moratorium period availed by the generating company or the licensee, as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

24.5. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the licensee, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the licensee as a whole shall be considered:

Provided further, in case of new generating station or the licensee commencing its operation after the date of effectiveness of this Regulation, and which don't have actual loan portfolio, the rate of interest shall be considered on normative basis and shall be equal to the Marginal Cost of Fund based Lending Rate (MCLR - one year tenor) of State Bank of India plus 150 basis points as applicable on the date of COD.

24.6. The interest on loan shall be calculated on the average of opening and closing loan of the year. For the computation of interest amount, the interest rate shall be the weighted average rate of interest for the same year.

24.7. The interest amount as per regulation 24.6 shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, grants or deposit works carried out by generating company, transmission licensee, SLDC or distribution licensee, as the case may be".

For computing Interest on Loan, the closing normative loan for FY 2021-22 has been considered as the opening normative loan for FY 2022-23. For each year of the Control Period, the closing normative loan for previous year has been considered as the opening normative loan for that year. Further, the Commission has not approved any capitalisation for the Control Period. Hence, there is no addition of loan during the Control Period. The depreciation has been considered as normative repayment of loan, to the extent of outstanding loan. The Commission has adopted the weighted average rate of interest of 10.30% for each year of the Control Period, same as considered for FY 2020-21.

The closing normative loan for FY 2022-23 works out to be nil; therefore, there is no interest on loan approved for FY 2023-24 and FY 2024-25. The interest on loan approved for the Control Period is shown in the Table below:

Table 5-11: Interest on Loan for FY 2022-23 to FY 2024-25 as estimated by Commission (Rs. Lakh)

Particulars	FY 2022-23		FY 2023-24		FY 2024-25	
	Petition	Approved	Petition	Approved	Petition	Approved
Opening Net Normative loan for the year	51.12	100.31	0.00	0.00	0.00	0.00
Addition of loan during the year	0.00	0.00	0.00	0.00	0.00	0.00

Particulars	FY 2022-23		FY 2023-24		FY 2024-25	
	Petition	Approved	Petition	Approved	Petition	Approved
Repayment Of normative loan during the year	51.12	100.31	0.00	0.00	0.00	0.00
Closing Net Normative loan	0.00	0.00	0.00	0.00	0.00	0.00
Average Normative loan	25.56	50.16	0.00	0.00	0.00	0.00
Rate of Interest (%)	11.42%	10.30%	11.42%	10.30%	11.42%	10.30%
Interest on loan capital	**2.92**	**5.17**	**0.00**	**0.00**	**0.00**	**0.00**

5.6 Interest on Working Capital

JSPL-T's submission

The Petitioner has computed the interest on working capital for FY 2022-23, FY 2023-24 and FY 2024-25 on normative basis as per Regulation 26 of CSERC MYT Regulations, 2021.

The Petitioner has calculated the Interest on working Capital for the Control Period by considering interest rate at 9.00%, which is SBI 1-year MCLR prevailing in September 2021 plus 200 basis points (i.e., 7.00% + 2.00%). The detailed calculation for the interest of working capital is provided in the Table below:

Table 5-12: IoWC for FY 2022-23 to FY 2024-25 as submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
O&M Expenses for 15 days	12.65	13.12	13.68
Maintenance Spares @ 20% of Maintenance and General Expenses (A&G+ R&M)	21.13	21.77	22.42
Receivables for one month of fixed cost	54.38	55.17	56.26
Total Working Capital	**88.16**	**90.06**	**92.36**
Rate of Interest (%) (SBI 1-year MCLR+ 200 basis points)	9.00%	9.00%	9.00%
Interest on Working Capital	**7.93**	**8.11**	**8.31**

Commission's View

The Interest on Working Capital has been calculated in accordance with Regulation 26.1 (c) of the CSERC MYT Regulations, 2021, as reproduced below:

"(c) For Transmission business:

i. O&M expenses for 15 days; plus

ii. Maintenance spares @ 20% of Maintenance and General expenses specified in Regulation 73.5.1; plus

iii. Receivables equivalent to one (1) month of fixed cost.

………

26.4. Interest on working capital shall be estimated at the rate equal to the Marginal Cost of Fund based Lending Rate (MCLR - one year tenor) of State Bank of India plus 200 basis point prevailing on 30th September of current financial year. During truing-up, the interest on working capital shall be computed at an average actual sanctioned rate of interest during the year."

The working capital requirement has been computed by considering O&M Expenses for 15 days, Maintenance spares @ 20% of approved Maintenance and General expenses, and receivables equivalent to one month of the fixed cost.

