IN THE JHARKHAND STATE ELECTRICITY REGULATORY COMMISSION AT RANCHI

Case No. 21 of 2023

Jharkhand Urja Sancharan Nigam Limited (JUSNL) ………………… Petitioner

CORAM: **HON'BLE JUSTICE MR. AMITAV KUMAR GUPTA, CHAIRPERSON**
HON'BLE MR. MAHENDRA PRASAD, MEMBER (LAW)
HON'BLE MR. ATUL KUMAR, MEMBER (TECH)

For the Petitioner: Mr. Sumeet Gadodia & Mukesh Kumar, Advocates-JUSNL

Date – 20th February, 2024

1. Jharkhand Urja Sancharan Nigam Limited (hereinafter referred to as 'JUSNL' or 'Petitioner') has filed the petition under section 94 of the Electricity Act 2003, read with para 47 rule 1 of the Code of Civil Procedure 1908 and clause A41 of JSERC (Conduct of Business) Regulation 2016 for review of Order dated 23.06.2023 passed by the Jharkhand State Electricity Regulatory Commission for True Up for FY 2018-19 & FY 2019-20, Annual Revenue Requirement for FY 2020-21 and Business Plan & Multi Year Tariff for the Control Period FY 2021-22 to FY 2025-26.

Considering the submissions of the petitioner and on the basis of the material available on record, the issues as raised by the petitioner are being discussed and dealt with separately as hereunder: -

I. <u>True-up for FY 2018-19</u>

A. Capital Expenditure & Capitalization

<u>Submission of the Petitioner</u>

2. Learned counsel for the petitioner has prayed to allow Capital Expenditure &Capitalization for FY 2018-19 as per the Audited Accounts tabled below: -

Particulars	Opening	Addition	Closing
Capex during the Year	4,013.89	251.00	4,264.89
Capitalization	1,435.49	108.40	1,543.89
Capital Works in Progress	**2,578.40**	**142.60**	**2,721.00**
Asset Capital Work in Progress	1,504.98	429.55	1,934.53
Capital Advances	297.13	-	297.13
Advance to Suppliers	745.85	(288.49)	457.36
Stock of Materials at Site	30.44	1.54	31.98

3. It was pointed out that the Hon'ble Commission in its order has not allowed CWIP and provided that,

> *"5.9 The Commission has not approved the CWIP in the previous true-up order dated December 30, 2020 for FY 15-16 & FY 2016-17 and the review order dated January 11, 2023 as the Petitioner had not submitted proper justification and scheme-wise and project-wise details of CWIP as directed by the Commission.*
>
> *5.10 The Commission has scrutinized the submission made by the Petitioner and found that the claimed figure of Closing CWIP for FY 2018-19 doesn't linked with the Detailed Project Report. Hence due to the above mentioned reason the Commission has not approved CWIP in*

this order."

4. It was submitted that the petitioner had claimed the CWIP based on actual audited account. However the Hon'ble Commission, in its True Up Order for FY 2017-18, has directed the Petitioner to again submit the CWIP details circle wise and division wise. In pursuance of the directives of the Hon'ble Commission, JUSNL would make its best effort to submit the details within prescribed time for approval of CWIP.

Commission's Observation and Finding

5. On going through the impugned order, it is evident that the said issue has been deliberated and discussed in this Commission's order dated June 23, 2023 in para 5.9 to 5.10 which reads as under:

"5.9 The Commission has not approved the CWIP in the previous true-up order dated December 30, 2020 for FY 15-16 & FY 2016-17 and the review order dated January 11, 2023 as the Petitioner had not submitted the proper justification and scheme-wise and project-wise details of CWIP as directed by the Commission.

5.10 The Commission has scrutinized the submission made by the Petitioner and found that the claimed figure of Closing CWIP for FY 2018-19 doesn't linked with the Detailed Project Report. Hence due to the above mentioned reason the Commission has not approved CWIP in this order."

6. In view of the aforementioned observation, **Issue No-A**, does not warrant any intervention, and accordingly the prayer for review of the said issue is hereby rejected.

B. Gross Fixed Asset

Submission of the Petitioner

7. Learned counsel for the petitioner has prayed for allowing GFA on the basis of Audited Accounts for the said year as detailed below:

Particulars	MYT	Petition
Opening Gross Fixed Asset (GFA)	2286.91	1435.49
Addition to Gross Fixed Asset (GFA)	922.57	108.40
Closing Gross Fixed Asset (GFA)	3209.49	1543.89

8. It was submitted that the Hon'ble Commission has considered opening GFA for FY 2018-19 equal to closing GFA for FY 2017-18 as approved in its True-up Order dated 12 June, 2023 given below: -

Particulars	Petition	Approved
Opening Gross Fixed Asset	1,435.49	1,422.68
Asset Capitalized during the year	108.40	108.40
Closing Gross Fixed Asset	1,543.89	1,531.08

Commission's Observation and Finding

9. It is an accepted norm that Opening Balance of any account shall be equal to the previous Closing Balance, as such, the Commission has considered

opening GFA for FY 2018-19 equal to closing GFA for FY 2017-18 as precedence in previous Tariff Orders.

10. In view of the above, **Issue No-B**, as raised by the petitioner, does not warrant any interference. Consequently the prayer for review is hereby rejected.

C. Employee Expenses

Submission of the Petitioner

11. Learned counsel for the petitioner has submitted that the employee expenses primarily include cost towards salaries, dearness allowance, bonus, staff welfare, medical benefits, leave travel, earned leave encashment, and terminal benefits in the form of pension, gratuity etc.

12. It was submitted that it had claimed employee expenses based on actual audited accounts for FY 2018-19 which was Rs. 68.16 crores and the main reason for such exceptional increase is due to,

a) Revision of Pay structure of the employees of JUSNL with effect from 01.01.2016
b) Recruitment drives conducted by JUSNL

13. It was pointed out that, the increase in employee expenses was due to change in pay structure and addition of new employees which was not under the Control of JUSNL and it has been prayed to allow employee expenses without terminal benefits on the basis of the audited account detailed in the table below:

Particulars	Petition	Approved	Difference	Review Petition
Employee Expenses	68.16	37.42	30.74	68.16

Commission's Observation and Finding

14. On going through the impugned order, it is evident that the said issue has been deliberated and discussed in Commission's order dated June 23, 2023 in para 5.21 to 5.23 as extracted hereunder,

*"**A. Employee Expenses***
5.21 The Commission in its MYT order dated February 24, 2018 has approved the employee cost for 2nd control period by increasing the provisionally approved employee cost as per tariff order dated December 14, 2015 for FY 2015-16 (excluding the amount of terminal benefits) with an inflation factor of 3.35%

5.22 The Commission vide its order dated February 01, 2019 has trued up the Employee Expenses and Terminal Benefits based on actuals for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15 as per audited accounts. Further, the Commission, in its review order dated December 03, 2020 retained the Employee Expenses and Terminal Benefits as approved in order dated February 01, 2019. Further, the Commission, in its order dated December 30, 2020 had approved the Employee Expenses and terminal benefits based on actuals for FY 2015-16 and increased it with the actual inflation factor to determine the employee expenses for FY 2016-17. The terminal benefits for FY 2016-17 was approved on actuals based on audited accounts.

5.23 Therefore, the Commission has considered the true up value of employee *expenses (excluding terminal benefits) for FY 2018-19 in this order and has increased it with the actual inflation factor to determine the employee expenses. The terminal benefit is approved on actuals based on audited accounts."*

15. In view of the aforesaid observation, **Issue No- C**, does not merit any interference and thus stands rejected.

D. A & G Expenses

Submission of the Petitioner

16. Learned Counsel for the petitioner had submitted that the A&G expenses were claimed as per audited accounts for FY 2018-19. The major reason for increase in the A&G expense, as claimed by the Petitioner, is due to increase in consultancy charges paid during FY 2018-19, i.e. Rs. 32.64 crores, which was necessary for business operation. Therefore, it should be treated as an uncontrollable expense.

17. It was prayed to approve the A&G Expenses as per actual audited expenses tabled below:

Particulars	Petition	Approved	Difference	Review Petition
A & G Expenses	32.64	7.67	24.97	32.64

Commission's Observation and Finding

18. On going through the impugned order, it is evident that the said issue has been deliberated and discussed in Commission's order dated June 23, 2023 in para 5.24 which is reproduced hereunder,

*"**B. A&G Expenses***

5.24 During truing up for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15, the Commission has considered the actual A&G Expenses for approval and the same was retained in Review order dated December 03, 2020. Further, the Commission in its order dated December 30, 2020 had approved the A&G Expenses based on actuals for FY 2015-16 and increased it with the actual inflation factor to determine the A&G expenses for FY 2016-17."

