

Jharkhand State Electricity Regulatory Commission



Order on True-up for
FY 2015-16 and FY 2016-17
for
Jharkhand Urja Sancharan Nigam Limited

Ranchi
December 30, 2020



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List of Abbreviations

Abbreviation	Description
A&G	Administrative and General
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
BSEB	Bihar State Electricity Board
Cr.	Crore
CWIP	Capital Work in Progress
DPR	Detail Project Report
FY	Financial Year
GFA	Gross Fixed Assets
GoI	Government of India
IoWC	Interest on Working Capital
JSEB	Jharkhand State Electricity Board
JSERC	Jharkhand State Electricity Regulatory Commission
JBVNL	Jharkhand Bijli Vitaran Nigam Limited
JUSNL	Jharkhand Urja Sancharan Nigam Limited
JUVNL	Jharkhand Urja Vikas Nigam Limited
JUUNL	Jharkhand Urja Utpadan Nigam Limited
MYT	Multi Year Tariff
NATSAF	Normative Annual Transmission System Availability Factor
NTI	Non-Tariff Income
O&M	Operation and Maintenance
R&M	Repair and Maintenance
RoE	Return on Equity
Rs.	Rupee
SBI	State Bank of India
SLDC	State Load Disptach Centre



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BEFORE

Jharkhand State Electricity Regulatory Commission, Ranchi

Case (Tariff) No.: 06 of 2018

In the matter of:

Petition

for

True-up for FY 2015-16 and FY 2016-17

In the matter:

Jharkhand Urja Sancharan Nigam Limited (JUSNL)

Dhurwa, Ranchi..... **Petitioner**

PRESENT

Shri. Rabindra Narayan Singh

Member (Engg.)

Shri. Pravas Kumar Singh

Member (Legal)

Order dated December 30, 2020

Jharkhand Urja Sancharan Nigam Limited (hereinafter referred to as JUSNL or the Petitioner) filed Petition on October 03, 2018. In this Petition, the Petitioner has prayed for Truing up for FY 2015-16 & FY 2016-17 and Annual Revenue Requirement for FY 2017-18 & FY 2018-19 for transmission of electricity in the State of Jharkhand.



A 1: INTRODUCTION

Jharkhand State Electricity Regulatory Commission

- 1.1 The Jharkhand State Electricity Regulatory Commission (hereinafter referred to as the 'JSERC' or the 'Commission') was established by the Government of Jharkhand under Section 17 of the Electricity Regulatory Commission Act, 1998 on August 22, 2002. The Commission became operational with effect from April 24, 2003.
- 1.2 The Government of Jharkhand vide its notification dated August 22, 2002 had defined the functions of JSERC as per Section 22 of the Electricity Regulatory Commission Act, 1998 to be the following, namely:
- (a) to determine the tariff for electricity, wholesale, bulk, grid or retail, as the case may be, in the manner provided in section 29;
 - (b) to determine the tariff payable for the use of the transmission facilities in the manner provided in section 29;
 - (c) to regulate power purchase and procurement process of the transmission utilities and distribution utilities including the price at which the power shall be procured from the generating companies, generating stations or from other sources for transmission, sale, distribution, and supply in the State;
 - (d) to promote competition, efficiency, and economy in the activities of the electricity industry to achieve the objects and purposes of this Act.
- 1.3 After the Electricity Act, 2003 came into force, the earlier Electricity Regulatory Commission Act of 1998 stands repealed and the functions of State Electricity Regulatory Commission are now defined under Section 86 of the Act.
- 1.4 In accordance with Section 86 (1) of the Act, the JSERC discharges the following functions:
- (a) determine the tariff for generation, supply, transmission, and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State:
Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;
 - (b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating



- companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- (c) facilitate intra-state transmission and wheeling of electricity;
 - (d) issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
 - (e) promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;
 - (f) adjudicate upon the disputes between the licensees and generating companies; and to refer any dispute for arbitration;
 - (g) levy fee for the purposes of this Act;
 - (h) specify State Grid Code consistent with the Grid Code specified under Clause (h) of sub-section (1) of Section 79;
 - (i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
 - (j) fix the trading margin in the intra-state trading of electricity, if considered, necessary;
 - (k) discharge such other functions as may be assigned to it under this Act.
- 1.5 The Commission has to also advise the State Government as per sub section 2 of Section 86 of the Act, on all or any of the following matters, namely:
- (a) promotion of competition, efficiency and economy in activities of the electricity industry;
 - (b) promotion of investment in electricity industry;
 - (c) reorganisation and restructuring of electricity industry in the State;
 - (d) matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.
- 1.6 The State Commission shall ensure transparency while exercising its powers and discharging its functions.
- 1.7 In discharge of its functions, the State Commission is also guided by the National Tariff Policy, 2016 as brought out by Government of India in compliance to Section 3 of the Act. The objectives of the National Tariff Policy are to:
- (a) ensure availability of electricity to consumers at reasonable and competitive rates;
 - (b) ensure financial viability of the sector and attract investments;



