

JHARKHAND URJA SANCHARAN NIGAM LIMITED

(State Transmission Utility of Jharkhand)

True-up petition for Transmission business for the period

FY 2015-16 and FY 2016-17 and Tariff Petition for FY 2017-18 and FY 2018-19

JHARKHAND



**BEFORE THE JHARKHAND STATE ELECTRICITY
REGULATORY COMMISSION**

At its office at Jharkhand State Electricity Regulatory Commission (JSERC)
2nd floor, Rajendra Jawan Bhawan, Mahatma Gandhi Marg, Ranchi-834001.

FILING NUMBER:

CASE NUMBER:

IN THE MATTER OF:

Filing of the True-up petition for the FY 2015-16 and FY 2016-17 and Tariff Petition for FY 2017-18 and FY 2018-19 for its Transmission Business by the State Transmission Utility of Jharkhand, Jharkhand Urja Sancharan Nigam Limited (JUSNL) under the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 and JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 and under Section 62 read with Section 86 of the Electricity Act, 2003 and other enabling provisions seeking approval of the True-up and ARR for respective years.

AND

IN THE MATTER OF:

JHARKHAND URJA SANCHARAN NIGAM LTD. (hereinafter referred to as "JUSNL" or erstwhile "JSEB-Transmission function" which shall mean for the purpose of this petition the Licensee), having its registered office at KUSAI COLONY, DORANDA, RANCHI.

..... Petitioner

**AFFIDAVIT OF APPLICANT VERIFYING THE APPLICATION ACCOMPANYING FILING OF TRUE-UP FOR
TRANSMISSION BUSINESS FOR FY 2015-16 & FY 2016-17 & ARR FOR TRANSMISSION BUSINESS FOR FY
2017-18 & FY 2018-19**

I, _____ son of _____ aged ____ years, residing at

Police Station _____ District _____ do hereby
solemnly affirm and state as follows:

1. That I am presently working as Chief Engineer (O&M) Jharkhand Urja Sancharan Nigam Ltd (JUSNL), Kusai Colony, Doranda, Ranchi and am duly authorised to file this Petition and swear in the affidavit.

2. That I solemnly affirm at _____ on this day of _____ that the contents of the above petition are true to my knowledge and I believe that no part of it is false and no material has been concealed there from. The statements made in the petition are true to my knowledge and are either based on information derived from the records of the case which I believe to be true or by way of submissions to the Hon'ble Commission.

Verified in Ranchi on _____ day of _____, 2018

Deponent

BEFORE THE JHARKHAND ELECTRICITY REGULATORY COMMISSION, RANCHI

Filing Number:

Case Number:

IN THE MATTER OF:

Filing of the True-up petition for the FY 2015-2016 and FY 2016-17 and ARR Petition for FY 2017-18 and FY 2018-19 for its Transmission Business by the State Transmission Utility of Jharkhand, Jharkhand Urja Sancharan Nigam Limited (JUSNL) under the Jharkhand Electricity Regulatory Commission, (Terms and Conditions for Determination of Transmission Tariff) Regulations 2010 and JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 and under Section 62 read with Section 86 of the Electricity Act, 2003 and other enabling provisions seeking approval of the True-up and ARR for respective years.

AND

IN THE MATTER OF:

JHARKHAND URJA SANCHARAN NIGAM LTD. (hereinafter referred to as "JUSNL" or erstwhile "JSEB-Transmission function" which shall mean for the purpose of this petition the Licensee), having its registered office at Kusai Colony, Doranda, Ranchi.

..... Petitioner

The Applicants respectfully submits as under:

1. The erstwhile Jharkhand State Electricity Board ("Board" or "JSEB") was a statutory body constituted under Section 5 of the Electricity (Supply) Act, 1948 and was engaged in electricity generation, transmission, distribution and related activities in the State of Jharkhand.
2. Jharkhand Urja Vikas Nigam Ltd. (herein after to be referred to as "JUVNL" or "the Holding company") has been incorporated under Indian Companies Act, 1956 pursuant to decision of Government of Jharkhand to reorganize erstwhile JSEB. The Petitioner submits that the said reorganization of the JSEB has been done by Government of Jharkhand pursuant to "Part XIII – Reorganization of Board" read with section 131 of The Electricity Act 2003. The Holding company or JUVNL has been incorporated on 16th September 2013 and registered with the Registrar of Companies, Jharkhand, Ranchi and has obtained Certificate of Commencement of Business on 12th November 2013.

3. Jharkhand Urja Sancharan Nigam Ltd. (herein after to be referred to as “JUSNL” or “the Petitioner” has been incorporated on 23rd October 2013 with the Registrar of Companies, Ranchi, Jharkhand, and has obtained Certificate of Commencement of Business on 28th November 2013. The Petitioner is a Company constituted under the provisions of Government of Jharkhand, General Resolution as notified by transfer scheme vide notification no. 8, dated 6th January 2014. The Transmission Company - Jharkhand Urja Sancharan Nigam Ltd. is duly registered with the Registrar of Companies, Ranchi on 23rd October 2013.

4. Pursuant to the enactment of the Electricity Act, 2003, every utility is required to submit its Aggregate Revenue Requirement (ARR) for a particular control period and is also required to file Tariff Petitions as per procedures outlined in section 61, 62 and 64, of Electricity Act 2003, and the governing regulations, thereof, laid down by the respective State Electricity Regulatory Commission. The State transmission utility, JUSNL is also mandated to submit True-up and ARR petitions for respective years for its Transmission Business, as per the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 and JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 and under Section 62 read with Section 86 of the Electricity Act, 2003 and other enabling provisions.

5. JUSNL filed its first Tariff Petition for Review of ARR for FY 2013-14 (for the period 6th January 2014 to 31st March 2014), Review of FY 2014-15 and determination of ARR and transmission tariff for FY 2015-16 on 26th February 2015. The Petition was filed in in line with the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010.

6. Hon’ble JSERC, after conducting public consultation process, issued Tariff Order on the Petition filed by JUSNL and determined tariff for FY 2015-16 on 14th December 2015.

7. Hon’ble JSERC thereafter notified JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 on 20th January 2016. The said Regulation were applicable to all Transmission Licensees in the State for filing of Business Plan and Tariff Application for the Second Control Period i.e. FY 2016-17 to FY 2020-21.

8. In accordance to these Regulations, JUSNL filed its Business Plan for the Control Period FY 2016-17 to FY 2020-21 on 17th November 2016 and Petition for ARR & Tariff determination for MYT Control period FY 2016-17 to FY 2020-21 on 21st March, 2017.
9. JUSNL also filed its first Truing up Petition for FY 2013-14 (6th January 2014 to 31st March 2014), post unbundling period and for FY 2014-15 on 11th Oct 2017, in line with JSERC Transmission Tariff Regulations, 2010, applicable for the First Control Period. The CAG reports for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 has also been submitted to Hon'ble JSERC for perusal.
10. Meanwhile, Hon'ble JSERC scrutinized the Business Plan and MYT Petition filed by JUSNL and after following due public consultation process and conducting public hearings at Ranchi and Deoghar, issued Tariff Order on Business Plan and MYT Petition of JUSNL on 24th February 2018. JUSNL was also directed to file True-up Petition for FY 2015-16 and FY 2016-17 and ARR Petition for FY 2017-18 and FY 2018-19 in this Tariff Order.
11. In line with the directives issued by the Hon'ble JSERC in Tariff Order dated 24th February 2018, the present petition is being filed by JUSNL before the Hon'ble JSERC for approval of True-up for the FY 2015-2016 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19 as per the provisions of the Terms and Conditions for Transmission Tariff Regulations, 2010 and Terms and Conditions for Transmission Tariff Regulations, 2015, applicable to respective years of the First and Second Control Period.
12. JUSNL along with this petition is submitting the prescribed Regulatory formats with data & information to the extent possible and would make available any further information/ additional data as required by the Hon'ble JSERC during the course of tariff determination process.

Prayers before the Hon'ble Commission:

The petitioner respectfully prays that the Hon'ble Commission may:

1. Admit this True-Up Petition for FY 2015-16 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 and True-Up

Petition for FY 2016-17 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015.

2. Admit this ARR Petition for FY 2017-18 and FY 2018-19 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015.
3. Approve the gap arrived after Truing-Up for FY 2015-16 and FY 2016-17 to the extent claimed by the Petitioner in accordance with the submissions and rationale submitted in this Petition.
4. Approve the revised ARR determined for FY 2017-18 and FY 2018-19 to the extent claimed by the Petitioner.
5. Pass on the revenue gap arrived after True up of FY 2015-16 and FY 2016-17 and revised ARR of FY 2017-18 in tariff of FY 2018-19 along with carrying cost.
6. Consider revenue gap of FY 2013-14 and FY 2014-15 as approved in True Up, while approving tariff for FY 2018-19.
7. Issue appropriate directives for making applicable such Tariff determined by the Hon'ble JSERC for past period.
8. Condone any inadvertent omissions/errors/rounding off differences/ shortcomings/deficiencies in the Petition and permit the Petitioner to add/modify/alter this filing and make further submissions as may be required at a future date.
9. Pass such further and other Orders, as the Hon'ble Commission may deem fit and appropriate, keeping in view the facts and circumstances of the Case.

For Jharkhand Urja Sancharan Nigam Limited

(Petitioner)

Authorized Signatory

Place: Ranchi

Dated: _____ 2018

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1 CHAPTER 1: Executive Summary

1.1 Structure of the Petition

1.1.1 The Petition includes the following sections: -

- a) Chapter 1 (present chapter) contains the Executive Summary of the Petition.
- b) Chapter 2 contains brief Introduction and overall approach of Tariff Petition.
- c) Chapter 3 contains the True-Up for FY 2015-2016.
- d) Chapter 4 contains the True-Up for FY 2016-2017.
- e) Chapter 5 contains revised ARR for FY 2017-18 and FY 2018-19 and tariff for FY 2018-19.
- f) Chapter 6 contains compliance to the directives issued by Jharkhand State Electricity Regulatory Commission (JSERC) in the Multi Year Tariff (MYT) order dated 24th February 2018 in case no. 17 of 2016 and 03 of 2017.
- g) Chapter 7 contains prayers to the Hon'ble Commission.

1.1.2 Jharkhand Urja Sancharan Nigam Limited ((hereinafter referred to as "JUSNL" or "Petitioner") is filing the present petition for the approval of True-Up for FY 2015-16 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19 for Transmission Business, under MYT Regulations 2010 and MYT Regulations 2015 as notified by the Hon'ble Commission.

1.1.3 This section highlights the summary of the petition for true-up of FY 2015-16 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19.

1.1.4 JUSNL is submitting this petition in line with directives given by the Hon'ble Commission in Tariff Order dated 24th February 2018 and also in accordance with MYT Transmission Tariff Regulations, 2010 and MYT Transmission Tariff Regulations, 2015, applicable for First and Second Control Period. JUSNL is also submitting data formats for transmission licensees, as notified by Hon'ble JSERC for all the respective years.

1.2 True-Up for FY 2015-2016

1.2.1 JUSNL has worked out the revenue gap and presented actual revenue components, considering Provisional Tariff Order on Review of ARR for FY 2013-14 (6th January 2014 to 31st March 2014) & FY 2014-15 and ARR and Transmission Tariff for FY 2015-16 for JUSNL notified on 14th December 2015, vis-à-vis the audited annual accounts of JUSNL for the year FY 2015-16.

1.2.2 The summary of actual and approved figures of ARR for the FY 2015-16 is tabulated below.

Table 1 Summary of Aggregate Revenue Requirements for FY 2015-16

Particulars (Rs. Crores)	FY 2015-16		
	Approved	Actual	Deviation
Employee Cost	36.52	35.76	0.76
Administrative and General Cost	8.19	6.87	1.32
Repairs and Maintenance Cost	18.31	23.75	- 5.44
<i>Total Operations and Maintenance Cost</i>	<i>63.02</i>	<i>66.37</i>	<i>- 3.35</i>
Interest and Finance Charges	54.34	129.41	- 75.07
Interest on Working Capital	7.83	13.46	- 5.63
Depreciation	64.10	65.61	- 1.51
Net Prior Period Charges / (Credits)	-	- 3.16	3.16
Total Cost	189.29	271.68	- 82.39
Add: Return on Equity	45.96	150.92	- 104.96
Less: Non-Tariff income	4.93	5.62	- 0.69
Add Incentive for Transmission Availability	-	37.63	- 37.63
Net Aggregate Revenue Requirement	230.32	454.61	- 224.29

1.2.3 The Hon'ble Commission had approved an Aggregate Revenue Requirement (ARR) of **Rs. 230.32 Crores** for the period FY 2015-16. JUSNL has claimed **Rs. 454.61 Crores** for FY 2015-16 which is as per audited accounts and also includes regulated expenses such as Interest on Working Capital, Return on Equity and Incentive for Transmission Availability. The detailed calculations and the methodology adopted for the same is discussed in subsequent chapters.

1.2.4 JUSNL has claimed a revenue of **Rs. 155.37 Crores** as per audited accounts of FY 2015-16 and hence the revenue gap of **Rs. 299.24 Crores** for FY 2015-16.

1.2.5 The Hon'ble Commission is therefore requested to kindly allow revenue gap of **Rs. 299.24 Crores** on truing up of FY 2015-16 on standalone basis.

1.3 True-Up for FY 2016-2017

1.3.1 JUSNL has worked out the revenue gap and presented actual revenue components, considering Aggregate Revenue Requirement approved by JSERC for the MYT Control Period FY 2016-17 to FY 2020-21, on 24th February 2018, vis-à-vis the audited annual accounts of JUSNL for the year FY 2016-17.