19. Considering the observation made earlier, **Issue No- D**, does not require any interference, consequently the prayer for review stands rejected.

E. Interest on Loan

Submission of the Petitioner

20. Learned counsel for the petitioner had submitted in the True Up Petition for FY 2018-19 that the loan balance has substantially increased with increase in capital expenditure and capitalization during FY 2018-19. Accordingly the petitioner has claimed interest on loan of Rs. 304.68 crores against the approved amount in MYT Order of Rs. 94.14 crores.

21. It was submitted that the total interest expense comprises of four expenses which are INR 304.68 crores including Rs 303.58 crores towards interest on State Govt. Loan, Rs 0.03 crores towards interest on Group Saving Scheme,

Rs 1.05 crores towards interest on GPF, Rs 0.0004 crores as interest on Security deposit from Staff.

Particulars	Amount (Rs. Cr.)
Interest on State Government Loan	303.58
Interest on Group Saving Scheme	0.03
Interest on GPF	1.05
interest on Security deposit from Staff	0.0004
Total	304.68

22. It is submitted that the State Government regularly supports the petitioner by giving loan for Capex requirement which is required to cater the load demand. The interest of loan expenses is genuine and it is an obligation of the licensee to pay the interest on regular interval.

23. Learned counsel has further submitted that Regulations provide that if there is no loan for a particular year, the last available weighted average rate shall be considered. Accordingly, petitioner has submitted that the Hon'ble Commission has calculated the interest on loan as per the table below:

Particulars	MYT	Petition	Approved
Net Loan-Opening	1,487.65	-	613.86
Additions during the year	922.57	-	108.40
Repayment during the Year	132.09	-	49.77
Net Loan-closing	2,278.13	-	672.50
Average Loan	1,882.89	-	643.18
Interest on Loan (%)	5.00%	-	5.00%
Interest on Loan	**94.14**	**304.68**	**32.16**

24. It was prayed to approve the Interest on loan on actuals on the basis of audited accounts.

Particulars	Petition	Approved	Difference	Review Petition
Interest on Loan	304.68	32.16	272.52	304.68

<u>Commission's Observation and Finding</u>

25. On going through the impugned order, it would be evident that the said issue has been deliberated and discussed by the Commission vide order dated June 23, 2023 in para 5.33 to 5.36 is reproduced hereunder:

"5.33 As per Clause 7.10 of JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, the Debt: Equity ratio of transmission project will be considered as per the following: -

"For a project declared under commercial operation on or after 1.04.2016, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that where equity deployed is less than 30% of capital cost, the actual equity shall be considered for determination of tariff:"

5.34 As the Petitioner has submitted that all capitalization is carried out by taking loans from State Government, hence, the Commission has considered the entire capitalization during the year funded through loan (i.e Debt : Equity is 100:0).

5.35 The repayment for the year of the tariff period has been considered to *be equal to the depreciation allowed for that particular financial year. The closing loan values for the FY 2017-18 has been considered as opening loan value for FY 2018-19.*

5.36 In the absence of the actual loan portfolio, the Commission has considered the rate of interest as 5.00% as approved in MYT order dated February 24, 2018, true-up order dated June 12, 2023."

26. Thus considering the aspect that **Issue No- E**, deliberated and discussed by the Commission thereafter the said issue does not require any interference as a result the prayer for review is hereby rejected.

F. Return on Equity

Submission of the Petitioner

27. Learned Counsel for the petitioner has submitted that it has considered equity base of Rs. 972.96 crores for FY 2018-19, as reflected in the annual audited accounts. The applicable return on equity has been calculated considering 15.50% rate of return as per Regulation 7.12 of JSERC Transmission Tariff Regulations, 2015 but the Commission has not considered the same and has approved an amount of Rs. 54.34 crores.

28. It was prayed to approve the claimed amount of Rs. 150.96 crores, as given below:

Particulars	Petition	Approved	Difference	Review Petition
Return on Equity	150.96	54.34	96.62	150.96

Commission's Observation and Finding

29. On perusal of the impugned order, it would be evident that the said issue has been deliberated and discussed by this Commission in order dated June 23, 2023 vide para 5.38 to 5.43 which is reproduced herein below:

"5.38 The Commission is of the view that the Petitioner has computed the equity component more than the normative equity of 30% of the GFA. The Petitioner was required to justify its claim of equity amount of Rs. 972.96 Crore out of the Total Gross Fixed Asset of Rs. 1,543.89 Crore.

5.39 In its reply, the Petitioner has submitted the amount of Rs 972.96 Crore as per the equity amount, reflected in the Audited Annual Account for the FY 2018-19.

5.40 The Commission had directed the Petitioner to submit the justification of claiming equity addition of Rs 2 Crore in FY 2018-19 towards the Restructuring Account Pending Adjustment, and in this regard the Petitioner has failed to submit proper justification. Hence, the Commission, in the instant petition, disallows the equity addition of Rs 2 Crore in FY 2018-19 towards the Restructuring Account Pending Adjustment.

5.41 As per Clause 7.10 of JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, the Debt : Equity ratio of transmission project will be considered as per the following:-

"For a project declared under commercial operation on or after

1.04.2016, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that where equity deployed is less than 30% of capital cost, the actual equity shall be considered for determination of tariff:"

5.42 The Commission has also observed the equity component considered by the Petitioner as nil, accordingly the Commission has approved equity as nil.

5.43 The closing equity for the FY 2017-18 has been considered as opening equity for FY 2018-19. The Commission has accordingly approved the Return on Equity for FY 2018-19."

30. Thus considering the aspect that **Issue No- F**, is deliberated and discussed by the Commission. Thereafter, the said issue does not require any interference, as a result the prayer for review is hereby rejected.

G. Treatment of Revenue Gap for True Up of FY 2017-18

Submission of the Petitioner

31. Learned Counsel for the petitioner has submitted that the Hon'ble Commission, while approving the True Up of 2017-18 has provided that:

"5.75 On Consideration of the submission of the Petition, the Commission has approved each component of the Annual Revenue Requirement and the Gap for FY 2017-18 as tabulated below:

Particulars	*FY 2017-18*		
	MYT Order	*Petition*	*Approved*
Aggregate Revenue Requirement	*353.89*	*747.34*	*296.75*
Revenue	*353.89*	*218.65*	*218.65*
Gap/(Surplus)	*-*	*528.69*	*78.09*

32. The Petitioner submits that the Hon'ble Commission in its True Up Order for FY 2017-18 has approved the revenue gap of Rs. 78.09 Crore, However, the Hon'ble Commission has not provided any details in the True Up for FY 2018-19, and has not approved the Cumulative revenue gap.

33. The Petitioner has prayed to provide the treatment of the revenue gap.

Commission's Observation and Finding

34. On going through the impugned order, it is evident that the said issue has been deliberated and discussed in this Commission's order dated June 23, 2023 in para 5.76 which reads as under:

"5.76 Further, the Commission is of the view that as the Petitioner has not filed the Petition in time, therefore, no carrying cost on the gap amount shall be allowed for the period of delay."

35. The petitioner is directed to file the tariff petition for FY 2024-25 and has submitted its claim for cumulative gap/(surplus) along with carrying cost.

H. SLDC Expenses

Submission of the Petitioner

36. Learned Counsel for the petitioner had submitted SLDC expenses of Rs.5.02 crores but in the order there is no mention of SLDC expenses. It is stated that the petitioner has already submitted the separate Trail balance for SLDC expenses and has requested for approval of SLDC expenses:

Particulars	Petition	Approved	Difference	Review Petition
Expenses for SLDC	5.02	-	5.02	5.02

Commission's Observation and Finding

37. The Commission has observed that the approval of true-up for FY 2018-19 has been approved, based on the consolidated account of JSUNL as a whole which includes SLDC expenses. Consequently, **Issue No- H**, does not warrant any interference, as a result the prayer for review of the said issue is hereby rejected.