The interest rate of 9.00% has been considered, which is the one-year MCLR of SBI as on September 30, 2021, plus 200 basis points, for computing the Interest on Working Capital for the entire Control Period. The Interest on Working Capital approved for the Control Period is shown in the Table below:

Table 5-13: IoWC for FY 2022-23 to FY 2024-25 as estimated by Commission (Rs. Lakh)

Particulars	FY 2022-23		FY 2023-24		FY 2024-25	
	Petition	Approved	Petition	Approved	Petition	Approved
O&M Expenses for 15 days	12.65	12.16	13.12	12.67	13.68	13.28
Maintenance Spares @ 20% of M&G Expenses (A&G+ R&M)	21.13	17.40	21.77	17.96	22.42	18.53
Receivables for one month of fixed cost	54.38	50.17	55.17	50.86	56.26	52.04
Total Working Capital	**88.16**	**79.73**	**90.06**	**81.49**	**92.36**	**83.85**
Rate of Interest (%)	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
IoWC	**7.93**	**7.18**	**8.11**	**7.33**	**8.31**	**7.55**

5.7 Return on Equity

JSPL-T's submission

The Petitioner has considered closing equity of FY 2021-22 as opening equity for FY 2022-23 and so on. Since, there is no asset addition during the year, there is no increase in equity base. Regarding rate of return on equity investment Regulation 23 of the CSERC MYT Regulations, 2021 allows for a return of 14.00% on pre-tax basis. The Regulation 23 of the CSERC MYT Regulations, 2021 specifies as under:

*"**23 RETURN ON EQUITY***

23.1. Base rate for Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17. Return on equity shall be computed at the rate of 14.0% for Generation and Transmission and SLDC.

23.2. Distribution: Base rate for Return on equity shall be computed in rupee terms on the equity base determined in accordance with Regulation 17. Return on equity shall be computed at the rate of 16.0%.

23.3. The ROE shall be grossed up at the time of tariff by MAT rate for the year in which tariff is being determined, subject to the condition that MAT / Corporate tax has been paid for last three consecutive years for regulated business filed petition under these Regulations. In such case, Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of return on equity = Base rate / (1-MAT Rate)

At the time of True up, the income tax shall be pass through on actual basis, subject to ceiling as following:

= Average Permissible Equity X Base Rate of Return X ((t/ (1-t))

Where "t" is the actual tax rate for the year. The tax rate shall be calculated without considering the delay payment surcharge received or receivable during the said financial year by generating company or licensee as the case may be."

Accordingly, base rate of 14.00% has been grossed up by MAT rate for the base year while calculating the normative return on equity for FY 2022-23, FY 2023-24 and FY 2024-25. The Petitioner has computed the RoE as shown in the Table below:

Table 5-14: RoE for FY 2022-23 to FY 2024-25 as submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Opening Equity	1086.70	1086.70	1086.70
Normative Addition during the year	0.00	0.00	0.00
Closing Equity	1086.70	1086.70	1086.70
Average equity	1086.70	1086.70	1086.70
Base Rate of Return	14%	14%	14%
MAT Rate	17.47%	17.47%	17.47%
Applicable Rate of Return on Pre-tax basis	16.96%	16.96%	16.96%
Return of Equity	**184.34**	**184.34**	**184.34**

Commission's View

The closing normative equity as approved for FY 2021-22 in this Order has been considered as the opening normative equity for FY 2022-23. For each year of the Control Period, the closing normative equity for previous year has been considered as the opening normative loan for that year. Further, the Commission has not approved any capitalisation for the Control Period. Hence, there is no addition of equity during the Control Period.

The Commission asked JSPL-T to submit the justification for grossing up of base RoE rate by MAT rate while computing the effective RoE rate. Vide its reply dated August 27, 2022, JSPL-T submitted that the Petition No. 15 of 2021, Petition No. 34 of 2020 and Petition No. 08 of 2021 are still pending due to which the Petitioner has not been able to recover cost reflective Transmission Charges from the beneficiaries. As a result, the Petitioner has incurred losses in FY 2019-20 and FY 2020-21. If the ARR Order has been issued in time, then the Petitioner would have incurred profit from the transmission business. If the Petition is disposed of in a timely manner, then the Petitioner can recover all its past Revenue Gaps from the beneficiaries. In such situation, the Petitioner would be liable to pay tax on the profit to be earned. Considering the same, the Petitioner has grossed up the base rate of 14% with the applicable MAT Rate.

The Return on Equity for the Control Period has been computed in accordance with the Regulation 23 of the CSERC MYT Regulations, 2021. Regulation 23.3 of the CSERC MYT Regulations, 2021 specifies as under:

"23.3. The ROE shall be grossed up at the time of tariff by MAT rate for the year in which tariff is being determined, subject to the condition that MAT / Corporate tax has been paid for last three consecutive years for regulated business filed petition under these Regulations."