1.3.2 The summary of actual and approved figures of ARR for the FY 2016-17 is tabulated below.

Table 2 Summary of Aggregate Revenue Requirements for FY 2016-17

Particulars (Rs. Crores)	FY 2016-17		
	Approved	Actual	Deviation
Employee Cost	37.62	45.86	- 8.24
Administrative and General Cost	8.47	9.01	- 0.54
Repairs and Maintenance Cost	26.51	24.40	2.11
<i>Total Operations and Maintenance Cost</i>	<i>72.60</i>	<i>79.27</i>	<i>- 6.67</i>
Interest and Finance Charges	73.35	170.66	- 97.31
Interest on Working Capital	7.78	13.45	- 5.67
Depreciation	54.03	72.18	- 18.15
Total Cost	207.76	335.56	- 127.80
Add: Return on Equity	55.37	150.81	- 95.44
Less: Non-Tariff income	5.90	10.11	4.21
Add Incentive for Transmission Availability	-	43.12	
Net Aggregate Revenue Requirement	257.23	519.39	- 262.15

1.3.3 The Hon'ble Commission had approved an Aggregate Revenue Requirement (ARR) of **Rs. 257.23 Crores** for the period FY 2016-17. JUSNL has claimed **Rs. 519.39 Crores** for FY 2016-17 which is as per audited accounts and also includes regulated expenses such as Interest on Working Capital, Return on Equity and Incentive for Transmission Availability. The detailed calculations and the methodology adopted for the same is discussed in subsequent chapters.

1.3.4 JUSNL has claimed a revenue of **Rs. 189.96 Crores** as per audited accounts of FY 2016-17 and hence the revenue gap of **Rs. 329.42 Crores** for FY 2016-17.

1.3.5 The Hon'ble Commission is therefore requested to kindly allow revenue gap of **Rs. 329.42 Crores** on truing up of FY 2016-17 on standalone basis.

1.4 ARR for FY 2017-2018 and FY 2018-19

1.4.1 JUSNL has worked out the revenue gap considering Aggregate Revenue Requirement approved by JSERC for the MYT Control Period FY 2016-17 to FY 2020-21, on 24th February 2018, vis-à-vis the estimated revenue components /expenses for FY 2017-18 and FY

2018-19 derived as per JSERC (Terms and Conditions for Transmission Tariff) Regulations, 2015.

1.4.2 The summary of estimated and approved figures of ARR for the FY 2017-18 and FY 2018-19 are tabulated below.

Table 3 Summary of Aggregate Revenue Requirements for FY 2017-18 and FY 2018-19

Particulars (Rs. Crores)	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Employee Cost	38.75	47.40	39.92	48.99
Administrative and General Cost	8.75	9.31	9.04	9.62
Repairs and Maintenance Cost	29.34	31.37	50.92	40.28
<i>Total Operations and Maintenance Cost</i>	<i>76.84</i>	<i>88.08</i>	<i>99.88</i>	<i>98.89</i>
Interest and Finance Charges	135.75	301.51	94.14	458.19
Interest on Working Capital	9.98	16.14	11.36	22.03
Depreciation	82.16	84.39	132.09	154.62
Total Cost	304.73	490.13	337.47	733.73
Add: Return on Equity	55.37	153.91	55.37	171.57
Less: Non-Tariff income	6.20	10.61	6.51	11.14
Net Aggregate Revenue Requirement	353.90	633.43	386.33	894.15

1.4.3 The Hon'ble Commission had approved an Aggregate Revenue Requirement (ARR) of Rs. **353.90 Crores** for the period FY 2017-18 and Rs. **386.33 Crores** for FY 2018-19. As per estimation made by JUSNL in line with the Tariff Regulations, 2015, total ARR works out to be Rs. **633.43 Crores** for FY 2017-18 and Rs. **894.15 Crores** for FY 2018-19. The detailed calculations and the methodology adopted for the same is discussed in subsequent chapters.

1.4.4 The Hon'ble Commission is requested to kindly approve the revised ARR for FY 2017-18 and FY 2018-19 as submitted in this Petition and the corresponding revenue gap for FY 2017-18.

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2 CHAPTER 2: Introduction and Overall Approach of Petition

2.1 Background

- 2.1.1 Jharkhand Urja Sancharan Nigam Ltd. (herein after to be referred to as “JUSNL” or “the Petitioner” has been incorporated on 23rd October 2013 with the Registrar of Companies, Jharkhand, Ranchi and has obtained Certificate of Commencement of Business on 28th November 2013. The Petitioner is a Company constituted under the provisions of Government of Jharkhand, General Resolution as notified by transfer scheme vide notification no. 8, dated 6th January 2014. The Transmission Company - Jharkhand Urja Sancharan Nigam Ltd. is duly registered with the Registrar of Companies, Ranchi on 23rd October 2013.
- 2.1.2 JUSNL is a Transmission Licensee under the provisions of the Electricity Act, 2003 having license to establish or operate transmission lines in the State of Jharkhand.
- 2.1.3 Being a State Transmission Utility (STU), it caters to the requirements of the State for transmitting power from the state owned generation stations and the power purchases from other external sources into the distribution network. The responsibilities of the erstwhile JSEB- Transmission function as a STU have now been transferred to JUSNL.
- 2.1.4 Section 62 of the Electricity Act, 2003 requires the STU to furnish details as may be specified by the state Commission for approval of ARR and determination of transmission tariff. In addition, as per the MYT Regulations issued by the Hon'ble Commission, JUSNL is required to file for all reasonable expenses it believes it would incur in ensuing years of the control period and seek the approval of the Hon'ble Commission for the same. The filing is to be done based on the projections of the expected revenue and costs, which should be arrived at by a reasonable methodology adopted by the petitioner.
- 2.1.5 The MYT regulations notified by the Hon'ble Commission also mandates the filing of True-Up petition for the said Control Period. Since the Financial Year 2015-16 and FY 2016-17 has already passed and the audited annual accounts for the same is available, JUSNL is filling this petition for the approval of True-Up for the FY 2015-16 and FY 2016-17.

2.1.6 Along with the True-Up Petition for FY 2015-16 and FY 2016-17, JUSNL has also filed revised ARR for FY 2017-18 and FY 2018-19, as per directions issued by JSERC in Tariff Order dated 24th February 2018 and as per MYT Transmission Tariff Regulations, 2015.

2.1.7 While submitting this True-Up and ARR Petition, JUSNL would like to submit that it has placed utmost efforts to adhere to the said Regulations framed by this Hon'ble Commission.

2.2 Existing Infrastructure Details of JUSNL

2.2.1 The following are the details of existing infrastructure of JUSNL as on till date:

Sl. No.	Class of Transmission System	Transmission Line (In CKM)	Transformer Capacity (in MVA)
1	400 KV*	180	-
2.	220 KV	1,081	2,320
3	132 KV	2,495	3,535
	TOTAL	3,756	5,855

*Presently charged at 220 KV voltage level

2.3 Approach for Filing the True-Up for FY 2015-16 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19 Petition

2.3.1 The Hon'ble Commission has notified JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 for the Control Period FY 2011-12 to FY 2015-16. The said Regulations were repealed by the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 which was notified for the Control Period FY 2016-17 to FY 2020-21.

2.3.2 JUSNL had filed Business Plan and MYT Tariff Petition for second Control Period FY 2016-17 to FY 2020-21 in line with JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015. The Hon'ble Commission after following due public consultation process issued Tariff Order for MYT Control Period (FY 2016-17 to FY 2020-21) on 24th February 2018.

2.3.3 The Commission vide this MYT Order has directed JUSNL to file for True up Petition for FY 2015-16 and FY 2016-17 and ARR Petition for FY 2017-18 and FY 2018-19. The relevant extract are as follows.

"7.21 The Commission directs the Petitioner to file True-up Petition for FY 2015-16, FY 2016-17 and ARR petition for FY 2017-18 and FY 2018-19 in next two months from the issue of this

order. The Commission directs the Petitioner to submit CAG report of accounts of FY 2015-16 and FY 2016-17 along with the True up petition of FY 2015-16 and FY 2016-17.....”

2.3.4 In accordance with the above directions, JUSNL has filed the present Petition for True up of FY 2015-16 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19. JUSNL has considered JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 for truing up of FY 2015-16 and JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 for truing up of FY 2016-17 and revise ARR for FY 2017-18 and FY 2018-19.

2.3.5 The Petitioner thus submits the True-Up Petition for FY 2015-16 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19 for the consideration of the Hon’ble Commission along with the specified formats, providing information on various parameters.

2.4 Provisions of the Law

2.4.1 The Hon’ble Commission has notified scope of JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 as:

“A3: SCOPE OF REGULATIONS AND EXTENT OF APPLICATION

3.1 Subject to the provisions of the Act, Rules and Policies, these Regulations shall apply in all cases of determination of Transmission Tariff under Section 62 of the Act. It shall however, not apply in the case where tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government as per the provisions of Section 63 of the Act.

3.2 In accordance with the principles laid out in these Regulations, the Commission shall determine the Aggregate Revenue Requirement (ARR) for the Transmission Business.”

2.4.2 Provisions for True-Up Exercise for MYT Control Period in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010:

“A14: TRUING UP

True-Up for the Period before Transition period

14.1 Performance review and adjustment of variations of the Transmission Licensee for years before the Transition Period shall be considered during the Transition Period.

True-Up for the Transition period

14.2 Performance review and adjustment of variations of the Transmission Licensee for the year covered under the Transition Period shall be considered during the Control Period.

True-Up for the Control Period

14.3 The true-up for the Control Period shall be as per clause 6.16 and 6.18 of these Regulations.

True Up in Control Period

6.16 The true up across various controllable parameters shall be conducted as per principles stated below: -

6.17 For controllable parameters,

(a) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(b) at the end of the control period -

(i) The Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) Depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the mid-term review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.

6.18 Notwithstanding anything contained in these Regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.”

2.4.3 Provisions of incentives on operational parameters in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010:

“Quality of Supply

7.41 The Commission shall monitor the following Quality of Supply parameters during the Control Period:

(a) Transmission System Availability;

(b) Transformer Failure, across various capacities which represents the number of transformer failures as a percentage of the total number of transformers in that specified capacity within the Transmission System, over a specified period of time.

7.42 The Transmission Licensee in its Business Plan filings shall submit and propose the trajectory for the achievement of quality targets. The Commission will specify the targets for each parameter. The Transmission Licensee shall submit its performance on each parameter in the form and manner specified by the Commission...”

2.4.4 Provisions for True-Up Exercise for MYT Control Period in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015:

“True Up in Control Period

6.16 The true up across various controllable parameters shall be conducted as per principles stated below: -

6.17 For controllable parameters,

(a) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(b) at the end of the control period -

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment.

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of audited/authenticated information and prudence check by the Commission;

Provided that in case of any change in capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.

6.18 Notwithstanding anything contained in these Regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.....”

2.4.5 In line with the above provisions, JUSNL has submitted the True Up for FY 2015-16 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19.

2.4.6 Hon'ble Commission had directed JUSNL to file the aforesaid Tariff Petition within two months of issuance of MYT Tariff Order dated 24th February 2018. However due to delay in receipt of CAG report for FY 2015-16, JUSNL had requested the Hon'ble Commission to grant time extension for filings of Petition, vide letter no. 255 dated 2nd August 2018. Hon'ble JSERC had granted approval for extension of filing the Tariff Petition up to October 2018. The copy of the letter issued by JSERC is attached as **Appendix I**.

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3 Chapter 3: True-Up OF ARR FOR THE FY 2015-16

3.1 Preamble

- 3.1.1 This section outlines the actual performance of the JUSNL during the FY 2015-16.
- 3.1.2 In line with the provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010, JUSNL hereby submits the True-up petition comparing the actual performance during FY 2015-2016 with the forecast approved by the Hon'ble Commission vide Multi Year Tariff Order case no. 03 of 2015 dated 14th December 2015.

3.2 True up of Aggregate Revenue Requirement of FY 2015-16

- 3.2.1 JUSNL submits that the final transfer scheme was notified on 20th November 2015 vide Government of Jharkhand notification no. 2917 wherein separate balance sheet was notified by the Government of Jharkhand for all the four entities namely JBVNL, JUSNL, JUUNL and JUVNL.
- 3.2.2 The final transfer scheme with Gazette notification is attached as **Annexure A**. The opening balances for the period FY 2013-14 (from 6th January 2014 to 31st March 2014) is based on the final transfer scheme notification as mentioned above and the transactions that are recorded in the period from 6th January 2014 to 31st March 2014.
- 3.2.3 The Hon'ble Commission has approved Tariff Order dated 14th December 2015 wherein it has approved provisional numbers for FY 2015-16 for a period of 1st April 2015 to 31st March 2016. JUSNL has trued up expenses for FY 2015-16 in comparison with these approved numbers.
- 3.2.4 The audited annual account for FY 2015-16 is attached as **Annexure B**. It may be noted that the accounts for FY 2015-16 have been audited by Comptroller and Auditor General of India (CAG). The certification and audit report of CAG is attached as **Annexure C**.

3.3 Capital expenditure and Capitalization

- 3.3.1 JUSNL has considered the actual capital expenditure and capitalization that has incurred in the books of accounts for truing up of expenses for FY 2015-16.

3.3.2 The following are the provision of JSERC Tariff Regulations 2010 for truing up of capital expenditure and capitalization.

“6.17 (b) at the end of the control period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;.....

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.....”

3.3.3 As per the above provisions the Hon’ble Commission shall review the actual capitalization for truing up vis-à-vis approved and accordingly provide for expenses such as depreciation, interest on long term loan and return on equity.

3.3.4 The following table shows the capital expenditure and capitalization that has incurred during the year against the approved capital expenditure and capitalization.