II. True-up for FY 2019-20

A. Capital Expenditure & Capitalization

Submission of the Petitioner

38. The Learned counsel for the petitioner has prayed for allowing Capital Expenditure &Capitalization for FY 2019-20 as per the Audited Accounts tabled below: -

Particulars	Opening	Addition	Closing
Capex during the Year	4,264.89	912.31	5,177.20
Capitalization	1,543.89	385.96	1,929.85
Capital Works in Progress	2,721.00	526.35	3,247.35
Asset Capital Work in Progress	1,934.53	405.41	2,339.94
Capital Advances	297.13	77.84	374.97
Advance to Suppliers	457.36	44.59	501.95
Stock of Materials at Site	31.98	(1.49)	30.49

39. It was pointed out that in the impugned order the Commission while not allowing the CWIP has stated that,

> *"5.9 The Commission has not approved the CWIP in the previous true-up order dated December 30, 2020 for FY 15-16 & FY 2016-17, review order dated January 11, 2023, true-up for FY 2017-18 and above true-up order, as the Petitioner had not submitted proper justification and scheme-wise and project-wise details of CWIP as directed by the Commission.*
>
> *5.10 The Commission has scrutinized the submission made by the Petitioner and found that the claimed figure of Closing CWIP for FY 2019-20 doesn't linked with the Detailed Project Report. Hence due to the above mentioned reason the Commission has not approved CWIP in this order."*

40. It was submitted that the petitioner has claimed the CWIP for FY 2019-20 as per the Audited Annual Accounts of the FY 2019-20. Therefore, the petitioner requested for approval of CWIP, as submitted in the True up Petition for the FY 2019-20.

Commission's Observation and Finding

41. On going through the impugned order, it is evident that issues-A has been deliberated and discussed by the Commission vide order dated June 23, 2023

in para 5.9 to 5.10 which reads as under:

"5.9 The Commission has not approved the CWIP in the previous true-up order dated December 30, 2020 for FY 15-16 & FY 2016-17 and the review order dated January 11, 2023 as the Petitioner had not submitted the proper justification and scheme-wise and project-wise details of CWIP as directed by the Commission.

5.10 The Commission has scrutinized the submission made by the Petitioner and found that the claimed figure of Closing CWIP for FY 2018-19 doesn't linked with the Detailed Project Report. Hence due to the above mentioned reason the Commission has not approved CWIP in this order."

42. In view of the above, **Issue No-A**, does not warrant any interference, consequently the prayer for review is hereby rejected.

B. Gross Fixed Assets

Submission of the Petitioner

43. Learned counsel for the petitioner has prayed to the Hon'ble Commission to allow GFA on the basis of Audited Accounts for the said year, given in the table below:

Particulars	MYT	Petition
Opening Gross Fixed Asset	3209.49	1,543.89
Asset Capitalized during the year	980.78	385.96
Closing Gross Fixed Asset	4190.27	1,929.85

44. It was submitted that the Hon'ble Commission has considered opening GFA for FY 2019-20 equal to closing GFA for FY 2018-19, as approved in the True-up Order given below:

Particulars	MYT	Petition	Approved
Opening Gross Fixed Asset	3209.49	1,543.89	1,531.08
Asset Capitalized during the year	980.78	385.96	385.96
Closing Gross Fixed Asset	4190.27	1,929.85	1,917.04

Commission's Observation and Finding

45. It is an accepted norm that Opening Balance of any account shall be equal to the previous Closing Balance of the same account. As such, the Commission has considered opening GFA for FY 2019-20 equal to closing GFA for FY 2018-19 as per precedence in its previous Tariff Orders.

46. In view of the above, **Issue No-B**, as raised by the petitioner, in sans merit, and accordingly the prayer for review is hereby rejected.

C. Employee Expenses

Submission of the Petitioner

47. Learned counsel for the petitioner has claimed employee expenses based on actual audited accounts for FY 2019-20 which was Rs. 70.13 crores and the major reason for such exceptional increase is due to

a) Revision of Pay structure of the employees of JUSNL with effect from

01.01.2016:

b) Recruitment drives conducted by JUSNL:

48. It was submitted that all the relevant details of the salary expenses for the FY 2019-20 have been provided in the petition filed by the petitioner.

49. It was pointed out that the revision in the salary due to recommendations in the Pay Commission is an uncontrollable factor and the petitioner has no control over the same. Accordingly, the petitioner has to implement the revision in the salary of its employees due to recommendations in the Pay Commission.

50. It is therefore requested that the Hon'ble Commission should take a prudent view of the variation in the employee expenses due to recommendations of the Pay Commission & recruitment and allow the same as part of the true up for the FY 2019-20.

51. It was prayed to allow employee expense without terminal benefit based on the audited account, as given below:

Particulars	Petition	Approved	Difference	Review Petition
Employee Expenses without Terminal Benefits	65.03	39.70	25.33	65.03

<u>Commission's Observation and Finding</u>

52. On going through the impugned order, it is evident that the said issue has been deliberated and discussed in Commission's order dated June 23, 2023 in para 5.21 to 5.23, as extracted hereunder:

*"**A. Employee Expenses***

5.21 The Commission in its MYT order dated February 24, 2018 has approved the employee cost for 2nd control period by increasing the provisionally approved employee cost as per tariff order dated December 14, 2015 for FY 2015-16 (excluding the amount of terminal benefits) with an inflation factor of 3.35%

5.22 The Commission vide its order dated February 01, 2019 has trued up the Employee Expenses and Terminal Benefits based on actuals for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15 as per audited accounts. Further, the Commission, in its review order dated December 03, 2020 retained the Employee Expenses and Terminal Benefits as approved in order dated February 01, 2019. Further, the Commission, in its order dated December 30, 2020 had approved the Employee Expenses and terminal benefits based on actuals for FY 2015-16 and increased it with the actual inflation factor to determine the employee expenses for FY 2016-17. The terminal benefits for FY 2016-17 was approved on actuals based on audited accounts.

5.23 Therefore, the Commission has considered the true up value of employee expenses (excluding terminal benefits) for FY 2018-19 in this order and has increased it with the actual inflation factor to determine the employee expenses. The terminal benefit is approved on actuals based on audited accounts."

53. In view of the aforesaid observation, **Issue No- C**, does not merit any interference and thus stands rejected.

D. A & G Expenses

Submission of the Petitioner

54. Learned counsel for the petitioner had submitted that the A&G expenses were claimed as per the annual audited accounts for FY 2019-20. The petitioner highlighted the actual A&G expense for FY 2019-20 as Rs. 12.57 crores in comparison to Rs. 9.35 crores as approved in its MYT Tariff Order dated 24.02.2018. The major reason for increase in the A&G expense claimed by the petitioner is due to increase in consultancy charges paid during FY 2019 20 which was necessary in terms of business operation and hence should be treated as uncontrollable expense.

55. It was prayed to approve the A&G expenses as per actual audited expense stable below:

Particulars	Petition	Approved	Difference	Review Petition
A & G Expenses	12.57	8.13	4.44	12.57

Commission's Observation and Finding

56. On going through the impugned order, it is evident that the said issue has been deliberated and discussed in the Commission's order dated June 23, 2023 in para 5.24 is reproduced hereunder:

*"**B. A&G Expenses***

5.24 During truing up for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15, the Commission has considered the actual A&G Expenses for approval and the same was retained in Review order dated December 03, 2020. Further, the Commission in its order dated December 30, 2020 had approved the A&G Expenses based on actuals for FY 2015-16 and increased it with the actual inflation factor to determine the A&G expenses for FY 2016-17."

57. Considering the observation made earlier, **Issue No- D**, does not require any interference consequently the prayer for review stands rejected.

E. R & M Expenses

Submission of the Petitioner

58. Learned counsel for the petitioner had submitted that the R&M expenses were claimed as per the annual audited accounts for FY 2019-20. Further, the petitioner highlighted the actual R&M expense for FY 2019-20 as Rs. 34.56 crores against Rs. 71.46 crores as approved in its MYT Tariff Order dated 24.02.2018. However, the Hon'ble Commission has approved Rs. 34.14 crores in the true up for the FY 2019-20. It can be seen that the R&M Expenses claimed by the petitioner are lesser than that approved by the Hon'ble Commission in the MYT Order.

59. It was pointed out that the claimed amount under R&M expenses, as per audited accounts are genuine in nature and have been incurred by the Petitioner in order to meet the repair and maintenance work of the JUSNL.