- (c) promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks;
- (d) promote competition, efficiency in operations and improvement in quality of supply;
- (e) Promote generation of electricity from Renewable sources;
- (f) Promote Hydroelectric Power generation including Pumped Storage Projects (PSP) to provide adequate peaking reserves, reliable grid operation and integration of variable renewable energy sources;
- (g) Evolve a dynamic and robust electricity infrastructure for better consumer services;
- (h) Facilitate supply of adequate and uninterrupted power to all categories of consumers;
- (i) Ensure creation of adequate capacity including reserves in generation, transmission and distribution in advance, for reliability of supply of electricity to consumers.

Jharkhand Urja Sancharan Nigam Limited (JUSNL)

- 1.8 The erstwhile Jharkhand State Electricity Board (JSEB) was constituted on March 10, 2001 under the Electricity (Supply) Act, 1948 as a result of the bifurcation of the erstwhile State of Bihar. Before that, the Bihar State Electricity Board (BSEB) was the predominant entity entrusted with the task of generating, transmitting and supplying power in the State.
- 1.9 The Energy Department, Government of Jharkhand, vide its Letter No. 1/Board-01-Urja-26/13-1745 dated 28th June 2013 unbundled the erstwhile JSEB into following companies:
 - (a) Jharkhand Urja Vikas Nigam Ltd (JUVNL) being the holding company;
 - (b) Jharkhand Urja Utpadan Nigam Ltd (JUUNL) undertaking the generation function of the erstwhile JSEB;
 - (c) Jharkhand Bijli Vitaran Nigam Ltd (JBVNL) undertaking the distribution function of the erstwhile JSEB;
 - (d) Jharkhand Urja Sancharan Nigam Ltd (JUSNL) undertaking the transmission function of the erstwhile JSEB.
- 1.10 Jharkhand Urja Sancharan Nigam Ltd. (herein after to be referred to as JUSNL or the Petitioner or erstwhile JSEB-Transmission function) has been incorporated under Indian Companies Act, 1956 pursuant to decision of Government of Jharkhand to reorganize erstwhile JSEB.
- 1.11 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



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, and is duly registered with the Registrar of Companies, Ranchi.

- 1.12 Jharkhand Urja Sancharan Nigam Ltd was incorporated on October 23, 2013 with the Registrar of Companies, Jharkhand, Ranchi and obtained Certificate of Commencement of Business on November 28, 2013.
- 1.13 The Petitioner is a Transmission Licensee under the provisions of the Electricity Act, 2003 (EA, 2003) having license to establish or operate transmission lines in the State of Jharkhand.
- 1.14 The Petitioner is functioning in accordance with the provisions envisaged in the Electricity Act, 2003 and is engaged in the business of Transmission of electricity to its consumers situated over the entire State of Jharkhand.

The Petitioner's Prayers

1.15 The Petitioner in this Petition had made following prayers before the Commission:

- Admit 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.
- Admit Annual Revenue Requirement Petition for FY 2017-18 and FY 2018-19 in accordance with the principle outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2015.
- Approve the gap arrived after True-up for FY 2015-16 and FY 2016-17 to the extent claimed by the Petitioner in accordance with the submission and rationale submitted in this Petition.
- Approve the revised ARR determined for FY 2017-18 and FY 2018-19 to the extent claimed by the Petitioner.
- 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.
- Consider revenue gap of FY 2013-14 and FY 2014-15 as approved in True-up, while approving tariff for FY 2018-19.
- To issue appropriate directives for making applicable such Tariff determined for past period.



- To 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.
- Pass such further and other Orders, as the Commission may deem fit and appropriate, keeping in view the facts and circumstances of the Case.