Table 4 Capital Expenditure and Capitalization for FY 2015-16

Particulars	Approved	Actual
Opening CWIP	529.60	328.59
Capital Expenditure during the year	616.28	526.38
Less: Asset Capitalized	404.92	298.89
Closing CWIP	740.96	556.08

3.3.5 The Commission in its Tariff Order had provisionally approved opening balance of CWIP at Rs. 529.60 Crores for FY 2015-16. The Opening balance was based on the closing balances for FY 2014-15 approved in the last tariff Order. The Commission had approved such opening balance in the absence of final transfer scheme notification.

3.3.6 However after notification of final transfer scheme the details of actual capital expenditure and capitalization is now available in the books of accounts of JUSNL.

3.3.7 The scheme wise/circle wise capital expenditure and capitalization that is being carried out by JUSNL is attached as **Annexure D** to this Petition.

3.3.8 In accordance with the same, it is submitted that JUSNL has incurred actual capital expenditure of **Rs. 526.38 Crores** and actual capitalization of **Rs. 298.89 Crores** in FY 2015-16.

3.3.9 **The Hon'ble Commission is therefore requested to kindly approve Rs. 526.38 Crores as capital expenditure and Rs. 298.89 Crores as capitalization for FY 2015-16 in line with the audited annual accounts of JUSNL.**

3.4 Gross Fixed Asset

3.4.1 The Commission in its Tariff Order dated 14th December 2015, had determined the opening balance of GFA for FY 2015-16 based on the closing balance approved for FY 2014-15.

3.4.2 JUSNL has now claimed opening GFA as per the audited annual accounts for FY 2015-16 which is in line with the balance sheet of FY 2015-16, which is after consideration of final transfer scheme. The following table shows the opening and closing balance of GFA as per audited annual accounts against that approved by JSERC in last Tariff Order.

Table 5 GFA for FY 2015-16 (Rs. Crores)

Particulars	Approved	Actual
Opening Gross Fixed Assets (GFA)	785.84	1,066.54
Addition in GFA	404.92	298.89
Closing GFA	1,190.76	1,365.43
Less Accumulated Depreciation	305.85	415.42
Net Fixed Assets (NFA)	884.91	950.01

3.4.3 The opening GFA claimed by JUSNL in this Petition is based on the audited annual accounts prepared on the basis of final transfer scheme notification.

3.4.4 **The Commission is therefore requested to approve closing GFA of Rs. 1365.43 Crores for FY 2015-16 as given in the table above.**

3.5 Operations and Maintenance expenses

3.5.1 The Operation and Maintenance (O&M) costs of the licensee include the following;

- Employee Expenses (EE)
- Administration and General Expenses (A&G)
- Repair and Maintenance expenses (R&M)

3.5.2 The O&M costs are mainly driven by the length of lines and number of Sub Stations. Employee costs constitute a major portion of the O&M expenses and the expenses include salaries of the staff, payments related to surrender leave, various medical allowances, leave travel allowances and other allowances.

3.5.3 The JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 define O&M expenses as follows.

“2.1 (47) Operation and Maintenance expenses” or “O&M expenses” means the expenditure incurred on operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

3.5.4 The Commission in its last tariff Order has considered the inflation factor by taking weighted average of the WPI and CPI for FY 2011-12 in the ratio 45:55, in accordance with the JSERC Transmission Tariff Regulations, 2010.

3.5.5 In case of employee cost (excluding arrears on account of wage and terminal benefits) and A&G cost, the Hon'ble Commission has taken into account the inflation factor derived on the basis of weighted average of the WPI and CPI (8.64%) and applied on approved O&M expenses for FY 2014-15.

3.5.6 The terminal benefits for FY 2015-16 had been approved same as that of FY 2013-14 and Hon'ble JSERC notified in the Tariff Order that it shall be tried after submission of audited accounts for FY 2015-16.

3.5.7 For R&M expenses, the Commission has adopted the methodology as specified in the Tariff Regulations, 2010. The Commission considered k-Factor of 2.33% which was arrived using the ratio of R&M expenses to Opening GFA for FY 2011-12. The same k-Factor was applied on the opening GFA for FY 2015-16 for arriving at R&M expenses.

3.5.8 As per the prescribed Regulations O&M cost consist of the following parameters

“7.33 Operation and Maintenance (O&M) expenses shall comprise of the following:

(a) Salaries, wages, pension contribution and other employee costs;

(b) Administrative and General costs;

(c) Repairs and maintenance expenses; and

(d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax).....”

3.5.9 JUSNL now submits that the actual expenses for employee, A&G and R&M incurred during the year for claiming truing up of O&M expense for FY 2015-16.

3.5.10 The following table shows the approved O&M expenses vis-à-vis actual O&M expenses as per audited annual accounts for FY 2015-16.

Table 6 Operation and Maintenance Expense for FY 2015-2016 (Rs. Crores)

Particulars	Approved	Actual
Employee Cost	36.52	35.76
Administrative and General Cost	8.19	6.87
Repairs and Maintenance Cost	18.31	23.75
Total Operations and Maintenance Cost	63.02	66.37

3.5.11 Employee Expenses: JUSNL has been able to keep a tap on its employee expenses in FY 2015-16. It has been able to restrict employee expenses for FY 2015-16 below the approved expenses in last Tariff Order. It is to be noted that the actual employee expenses were on a lower side even after approving the terminal benefits on the basis of actuals of FY 2013-14.

3.5.12 JUSNL submits that it has been able to save cost on employee expenses as compared to approve and the savings shall be shared with the consumer as specified in JSERC Tariff Regulations, 2010.

3.5.13 The Hon'ble Commission is requested to kindly approve employee expenses of Rs. 35.76 Crores for FY 2015-16.

3.5.14 Administrative and General Expenses: The administrative and general expenses incurred during FY 2015-16 are very much within the limit approved by Hon'ble Commission in last Tariff Order.

3.5.15 Additional saving with respect to administrative and general expenses can be shared with the consumers as specified in the Regulations.

3.5.16 The Commission is therefore requested to kindly approve Rs. 6.87 Crores for administration and general expenses for FY 2015-16.

3.5.17 Repairs and Maintenance: JUSNL has submitted that Rs. 23.75 Crores is actual expenses incurred by JUSNL against that approved by Commission of Rs. 18.31 Crores.

3.5.18 JUSNL submits that the repairs and maintenance expenses include procurement expenses for various spares used for maintenance purposes as well as labour charges for repairs.

3.5.19 The Hon'ble Commission in its last Tariff Order has approved R&M expenses based on k-Factor of 2.33% which was applied on opening GFA (Rs. 785.84 Crores) assumed at that time for FY 2015-16.

3.5.20 It is submitted to the Hon'ble Commission that the opening GFA as per actual audited accounts of FY 2015-16 is Rs. 1,066.54 Crores which is much higher than that assumed in Tariff Order dated 14th December 2015.

3.5.21 It is therefore submitted that R&M expenses are bound to be higher due to higher asset base of JUSNL. Moreover the k-Factor now arrived after comparing actual opening GFA with actual R&M expenses is 2.226% which is lower than that approved in last Tariff Order (2.33%)

3.5.22 The Commission is therefore requested to kindly approve Rs. 23.75 Crores as repairs and maintenance expenses for FY 2015-16 considering higher asset base on actual basis as compared to approved.

3.5.23 The Commission is therefore requested to kindly approve Rs. 66.37 Crores as O&M expenses against Rs. 63.02 Crores approved by Commission in last Tariff Order.

3.6 Depreciation

3.6.1 The Hon'ble Commission has determined asset-wise depreciation with additions in asset during the year considered as per the approved capitalization for the year. The depreciation rates for the various asset classes have been considered as per the Transmission Tariff Regulations, 2010.

3.6.2 The existing Provisions in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 provides the method for calculation of the Depreciation on GFA and it given as;

"7.24 Depreciation shall be calculated for each year of the Tariff period, on the amount of Capital Cost of the assets admitted by the Commission; Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant:

7.25 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

3.6.3 JUSNL has calculated depreciation in annual accounts based on the above mentioned provisions. Moreover the depreciation expenses are very much in line with that approved by the Hon'ble Commission in last Tariff Order.

3.6.4 The following table shows the depreciation claimed by JUSNL as per audited annual accounts against that approved by the Hon'ble Commission in last Tariff Order.

Table 7 Depreciation Expense for FY 2015-2016 (Rs. Crores)

Particulars	Approved	Actual
Depreciation	64.10	65.61

3.6.5 The depreciation expenses is slightly higher due to variation in opening balance of GFA that was approved by Hon'ble Commission in last Tariff Order and that as per actual GFA reflecting in annual accounts for FY 2015-16.

3.6.6 JUSNL therefore requests the Hon'ble Commission to kindly approve the actual depreciation expense of Rs. 65.61 Crores derived on the basis of actual asset base of JUSNL for FY 2015-16.

3.7 Interest and Loan capital

3.7.1 The Commission in its Tariff Order dated 14th December 2015, had computed the interest on normative loan as per the appropriate Regulations specified in Transmission Tariff Regulations, 2010.

- 3.7.2 The opening balance of normative loan for FY 2015-16 was considered as the closing balance of normative loan for FY 2014-15 approved in Tariff Order dated 14th December 2015.
- 3.7.3 The repayments for the year were considered equal to depreciation and weighted average interest rate considered for FY 2015-16 was 13%.
- 3.7.4 The provisions for the calculations of the Interest on Loan capital in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 provides the details and description of the calculation of the interest on loan capital.
- 3.7.5 JUSNL has been funding its capital expenditure from State Government loans where the contribution is 90% in all projects/schemes and remaining 10% is through equity infusion.
- 3.7.6 In this regards, loan balance have substantially increased with increase in capital expenditure and capitalization for each year. JUSNL has claimed interest on loan of Rs. 146.37 Crores against that approved amount of Rs. 54.34 Crores.
- 3.7.7 The following table shows the interest on loan claimed by JUSNL against that approved in last Tariff Order.

Table 8: Interest on Loan capital Expense for FY 2015-2016 (Rs. Crores)

Particulars	Approved	Actual
Interest on Loan	54.34	129.41

- 3.7.8 Hence JUSNL requests the Commission to kindly approve the actual expense of Rs. 129.41 Crores with respect to interest on loan expense for FY 2015-16.

3.8 Interest on Working Capital

- 3.8.1 The Commission had worked out interest on working capital based on the provisions of Tariff Regulations in last Tariff Order. The following extract shows the methodology for determination of interest on working capital.

“7.30 The Commission shall determine the Working Capital requirement containing the following components:

Maintenance spares @ 15% of the O&M expenses specified in clauses 7.33- 7.36 of these Regulations;

Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and

Operation and Maintenance expenses for one month....”

Interest on Working Capital

7.31 Rate of interest on working capital during Transition period shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on (i) April 1, 2011 or April 1 of the year in which the Transmission System is declared under commercial operation, whichever is later for FY2011-12 and (ii) April 1, 2012 or April 1 of the year in which the Transmission System is declared under commercial operation, whichever is later for FY2012-13.

During Control Period rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on April 1, 2013 or April 1 of the year in which the Transmission System, is declared under commercial operation.

7.32 The interest on working capital shall be payable on normative basis notwithstanding that the Transmission Licensee has not taken working capital loan from any outside agency....”

3.8.2 JUSNL has calculated interest on working capital based on the provisions prescribed as above in Transmission Tariff Regulations, 2010. JUSNL has taken maintenance spares at 15% of actual O&M expenses as claimed in this Petition for FY 2015-16.

3.8.3 Further O&M expenses of one month is considered and receivables equivalent to ARR for FY 2015-16 has been considered. The interest rate considered is the SBI PLR rate as on April 1 for FY 2015-16. The historical SBI PLR rate applicable is provided in Annexure XX.

3.8.4 The following table shows the calculation of interest on working capital for FY 2015-16 vis-a-vis approved by the Hon'ble Commission in last Tariff Order.

Table 9: Interest on Working Capital Expense for FY 2015-2016 (Rs. Crores)

Particulars	Approved	Actual
O&M expenses for one month	5.25	5.53
Maintenance Spares (15% of O&M Expense)	9.45	9.96
Receivables equivalent to 2 months of transmission charges	38.39	75.77
Total Working Capital Requirement	53.09	91.25
Interest Rate	14.75%	14.75%
Interest on Working Capital	7.83	13.46

3.8.5 JUSNL requests the Commission to kindly approve the normative expenses of **Rs. 13.46 Crores** on account of interest on working capital as per the notified in JSERC Transmission Tariff Regulations, 2010.

3.9 Return on Equity

3.9.1 JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 briefs about the calculations of the Return on Equity, which is provided in the following manner

“7.12 Return on equity shall be computed on pre-tax basis at the base rate of 15.50% to be grossed up as per clause 7.13 of these Regulations.

The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate applicable to the Transmission Licensee as per details shown as under

(i) Transition period: Base rate to be grossed by the applicable tax rate for the Year 2010-11 for filing of ARR in FY2011-12 and applicable tax rate for the Year 2011-12 for filing of ARR in FY2012-13.

(ii) MYT period: Base rate to be grossed by the applicable tax rate for the Year 2012-13.

Provided that return on equity with respect to the actual tax rate applicable to the Transmission Licensee, in line with the provisions of the relevant Finance Acts of the respective year during the Control period shall be trued up separately for each year of the Control period along with the tariff petition filed for the next Control period.

7.14 Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

Where ‘t’ is the applicable tax rate.....”

- 3.9.2 JUSNL has computed Return on Equity based on the provisions prescribed above in the JSERC Transmission Tariff Regulations, 2010. JUSNL has considered opening balance of equity as Rs. 974.39 Crores and closing balance of Rs. 972.96 Crores for FY 2015-16 as reflecting in the annual audited accounts.
- 3.9.3 It is submitted that the amount under Restructuring for Pending Adjustment is the amount which is to be received by JUSNL from the State Government in the form of Equity. The amount is reflecting in the balance sheet of JUSNL after gazette notification of transfer scheme by the State Government.
- 3.9.4 The amount is to be treated as equity pending to be received from State Government and therefore JUSNL has calculated return on equity on the same amount. There is a slight reduction of Rs. 1.42 Crores in the closing balance due to adjustment in JSEB restructuring account.
- 3.9.5 JUSNL has worked out average equity balance based on the opening and the equity addition during the year. The applicable return on equity has been considered on average equity balance of JUSNL.