60. It was prayed to the Hon'ble Commission to approve the R&M expenses as per actual audited expenses as given below:

Particulars	Petition	Approved	Difference	Review Petition
R & M Expenses	34.56	34.14	0.42	34.56

Commission's Observation and Finding

61. The rationale for disapproval of R&M Expenses as mentioned in the relevant order, is reproduced hereunder.

> *"**C. R&M Expenses***
> *5.25 In its true-up order dated February 01, 2019, the Commission approved the R&M expenses for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15 by multiplying the approved GFA with 'k' factor (2.33%). Further, the Commission in its review order dated December 03, 2020 revised the R&M Expenses based on the approved GFA and 'k' factor (2.33%). Further, the Commission approved the R&M expenses considering the approved opening GFA and 'k' factor as 2.33% for FY 2015-16 and considering the approved opening GFA and 'k' factor as 2.23% approved the R&M expenses for FY 2016-17."*

62. Considering the observation made earlier, **Issue No- E**, does not require any interference consequently the prayer for review stands rejected.

F. Interest and Finance Charge

Submission of the Petitioner

63. Learned counsel for the petitioner had submitted in the True Up Petition for FY 2019-20 that the balance has substantially increased with increase in expenditure on capitalization during FY 2019-20. Accordingly, the petitioner has claimed interest against the loan of Rs. 494.38 crores against approved value of Rs. 133.87 crores as per the MYT order.

64. It was submitted that the total interest expense comprises of four expenses which are Rs 304.68 crores including Rs 303.58 crores towards interest on State Govt. Loan, INR 0.03 crores towards interest on Group Saving Scheme, Rs 1.05 crores towards interest on GPF, Rs 0.0004 crores as interest on Security deposit from Staff.

Particulars	Amount (Rs. Cr.)
Interest on State Government Loan	492.7899
Interest on Group Saving Scheme	0.0488
Interest on GPF	1.5395
interest on Security deposit from Staff	0.0003
Total	494.3785

65. It is submitted that the State Government regularly supports the petitioner through loan for Capex requirement which is mostly required to cater to the load demand. The interest of loan expenses is genuine in nature and this is an obligation of the licensee to pay the interest on regular intervals.

66. Learned counsel has further submitted that it can be ascertained that the cost of debt while to be approved in true up, need to be relied on audited accounts also. Accordingly, petitioner has submitted that the Hon'ble Commission has calculated the interest on loan as per the table below.

Particulars	Petition	Approved	Difference	Review Petition
Interest on Loan	494.38	40.06	454.32	494.38

Commission's Observation and Finding

67. On going through the impugned order, it would be evident that the said issue has been deliberated and discussed in Commission's order dated June 23, 2023 in para 5.32 to 5.35 as reproduced below:

"5.32 As per Clause 7.10 of JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, the Debt: Equity ratio of transmission project will be considered as per the following: -

"For a project declared under commercial operation on or after 1.04.2016, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that where equity deployed is less than 30% of capital cost, the actual equity shall be considered for determination of tariff:"

5.33 As the Petitioner has submitted that all capitalization is carried out by taking loans from State Government, hence, the Commission has considered the entire capitalization during the year funded through loan (i.e. Debt: Equity is 100:0).

5.34 The repayment for the year of the tariff period has been considered to be equal to the depreciation allowed for that particular financial year. The closing loan values for the FY 2017-18 has been considered as opening loan value for FY 2018-19.

5.35 In the absence of the actual loan portfolio, the Commission has considered the rate of interest as 5.00% as approved in MYT order dated February 24, 2018, true-up order dated June 12, 2023."

68. Thus considering the aspect that **Issue No- F**, is deliberated and discussed by the Commission and thereafter the said issue does not require any interference by a review process. As a result the prayer for review is hereby rejected.

G. Return on Equity

<u>Submission of the Petitioner</u>

69. Learned counsel for the petitioner has submitted that it has considered equity base of Rs. 972.96 crores for FY 2019-20 as reflected in the annual audited accounts. Further, the petitioner has calculated the applicable rate of return as 15.50%, as per Regulation 7.12 of JSERC Transmission Tariff Regulations, 2015.

70. It was submitted that the Hon'ble Commission has not relied on the actual/audited accounts by not considering the equity base of Rs. 972.96 crores and approved an amount of Rs. 54.34 crores.

71. It was prayed to approve the claimed amount of Rs. 150.96 crores, as provided below:

Particulars	Petition	Approved	Difference	Review Petition
Return on Equity	150.96	54.34	96.62	150.96

<u>Commission's Observation and Finding</u>

72. On going through the impugned order, it would be evident that the said issue has been deliberated and discussed in this Commission's order dated June 23, 2023 in para 5.37 to 5.42 as reproduced hereunder:

"5.37 The Commission is of the view that the Petitioner has computed the equity component more than the normative equity of 30% of the GFA. The Petitioner was required to justify its claim of equity amount of Rs. 972.96 Crore out of the Total Gross Fixed Asset of Rs. 1,929.85 Crore.

5.38 In its reply, the Petitioner has submitted the amount of Rs 972.96 Crore as per the equity amount, reflected in the Audited Annual Account for the FY 2019-20.

5.39 The Commission had directed the Petitioner to submit the justification of claiming equity addition of Rs 2 Crore in FY 2019-20 towards the Restructuring Account Pending Adjustment, and in this regard the Petitioner has failed to submit proper justification. Hence, the Commission, in the instant petition, disallows the equity addition of Rs 2 Crore in FY 2019-20 towards the Restructuring Account Pending Adjustment.

5.40 As per Clause 7.10 of JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, the Debt : Equity ratio of transmission project will be considered as per the following:-

"For a project declared under commercial operation on or after 1.04.2016, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that where equity deployed is less than 30% of capital cost, the actual equity shall be considered for determination of tariff:"

5.41 The Commission has also observed the equity component considered by the Petitioner as nil, accordingly the Commission has approved equity as nil.

5.42 The closing equity for the FY 2018-19 has been considered as opening equity for FY 2019-20. The Commission has accordingly approved the Return on Equity for FY 2019-20."

73. Thus considering the aspect that **Issue No- G**, has been deliberated and discussed by the Commission and therefore the said issue does not require any interference. As a result, the prayer for review is hereby rejected.

III. <u>Business Plan for Multi Year Tariff from FY 2021-22 to FY 2025-26</u>

<u>Submission of the Petitioner</u>

74. Learned counsel for the petitioner had submitted a capital expenditure and capitalization of Rs. 9494.89 crores for the MYT Control Period FY 2021-22 to FY 2025-26. However, the Commission had approved a capital expenditure of Rs. 2826.76 crores and a capitalization of Rs. 1739.49 crores for the MYT Control Period FY 2021-22 to FY 2025-26 as summarized below:

Capital Expenditure approved for FY 2021-22 to FY 2025-26 (Rs. Cr.)

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Ongoing Schemes	394.03	2016.83	415.90	-	-	2,826.76
Planned Schemes	-	-	-	-	-	-
Augmentation	-	-	-	-	-	-

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
R&M	-	-	-	-	-	-
Total	**394.03**	**2016.83**	**415.90**	**-**	**-**	**2,826.76**

Capitalization approved for FY 2021-22 to FY 2025-26 (Rs. Cr.)

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	Total
Ongoing Schemes	103.26	307.06	29.99	135.38	1163.60	1,739.49
Planned Schemes	-	-	-	-	-	-
Augmentation	-	-	-	-	-	-
R&M	-	-	-	-	-	-
Total	**103.26**	**307.06**	**29.99**	**135.38**	**1163.60**	**1,739.49**

A. Ongoing Schemes

75. **On going JUSNL-**Petitioner had submitted a capitalization of Rs.808.51 crores against the Ongoing schemes. However, the Hon'ble Commission has not approved any scheme under this head in the MYT Order.

76. **DVC Command Area Schemes-**Petitioner had submitted a capitalization of Rs. 1101.90 crores under the DVC Command Area schemes. However, the Commission has approved capitalization of only Rs. 358.89 crores against the DVC Command Area schemes. The DVC Command Area schemes have already been approved by the Commission in the MYT Order dated February, 2018.

77. **World Bank Funded Schemes- P**etitioner had submitted a capitalization of Rs. 2192.05 crores against the World Bank funded schemes. However, the Commission has approved capitalization of only Rs. 320.36 crores against the World Bank funded schemes. Further, the World Bank funded schemes have already been approved by the Commission in the MYT Order dated February, 2018.

78. It was submitted that substantial capital expenditure has been incurred in the ongoing schemes and the capitalization schedule submitted in the MYT petition was based on the progress of the schemes as on 31.03.2021. The petitioner is making all efforts to implement the schemes as per the envisaged timelines.