Scope of the Present Order

- 1.16 The Petitioner filed the current Petition for truing up of FY 2015-16 & FY 2016-17 and ARR for FY 2017-18 & FY 2018-19. As per JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015, the Petitioner is required to submit the ARR Petition for FY 2017-18 & FY 2018-19 latest by November 01, of preceding financial year.
- 1.17 Since, FY 2017-18 and FY 2018-19 is already completed, the Commission does not find it prudent to revise the tariff for the year at this stage. Hence, the Commission directs the Petitioner to submit the true up petition for FY 2017-18 and FY 2018-19.
- 1.18 The Commission in this Order has therefore approved only True-up for FY 2015-16 and FY 2016-17.
- 1.19 While approving this Order, the Commission has taken into consideration:
- (a) Material placed on record by the Petitioner;
 - (b) Provisions of the Electricity Act, 2003;
 - (c) Principles laid down in the National Electricity Policy;
 - (d) Principles laid down in the National Tariff Policy;
 - (e) Provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010;
 - (f) and JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015.
- 1.20 Accordingly, the Commission had scrutinized the Petition in detail and hereby issues the Order on Truing-up for FY 2015-16 and FY 2016-17.



A 2: PROCEDURAL HISTORY

Background

- 2.1 The Commission had issued Order on Annual Revenue Requirement for FY 2011-12 and FY 2012-13 for the Transmission Business of erstwhile JSEB on August 02, 2012.
- 2.2 The Commission had issued the Provisional Tariff Order on Review of Annual Revenue Requirement for FY 2013-14 (January 06, 2014 to March 31, 2014) & FY 2014-15 and Annual Revenue Requirement and Transmission Tariff for FY 2015-16 on December 14, 2015.
- 2.3 The Commission had issued the Order for the approval of Business plan and MYT for the 2nd Control period from FY 2016-17 to FY 2020-21 on February 24, 2018.
- 2.4 Further, the Commission in its Order dated February 01, 2019 has issued the True-up Order for FY 2013-14 (January 06, 2014 to March 31, 2014) and FY 2014-15. The Petitioner had filed a Review Petition on the above said Order dated February 01, 2019 which was disposed off by the Commission vide its Order dated December 03, 2020.
- 2.5 Meanwhile, the Commission via its Order dated February 24, 2018 had directed the Petitioner to file True-up petition for FY 2015-16 & FY 2016-17 and ARR for FY 2017-18 & FY 2018-19 within two months from the date of issuance of the Order. In view of the above direction, the Petitioner had submitted a prayer for extension of time of three months for filing of the Petition vide its letter no. 255 dated August 02, 2018.
- 2.6 In reply to above request, the Commission vide letter no. JSERC/Case(T) no. 17 of 2016 & 03 of 2017/299 approved extension upto October 2018 for filing the True-up petition for FY 2015-16 & FY 2016-17 and APR for FY 2017-18 & FY 2018-19 and also to submit all the compliance as per directives given by the Commission.
- 2.7 The Petitioner filed the current Petition for True-up for FY 2015-16 & FY 2016-17 and Annual Revenue Requirement for FY 2017-18 & FY 2018-19 before the Commission for approval on October 05, 2018.

Information Gaps in the Petitions

- 2.8 As part of tariff determination exercise, several deficiencies/information gaps were observed in the Petitions submitted by the Petitioner. The information gaps were pointed out and communicated to Petitioner vide letter no. JSERC/Case (Tariff) no. 06 of



- 2018/466 dated 05.12.2018 and letter no. JSERC/Case (Tariff) no. 06 of 2018/21 dated 12.04.2019.
- 2.9 The Petitioner submitted its response to the aforesaid letter and furnished additional data/information vide letter no. 388/JUSNL dated 24.12.2018, letter no. 154/JUSNL dated 30.04.2019, letter no. 162/JUSNL dated 10.05.2019 and letter no. 337/JUSNL dated 05.12.2019.
- 2.10 The Commission has scrutinized the additional data/information submitted and considered the same while passing this Order on the Petition filed by the Petitioner. The Commission has examined the replies and supporting documents as supplied by the Petitioner on the discrepancies pointed out to it only on material already on record in the Petitions filed by the Petitioner.
- 2.11 In order to provide adequate opportunity to all stakeholders and general public as mandated under Section 64 (3) of the Electricity Act 2003 and in relevant provisions of Regulation(s) framed by the Commission and in order to ensure transparency in the process of tariff determination, the Commission decided to conduct public hearings on August 13, 2020 by video conferencing in the Commission's Conference room in Ranchi for inviting comments/suggestion/objection.

Inviting Public Comments/Suggestions

- 2.12 The Commission directed the Petitioner to make available copies of the Petition to the members of general public on request, and also issued a public notice inviting comments/suggestions on the above said Petition.
- 2.13 The aforesaid public notice was issued by the Petitioner in various newspapers and a period of twenty one (21) days was given to the members of the general public for submitting their comments/suggestions.