Table 10: Return on Equity for FY 2015-2016 (Rs. Crores)

Particulars	Approved	Actual
Opening Equity	235.75	974.39
Equity Additions during the year	121.48	1.42
Closing Equity	357.23	972.96
Rate of Return on Equity	15.50%	15.50%
Return on Equity	45.96	150.92

- 3.9.6 **JUSNL requests the Hon'ble Commission to approve the return of equity of Rs. 150.92 Crores for 2015-16 as specified in the Regulations.**

3.10 Non-Tariff Income

- 3.10.1 The following are the provisions for the computation of the Non-Tariff Income for the transmission Utility as notified in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010.

“7.38 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, miscellaneous receipts from the Beneficiaries and income to Licensed business from the Other Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee....”

3.10.2 In line with the above Regulations, JUSNL has claimed Non-Tariff Income of Rs. 5.62 Crores as against approved number of Rs. 4.93 Crores in Tariff Order dated 14th December 2015.

Table 11: Non-Tariff Income for FY 2015-2016 (Rs. Crores)

Particulars	Approved	Actual
Non-Tariff Income	4.93	5.62

3.10.3 JUSNL requests the Hon’ble Commission to approve the actual non-tariff income of Rs. 5.62 Crores for FY 2015-16.

3.11 Prior Period Expenses

3.11.1 JUSNL submits that it has incurred prior period credits of Rs. 3.16 Crores which has been recorded in the books of accounts of JUSNL.

3.11.2 The Hon’ble Commission is requested to kindly approve Rs. 3.16 Crores as an additional credits to ARR for FY 2015-16.

3.12 Incentive for Transmission Availability

3.12.1 The Transmission Tariff Regulations, 2010 allows Transmission Company to claim incentive on transmission system availability above the threshold level of 98.5%. The relevant extract is given as follows.

“8.7 The transmission charge (inclusive of incentive) payable for a calendar month for a Transmission System or part thereof shall be

$$AFC \times (NDM / NDY) \times (TAFM / NATSAF)$$

Where,

AFC = Annual fixed cost specified for the year, in Rupees;

NATSAF = Normative annual transmission availability factor, in per cent specified in clause 8.3 of these Regulations;

NDM = Number of days in the month;

NDY = Number of days in the year; and

TAFM = Transmission system availability factor for the month, in Percent, computed in accordance with Appendix -III to these Regulations....”

3.12.2 In view of the above Regulations and being in line with the formula given above, JUSNL has claimed an incentive of **Rs. 37.46 Crores** based on availability of 99.19% for the entire year of FY 2015-16.

3.13 Aggregate Revenue Requirement

3.13.1 This section comprise of different components of the Aggregate Revenue Requirement as per the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2010 and as audited accounts for the FY 2015-16.

3.13.2 The following table shows the summary of expenses that are discussed in the above sections of this chapter.

Table 12: Aggregate Revenue Requirement for FY 2015-2016 (Rs. Crores)

Particulars (Rs. Crores)	FY 2015-16		
	Approved	Actual	Deviation
Employee Cost	36.52	35.76	0.76
Administrative and General Cost	8.19	6.87	1.32
Repairs and Maintenance Cost	18.31	23.75	- 5.44
<i>Total Operations and Maintenance Cost</i>	<i>63.02</i>	<i>66.37</i>	<i>- 3.35</i>
Interest and Finance Charges	54.34	129.41	- 75.07
Interest on Working Capital	7.83	13.46	- 5.63
Depreciation	64.10	65.61	- 1.51
Net Prior Period Charges / (Credits)	-	- 3.16	3.16
Total Cost	189.29	271.68	- 82.39
Add: Return on Equity	45.96	150.92	- 104.96
Less: Non-Tariff income	4.93	5.62	- 0.69
Add Incentive for Transmission Availability	-	37.63	- 37.63
Net Aggregate Revenue Requirement	230.32	454.61	- 224.29

3.13.3 Hon'ble JSERC is therefore requested to kindly approve ARR of **Rs. 454.61 Crores** for FY 2015-16 as against **Rs. 230.32 Crores** approved in Tariff Order dated 14th December 2015.

3.14 Revenue from Existing Tariff

3.14.1 The following table shows the comparison of approved revenue for FY 2015-16 against the actual revenue earned during FY 2015-16 as per audited annual accounts.

3.14.2 JUSNL has earned a revenue of Rs. 155.37 Crores during the year FY 2015-16. The revenue earned was based on the tariff of Rs. 0.18 paise per unit for April 2015 to December 2015 and tariff of Rs. 0.19 paise per unit from January 2016 to March 2016.

Table 13: Revenue at Existing Tariff for FY 2015-2016 (Rs. Crores)

Particulars	Approved	Actual
Revenue at Existing Tariff	129.60	155.37

3.14.3 The Hon'ble Commission is therefore requested to kindly approve the revenue of Rs. 155.37 Crores as against Rs. 129.60 Crores approved in tariff Order dated 14th December 2015.

3.15 Sharing of Gains and Losses for FY 2015-16

3.15.1 Regulation 6.16, 6.17 and 6.18 provides for sharing of gains and losses on account of approved and actual expenses for each year of the Control Period. The relevant extracts are as given below.

"6.16 The true up across various controllable parameters shall be conducted as per principles stated below: ...

-6.17 For controllable parameters,

(a) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(b) at the end of the control period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.

6.18 Notwithstanding anything contained in these Regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.....”

3.15.2 Based on the above provisions, JUSNL has carried out sharing of gains and losses on account of controllable/uncontrollable parameters for arriving at True Up amount of FY 2015-16.

Table 14: Sharing of Gains and Losses for FY 2015-2016 (Rs. Crores)

Particulars	FY 2015-2016			
	Approved	Actual	Gains	Losses
Employee Cost	36.52	35.76	0.76	
Administrative and General Cost	8.19	6.87	1.32	
Repairs and Maintenance Cost	18.31	23.75		5.44
Interest and Finance Charges	54.34	129.41		75.07
Interest on Working Capital	7.83	13.46		5.63
Depreciation	64.10	65.61		1.51
Prior Period Credits	-	- 3.16	3.16	
Return on Equity	45.96	150.92		104.96
Non-Tariff income	4.93	5.62	0.69	
Incentive on Availability	-	37.63		37.63
ARR	230.32	454.61		
Revenue at Existing Tariff	129.60	155.37	25.77	
Gap (surplus)	100.72	299.24	31.71	230.23

3.15.3 It is to be submitted that the Hon'ble Commission had approved a revenue gap of Rs. 100.72 Crores for FY 2015-16 vide Order dated 14th December 2015. However the gap of Rs. 100.72 Crores was not passed on in tariff to avoid tariff shock.

3.15.4 In the latest Tariff Order, Hon'ble JSERC did not find it prudent to carry forward unfunded gap of previous Tariff Order and directed that such gap shall be considered only after True Up exercise.

3.15.5 In view of the same, JUSNL has therefore not adjusted amount of previously approved revenue gap of Rs. 100.72 Crores in True up of FY 2015-16 and has purely claimed the gap based on the difference of actual revenue and expenses for the said period.

3.15.6 JUSNL has not applied any sharing of gains and losses for FY 2015-16 as the gap arrived in Tariff Order dated 14th December 2015 was never allowed to be passed on in tariff of any of the subsequent years.

3.15.7 The Hon'ble Commission is therefore requested to kindly approve revenue gap of Rs. 299.24 Crores for FY 2015-16 on account of final true up for FY 2015-16.

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4 Chapter 4: True-Up OF ARR FOR THE FY 2016-17

4.1 Preamble

4.1.1 This section outlines the actual performance of the JUSNL during the FY 2016-17.

4.1.2 In line with the provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, JUSNL hereby submits the True-up petition comparing the actual performance during FY 2016-2017, with the forecast approved by the Hon'ble Commission vide Multi Year Tariff Order on case no. 03 of 2017 dated 24th February 2018.

4.2 True up of Aggregate Revenue Requirement of FY 2016-17

4.2.1 JUSNL submits that the final transfer scheme was notified on 20th November 2015 vide Government of Jharkhand notification no. 2917 wherein separate balance sheet was notified by the Government of Jharkhand for all the four entities namely JBVNL, JUSNL, JUUNL and JUVNL.

4.2.2 This Chapter describes the methodology adopted for Truing up of FY 2016-17. The closing balances of FY 2015-16 as submitted in the previous chapter have become the opening balances for FY 2016-17. JUSNL has considered the audited annual accounts for FY 2016-17 for Truing up of expenses.

4.2.3 The Hon'ble Commission has recently approved Tariff Order dated 24th February 2018, wherein it has approved Multiyear tariff and ARR for second control period FY 2016-17 to FY 2020-21. Hon'ble JSERC vide the aforesaid Tariff Order revised the tariff to Rs. 0.25 paisa per unit. JUSNL has trued up expenses for FY 2016-17 in comparison with these approved expenses for FY 2016-17.

4.2.4 The audited annual account for FY 2016-17 is attached as **Annexure E**. It may be noted that the account of FY 2016-17 have been audited by Statutory Auditor and the auditing from Comptroller and Auditor General of India (CAG) is under process. The certification and audit report of CAG shall be submitted to the Hon'ble Commission at the earliest.

4.3 Capital expenditure and Capitalization

4.3.1 JUSNL has considered the actual capital expenditure and capitalization that has incurred in the books of accounts for truing up of expenses for FY 2016-17.

4.3.2 The following are the provision of JSERC Tariff Regulations 2015 for truing up/midterm review of capital expenditure and capitalization.

“6.12 The Commission shall also conduct a mid-term review at the end of second year of the Control Period. In case, the cumulative incurred capital expenditure and/or capitalisation deviates from the approved capital expenditure / capitalisation by more than 20% (cumulative), the Commission will make necessary changes to capital investment plan for the Control Period after consultation with Licensee and adjust depreciation and financing cost, which includes cost of debt (interest), working capital interest, cost of equity (return) based on the actual capital expenditure and/or capitalisation vis-à-vis approved capital expenditure / capitalisation;

Provided that the actual capital expenditure incurred shall be only for the schemes as per the approved Capital Investment plan.....”

4.3.3 As per the above provisions the Hon'ble Commission shall review the actual capitalization for truing up vis-à-vis approved and accordingly provide for expenses such as depreciation interest and return on equity. The expenses incurred shall necessarily be against the approved capital investment plan.

4.3.4 JSERC in its last tariff Order has also mentioned that the capital expenditure shall be reviewed after end of each year of Control Period. The extracts are as follows

“5.47 The Commission shall review the actual capital expenditure incurred and capitalisation at the end of each year of the Control Period vis-à-vis the approved capital expenditure and capitalisation schedule....”

4.3.5 It is submitted that, the capital expenditure incurred during FY 2016-17 was only against those projects/scheme which are acknowledged by the Hon'ble Commission in Tariff Order dated 24th February 2018.

4.3.6 Hon'ble Commission is requested to kindly revisit the expenses relating to capital expenditure such as depreciation, financing cost, cost of debt (interest), working capital

interest, cost of equity etc. while carrying out true-up for FY2016-17 as per actual expenses submitted by JUSNL in subsequent paragraphs.

4.3.7 The following table shows the capital expenditure and capitalization that has incurred during the year against the approved capital expenditure and capitalization.

Table 15: Capital Expenditure and Capitalization for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Opening CWIP	740.96	556.08
Capital Expenditure during the year	233.92	200.70
Less: Asset Capitalized	127.14	43.31
Closing CWIP	847.74	713.46

4.3.8 The Commission in its MYT order had provisionally approved capital expenditure of Rs. 233.92 Crores for FY 2016-17 against which the expenses actually incurred were Rs. 200.70 Crores. In case of capitalization, JSERC had approved Rs. 127.14 Crores for FY 2016-17 whereas the actual capitalization was Rs. 43.31 Crores.

4.3.9 JUSNL has provided the scheme wise/circle wise capital expenditure and capitalization for FY 2016-17 and has attached as **Annexure F**.

4.3.10 The Hon'ble Commission is therefore requested to kindly approve Rs. 200.70 Crores as capital expenditure and Rs. 43.31 Crores as capitalization for FY 2016-17 in line with the audited annual accounts of JUSNL.

4.4 Gross Fixed Asset

4.4.1 The Commission in its last tariff Order dated 24th February 2018, has determined the opening balance of GFA for FY 2016-17 based on the closing balance approved for FY 2015-16 in Tariff Order dated 14th December 2015.

4.4.2 JUSNL has now claimed actual opening GFA as per the audited annual accounts for FY 2016-17. The following table shows the opening and closing balance of GFA as per audited annual accounts and that approved by JSERC in Tariff Order dated 24th February 2018.last tariff Order.

Table 16: Gross Fixed Asset for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Opening Gross Fixed Assets (GFA)	1,190.76	1,365.43
Addition in GFA	127.14	43.31
Closing GFA	1,317.90	1,408.74
Less Accumulated Depreciation		487.63
Net Fixed Assets (NFA)		921.11

4.4.3 The Commission is therefore requested to approve closing GFA of Rs. 1,408.74 Crores for FY 2016-17 as given the table above.

4.5 Operations and Maintenance expenses

4.5.1 The Operation and Maintenance (O&M) costs of the licensee include the following;

- Employee Expenses (EE)
- Administration and General Expenses (A&G)
- Repair and Maintenance expenses (R&M)

4.5.2 The O&M costs are mainly driven by the length of lines and number of Sub Stations. Employee costs constitute a major portion of the O&M expenses and the expenses include salaries of the staff, payments related to surrender leave, various medical allowances, leave travel allowances and other allowances.