79. It was prayed that the Hon'ble Commission may approve the Capital Expenditure & capitalization of the ongoing schemes as per the MYT petition.

B. Planned Schemes

Commission's Observation and Finding

80. The petitioner had already filed a separate petition for planned project (Phase-I) in case no 41 of 2023 which has been disposed off by the Commission vide Order dated 20.12.2023

C. Renovation and Modernization Schemes

81. It was submitted that Renovation and Modernization (R&M) Expenses, include all expenditure incurred on the maintenance and upkeep of all assets of the JUSNL. It is further submitted that the R&M works are extremely important

for the upkeep and maintenance of the existing infrastructure of JUSNL. Many of the lines and substations are quite old and in a dilapidated condition. Hence, the JUSNL had proposed the R&M works of Rs. 250 crores considering the existing condition of the transmission system.

82. It was further submitted that the petitioner had submitted the various works it intends to undertake during the period FY 2021-22 to FY 2025-26 for the renovation and modernization of its transmission system alongwith the MYT petition. The broad work undertaken by JUSNL is given below:

- Transmission system including Plant machinery, lines & Cables and others
- Replacement of Earth wire with OPGW with FOTE panel for 132 kV
- Replacement of SF6 CB and Vacuum CB, CTS, energy meters and new C&R Panel
- Replacement of conductor of 33 kV Main bus and Transfer Bus with Twin Bus Bar System
- Replacement of existing conductor of 132kV T/L with HTLS Conductor
- Installation of SCADA systems at various GSS
- CCTV Surveillance system installation for improvement of security assets, Procurement of Testing & Diagnosis equipment for Transmission system (thermo vision Camera, protective relays, hardware fittings, measuring equipment, fault locator)
- Replacement of Battery bank (220V, 48V)
- Firefighting system
- Lighting fixtures at various existing GSS along with new air-conditioners in control room
- Civil Works

83. It was prayed to approve the Renovation & Modernization works as submitted in the Business Plan for the FY 2021-22 to FY 2025-26.

D. Augmentation

84. It was submitted that there is an urgent need to augment existing infrastructure in the transmission network, considering the over-loading of existing sub-stations and future increase in load demand. Accordingly, the petitioner had projected an estimate of Rs. 250 crores against the augmentation works head shown as follows:

- Installation of new Power Transformer
- Bay Extension
- Replacement of 132 kV electromechanical backup relays
- Provision of street lighting system
- Installation of energy meters
- Strengthening of earthing system
- Installation of battery bank
- Upgradation of SCADA system
- Replacement of Circuit Breakers

85. It was pointed out that the Hon'ble Commission has disallowed capital expenditure of LILO 132 kV D/C Pakur-Rajmahal at Barhet GSS transmission line and 132/33 kV GSS at Barhet (2*50) MVA. The following has been stated by the Hon'ble Commission in the MYT Order:

> *"7.31 Further, the Commission disallows the capital expenditure of LILO 132 kV D/C Pakur-Rajmahal at Barhet GSS transmission line and 132/33 kV*

*GSS at Barhet (2*50) MVA as the same transmission line and sub-station were not approved by the Commission in the 2nd Control Period."*

86. It was further submitted that substantial capital expenditure has been incurred by JUSNL towards implementation of this project. After construction of the above grid at Barhait (Sahibanj) the headquarters and adjacent Border area of Dumka and Pakur District will get quality and stable power. Adjacent areas are Bar Bandh, Barhait Bazar, Barhait Santhali North, Barhait Santhali South, Barmasiya, Bhognadih, Chhuchhi, Dorai Santhali, Gopladih, Hiranpur, Kadama, Khairwa, Khijurkhal, Kusma Santhali, Labri, Panchkathiya Bazar, Panchkathiya Santhali, Phulbhanga, Sanmani, Simaldhab, Simra, Talbariya, Littipara, Borio, Barharwa, Ranga etc. These areas will get quality and stable power with improved voltage. This will reduce transmission losses also.

87. It was prayed to allow the capital expenditure and capitalization as submitted by JUSNL in the Business Plan for the MYT Control period FY 2021-22 to FY 2025-26. The same is given below:

Capital Expenditure projected for FY 2021-22 to FY 2025-26 by JUSNL (Rs. Cr.)

Particulars	Capex till 31.03.2021	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Ongoing Schemes	2173.42	501.22	2316.99	415.90	-	-
Planned Schemes	-	-	953.05	1117.01	1039.87	477.43
Augmentation	-	50.00	50.00	75.00	50.00	25.00
R&M	-	50.00	50.00	75.00	50.00	25.00
Total	**2173.42**	**601.22**	**3370.04**	**1682.91**	**1139.87**	**527.43**

Capitalization projected for FY 2021-22 to FY 2025-26 by JUSNL (Rs. Cr.)

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Ongoing Schemes	360.35	3947.50	908.91	190.77	-
Planned Schemes	-	49.87	151.30	2366.16	1020.03
Augmentation	50.00	50.00	75.00	50.00	25.00
R&M	50.00	50.00	75.00	50.00	25.00
Total	**460.35**	**4097.37**	**1210.21**	**2656.93**	**1070.03**

Commission's Observation and Finding

88. On going through the impugned order, it would be evident that the said issue has been deliberated and discussed in Commission's order dated June 23, 2023 in para 7.17 to 7.32 as reproduced hereunder:

"7.17 The Commission has scrutinized the capital expenditure plan based on the provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2020 and has carried out the approval of Business Plan for the Control Period FY 2021-22 to FY 2025-26. The relevant clause is mentioned in earlier paragraphs of this chapter.

7.18 The Commission has observed various inconsistencies in capital expenditure and capitalization of ongoing scheme, planned scheme, augmentation and renovation & modernization scheme.

7.19 The Commission had directed the Petitioner to provide justification and details of the computation for projecting the transmission loss of 5%. The Petitioner, in its reply, has submitted that energy accounting and transmission losses are computed on the basis of import data obtained from SLDC and energy exported is to beneficiaries of JUSNL on the basis of meter reading received from field offices, but it fails to provide the computation of transmission loss of 5%. Hence, the Commission *has approved the transmission loss for 3rd control period as 2.23%, same as previous control period.*

TABLE 1: TRANSMISSION SYSTEM LOSS AS APPROVED BY THE COMMISSION FOR FY 2021-22 TO FY 2025-26

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Transmission System loss	2.23%	2.23%	2.23%	2.23%	2.23%

7.20 The Commission had directed the Petitioner to confirm whether capital investment plan is in conformity with the perspective plans made by the CEA /CTU and the capital investment plans of the Distribution Licensee and the Generating Company. The Petitioner has submitted that:

"Capital investment plan filed by JUSNL is in conformity with the Power for All plan (PFA) notified by the Government of Jharkhand.

7.21 The Petitioner has projected very aggressive capital expenditure and submitted capitalization plan of Rs 9,494.89 Crore for the 3rd Control Period. However, the Commission has observed that the Petitioner in the 2nd Control Period and has made capital expenditure of Rs 2,173.42 Crore out of Rs 5,705.52 Crore approved by the Commission. Further, the Petitioner was able to capitalize/commission schemes worth Rs 536.97 Crore (approx.) out of Rs 5,186.91 Crore in 2nd Control Period. Moreover, the Commission has observed that the Petitioner was unable to capitalize its assets on time because of inefficiencies on the part of the Petitioner and delays in project execution at various levels.

7.22 With regards to the establishment of new planned project (ring corridor of transmission system) worth Rs 3587.36 Crore in the state of Jharkhand. The Commission had directed the Petitioner to submit load growth study for the 3rd control period, Detailed Project Report (DPR) of each scheme, scheme wise capital expenditure, phasing, capitalization schedule, cost benefit analysis, Purpose of investment (e.g. replacement of existing assets, meeting load growth, improvement in quality and reliability of supply, etc.), improvement in operational efficiency envisaged in the control period. The Petitioner, in its reply, has failed to submit the detailed project report, cost benefit analysis, and further, the Commission is not satisfied with the load growth analysis as submitted by the Petitioner.

7.23 Further, the Commission, on analysis of data submitted by the Petitioner, found that the data does not provide the details of cost-benefit analysis, estimated life extension from a reference date, phasing of expenditure, actual schedule of completion etc.

7.24 Further, the Petitioner, in technical validation session, has submitted that the evacuation of power from the Patratu Super Thermal Power Plant to the JUSNL boundary is its responsibility.