Table 1: List of newspapers and dates of publication of Public Notice by the Petitioner

Newspaper	Edition Name	Version	Date of Publication
Times of India	Patna Edition	English	31.12.2019
Hindustan Times	Ranchi Edition	English	31.12.2019
Prabhat Khabar	Ranchi Edition	Hindi	31.12.2019
Dainik Bhaskar	Ranchi Edition	Hindi	31.12.2019
Poioneer	Ranchi Edition	English	01.01.2020
Times of India	Patna Edition	English	01.01.2020
Prabhat Khabar	Ranchi Edition	Hindi	01.01.2020



2.14 Subsequently, the Commission also issued a notice on its website www.jserc.org and in various newspapers for conducting the public hearing on the Petition filed by the Petitioner. The newspapers wherein the notice for public hearing was issued by the Commission are detailed hereunder:

Table 2: List of newspapers and dates of publication of Public Notice by the Commission

Newspaper	Date of Publication
Prabhat Khabar	30.07.2020 & 09.08.2020
Dainik Bhaskar	30.07.2020
Morning India	30.07.2020
Hindustan Times	30.07.2020 & 09.08.2020
Hindustan	09.08.2020
The Pioneer	09.08.2020

Submission of Comments/Suggestions and Conduct of Public Hearing

2.15 The public hearings was held on August 13, 2020 by Video Conferencing in the Commission's Conference room in Ranchi.

2.16 Comments/Suggestions on the Petition were received. The Comments/Suggestions of the Public, Petitioner's responses and Commission's views thereon are detailed in **Section A4** of this Order.



A 3: BRIEF FACTS OF THE PETITION

Truing up for FY 2015-16

3.1 The summary of True-up for FY 2015-16 as submitted by the Petitioner vis-à-vis that approved by the Commission in ARR Order for FY 2015-16 dated December 14, 2015 along with revenue detail is tabulated below.

Table 3: ARR for FY 2015-16 as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	ARR Order	Petition
O&M Expenses	63.02	66.37
Interest & Finance Charges	54.34	129.41
Interest on Working Capital	7.83	13.46
Depreciation	64.10	65.61
Net Prior Period Charges/Credits	-	-3.16
Return on Equity	45.96	150.92
Non-Tariff Income	4.93	5.62
Incentive for Transmission Availability	-	37.63
Aggregate Revenue Requirement	230.32	454.61
Revenue	129.60	155.37
Gap/(Surplus)	100.72	299.24

Truing up for FY 2016-17

3.2 The summary of True-up for FY 2016-17 as submitted by the Petitioner vis-à-vis that approved by the Commission in MYT Order dated February 24, 2018 along with revenue detail is tabulated below.

Table 4: ARR for FY 2016-17 as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
O&M Expenses	72.60	79.27
Interest & Finance Charges	73.35	170.66
Interest on Working Capital	7.78	13.45
Depreciation	54.03	72.18
Net Prior Period Charges/Credits	-	-
Return on Equity	55.37	150.81
Non-Tariff Income	5.90	10.11
Incentive for Transmission Availability	-	43.12
Aggregate Revenue Requirement	257.23	519.39
Revenue	257.23	189.96
Gap/(Surplus)	-	329.42



Aggregate Revenue Requirement for FY 2017-18 & FY 2018-19

3.3 The summary of ARR for FY 2017-18 & FY 2018-19 as submitted by the Petitioner vis-à-vis that approved by the Commission in MYT order for FY 2017-18 & FY 2018-19 dated February 24, 2018 is given below.

Table 5: ARR for FY 2017-18 & FY 2018-19 as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2017-18		FY 2018-19	
	MYT Order	Petition	MYT Order	Petition
O&M Expenses	76.84	88.08	99.88	98.89
Interest & 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
Return on Equity	55.37	153.91	55.37	171.57
Non-Tariff Income	6.20	10.61	6.51	11.14
Net Aggregate Revenue Requirement	353.90	633.43	386.33	894.15
Revenue	-	209.71	-	-
Gap/(Surplus)	-	423.72	-	-

Cumulative Revenue Gap

3.4 The following table shows the cumulative revenue gap as on March 31, 2018 along with carrying cost as submitted by the Petitioner.