4.5.3 The JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 define O&M expenses as follows.

“2.1 (33) Operation and Maintenance expenses” or “O&M expenses” means the expenditure incurred on operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

4.5.4 The Commission in its last tariff Order has considered the inflation factor by taking weighted average of the WPI (2012 base) and CPI (2012 base) for FY 2014-15 in the ratio 45:55, in accordance with the JSERC Transmission Tariff Regulations, 2015.

4.5.5 In case of employee cost (excluding arrears on account of wage and terminal benefits) and A&G cost, the Hon'ble Commission has taken into account the inflation factor derived on

the basis of weighted average of the WPI and CPI (3.35%) and applied on approved O&M expenses for FY 2015-16.

4.5.6 The terminal benefits for FY 2016-17 had been approved same as that of FY 2015-16 and Hon'ble JSERC said in the Tariff Order that it shall be trued after submission of audited accounts for FY 2016-17.

4.5.7 For R&M expenses, the Commission has adopted the methodology as specified in the Tariff Regulations, 2015. The Commission considered k-Factor of 2.23% which was arrived in Tariff Order dated 14th December 2015. The same k-Factor was applied on the opening GFA for FY 2016-17 for arriving at R&M expenses.

4.5.8 As per the prescribed Regulations O&M cost consist of the following parameters

"7.34 Operation and Maintenance (O&M) expenses shall comprise of the following:

(a) Salaries, wages, pension contribution and other employee costs;

(b) Administrative and General costs;

(c) Repairs and maintenance expenses; and

(d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax)....."

4.5.9 JUSNL now submits that the actual expenses for employee, A&G and R&M incurred during the year for claiming truing up of O&M expense for FY 2016-17.

4.5.10 The following table shows the approved O&M expenses vis-à-vis actual O&M expenses as per audited annual accounts for FY 2016-17.

Table 17: Operation and Maintenance Expenses for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Employee Cost	37.62	45.86
Administrative and General Cost	8.47	9.01
Repairs and Maintenance Cost	26.51	24.40
Total Operations and Maintenance Cost	72.60	79.27

- 4.5.11 **Employee Expenses:** The increase in employee expenses is higher as compared to approved, since the escalation considered by Hon'ble JSERC in last tariff order was only 3.35%, much less as compared to the actual increase in salaries and employee benefits. It is to be highlighted that the employee expenses were well below the approved expenses during FY 2015-16. It is also to be noted that the actual terminal benefits for FY 2016-17 were on a lower side even after approving the terminal benefits as per Tariff Order dated 14th December 2015.
- 4.5.12 **The Hon'ble Commission is requested to kindly approve the employee expenses of Rs. 45.86 Crores for FY 2016-17 as against employee expense of Rs. 37.62 Crores approved in Tariff Order dated 24th February 2018.**
- 4.5.13 **Administrative and General Expenses:** The administrative and general expenses incurred during FY 2016-17 is almost in line with the expenses approved by JSERC in Tariff Order dated 24th February 2018.
- 4.5.14 **The Hon'ble Commission is therefore, requested to kindly approve the administration and general expenses of Rs. 9.01 Crores for FY 2016-17 as against A&G expense of Rs. 8.47 Crores approved in Tariff Order dated 24th February 2018.**
- 4.5.15 **Repairs and Maintenance:** JUSNL has submitted that Rs. 24.40 Crores is actual expenses incurred by JUSNL against that approved by Commission of Rs. 26.51 Crores.
- 4.5.16 JUSNL submits that the repairs and maintenance expenses include procurement expenses as well as labour charges for repairs.
- 4.5.17 JUSNL has been able to control its R&M expenses for FY 2016-17 with respect to the approved numbers, even after having a higher asset base on actual basis as compared to approved. JUSNL has worked on its efficiency and reduced the cost to such extent.
- 4.5.18 The savings with respect to repairs and maintenance expenses can be shared with the consumers as specified in the Regulations.

4.5.19 The Hon'ble Commission is therefore requested to kindly approve repairs and maintenance expenses of Rs. 24.40 Crores for FY 2016-17 as against Rs. 26.51 Crores approved in Tariff Order dated 24th February 2018.

4.5.20 The Commission is therefore requested to kindly approve Rs. 79.27 Crores as O&M expenses against Rs.72.60 Crores approved by Commission Tariff Order dated 24th February 2018.

4.6 Depreciation

4.6.1 The Hon'ble Commission has determined asset-wise depreciation with additions in asset during the year considered as per the approved capitalization for the year. The depreciation rates for the various asset classes have been considered as per the Transmission Tariff Regulations, 2015.

4.6.2 The existing Provisions in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 provides the method for calculation of the Depreciation on GFA and it given as;

“7.25 Depreciation shall be calculated for each year of the Tariff period, on the amount of Capital Cost of the assets admitted by the Commission; Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant:

7.25 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

4.6.3 JUSNL has calculated depreciation in annual accounts based on the above mentioned provisions. The depreciation expense are higher than that approved in Tariff Order dated 24th February 2018. The deviation is due to difference in asset base of JUSNL reflecting in audited accounts (opening GFA) and the asset base approved by JSERC in its Tariff Order.

4.6.4 The following table shows the depreciation claimed by JUSNL as per audited annual accounts against that approved by the Hon'ble Commission in last Tariff Order.

Table 18: Depreciation Expenses for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Depreciation	54.03	72.18

4.6.5 JUSNL therefore requests the Hon'ble Commission to kindly approve the actual depreciation expense of Rs. 72.18 Crores derived on the basis of actual asset base of JUSNL for FY 2016-17.

4.7 Interest and Loan capital

4.7.1 The Commission in its previous Tariff Order had computed the interest on normative loan as per the appropriate Regulations specified in Transmission Tariff Regulations, 2015.

4.7.2 The closing balance of normative loan for FY 2015-16 was considered as opening balance of normative loan for FY 2016-17 as approved in last Tariff Order.

4.7.3 The repayments for the year were considered equal to depreciation and weighted average interest rate considered for FY 2016-17 was 13%.

4.7.4 The provisions for the calculations of the Interest on Loan capital in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 provides the details and description of the calculation of the interest on loan capital.

4.7.5 JUSNL had claimed interest on loan of Rs. 170.66 Crores against that approved amount of Rs. 73.35 Crores.

4.7.6 JUSNL submits that all the capital expenditure carried out is funded through State Government loan. The contribution of State Government loan to all the existing projects is 90% and carries an interest cost of 13%. JUSNL has not availed any loan from any other institution in FY 2016-17.

4.7.7 The difference in disallowance of capital expenditure and capitalization in last Tariff Order has resulted in huge deviation between the approved and actual interest on loan expenses. JUSNL submits that all the asset are funded through the state loan and therefore it is requested to kindly allow such legitimate expenses.

4.7.8 The following table shows the interest on loan claimed by JUSNL against that approved in last Tariff Order.

Table 19: Interest on Loan Expenses for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Interest on Loan	73.35	170.66

4.7.9 Hence JUSNL requests the Hon'ble Commission to kindly approve the actual expense of Rs. 170.66 Crores with respect to interest on loan expense for FY 2016-17.

4.8 Interest on Working Capital

4.8.1 The Commission had worked out interest on working capital based on the provisions of Tariff Regulations in last Tariff Order. The following extract shows the methodology for determination of interest on working capital.

"7.31 The Commission shall determine the Working Capital requirement containing the following components:

Maintenance spares @ 15% of the O&M expenses specified in clauses 7.33- 7.36 of these Regulations;

Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and

Operation and Maintenance expenses for one month...."

Interest on Working Capital

7.32 Rate of interest on working capital shall be on normative basis and shall be considered equal to the base rate of State Bank of India as on 30th 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

7.33 The interest on working capital shall be payable on normative basis notwithstanding that the Transmission Licensee has not taken working capital loan from any outside agency...."

4.8.2 JUSNL has calculated interest on working capital based on the provisions prescribed as above in Transmission Tariff Regulations, 2015. JUSNL has taken maintenance spares at 15% of actual O&M expenses as claimed in this Petition for FY 2016-17.

4.8.3 Further O&M expenses of one month is considered and receivables equivalent to ARR for FY 2016-17 has been considered. The interest rate considered is the SBI base rate as on April 1 for FY 2016-17.

4.8.4 The following table shows the calculation of interest on working capital for FY 2016-17 vis-a-vis approved by the Hon'ble Commission in last Tariff Order.

Table 20: Interest on Working Capital Expenses for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
O&M expenses for one month	6.05	6.61
Maintenance Spares (15% of O&M Expense)	10.89	11.89
Receivables equivalent to 2 months of transmission charges	43.85	86.56
Total Working Capital Requirement	60.79	105.06
Interest Rate	12.80%	12.80%
Interest on Working Capital	7.78	13.45

4.8.5 JUSNL requests the Hon'ble Commission to kindly approve the normative expenses of Rs. 13.45 Crores on account of interest on working capital as per the notified in JSERC Transmission Tariff Regulations, 2015.

4.9 Return on Equity

4.9.1 JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 briefs about the calculations of the Return on Equity, which is provided in the following manner:

"7.12 Return on equity shall be computed on pre-tax basis at the base rate of 15.50% applicable only for those Transmission systems which meet the norms of operation specified under clause 8.3 of these Regulations to be grossed up as per clause 7.13 of these Regulations.

Provided that return on equity with respect to the actual base rate applicable to the Transmission Licensee, in line with the performance of the respective Transmission System for the respective year during the Control period shall be trued up separately for each year of the Control period along with the tariff petition filed for the next Control period.

Provided that in case of Projects commissioned on or after 1st April, 2016, an additional return of 0.5% shall be allowed if such Projects are completed within the timeline specified in Appendix-II to these Regulations:

Provided further that the additional return of 0.5% shall not be admissible if the Project is not completed within the timeline specified above for reasons whatsoever.

7.13 The rate of return on equity shall be computed by grossing up the base rate with the applicable tax rate for the year applicable to the Transmission Licensee.

Provided that return on equity with respect to the actual tax rate applicable to the Transmission Licensee, in line with the provisions of the relevant Finance Acts of the respective year during the Control period shall be trued up separately for each year of the Control period along with the tariff petition filed for the next Control period.

7.14 Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where 't' is the applicable tax rate in accordance with clause 7.13 of these Regulations

- 4.9.2 JUSNL has computed Return on Equity based on the provisions prescribed above in the JSERC Transmission Tariff Regulations, 2015. JUSNL has considered opening balance of equity as Rs. 972.96 Crores and closing balance of Rs. 972.96 Crores for FY 2016-17 as reflecting in the annual audited accounts.
- 4.9.3 It is submitted that the amount under Restructuring for Pending Adjustment is the amount which is to be received by JUSNL from the State Government in the form of Equity. The amount is reflecting in the balance sheet of JUSNL after gazette notification of transfer scheme by the State Government.
- 4.9.4 The amount is to be treated as equity pending to be received from State Government and therefor JUSNL has calculated return on equity on the same amount. JUSNL has been continuously following up with the State Government for release of this amount as Equity.
- 4.9.5 JUSNL has worked out average equity balance based on the opening equity and the equity addition during the year. The applicable return on equity has been calculated on average equity balance of JUSNL as per MYT regulation, 2015.

Table 21: Return on Equity for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Opening Equity	357.23	972.96
Equity Additions during the year	-	-
Closing Equity	357.23	972.96
Rate of Return on Equity	15.50%	15.50%
Return on Equity	55.37	150.81

4.9.6 JUSNL requests the Hon'ble Commission to approve the return of equity of Rs. 150.81 Crores for 2016-17.

4.10 Non-Tariff Income

4.10.1 The following are the provisions for the computation of the Non-Tariff Income for the transmission Utility as notified in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015.

“7.38 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, miscellaneous receipts from the Beneficiaries and income to Licensed business from the Other Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee....”

4.10.2 In line with the above Regulations, JUSNL has claimed Non-Tariff Income of Rs. 10.11 Crores as against approved number of Rs. 5.90 Crores in last tariff Order

Table 22: Non-Tariff Income for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Non-Tariff Income	5.90	10.11

4.10.3 JUSNL requests the Hon'ble Commission to approve the actual non-tariff income of Rs. 10.11 Crores for FY 2016-17.

4.11 Incentive for Transmission Availability

4.11.1 The Transmission Tariff Regulations, 2015 allows Transmission Company to claim incentive on transmission system availability above the threshold level of 98.5%. The relevant extract is given as follows.

“8.7 The transmission charge (inclusive of incentive) payable for a calendar month for a Transmission System or part thereof shall be

AFC x (NDM / NDY) x (TAFM / NATSAF)

Where,

AFC = Annual fixed cost specified for the year, in Rupees;

NATSAF = Normative annual transmission availability factor, in per cent specified in clause 8.3 of these Regulations;

NDM = Number of days in the month;

NDY = Number of days in the year; and

TAFM = Transmission system availability factor for the month, in Percent, computed in accordance with Appendix -III to these Regulations....”

4.11.2 In view of the above Regulations and being in line with the formula given above, JUSNL has claimed an incentive of **Rs. 43.12 Crores** based on availability of 99.51% for the entire year of FY 2016-17.

4.11.3 The Hon'ble Commission is requested to kindly approve **Rs. 43.12 Crores** as an incentive for transmission availability in the ARR for FY 2016-17 in line with the specified Regulations.

4.12 Aggregate Revenue Requirement

4.12.1 This section comprise of different components of the Aggregate Revenue Requirement as per the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2015 and as audited accounts for the FY 2016-17.

4.12.2 The following table shows the summary of expenses for FY 2016-17 that are discussed in the above sections of this chapter.