7.25 Further, the Commission also notes that as per National Tariff Policy, 2016: -
"The tariff policy, insofar as transmission is concerned, seeks to achieve the following objectives:
1. Ensuring optimal development of the transmission network to

promote efficient utilization of generation and transmission assets in the country;"

Thus, the Commission does not agree with the Petitioner's contention that the setting up the transmission network for the purpose of evacuation of Power from the Patratu Super Thermal Power Plant to its boundary is its responsibility. The Commission notes that JUSNL, JBVNL and Patratu Super Thermal Power Plant are separate legal entities and thus JUSNL should prioritize its finances over that of other entities and thus optimally utilize scarce funds available with it. The Petitioner should thus optimally have developed its transmission network for efficient utilization of its assets. The Petitioner should forecast its business plan based on demand growth of state of the Jharkhand, railways and its other open access consumers.

7.26 In view of the above, the Commission does not find it prudent to approve any new scheme/planned scheme at the moment. Further, the Petitioner is directed to submit, along with the next tariff petition or prior to taking up any capital expenditure, along with the detailed justification for incurring such expenditure, as well as taking into consideration the above mentioned observations of the Commission.

7.27 The Commission has observed that the Petitioner has failed to submit the justification for computation of the amount for renovation & modernization and augmentation expenditure against the projected capitalization. Thus, the Commission in this order has disallowed the Capital expenditure as well as capitalization regarding the associated renovation & modernization, and augmentation costs.

7.28 Therefore, the Commission, after a thorough prudent check, provisionally approves the capital expenditure as proposed by the Petitioner. This will be subject to true up based on actual data.

TABLE 2: SUMMARY OF CAPITAL EXPENDITURE AS APPROVED BY THE COMMISSION FOR FY 2021-22 TO FY 2025-26

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Ongoing Schemes	394.03	2016.83	415.90	-	-
Planned Schemes	-	-	-	-	-
Augmentation	-	-	-	-	-
R&M	-	-	-	-	-
Total	**394.03**	**2016.83**	**415.90**	**-**	**-**

7.29 The Commission directs the Petitioner to make all out efforts to ensure that for every network, upstream and downstream network is also built in synchronization and there is no stranded asset as the transmission infrastructure cannot operate in isolation. The Commission also directs the Petitioner to expeditiously prepare the DPRs of the pending schemes with cost benefit analysis.

*7.30 With regards to capitalization, the Commission has observed that the Petitioner takes around 5-8 years to commission/capitalize a Transmission line/GSS due to delay at various levels, for example the 220/132/33 kV Grid sub-station at Chatra 2*150 MVA + 2*50 MVA at an estimated cost of Rs 66.69 Cr. was started in 2013 but its expected commissioning date was in 2021 similarly 132 kV Hatia- Kanke* *transmission line with an estimated cost of Rs. 22.82 Cr. was started in 2013 and was expected to be completed in 2022, etc. Further, the Commission has directed the Petitioner to submit the project progress report of all ongoing schemes, the Petitioner in its reply has submitted the project progress report of world bank funded project, DVC command area project, state government funded project, PGCIL project. The Commission has scrutinized the discrepancies in the reply submitted by the Petitioner and observed that transmission line of world bank funded project is in nascent phase, forest clearance is in primary stage in the DVC command area project, many technical issues in PGCIL project and state funded project are there. Based on the past track record of the Petitioner the Commission has accordingly approved project-wise capitalization in the control period as mentioned in Annexure-II of this order. The Commission, based on its prudence check and submissions made by the Petitioner approves the provisional Capitalization for the Control Period FY 2021-22 to 2025-26. This will be subject to true up based on actual data.*

*7.31 Further, the Commission disallows the capital expenditure of LILO 132 kV D/C Pakur-Rajmahal at Barhet GSS transmission line and 132/33 kV GSS at Barhet (2*50) MVA as the same transmission line and sub-station were not approved by the Commission in the 2nd Control Period.*

TABLE 3: SUMMARY OF CAPITALIZATION AS APPROVED BY THE COMMISSION FOR FY 2021-22 TO FY 2025-26

Particulars	*FY 21-22*	*FY 22-23*	*FY 23-24*	*FY 24-25*	*FY 25-26*
Ongoing Schemes	*103.26*	*307.06*	*29.99*	*135.38*	*1163.60*
Planned Schemes	-	-	-	-	-
Augmentation	-	-	-	-	-
R&M	-	-	-	-	-
Total	***103.26***	***307.06***	***29.99***	***135.38***	***1163.60***

7.32 In case if capital expenditure is required for emergency work, which has not been approved in the capital investment plan, the Licensee shall submit an application (containing all relevant information along with reasons justifying emergency nature of the proposed work for seeking approval by the Commission. The Licensee shall take up the work prior to the approval of the Commission provided that the emergency nature of the scheme has been certified by the Board of Directors."

89. Further, with regard to the planned project (ring corridor), the Commission had already approved the development of Transmission System at the estimated cost of Rs 2107. 95 for evacuation of power from PVUNL for phase – I, vide daily order case no 41 of 2023 dated 20.12.2013. Hence, the Commission does not find any prudence to take-up the same matter through this review process, and as such, it is hereby dismissed.

90. Thus considering the aspect, that **Issue No- III** is deliberated and discussed by the Commission therefore the said issue does not require any interference. As a result the prayer for review is hereby rejected.

IV. Multi Year Tariff Petition for the Control Period FY 2021-22 to FY 2025-26

Submission of the Petitioner

A. Employee Expenses

91. Learned counsel for the petitioner had projected the following employee expenses for the period FY 2021-22 to FY 2025-26:

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Employee Expenses	71.61	79.13	87.11	95.57	104.55

92. It was pointed out that the Hon'ble Commission has approved the following against the Employee Expenses for the MYT Control Period:

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Employee Expenses	49.19	51.86	54.69	57.70	60.89

93. It was further submitted that the actual Employee Expenses for the FY 2021-22, as per the unaudited annual accounts is Rs. 90.48 crores which includes Rs. 15.50 crores of terminal benefits. It was argued that the Hon'ble Commission, while approving the employee expenses for the FY 2020-21, has not considered the actual value of employee expenses but has approved the employee expenses based on the normative parameters. As per the unaudited annual accounts for the FY 2020-21, the actual employee expenses are Rs. 67.80 Crore whereas the Hon'ble Commission has approved only Rs. 46.67 Crores for the FY 2020-21 in the APR Order. Due to this factor the employee expenses approved by the Hon'ble Commission for the MYT Control Period FY 2021-22 to FY 2025-26 has been underestimated by a huge margin for each year of the Control Period. As submitted by the petitioner in its True up petition for the period FY 2016-17 to FY 2019-20 and in its review petition for the FY 2020-21, the employee expenses have risen substantially due to the revision in the Pay structure of employees of petitioner with effect from 01.01.2016 and recruitment drive undertaken by the petitioner to enhance its employee strength. Both of these factors are uncontrollable in nature and have contributed in the substantial increase of the employee expenses. Also, the petitioner would like to submit that the Department is in the process of recruiting new employees during the MYT Control Period and thus the provision for the same was also included while estimating the employee cost for the MYT Control Period.

94. The Petitioner has submitted that non-consideration of increase in the employee expenses for the period FY 2016-17 to FY 2020-21 will result in the underestimation of employee expenses for the period FY 2021-22 to FY 2025-26. Petitioner humbly requests to approve the employee expenses as proposed in MYT Petition otherwise the same will result in substantial financial loss in the coming years.

B. A&G Expenses

95. Learned counsel for the petitioner had claimed the following A&G expenses for the period FY 2021-22 to FY 2025-26:

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
A&G Expenses	10.86	11.51	12.21	12.94	13.72

96. It was pointed out that the Hon'ble Commission has approved the following against the A&G Expenses for the MYT Control Period:

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
A&G Expenses	8.98	9.53	10.11	10.73	11.38

97. It was submitted that the actual A&G Expenses for the FY 2021-22 as per the unaudited annual accounts is Rs. 11.43 crores. The Hon'ble Commission, while approving the A&G expenses for the FY 2020-21 in the review order, has not considered the actual value of A&G expenses but has approved the A&G expenses based on the normative parameters. As per the unaudited annual accounts for the FY 2020-21, the actual A&G expenses are Rs. 10.25 crores whereas the Hon'ble Commission has approved only Rs. 8.47 crores for the FY 2020-21 in the Review Order. Due to this factor the A&G expenses approved by the Hon'ble Commission for the MYT Control Period FY 2021-22 to FY 2025-26 has been underestimated for each year of the Control Period.