Hence, grossing up of the RoE rate is allowed at the time of tariff by applicable Tax rate only if actual Tax has been paid for last three consecutive years for regulated business. The Commission asked JSPL-T to submit the documentary evidence that JSPL-T has paid MAT for regulated transmission business for last three consecutive years, as required under Regulation 23.3 of the CSERC MYT Regulations, 2021. Vide its reply dated August 27, 2022, JSPL-T submitted that Petitioner has already submitted the audited accounts for FY 2019-20 and FY 2020-21. Annual Accounts of FY 2021-22 is under preparation and will be finalized soon, JSPL-T has not paid any Tax for its regulated transmission business.

As no Tax has been paid for last three consecutive years, the Commission has approved RoE for the Control Period considering the base rate of RoE as 14, as shown in the Table below %. In case any Income Tax/MAT is paid in the respective years, the same shall be considered at the time of true up, in accordance with the CSERC MYT Regulations, 2021.

Table 5-15: Return on Equity for FY 2022-23 to FY 2024-25 as estimated by Commission (Rs. Lakh)

Particulars	**FY 2022-23**		**FY 2023-24**		**FY 2024-25**	
	Petition	**Approved**	**Petition**	**Approved**	**Petition**	**Approved**
Opening Equity	1086.70	1086.70	1086.70	1086.70	1086.70	1086.70
Normative Addition during the year	0.00	0.00	0.00	0.00	0.00	0.00
Closing Equity	1086.70	1086.70	1086.70	1086.70	1086.70	1086.70
Average equity	1086.70	1086.70	1086.70	1086.70	1086.70	1086.70
Base Rate of Return	14%	14%	14%	14%	14%	14%
MAT Rate	17.47%	17.47%	17.47%	-	-	-
Rate of Return of Equity	16.96%	16.96%	16.96%	-	-	-
Return of Equity	184.34	184.34	184.34	152.14	152.14	152.14

5.8 Aggregate Revenue Requirement for FY 2022-23 to FY 2024-25

JSPL-T's submission

The Petitioner submitted the following ARR estimated for FY 2022-23, FY 2023-24 and FY 2024-25:

Table 5-16: ARR for FY 2022-23 to FY 2024-25 as submitted by JSPL-T (Rs. Lakh)

Sr. No.	Particulars	FY 2022-23	FY 2023-24	FY 2024-25
1	Employee Expense	202.20	211.29	220.78
2	A&G Expense	51.99	53.89	55.85
3	R&M Expense	53.66	54.94	56.25
4	Depreciation	149.53	149.53	149.53
5	Interest on Loan	2.90	0.00	0.00
6	Interest on Working Capital Requirement	7.93	8.11	8.31
7	Return on Equity	184.34	184.34	184.34
8	Less: Non-Tariff Income	0.00	0.00	0.00
9	**Net ARR**	**652.58**	**662.10**	**675.07**

Commission's View

The summary of the ARR approved by the Commission for JSPL-T for the Control Period from FY 2022-23 to FY 2024-25 is shown in the Table below:

Table 5-17: ARR approved by the Commission for FY 2022-23 to FY 2024-25 (Rs. Lakh)

Sr. No.	Particulars	FY 2022-23		FY 2023-24		FY 2024-25	
		Petition	Approved	Petition	Approved	Petition	Approved
1	Employee Expense	202.20	208.78	211.29	219.30	220.78	230.36
2	A&G Expense	51.99	44.83	53.89	46.61	55.85	48.25
3	R&M Expense	53.66	42.38	54.94	43.39	56.25	44.42
4	Depreciation	149.53	141.77	149.53	141.77	149.53	141.77
5	Interest on Loan	2.90	5.17	0.00	0.00	0.00	0.00
6	IoWC	7.93	7.18	8.11	7.33	8.31	7.55
7	Return on Equity	184.34	152.14	184.34	152.14	184.34	152.14
8	Less: NTI	0.00	0.00	0.00	0.00	0.00	0.00
9	**Net ARR**	**652.58**	**602.05**	**662.10**	**610.34**	**675.07**	**624.49**

6. TARIFF FOR FY 2022-23

6.1 Carrying Cost of Revenue Gap pertaining to past Period

JSPL-T's submission

The Petitioner has submitted the Revenue Gap calculated for the previous periods in its earlier Petitions. Considering the same, the Petitioner has estimated the cumulative Revenue Gap along with carrying cost for the Control Period from FY 2022-23 to FY 2024-25, as shown in the table below:

Table 6-1: Revenue Gap and Carrying cost for FY 2019-20 to FY 2024-25 as submitted by JSPL-T (Rs. Lakh)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Opening Revenue Gap	1194.39	1469.46	1872.06	2076.12	2262.97	2466.64
Addition	117.78	218.67	0.00	0.00	0.00	0.00
Closing Revenue Gap	1312.17	1688.13	1872.06	2076.12	2262.97	2466.64
Average Revenue Gap	1253.28	1578.80	1872.06	2076.12	2262.97	2466.64
Interest rate	12.55%	11.65%	10.90%	9.00%	9.00%	9.00%
Carrying Cost	157.29	183.93	204.05	186.85	203.67	222.00
Closing Revenue Gap including Carrying Cost	**1469.46**	**1872.06**	**2076.12**	**2262.97**	**2466.64**	**2688.63**

Commission's View

The Commission has approved the cumulative Revenue Gap of Rs. 281.15 Lakh after true-up of FY 2017-18 and FY 2018-19, in the Order dated August 23, 2022 in Petition No. 34/2020 (T), Petition No. 08/2021 (T) and Petition No. 15/2021 (T).

As elaborated in Chapter 3 of this Order, after carrying out the final True-up, the Commission has approved the Revenue Surplus of Rs. 201.98 Lakh for FY 2019-20 and Rs. 104.60 Lakh for FY 2020-21.

Considering the cumulative Revenue Gap at the end of FY 2018-19 and Revenue Surplus of FY 2019-20 and FY 2020-21 along with associated holding cost, the amount of past Revenue Gap to be passed through in the Tariff of FY 2022-23 works out to Rs. 3.06 Lakh, as shown in the Table below:

Table 6-2: Revenue Gap/ (Surplus) and Carrying cost for FY 2019-20 to FY 2024-25 as approved by the Commission (Rs. Lakh)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Opening Revenue Gap	281.15	101.55	2.64	2.92
Addition	(202.19)	(104.65)	0.00	-2.92
Closing Revenue Gap	78.96	-3.10	2.64	0.00
Average Revenue Gap	180.05	49.23	2.64	1.46
Interest Rate (%)	12.55%	11.65%	10.90%	9.00%
Carrying Cost	22.60	5.74	0.29	0.13
Closing Revenue Gap including Carrying Cost	**101.55**	**2.64**	**2.92**	**3.06**

This Revenue Gap has been added to the approved ARR for FY 2022-23 as shown in the table below:

Table 6-3: Adjusted approved ARR for FY 2022-23 (Rs. Lakh)

Particulars	Petition	Approved
ARR for FY 2022-23	652.58	602.05
Adjustment of Gap/(Surplus) of FY 2019-20 and FY 2020-21 with carrying cost up to FY 2022-23	2262.96	3.06
Adjusted ARR for FY 2022-23	**2915.54**	**605.10**

6.2 Transmission Charges for FY 2022-23

Regulations 71.2 and 71.2 of the CSERC MYT Regulations, 2021 specify as under:

"71.1. Annual Transmission Charges for each year of the Control Period: The Annual Transmission Charges for each financial year of the Control Period shall provide for the recovery of the Aggregate Revenue Requirement of the transmission licensee / STU for the respective financial year of the Control Period, reduced by the amount of Non-Tariff Income and income from other business, as approved by the Commission:

71.2. The Annual Transmission Charges of the transmission licensee shall be determined by the Commission on the basis of an application for determination of Aggregate Revenue Requirement made by the transmission licensee in accordance with Chapter- 2 of this Regulation."

As per the CSERC MYT Regulations, 2021, the annual transmission charges (fixed cost) shall be recovered from the users of JSPL-T's system on a monthly basis as per the methodology specified in the CSERC Open Access Regulations, 2011. According to the CSERC Open Access Regulations, 2011, the basis of sharing monthly transmission charge shall be maximum demand in MW served by JSPL-T's system in the previous financial year.

Hence, JSPL-T is allowed to recover the Transmission Charges as under:

Table 6-4: Transmission Charges for FY 2022-23 (Rs. Lakh)

Sr. No.	Particulars	Approved
1	Annual Transmission Charges for FY 2022-23	605.10
2	Monthly Transmission Charges for FY 2022-23	50.43

The Monthly Transmission Charges shall be recovered from JSPL-D and other Open Access consumers, if any, in the ratio of their Maximum Demand in MW.

6.3 Applicability of Order

The Order will be applicable from Nov 01, 2022 and will remain in force till March 31, 2023 or till the issue of next Tariff Order, whichever is later. The Commission directs JSPL-T to take appropriate steps to implement the Tariff Order.