Table 23: Aggregate Revenue Requirement for FY 2016-2017 (Rs. Crores)

Particulars (Rs. Crores)	FY 2016-17		
	Approved	Actual	Deviation
Employee Cost	37.62	45.86	- 8.24
Administrative and General Cost	8.47	9.01	- 0.54
Repairs and Maintenance Cost	26.51	24.40	2.11
<i>Total Operations and Maintenance Cost</i>	<i>72.60</i>	<i>79.27</i>	<i>- 6.67</i>
Interest and Finance Charges	73.35	170.66	- 97.31
Interest on Working Capital	7.78	13.45	- 5.67
Depreciation	54.03	72.18	- 18.15
Total Cost	207.76	335.56	- 127.80
Add: Return on Equity	55.37	150.81	- 95.44
Less: Non-Tariff income	5.90	10.11	4.21
Add Incentive for Transmission Availability	-	43.12	
Net Aggregate Revenue Requirement	257.23	519.39	- 262.15

4.12.3 Hon'ble JSERC is therefore requested to kindly approve ARR for FY 2016-17 at Rs. 519.39 Crores as against Rs. 257.23 Crores approved in last Tariff Order.

4.13 Revenue from Existing Tariff

4.13.1 The following table shows the comparison of approved revenue for FY 2016-17 against the actual revenue earned during FY 2016-17 as per audited annual accounts.

Table 24: Revenue at Existing Tariff for FY 2016-2017 (Rs. Crores)

Particulars	Approved	Actual
Revenue at Existing Tariff	257.23	189.96

4.13.2 The Hon'ble Commission is therefore requested to kindly approve the revenue of Rs. 189.96 Crores as against Rs. 257.23 Crores approved in last tariff Order for FY 2016-17.

4.14 Sharing of Gains and Losses for FY 2016-17

4.14.1 Regulation 6.16, 6.17 and 6.18 provides for sharing of gains and losses on account of approved and actual expenses for each year of the Control Period. The relevant extracts are as given below.

"6.16 The true up across various controllable parameters shall be conducted as per principles stated below: ...

-6.17 For controllable parameters,

(a) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(b) at the end of the control period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.

6.18 Notwithstanding anything contained in these Regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission....”

4.14.2 **Based** on the above provisions, JUSNL has carried out sharing of gains and losses on account of controllable/uncontrollable parameters for arriving at True Up amount of FY 2016-17.

Table 25: Sharing of Gains and Losses for FY 2016-2017 (Rs. Crores)

Particulars	FY 2016-2017			
	Approved	Actual	Gains	Losses
Employee Cost	37.62	45.86		8.24
Administrative and General Cost	8.47	9.01		0.54
Repairs and Maintenance Cost	26.51	24.40	2.11	
Interest and Finance Charges	73.35	170.66		97.31
Interest on Working Capital	7.78	13.45		5.67
Depreciation	54.03	72.18		18.15
Return on Equity	55.37	150.81		95.44
Non-Tariff income	5.90	10.11	4.21	
Incentive on Availability	-	43.12		43.12
ARR	257.23	519.39		
Revenue at Existing Tariff	257.23	189.96		67.27
Gap (surplus)	0.00	329.42	6.31	335.74

4.14.3 As seen from the above table, the overall gap for FY 2016-17 is **Rs. 329.42 Crores**.

**4.14.4 The Hon'ble Commission is therefore requested to kindly approved revenue gap of Rs.
329.42 Crores for FY 2016-17 on account of final true up for FY 2016-17.**

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5 Chapter 5: ARR FOR THE FY 2017-18 AND FY 2018-19

5.1 Preamble

5.1.1 This section outlines the estimation of expenses to project ARR for the FY 2017-18 and FY 2018-19.

5.1.2 In line with the provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, JUSNL hereby submits the revised ARR petition for FY 2017-18 and FY 2018-19 based on the actual parameters of previous years of FY 2015-16 and FY 2016-17. The estimated expenses are compared with the expense approved by the Hon'ble Commission vide Multi Year Tariff Order case no. 03 of 2017 dated 24th February 2018.

5.2 Aggregate Revenue Requirement of FY 2017-18 and FY 2018-19

5.2.1 JUSNL submits that Hon'ble JSERC has issued Tariff Order dated 24th February 2018 for JUSNL wherein it has determined ARR for second control Period from FY 2016-17 to FY 2020-21. The tariff was determined for FY 2016-17 effective from date of issuance of MYT order.

5.2.2 In the aforesaid Order JSERC has also directed JUSNL to submit revised ARR for FY 2017-18 and FY 2018-19 along with True Up of FY 2015-16 and FY 2016-17. The relevant extract of the Tariff Order is given as below.

“7.21 The Commission directs the Petitioner to file True up Petition for FY 2015-16, FY 2016- 17 and ARR petition for FY 2017-18 and FY 2018-19 in next two months from the issue of this order. The Commission directs the Petitioner to submit CAG report of accounts of FY 2015-16 and FY 2016-17 along with the True up petition of FY 2015-16 and FY 2016-17.....”

5.2.3 In line with the above directions, JUSNL has filed the revised ARR for FY 2017-18 and FY 2018-19 and have compared the expenses with the number approved in MYT Order dated 24th February 2018.

5.2.4 In this chapter, JUSNL has proposed revised tariff for FY 2018-19, after considering revenue gap of FY 2015-16, FY 2016-17 after true up and revenue gap of FY 2017-18 and FY 2018-19 at existing tariff.

5.3 Capital expenditure and Capitalization

5.3.1 JUSNL has estimated capital expenditure and capitalization for FY 2017-18 and FY 2018-19 based on the capital investment plan approved by Hon'ble Commission vide Tariff Order dated 24th February 2018.

5.3.2 The following are the provision of JSERC Tariff Regulations 2015 for truing up/midterm review of capital expenditure and capitalization.

“6.12 The Commission shall also conduct a mid-term review at the end of second year of the Control Period. In case, the cumulative incurred capital expenditure and/or capitalisation deviates from the approved capital expenditure / capitalisation by more than 20% (cumulative), the Commission will make necessary changes to capital investment plan for the Control Period after consultation with Licensee and adjust depreciation and financing cost, which includes cost of debt (interest), working capital interest, cost of equity (return) based on the actual capital expenditure and/or capitalisation vis-à-vis approved capital expenditure / capitalisation;

Provided that the actual capital expenditure incurred shall be only for the schemes as per the approved Capital Investment plan.....”

5.3.3 As per the above provisions the Hon'ble Commission shall review the estimated capital expenditure and capitalization vis-à-vis approved numbers and accordingly provide for expenses such as depreciation interest and return on equity. The expenses incurred shall necessarily be against the approved capital investment plan.

5.3.4 JSERC in its last tariff Order has also mentioned that the capital expenditure shall be reviewed after end of each year of Control Period. The extracts are as follows

“5.47 The Commission shall review the actual capital expenditure incurred and capitalisation at the end of each year of the Control Period vis-à-vis the approved capital expenditure and capitalisation schedule....”

5.3.5 The detailed list of ongoing schemes (JUSNL and PGCIL) against which capital expenditure and capitalization is estimated for FY 2017-18 and FY 2018-19 is attached as **Annexure G**.

5.3.6 It is submitted that, the capital expenditure estimated to be incurred during FY 2017-18 and FY 2018-19 was only against those projects/scheme which are acknowledged by the Hon'ble Commission in Tariff Order dated 24th February 2018.

5.3.7 The estimated capital expenditure and capitalization is attached as **Annexure H**.

5.3.8 The following table shows the capital expenditure and capitalization that has estimated during both the year against the approved capital expenditure and capitalization.

Table 26: Capital Expenditure for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Ongoing (JUSNL)	897.08	987.48	546.84	580.47
Ongoing (PGCIL)	286.95	153.47	38.70	102.87
Planned Schemes				
DVC	175.62	-	581.03	166.01
World Bank	290.95	-	1,483.76	710.68
TOTAL Capital Expenditure	1,650.60	1,140.95	2,650.33	1,560.02

Table 27: Capitalization for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Ongoing (JUSNL)	170.36	270.50	820.57	1,507.04
Ongoing (PGCIL)	798.66	129.77	102.01	770.89
Planned Schemes				
DVC	-	-	-	-
World Bank	-	-	-	-
TOTAL Capitalization	969.02	400.27	922.58	2,277.93

5.3.9 JUSNL has estimated capitalization for FY 2017-18 and FY 2018-19 based on the current status on each of the schemes and expected date of completion of projects. JUSNL expects to complete all its existing projects (JUSNL and PGCIL) by end of FY 2018-19 and hence considerable amount of capitalization is projected in that year.

5.3.10 The Commission in its MYT order dated 24th February 2018 had provisionally approved capital expenditure of Rs. 1650.60 Crores for FY 2017-18 and Rs. 2,650.33 Crores for FY 2018-19 against which the capital expenditure now proposed is Rs. 1,140.95 Crores for FY 2017-18 and Rs. 1,560.02 Crores for FY 2018-19.

5.3.11 In case of capitalization, JSERC had approved Rs. 969.02 Crores and Rs. 922.58 Crores for FY 2017-18 and FY 2018-19 respectively. The estimated capitalization is Rs. 400.27 Crores and Rs. 2,277.93 Crores for FY 2017-18 and FY 2018-19 respectively.

5.3.12 The Hon'ble Commission is therefore requested to kindly approve Rs. 1,140.95 and Rs. 1,560.02 Crores as capital expenditure and Rs. 400.27 Crores and Rs. 2,277.93 Crores as capitalization for FY 2017-18 and FY 2018-19 respectively.

5.4 Gross Fixed Asset

5.4.1 The Commission in its last tariff Order dated 24th February 2018, has determined the opening balance of GFA for FY 2017-18 based on the closing balance approved for FY 2016-17.

5.4.2 JUSNL has now claimed opening GFA for FY 2017-18 in line with the closing GFA of FY 2016-17 as reflecting in the audited annual accounts for FY 2016-17. The following table shows the opening and closing balance of GFA for FY 2017-18 and FY 2018-19 and estimated capitalization as shown in the previous sections.

Table 28: Gross Fixed Asset for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Opening Gross Fixed Assets (GFA)	1,317.90	1,408.74	2,286.91	1,809.01
Addition in GFA	969.01	400.27	922.58	2,277.93
Closing GFA	2,286.91	1,809.01	3,209.49	4,086.94
Less Accumulated Depreciation		572.02		726.65
Net Fixed Assets (NFA)		1,236.99		3,360.29

5.4.3 The Hon'ble Commission is therefore requested to approve closing GFA of Rs. 1,809.01 Crores and Rs. 4,086.94 Crores for FY 2017-18 and FY 2018-19 as given the table above.

5.5 Operations and Maintenance expenses

5.5.1 The Operation and Maintenance (O&M) costs of the licensee include the following;

- Employee Expenses (EE)
- Administration and General Expenses (A&G)
- Repair and Maintenance expenses (R&M)

5.5.2 The JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 define O&M expenses as follows.

“2.1 (33) Operation and Maintenance expenses” or “O&M expenses” means the expenditure incurred on operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

5.5.3 The Commission in its last tariff Order has considered the inflation factor by taking weighted average of the WPI (2012 base) and CPI (2012 base) on FY 2015-16 in the ratio 45:55, in accordance with the JSERC Transmission Tariff Regulations, 2015.

5.5.4 In case of employee cost (excluding arrears on account of wage and terminal benefits) and A&G cost, the Hon'ble Commission has taken into account the inflation factor derived on the basis of weighted average of the WPI and CPI (3.35%) and applied on approved O&M expenses for FY 2016-17.

5.5.5 The terminal benefits for FY 2017-18 and FY 2018-19 had been approved same as that of FY 2016-17.

5.5.6 For R&M expenses, the Commission has adopted the methodology as specified in the Tariff Regulations. The Commission considered k-Factor of 2.23% which was arrived in Tariff Order dated 14th December 2015. The same k-Factor was applied on the opening GFA for FY 2017-18 and FY 2018-19 for arriving at R&M expenses.

5.5.7 As per the prescribed Regulations O&M cost consist of the following parameters

“7.34 Operation and Maintenance (O&M) expenses shall comprise of the following:

(a) Salaries, wages, pension contribution and other employee costs;

(b) Administrative and General costs;

(c) Repairs and maintenance expenses; and

(d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax).....”

5.5.8 JUSNL now has estimated expenses for employee, A&G and R&M for FY 2017-18 and FY 2018-19. JUSNL has adopted the methodology approved by JSERC in Tariff Order dated 24th February 2018.

5.5.9 The following table shows the approved O&M expenses vis-à-vis estimated O&M expenses as per audited annual accounts for FY 2017-18 and FY 2018-19.

Table 29: Operation and Maintenance Expenses for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Employee Cost	38.75	47.40	39.92	48.99
Administrative and General Cost	8.75	9.31	9.04	9.62
Repairs and Maintenance Cost	29.34	31.37	50.92	40.28
Total Operations and Maintenance Cost	76.84	88.08	99.88	98.89

5.5.10 Employee Expenses: JUSNL has estimated employee expenses for FY 2017-18 and FY 2018-19 based on the escalation arrived after calculating weighted average of WPI and CPI as per methodology adopted in Tariff Order dated 24th February 2018.

5.5.11 In view of the same, JUSNL has projected employee expenses of FY 2017-18 by applying an inflation rate of 3.35% as arrived in last Tariff Order on the actual employee expenses of FY 2016-17. Same inflation rate is applied to arrive employee expenses for FY 2018-19.

5.5.12 The Hon'ble Commission is requested to kindly approve employee expenses of Rs. 47.40 Crores and Rs. 48.99 Crores for FY 2017-18 and FY 2018-19 respectively.

5.5.13 Administrative and General Expenses: A&G expenses are also estimated on the basis of inflation rate of 3.35% arrived in last Tariff Order and applied on actual expenses of FY 2016-17. JUSNL has estimated Rs. 9.31 Crores and Rs. 9.62 Crores for FY 2017-18 and FY 2018-19. .