C. R&M Expenses and Depreciation

98. Learned counsel for the petitioner has submitted that the R&M Expenses and Depreciation are directly linked with the capitalization for the relevant years. Since, the petitioner has requested to approve the capital expenditure and capitalization for the MYT Control Period FY 2021-22 to FY 2025-26 as per the submission made in Business Plan. It is therefore requested to please approve the R&M Expenses and Depreciation for the MYT Control Period as per the submission made in MYT petition.

<u>Commission's Observation and Finding</u>

99. On going through the instant order, it would be evident that the said issue has been deliberated and discussed in this Commission order dated June 23, 2023 as provided in the JSERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2020, as reproduced hereunder;

"8.12For the determination of O&M Expenses, the JSERC (Terms &Conditions for Determination of Transmission Tariff) Regulations, 2020 states,
"10.19 The O&M Expenses for the Base Year of the Control Period shall be approved by the Commission taking into account the audited accounts of FY 2015-16 to FY 2019-20, Business Plan filed by the Generating Company, estimates of the actual for the Base Year, prudence check and any other factor considered appropriate by the Commission.

10.20 The O&M expenses permissible towards ARR of each year of the Control Period shall be approved based on the formula shown below:

O&Mn = (R&Mn + EMPn + A&Gn) + Terminal Liabilities

Where,
R&Mn – Repair and Maintenance Costs of the Generating Company for the nth year;

EMPn – Employee Costs of the Generating Company for the nth year excluding terminal liabilities;

A&Gn – Administrative and General Costs of the Generating Company for the nth year.

10.21 The above components shall be computed in the manner specified below:

*a) (Repair &Maintenance)n = K*GFA*(INDXn/ INDXn-1)*

Where,

'K' is a constant (expressed in %) governing the relationship between Repair &Maintenance costs and Gross Fixed Assets (GFA) and shall be calculated based on the % of Repair &Maintenance to GFA of the preceding years of the Base Year in the MYT Order after normalising any abnormal expenses;

'GFA' is the opening value of the gross fixed asset of the nthyear;

b) EMPn + A&Gn = [(EMPn-1) (1+Gn)+ (A&Gn-1)]*(INDXn/ INDXn-1)*

Where,

EMPn-1 – Employee Costs of the Generating Company for the (n-1)th year excluding terminal liabilities;

A&Gn-1 – Administrative and General Costs of the Generating Company for the (n-1)th year excluding legal/ litigation expenses;

INDXn – Inflation factor to be used for indexing the employee cost and A&G cost. This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding year before the base year;

Gn – is a growth factor for the nth year and it can be greater than or lesser than zero based on the actual performance. Value of Gn shall be determined by the Commission in the MYT Order for meeting the additional manpower requirement based on the Generating Company Filing, benchmarking and any other factor that the Commission feels appropriate;

*c) INDXn = 0.55*CPIn +0.45*WPIn"*

8.13 The Commission has accordingly approved the O&M Expenses with an escalation of 6.09% and a K factor of 2.23% as per the provisions of the JSERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2020 as tabulated hereunder:"

TABLE 4: O&M EXPENSE FOR FY 2021-22 TO FY 2025-26 AS APPROVED BY THE COMMISSION (RS. CR.)

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Emp. Expenses	43.86	46.53	49.36	52.37	55.56
Terminal Benefits	5.33	5.33	5.33	5.33	5.33
A&G Expenses	8.98	9.53	10.11	10.73	11.38
R&M Expenses	45.42	47.87	55.13	55.84	59.04
O&M Expenses	**103.59**	**109.25**	**119.93**	**124.26**	**131.31**

……………………………………

8.16 The Commission, after scrutinizing the submission made by the Petitioner approves the depreciation based on the depreciation schedule attached to as Appendix-I to the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2020 and the capitalization as approved earlier in this order.

TABLE 5: DEPRECIATION FOR FY 2021-22 TO FY 2025-26 AS APPROVED BY THE COMMISSION (RS. CR.)

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-

					26
Depreciation during the year	*111.92*	*120.58*	*127.69*	*131.18*	*158.58*
Less: Depreciation on asset made from consumer contribution	*0.25*	*0.25*	*0.25*	*0.25*	*0.25*
Net Depreciation	***111.67***	***120.33***	***127.44***	***130.93***	***158.34***

100. Considering the observation made earlier, **Issue No- C**, does not require any interference consequently the prayer for review stands rejected.

D. Interest and Finance Charges

<u>Submission of the Petitioner</u>

101. Learned counsel for the petitioner has submitted that the Interest and Finance Charges are directly linked with the capitalization for the relevant years. Since, the JUSNL has requested to approve the capital expenditure and capitalization for the MYT Control Period FY 2021-22 to FY 2025-26 as per the submission made in Business Plan, it is therefore requested to please approve the Interest and Finance Charges for the MYT Control Period as per the submission made in MYT Petition.

102. It was pointed out that the Hon'ble Commission had approved a rate of interest of 9% on normative basis for the MYT Control Period. The petitioner has further submitted that the rate of interest at which the loan has been availed to finance the capital expenditure schemes is 13%. Additionally, the petitioner has submitted that it makes all efforts to re-finance the loan at a lower rate of interest. Hence, it is requested to approve the rate of interest at 13% towards the loan availed by the petitioner from the State Government.

<u>Commission's Observation and Finding</u>

103. The approval of Interest on Loan has been done on normative basis in accordance with in the JSERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2020, and its rationale is mentioned in the relevant order. The relevant portion is extracted below for immediate reference,

"8.22 The Commission observes that most of the schemes of the Petitioner are financed at 13% rate of interest which is higher that the rates currently prevailing in the market. The Commission also notes that the Petitioner has not taken any step to get these schemes financed from the cheapest source at the first place. The Commission thus directs the Petitioner to make all efforts to re-finance the loan for such schemes from the cheapest source available. The Petitioner may approach the State Government to convert the loans into grant or equity. The Petitioner may also look for Viability Gap Funding for schemes which may be developed for social cause.

8.23 Accordingly, the Commission has considered a rate of interest of 9.00% (i.e. 7% plus 200 basis points) as per clause 10.33 of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2020.

8.24 The Commission has approved the repayment for the year which has been deemed to be equal to the depreciation allowed for that year in accordance with the Transmission Tariff Regulations, 2020.

8.25 The Commission has considered submissions of the Petitioner, and approved the Interest on Loan on the approved debt equity ratio for the control period in line with Clauses 10.28 to 10.36 of the JSERC (Terms *and Conditions for Determination of Transmission Tariff) Regulations, 2020 as shown in the table below.*

TABLE 6: INTEREST ON LOAN FOR FY 2021-22 TO FY 2025-26 AS APPROVED BY THE COMMISSION (RS. CR.)

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Opening Debt Balance	931.91	923.25	1,109.74	1,011.02	976.24
Loan for additional Capex (state funded schemes)	103.26	307.06	26.59	5.43	976.59
Loan for additional Capex (World Bank funded schemes (85:15))	-	-	2.38	90.96	130.90
Loan Repayment	111.92	120.58	127.69	131.18	158.58
Closing Debt Balance	923.25	1,109.74	1,011.02	976.24	1,925.15
Average	927.58	1,016.49	1,060.38	993.63	1,450.69
Rate of Interest	9.00%	9.00%	9.00%	9.00%	9.00%
Interest on Loan	**83.48**	**91.48**	**95.43**	**89.43**	**130.56**

104. Thus considering the aspect that **Issue No- D**, deliberated and discussed by the Commission thereafter the said issue does not require any interference as a result the prayer for review is hereby rejected.

E. Return on Equity

Submission of the Petitioner

105. Learned counsel for the petitioner has submitted that it has considered equity base of Rs. 1600.96 crores for the Control Period FY 2021-22 to FY 2025-26, as reflected in the annual audited accounts. The applicable return on equity has been calculated considering 14.00% rate of return as per Regulation 10.26 and 10.27 of JSERC Transmission Tariff Regulations, 2020.

106. It was considered that the equity base of Rs. 1600.96 crores (Rs. 1598.96 crores towards equity share capital + Rs. 2.00 crores towards restructuring account pending adjustment) for the MYT Control Period is reflected in the annual audited accounts. The State Government has infused Rs. 626.00 crores of equity during the FY 2020-21 in JUSNL. This equity pertains to the equity amount of the World Bank funded schemes being implemented by JUSNL. The applicable return on equity has been calculated considering 14.00% rate of return as per Regulation 10.26 of JSERC Transmission Tariff Regulations, 2020.