5.5.14 The Hon'ble Commission is therefore requested to kindly approve Rs. 9.31 Crores and Rs. 9.62 Crores for administration and general expenses for FY 2017-18 and FY 2018-19 respectively.

5.5.15 Repairs and Maintenance: As specified in the Regulations, R&M expenses are to be projected by applying k-Factor on the Opening GFA for that particular year. JUSNL has

projected R&M expenses in line with the Regulations and applied k-Factor of 2.23% on the opening GFA of FY 2017-18 and FY 2018-19.

5.5.16 It is submitted that the k-factor of 2.23% arrived in this Petition is on the basis of that approved in Tariff Order dated 24th February 2018.

5.5.17 The Commission is therefore requested to kindly approve Rs. 31.37 Crores and Rs. 40.28 Crores as repairs and maintenance expenses for FY 2017-18 and FY 2018-19, respectively.

5.5.18 The Hon'ble Commission is therefore requested to kindly approve Rs. 88.08 Crores and Rs. 98.89 Crores as O&M expenses for FY 2017-18 and FY 2018-19 respectively.

5.6 Depreciation

5.6.1 The Hon'ble Commission has determined asset-wise depreciation with additions in asset during the year considered as per the approved capitalization for the year. The depreciation rates for the various asset classes have been considered as per the Transmission Tariff Regulations, 2015.

5.6.2 The existing provisions in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 provides the method for calculation of the Depreciation on GFA and it given as;

"7.25 Depreciation shall be calculated for each year of the Tariff period, on the amount of Capital Cost of the assets admitted by the Commission; Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant:

7.25 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

5.6.3 JUSNL has calculated depreciation in annual accounts based on the above mentioned provisions. JUSNL has considered the opening balance of GFA for FY 2017-18 and FY 2018-19 as submitted in the above sections and additions in GFA equal to capitalization for FY 2017-18 and FY 2018-19.

- 5.6.4 Depreciation is estimated on rates provided for each asset class in the Tariff Regulations, 2015 and applied on respective assets. The following table shows the depreciation claimed by JUSNL against that approved by the Hon'ble Commission in last Tariff Order.

Table 30: Depreciation Expenses for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Depreciation	82.16	84.39	132.09	154.62

- 5.6.5 JUSNL therefore requests the Hon'ble Commission to kindly approve the depreciation expense of Rs. 84.39 Crores for FY 2017-18 and Rs. 154.62 Crores for FY 2018-19 derived on the basis of asset base of JUSNL for FY 2017-18 and FY 2018-19.

5.7 Interest on Loan capital

- 5.7.1 The Hon'ble Commission in its previous Tariff Order had computed the interest on normative loan as per the appropriate Regulations specified in Transmission Tariff Regulations, 2015.
- 5.7.2 The opening balance of normative loan for FY 2017-18 was considered as the closing balance of normative loan for FY 2016-17 and addition in loan balance was considered in line with the capitalization approved with no equity infusion.
- 5.7.3 The repayments for the year were considered equal to depreciation and weighted average interest rate considered for FY 2017-18 and FY 2018-19 were 13% and 5% respectively.
- 5.7.4 The provisions for the calculations of the Interest on Loan capital in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 provides the details and description of the calculation of the interest on loan capital.
- 5.7.5 JUSNL has considered opening loan balance for FY 2017-18 based on the closing loan balance of loan reflecting in annual accounts of FY 2016-17. The addition in loan is estimated as 90% of capitalization as per the funding pattern of JUSNL.
- 5.7.6 The following table shows the loan and equity additions considered for estimating interest expenses and ROE for FY 2017-18 and FY 2018-19.

Table 31: Loan and Equity Additions for FY 2017-18 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Loan Additions	969.01	360.24	922.57	2,050.14
Equity Additions	-	40.03	-	227.79

5.7.7 The repayments considered are equal to depreciation and the interest rate of 13% is considered as applicable in case of State Government loan.

5.7.8 JUSNL submits that all the capital expenditure carried out is funded through State Government loan. The contribution of State Government loan to all the existing/ongoing projects is 90% and carries an interest cost of 13%.

5.7.9 JUSNL has been making efforts to avail loan from lenders other than the State Government at a cheaper interest rate. In this regard, JUSNL has approached NABARD for funding projects in DVC command area. NABARD has also accorded approval for loan sanction at lower interest rate. The effect of low interest rate can only be seen in FY 2019-20 and corresponding future years.

5.7.10 In FY 2017-18 and FY 2018-19, JUSNL expects to complete all its ongoing projects which are funded by State Government at 13% interest rate. Therefore JUSNL has estimated interest expenses at 13% for both the years.

5.7.11 It is also submitted that JUSNL will continue its efforts to reduce the rate of interest for future years.

5.7.12 The following table shows the interest on loan claimed by JUSNL against that approved in last Tariff Order.

Table 32: Interest on Loan Expenses for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Actual	Approved	Actual
Interest on Loan	135.75	301.51	94.14	458.19

5.7.13 Hence JUSNL requests the Hon'ble Commission to kindly approve the interest expense of Rs. 301.51 Crores and Rs. 458.19 Crores for FY 2017-18 and FY 2018-19 respectively.

5.8 Interest on Working Capital

5.8.1 The Commission had worked out interest on working capital based on the provisions of Tariff Regulations in last Tariff Order. The following extract shows the methodology for determination of interest on working capital:

"7.31 The Commission shall determine the Working Capital requirement containing the following components:

Maintenance spares @ 15% of the O&M expenses specified in clauses 7.33- 7.36 of these Regulations;

Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and

Operation and Maintenance expenses for one month...."

Interest on Working Capital

7.32 Rate of interest on working capital shall be on normative basis and shall be considered equal to the base rate of State Bank of India as on 30th 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

7.33 The interest on working capital shall be payable on normative basis notwithstanding that the Transmission Licensee has not taken working capital loan from any outside agency...."

5.8.2 JUSNL has calculated interest on working capital based on the provisions prescribed as above in Transmission Tariff Regulations, 2015. JUSNL has taken maintenance spares at 15% of actual O&M expenses as claimed in this Petition for FY 2017-18 and FY 2018-19.

5.8.3 Further O&M expenses of one month is considered and receivables equivalent to ARR for FY 2017-18 and FY 2018-19 has been considered. The interest rate considered is the SBI base rate as on April 1 for the respective years.

5.8.4 The following table shows the calculation of interest on working capital for FY 2017-18 and FY 2018-19 vis-à-vis approved by the Hon'ble Commission in last Tariff Order.

Table 33: Interest on Working Capital Expenses for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
O&M expenses for one month	6.40	7.34	8.32	8.24
Maintenance Spares (15%of O&M Expense)	11.53	13.21	14.98	14.83
Receivables equivalent to 2 months of transmission charges	60.02	105.57	65.47	149.03
Total Working Capital Requirement	77.95	126.12	88.77	172.10
Interest Rate	12.80%	12.80%	12.80%	0.13
Interest on Working Capital	9.98	16.14	11.36	22.03

5.8.5 JUSNL request' the Hon'ble Commission to kindly approve the normative expenses of Rs. 16.14 Crores and Rs. 22.03 Crores on account of interest on working capital for FY 2017-18 and FY 2018-19 respectively as per the notified in JSERC Transmission Tariff Regulations, 2015.

5.9 Return on Equity

5.9.1 JUSNL has computed Return on Equity based on relevant clause, 7.13 of Transmission Tariff Regulations, 2015. JUSNL has considered opening balance of equity as Rs. 972.96 Crores for FY 2017-18 which is closing balance of FY 2016-17 as reflecting in the annual audited accounts.

5.9.2 JUSNL submits that the equity additions is in line with the 10% infusion of funding for asset addition during FY 2017-18 and FY 2018-19.

5.9.3 JUSNL has worked out average equity balance based on the opening and the equity addition during the year. The applicable return on equity has been considered on average equity balance of JUSNL.

Table 34: Return on Equity for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Actual	Approved	Actual
Opening Equity	357.23	972.96	357.23	992.98
Equity Additions during the year	-	40.03	-	227.79
Closing Equity	357.23	1,012.99	357.23	1,220.77
Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%
Return on Equity	55.37	153.91	55.37	171.57

5.9.4 JUSNL requests the Hon'ble Commission to approve the return of equity of Rs. 153.91 Crores and Rs. 171.57 Crores for 2017-18 and FY 2018-19 respectively.

5.10 Non-Tariff Income

5.10.1 The provisions for the computation of the Non-Tariff Income for the transmission Utility as notified in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015 is already produced in Section 4.10 of this Petition

5.10.2 JUSNL has adopted the methodology considered by Hon'ble Commission in Tariff Order dated 24th February 2018. JUSNL has applied escalation of 5% on the actuals of FY 2016-17 and arrived at non-tariff income for FY 2017-18 and FY 2018-19.

5.10.3 The following table shows the non-tariff income for FY 2017-18 and FY 2018-19 approved by JSERC and estimated by JUSNL.

Table 35: Non-Tariff Income for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars	FY 2017-18		FY 2018-19	
	Approved	Actual	Approved	Actual
Non-Tariff Income	6.20	10.61	6.51	11.14

5.10.4 JUSNL requests the Hon'ble Commission to approve the non-tariff income of Rs. 10.61 Crores and Rs. 11.14 Crores for FY 2017-18 and FY 2018-19 respectively.

5.11 Aggregate Revenue Requirement

5.11.1 This section comprise of different components of the Aggregate Revenue Requirement estimated as per the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2015.

5.11.2 The following table shows the summary of expenses for FY 2017-18 and FY 2018-19 that are discussed in the above sections of this chapter.

Table 36: Aggregate Revenue Requirement for FY 2017-2018 and FY 2018-19 (Rs. Crores)

Particulars (Rs. Crores)	FY 2017-18		FY 2018-19	
	Approved	Estimated	Approved	Estimated
Employee Cost	38.75	47.40	39.92	48.99
Administrative and General Cost	8.75	9.31	9.04	9.62
Repairs and Maintenance Cost	29.34	31.37	50.92	40.28
<i>Total Operations and Maintenance Cost</i>	<i>76.84</i>	<i>88.08</i>	<i>99.88</i>	<i>98.89</i>
Interest and Finance Charges	135.75	301.51	94.14	458.19
Interest on Working Capital	9.98	16.14	11.36	22.03
Depreciation	82.16	84.39	132.09	154.62
Total Cost	304.73	490.13	337.47	733.73
Add: Return on Equity	55.37	153.91	55.37	171.57
Less: Non-Tariff income	6.20	10.61	6.51	11.14
Net Aggregate Revenue Requirement	353.90	633.43	386.33	894.15

5.11.3 Hon'ble JSERC is therefore requested to kindly approve ARR of Rs. 633.43 Crores for FY 2017-18 and Rs. 894.15 Crores for FY 2018-19 as shown in the table above.

5.12 Revenue from Existing Tariff

5.12.1 Hon'ble JSERC has issued a MYT Order on 24th February 2018 revising the tariff to Rs. 0.25 paise per unit from Rs. 0.19 paise per unit approved in tariff order dated 14th December 2015.

5.12.2 JUSNL would like to submit that the MYT order was issued at the end of FY 2017-18 and therefore the consumers were charged at 19 paise per unit as per earlier approved tariff, during FY 2016-17 and FY 2017-18.

5.12.3 JUSNL would like to submit that the revised tariff can be made applicable only from March 2018 onwards. In this regard it is submitted that the revenue estimates for FY 2017-18 is based on the previous tariff order issued on 14th December 2015.

5.12.4 JUSNL has estimated wheeled energy separately for both JBVNL and Railways in accordance with the past historical trends using CAGR technique.

5.12.5 Following table shows the estimated energy that is to be wheeled from the system of JUSNL during FY 2017-18 and FY 2018-19.

Table 37: Estimation of Energy Wheeled from JUSNL system

Particulars	Actuals Mus			Estimated Mus	
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
JBVNL	8,257.08	8,507.89	9,758.17	10,608.14	11,532.15
CAGR considered				8.71%	8.71%
Railways			383.60	428.96	479.69
%increase				11.83%	11.83%
Total Wheeled Energy	8,257.08	8,507.89	10,141.77	11,037.11	12,011.84

5.12.6 JUSNL has considered actual wheeled energy from its system to service JBVNL from FY 2014-15 to FY 2016-17 and calculated 3 year CAGR of 8.71%. The CAGR was then applied on actual transmitted data of FY 2016-17 for estimation of wheeled energy for FY 2017-18 and FY 2018-19.

5.12.7 On similar lines, in case of Railways, actual billed MUs for FY 2016-17 and FY 2017-18 were taken for estimating wheeled energy for FY 2018-19.

5.12.8 The following table shows the comparison of approved revenue for FY 2017-18 against the estimated revenue as per above assumptions.

Table 38: Revenue at Existing Tariff for FY 2017-2018 (Rs. Crores)

Particulars	FY 2017-18	
	Approved	Estimated
Revenue at Existing Tariff	353.89	209.71

5.12.9 The Hon'ble Commission is therefore requested to kindly approve the revenue of Rs. 209.71 Crores for FY 2017-18 as shown in the table above.

5.13 Gap for FY 2017-18

5.13.1 JUSNL has estimated ARR for FY 2017-18 and FY 2018-19 in previous sections of this Chapter. In the above section, JUSNL estimated revenue from existing tariff for FY 2017-18. Based on the above the gap derived by JUSNL on existing tariff for FY 2017-18 is shown in the table below.

Table 39: Revenue Gap for FY 2017-2018 (Rs. Crores)

Particulars	FY 2017-18	
	Approved	Estimated
Estimation of ARR	353.90	633.43
Revenue at Existing Tariff	353.89	209.71
Revenue Gap/ (Surplus)	0.01	423.72

5.13.2 Hon'ble JSERC is requested to kindly allow revenue gap of Rs. 423.72 Crores for FY 2017-18.

5.14 Cumulative Revenue Gap with carrying cost in Tariff of FY 2018-19

5.14.1 The Commission is requested to allow revenue gap for FY 2015-16 and FY 2016-17 after truing up of expenses along with carrying cost considered as prescribed in the Regulations.

5.14.2 The Commission is also requested to allow revenue gap for FY 2017-18 after arriving at revised ARR along with carrying cost considered as prescribed in the Regulations.

5.14.3 The relevant extract of JSERC MYT Regulations, 2015 is as follows

“6.20 Similarly, in case the Tariff already recovered is less than the Tariff determined after true up, the Transmission Licensee shall recover from the Long-term transmission Beneficiaries, the under recovered amount along with simple interest at the rate equal to short term prime lending rate of State Bank of India as on 1st April of the respective Year/ Years subject to adhering to the timelines specified by the Commission for filing of True-up Application. In case,

it is found that the filing of True-up is delayed due to the reasons attributable to the Transmission Licensee, the under recovery shall not bear any interest.

5.14.4 In accordance with the above Regulations, JUSNL has considered the revenue gap of FY 2015-16, FY 2016-17 and FY 2017-18 along with carrying cost in ARR of FY 2018-19.

5.14.5 Following table shows the cumulative revenue gap of FY 2015-16, FY 2016-17 and FY 2017-18 along with the carrying cost arrived by JUSNL in this Petition.

Table 40: Cumulative revenue Gap along with carrying cost (Rs. Crores)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
Opening balance of Revenue Gap	-	321.31	722.42
Addition of Revenue Gap after truing up	299.24	329.42	423.72
Closing balance of Revenue Gap	299.24	650.73	1,146.14
SBI PLR Rate	14.75%	14.75%	14.75%
Carrying Cost on Revenue Gap	22.07	71.69	137.81
Total Revenue Gap including carrying cost	321.31	722.42	1,283.95
Cumulative Revenue gap			1,283.95
Add ARR for FY 2018-19			894.15
Revised ARR to be claimed for FY 2018-19			2,178.11

5.14.6 The Hon'ble Commission is therefore requested to kindly allow cumulative revenue gap along with carrying cost of Rs. 1,283.95 Crores in ARR of FY 2018-19.

5.14.7 Hon'ble Commission is requested to kindly approve ARR of Rs. 2,178.11 Crores for FY 2018-19 which also includes gaps and carrying cost of previous years.

5.14.8 The Hon'ble Commission is requested to kindly recover charges of Rs. 181.51 Crores on monthly basis during FY 2018-19 from JBVNL and Railways apportioned on the basis of the contract demand of each of the parties.

5.14.9 The Hon'ble Commission is also requested to kindly adjust the revenue gap of FY 2013-14 and FY 2014-15 as determined in the True Up and accordingly approve tariff for FY 2018-19, in addition to the tariff claimed in this Petition.

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6 Chapter 6: COMPLIANCE TO DIRECTIVES BY JSERC

6.1 Compliance to Directives in Tariff Order dated 24th February 2018

6.1.1 Following are the compliance/actions taken by JUSNL to the directives given by JSERC in Tariff Order dated 24th February 2018.

6.2 Directive 1 True up petition for FY 2015-16, FY 2016-17 and Tariff Petitions for FY 2017-18, FY 2018-19.

Direction given by JSERC

6.2.1 The Commission directs the Petitioner to file True up Petition for FY 2015-16, FY 2016-17 and ARR petition for FY 2017-18 and FY 2018-19 in next two months from the issue of this order. The Commission directs the Petitioner to submit CAG report of accounts of FY 2015-16 and FY 2016-17 along with the True up petition of FY 2015-16 and FY 2016-17.

Compliance by JUSNL

6.2.2 JUSNL submits that the current Petition is filed in line with the above directions. JUSNL has submitted true up of FY 2015-16 and FY 2016-17 and ARR for FY 2017-18 and FY 2018-19. JUSNL has also submitted the CAG report attached to this Petition as **Annexure C**. However CAG audit of FY 2016-17 is still pending and therefore the CAG report for FY 2016-17 shall be submitted at the earliest.

Direction given by JSERC

6.2.3 The Commission directs the Petitioner to address the exceptions raised by the Auditor in Accounts of FY 2015-16 in an appropriate manner so that reliable data is available and submit the steps taken to rectify these exceptions in the true up petition of FY 2015-16 and FY 2016-17.

Compliance by JUSNL

6.2.4 JUSNL submits that it has already taken steps to address the exceptions raised by the Auditor in Accounts of FY 2015-16 in an appropriate manner so that reliable data can be made available. The actions taken by JUSNL on the observations made by auditor in FY 2015-16 accounts is attached as **Annexure I** of this Petition.

Direction given by JSERC

6.2.5 The Commission directs the JUSNL to maintain asset/ property register showing details of nature of equipment, value of equipment, details of land, extent of land, buildings, etc. and

shall submit the details along with tariff petition to be filed every year from FY 2018-19 onwards.

Compliance by JUSNL

- 6.2.6 JUSNL submits that it has already initiated the process of appointing a consultant for maintain asset/ property register showing details of nature of equipment, value of equipment, details of land, extent of land, buildings, etc. JUSNL shall file the details every year from FY 2019-20 onwards.

6.3 Directive 2 Detailed Project Reports (DPR's)

Direction given by JSERC

- 6.3.1 The The Commission directs the Petitioner to submit remaining DPRs of World Bank scheme with cost benefit analysis in the subsequent tariff petition failing which the Commission shall be compelled to disallow the entire capitalization of World Bank funded schemes.

Compliance by JUSNL

- 6.3.2 The DPR's of World Bank schemes along with cost benefit analysis is attached as **Annexure J** of this Petition.

6.4 Directive 3 Strengthening of Transmission Network

Direction given by JSERC

- 6.4.1 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. Moreover, the Petitioner should ensure that before taking up any project/ capital expenditure, prior approval of the Commission should be sought in accordance with the Tariff Regulations and Regulatory Accounting principles, failing which penal action may be taken.

Compliance by JUSNL

- 6.4.2 It is submitted that the planned schemes are falling under 3 categories namely:

- a. Projects in DVC command area
- b. Projects funded by World Bank
- c. Projects undertaken by PPP mode

All the projects under each of the following schemes are carried out in phased manner and in sync with the transmission planning for connectivity at both ends. This would ensure no asset is stranded for long time interval.

With respect to ongoing schemes which are carried out by JUSNL and PGCIL, it is submitted that all the schemes are in its completion phase and is expected to complete by end of FY 2018-19 thereby not keeping any asset unused.

Direction given by JSERC

- 6.4.3 The Commission also directs the petitioner to submit status of meters available and operational at various locations in the JUSNL grid as on 1st April 2017 in the format as under within next two months from issue of this order:

Compliance by JUSNL

- 6.4.4 The status of available and operational meters as per the format given in tariff Order is attached as **Annexure K** of this Petition.

Direction given by JSERC

- 6.4.5 The Commission directs JUSNL to conduct energy accounting and audit of its transmission system based on the energy meters presently installed on monthly basis and submit copy of the report to the Commission by 20th of succeeding month. Such report for the month of April 2018 shall be sent to the Commission by 20th May, 2018:

Compliance by JUSNL

- 6.4.6 The energy accounting and energy audit report for the month of January 2018 is attached as **Annexure L** of this Petition. JUSNL shall submit such report on monthly basis to the Hon'ble Commission.

Direction given by JSERC

- 6.4.7 The Commission also directs the Petitioner to submit the status/ value of power transformer earthing every six (6) months to the Commission. The Petitioner should also submit the status of bus coupler bays at various voltage levels every six (6) months:

Compliance by JUSNL

- 6.4.8 JUSNL submits that it shall submit report on status of / value of power transformer earthing and status of bus coupler bays at various voltage levels at every six months starting from September 2018.

6.5 Directive 4 Projects under PPP mode

Direction given by JSERC

6.5.1 The Petitioner, in its Petition, had submitted that projects under PPP mode shall be selected through tariff based competitive bidding and the tariff shall be recovered directly by the agency from JBVNL. The Commission, at the moment, has not considered project under PPP mode as part of capital expenditure. Moreover, the submission of the Petitioner is vague and ambiguous. The Petitioner has not mentioned whether the infrastructure to be built under the PPP mode would be built by the private player on behalf of JUSNL or whether it would be built on behalf of JBVNL. In case it is to be built on behalf of JUSNL, which is the transmission licensee and caters to consumers other than JBVNL such as Open Access consumers, railways etc., and then contention of the recovery of charges directly by the private party from JBVNL is erroneous. Moreover, JUSNL should independently assess the requirement of the infrastructure backed by detailed studies besides assessing the business model to be adopted for entering into a PPP arrangement. In case the infrastructure is to be built as per requirement of JBVNL, the Commission observes that there is no mention of such infrastructure (and consequent payment of transmission charges) in the business plan of JBVNL for the period FY 2016-17 to FY 2020-21. Moreover, the role of JUSNL in such a case is also not clear. Due to lack of clarity, the Commission does not approve the submission of the Petitioner at this stage and directs it to submit to the Commission the requisite details as elucidated above, before chalking out any plan for such PPP participation.

Compliance by JUSNL

6.5.2 It is submitted that the projects identified under PPP mode are the projects for which funding is to be done by Private Players which are to be appointed after following the competitive bidding process for each of the projects/schemes. On selection of the successful bidder for execution of Transmission system, the Agency will enter into Transmission Service Agreement (TSA's) with JBVNL and pay transmission charges on the basis of bidding rate. The Agency shall also approach JSERC for approval of Transmission License and Transmission Service Agreement. The revised projects under PPP mode are attached as **Annexure M** to this Petition.

6.5.3 It is submitted that the Transmission planning as a STU comes under the preview of JUSNL. On the basis of demand requirement of JBVNL, JUSNL is supposed to propose and construct transmission lines and substation for efficient working of the Transmission system. JBVNL being a distribution Utility, cannot come up with the requirement of transmission lines and substations in the existing network of JUSNL. JUSNL therefore based on its Transmission plan is running the bid process management for

projects/schemes identified under PPP mode. On selection of successful bidder, the construction and recovery of charges shall be directly done by the Agency from JBVNL.

6.6 Directive 5 Re-financing of State Government Loans

Direction given by JSERC

6.6.1 The Commission observes that most of the schemes of the Petitioner are financed at 13% rate of interest which is higher than 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. The Petitioner is directed to submit along with the next tariff petition, the steps taken towards refinancing of these schemes and efforts made with the State Government to convert the loans from them to a viability gap funding/soft loan/grant/ equity.

Compliance by JUSNL

6.6.2 JUSNL submits that it has already initiated the process of availing cheaper loans from other institutions. In this regards, JUSNL has been in talks with NABARD to fund the schemes under DVC area instead of State Government Loan. The recent communication of JUSNL is attached as **Annexure N**. NABARD has agreed to fund almost 50% of the total scheme amount under DVC area. The interest rate of NABARD is almost ~4% less than the State government Loan.

6.6.3 It is to be submitted that the funding which is to be received from NABARD is for projects in DVC command area. JUSNL has not considered any capitalization of DVC area projects in FY 2017-18 and FY 2018-19 and hence there is no reduction of interest rate considered while calculating ARR for these years.

6.6.4 The effect of lower interest rate shall only be seen in FY 2019-20 onwards when these projects will be put to use after construction and hence shall be capitalized.

6.7 Directive 6 Segregation of SLDC

Direction given by JSERC

- 6.7.1 The Commission observes that the Petitioner has failed to submit segregated information for SLDC backed by documentary evidence/ accounts etc. The Commission directs the Petitioner to strictly segregate the SLDC function from its transmission business and maintain segregated audited accounts for the same. The Petitioner should submit a report on the same within two months of issuance of this Order.

Compliance by JUSNL

- 6.7.2 JUSNL submits that it has started segregating accounts for SLDC function from January 2017. JUSNL has submitted the trial balance of accounts for 3 months of FY 2016-17 (January 2017 to March 2017) attached as **Annexure O** of this Petition.

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7 Chapter 7: PRAYERS TO HON'BLE JSERC

7.1 Prayers to the Hon'ble Commission

7.1.1 The following are the list of prayers that have been put forth by JUSNL before the Hon'ble Commission.

1. Admit this True-Up Petition for FY 2015-16 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010.
2. Admit this True-Up Petition for FY 2016-17 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015.
3. Admit this ARR Petition for FY 2017-18 and FY 2018-19 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015.
4. Grant an expeditious hearing of this Petition.
5. Approve revenue gap after the True-Up for FY 2015-16 and FY 2016-17 to the extent claimed by the Petitioner in accordance with the submissions and rationale submitted in this Petition.
6. Approve revenue gap after the revised ARR for FY 2017-18 to the extent claimed by the Petitioner in accordance with the submissions and rationale submitted in this Petition
7. Approve ARR of **Rs. 2,178.11 Crores** for FY 2018-19 which includes cumulative revenue gap along of FY 2015-16 to FY 2017-18 along with carrying cost, in the subsequent Tariff Order to be issued by the Commission for JUSNL.
8. Consider revenue gap of FY 2013-14 and FY 2014-15 as approved in True Up, while approving tariff for FY 2018-19.
9. Issue appropriate directives for making applicable the Tariff determined for past period.
10. Condone any inadvertent omissions/errors/rounding off differences/shortcomings/deficiencies in the Petition and permit the Petitioner to add/modify/alter this filing and make further submissions as may be required at a future date.
11. Pass such further and other Orders, as the Hon'ble Commission may deem fit and appropriate, keeping in view the facts and circumstances of the Case.

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