107. It was prayed to approve the Return on Equity as submitted based on the actual equity base as given in the annual audited accounts as given below:

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Return on Equity	224.13	224.13	224.13	224.13	224.13

Commission's Observation and Finding

108. The approval of Return on Equity has been done on normative basis in accordance with JSERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2020, and its rationale is mentioned in the relevant order as reproduced hereunder.

"8.27The Commission has considered the opening balance of FY 2021-22 as the closing balance approved in the APR order above of FY 2020-21. The Return on Equity for the Control Period as approved by the

Commission, and as per Clauses 10.26 & 10.27 of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, in the Business Plan for the Control Period is given in the following table."

TABLE 7: RETURN ON EQUITY FOR FY 2021-22 TO FY 2025-26 AS APPROVED BY THE COMMISSION (RS. CR.)

Particulars	*FY 21-22*	*FY 22-23*	*FY 23-24*	*FY 24-25*	*FY 25-26*
Opening Equity	*350.61*	*350.61*	*350.61*	*351.63*	*390.61*
Addition in Equity on account of new capitalization	-	-	*1.02*	*38.98*	*56.10*
Closing Equity	*350.61*	*350.61*	*351.63*	*390.61*	*446.72*
Average Equity	*350.61*	*350.61*	*351.12*	*371.12*	*418.67*
Rate of RoE	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*
Return on Equity	***49.09***	***49.09***	***49.16***	***51.96***	***58.61***

109. Thus considering the aspect that **Issue No- E**, is deliberated and discussed by the Commission therefore the said issue does not require any interference, as a result the prayer for review is hereby rejected.

F. Details of Expenses claimed in Review petition

Submission of the Petitioner

110. The Learned Counsel for the petitioner has submitted the detail of projected ARR for FY 2021-22 to FY 2025-26 as shown below:

Particulars	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
O&M Expenses	144.52	163.63	269.62	307.57	380.44
Depreciation	119.21	215.37	327.36	408.96	487.60
IoL	553.78	658.92	791.25	950.91	1116.08
IoWC	17.08	20.45	27.67	32.27	38.24
RoE	224.13	224.13	224.13	224.13	224.13
Total	**1058.72**	**1282.50**	**1640.04**	**1923.85**	**2246.49**
NTI	**12.79**	**12.79**	**12.79**	**12.79**	**12.79**
ARR	**1045.94**	**1269.72**	**1627.26**	**1911.07**	**2233.70**

Commission's Observation and Finding

111. The Summary of ARR for FY 2021-22 to FY 2025-26 has already been approved in Tariff Order dated 23.06.2023.

112. Thus considering the aspect that **Issue No- F**, is deliberated and discussed by the Commission, therefore the said issue does not require any interference, as a result the prayer for review is hereby rejected.

G. Determination of Transmission Tariff for the FY 2021-22

Submission of the Petitioner

113. Learned counsel for the petitioner had submitted the Transmission Tariff for the FY 2021-22 based on the JSERC (Framework for sharing of charges for Intra-State Transmission System) Regulations, 2019, as reproduced hereunder:

"5.2 The Annual Transmission Charges shall be divided between

Transmission System Users of the Transmission System on monthly basis based on the Allotted Transmission Capacity.

5.3 if a Transmission System has been created for a particular Long-Term Transmission Customer including dedicated transmission line(s) for a generating station, transmission charges for such Transmission System shall be payable by that Long- Term Transmission Customer based on the Transmission Service Agreement.

5.4 For the Long-Term Transmission Customers and Medium-Term Transmission Customers, the transmission charges shall be shared in accordance to the share of capacity allotted:

Monthly Transmission Charges for Intra-State system payable by a Long Term Transmission Customer and Medium Term Transmission Customer of that Transmission System = (ATC x Allotted Transmission capacity]/[Total Transmission Capacity x 12)"

114. Accordingly, the transmission tariff submitted by the Petitioner for the FY 2021-22 is given below:

Monthly Transmission Charges for JBVNL

Sl. No.	Particulars	FY 21-22
1.	Annual Transmission Charges for FY 2021- 22 (Rs. Crore)	1045.94
2.	Total Transmission Capacity (MW)	2061.24
3.	Total Transmission Capacity allocated to JBVNL (MW)	1991.24
4.	Annual Transmission Charges to be levied to JBVNL (Rs. Crore)	1010.42
5.	Monthly Transmission Charges to be levied to JBVNL (Rs. Crore)	84.20

Monthly Transmission Charges for Railways

Sl. No.	Particulars	FY 21-22
1.	Annual Transmission Charges for FY 2021- 22 (Rs. Crore)	1045.94
2.	Total Transmission Capacity (MW)	2061.24
3.	Total Transmission Capacity allocated to Railways (MW)	70.00
4.	Annual Transmission Charges to be levied to Railways (Rs. Crore)	35.52
5.	Monthly Transmission Charges to be levied to Railways (Rs. Crore)	2.96

115. However, the Hon'ble Commission had approved the following transmission charges for the FY 2021-22

Particulars	UoM	FY 21-22
Aggregate Revenue Requirement	Rs. Cr.	342.01
Energy Input into the System	MU	11,000.31
Tariff for Transmission for the year	Rs./kWh	0.31

116. It was prayed to approve the transmission tariff as submitted by the JUSNL in its MYT Petition.

117. The Petitioner had submitted Transmission Charges for STOA of FY 2021-22 for approval of Hon'ble Commission as given below: -

Particulars	UoM	FY 21-22
AFC (FY 2020-21)	Rs. Cr.	705.52
Av_CAP (FY 2020-21)	MW	1,122.54
ST Rate	Rs./MW/Day	8,609.62
ST Rate	Rs./MW/Hr	358.73

118. It was pointed out that the Hon'ble Commission in its Order has found no mention of STOA charges. Accordingly, the petitioner was prayed to approve

STOA charges as given above.

<u>Commission's Observation and Finding</u>

119. On going through the impugned order, it would be evident that the said issue has been deliberated and discussed by the Commission vide order dated June 23, 2023 in para 8.36 as reproduced hereunder:

> *"8.36The Commission, in this order, has approved the Tariff for FY 2021-22, based on the projected demand of JUSNL as submitted in Form S4 of the Tariff Formats on the Approved ARR for the year as shown in the table below,*

Table 8: DETERMINATION OF MONTHLY TRANSMISSION CHARGES AS APPROVED BY THE COMMISSION

Particulars	*UoM*	*FY 21-22*
Operation and Maintenance Expense	*Rs. Cr,*	*103.59*
Depreciation	*Rs. Cr,*	*111.67*
Interest and Finance Charge	*Rs. Cr,*	*83.48*
Interest on Working Capital	*Rs. Cr,*	*6.97*
Return on Equity	*Rs. Cr,*	*49.09*
Less: Non-tariff Income	*Rs. Cr,*	*(12.79)*
Aggregate Revenue Requirement	*Rs. Cr,*	***342.01***
Energy Input into the System	***MU***	***11,000.31***
Tariff for Transmission for the year	***Rs./kWh***	***0.31***

> *8.37 The Commission approves transmission tariff of Rs 0.31/kWh, which shall be applicable from July 1, 2023 and shall remain applicable till amended or modified or extended by an order of this Commission."*

120. Further, the Commission has observed that the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2020 do not contain provisions for approval of separate tariff for Short Term Open Access Consumers. As such, the same cannot be reviewed in this instant petition.

121. Thus considering the aspect that **Issue No- G**, is deliberated and discussed earlier by the Commission as mentioned above therefore the said issue does not require any interference. As a result the prayer for review is hereby rejected.

122. Accordingly, it is ordered as;

<u>ORDER</u>

123. On Scrutinizing and analyzing the review petition, the Commission directs the petitioner to re-assess the Load growth analysis near the proposed Grid Sub-Station for development of transmission system.

124. Further, the Commission directs the petitioner to file Business Plan in next tariff petition for FY 2024-25 in accordance with provision stated in the Grid Code and as per clause 6.7, clause 6.9 of JSERC (Terms & Condition for Determination of Tariff) Regulation, 2020.

125. In view of the above observation and findings, this review petition is disposed off accordingly.

Sd/-	Sd/-	Sd/-
Member (T)	Member (L)	Chairperson