Table 6: Cumulative Revenue Gap as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18
	Petition	Petition	Petition
Opening Balance of Revenue Gap	-	321.31	722.42
Addition of Revenue Gap after True-up	299.24	329.42	423.72
Closing Balance of Revenue Gap	299.24	650.73	1146.14
SBI PLR Rate	14.75%	14.75%	14.75%
Carrying Cost on Revenue Gap	22.07	71.69	137.81
Revenue Gap including Carrying Cost	321.31	722.42	1283.95
Cumulative Revenue Gap	-	-	1283.95
Add: ARR for FY 2018-19	-	-	894.15
ARR for FY 2018-19 including Gap of Previous Years	-	-	2178.11

3.5 Hence, the Petitioner requested the Commission to approve ARR of Rs. 2178.11 Crore for FY 2018-19, including Gap and carrying cost of the previous years.



A 4: PUBLIC CONSULTATION PROCESS

- 4.1 The Petition filed by the Petitioner evoked responses from several Stakeholders. The Public Hearing through Video Conferencing was held on August 13, 2020 to ensure maximum Public participation and transparency wherein Stakeholders put forth their comments and suggestions before the Commission in the presence of the Petitioner. The list of the attendees is attached as **Annexure-1** to this Order.
- 4.2 The Comments/Suggestion of the members of the Public along with the response thereon of the Petitioner and the views of the Commission are detailed hereunder:

Carrying out ARR for FY 2017-18 & FY 2018-19

Public Comments/Suggestions

- 4.3 The Stakeholder submitted that FY 2017-18 & FY 2018-19 is completed. Hence, the Petitioner plea for carrying out the ARR for FY 2017-18 & FY 2018-19 is of no importance at this juncture.

Petitioner's Response

- 4.4 The Petitioner submitted that the Petition is filed before the Commission and the Commission may take a view on it.

Views of the Commission

- 4.5 The Commission observed that there is delay on the Petitioner's part in timely filing the Petition. Since, FY 2017-18 & FY 2018-19 is completed, hence carrying out APR/ARR for such period carries no relevance. Hence, the Commission has undertaken only the True up for FY 2015-16 & FY 2016-17 in this Order and directs the Petitioner to file the True up Petition for FY 2017-18 & FY 2018-19 within 30 days from the date of this Order.

Careless approach of the Petitioner while filing the Petition

Public Comments/Suggestions

- 4.6 The Stakeholder observed there had been constant delay in filing the Petition by the Petitioner, which shows careless approach of the Petitioner.



Petitioner response

4.7 The Petitioner submitted utmost seriousness is taken while preparation the Petition. Further, the Petitioner is ready to provide any additional data required by the Commission while processing the Petition.

Views of the Commission

4.8 The Commission has gone through the submissions of the Stakeholder and the Petitioner and directs the Petitioner to file Tariff Petitions in a time bound manner.

Compliance of earlier directives issued by the Commission

Public Comments/Suggestions

4.9 The Stakeholder submitted that Commission should take into account that the Petitioner has not complied with the earlier directives issued by the Commission.

Petitioner response

4.10 The Petitioner submitted that the compliance of the directives issued by the Commission is submitted along with the Petition.

Views of the Commission

4.11 The Commission has gone through the submissions of the Stakeholder and the Petitioner. The detail of Commission's earlier Directives and Petitioner's compliance along with further Directions is dealt in Section A7.



A 5: TRUE-UP FOR FY 2015-16

- 5.1 The Petitioner has submitted the True-up petition for FY 2015-16 based on audited accounts taking into consideration the provision of JSERC (Term and Condition for determination of Transmission Tariff Regulation), 2010 and the methodology adopted by the Commission in the earlier Orders.
- 5.2 The Commission based on the provision of the JSERC Transmission Tariff Regulations, 2010 has now carried out true-up for FY 2015-16 taking into consideration:
- Audited (Statutory) accounts for FY 2015-16 and additional details submitted by the Petitioner;
 - JSERC Transmission Tariff Regulations, 2010;
 - Methodology adopted by the Commission in the earlier Orders:

Capital Expenditure & Capitalization

Petitioner's Submission

- 5.3 The Petitioner has considered the actual capital expenditure and capitalization as per audited accounts for trueing up of expenses for FY 2015-16.
- 5.4 The Commission in the Tariff Order dated December 14, 2015 had provisionally approved the opening balance of CWIP at Rs. 529.60 Crore for FY 2015-16. The Opening balance was considered equal to the closing balance for FY 2014-15 as approved by the Commission in its tariff Order dated December 14, 2015. The Petitioner submitted that the Commission had approved such opening balance in the absence of final transfer scheme notification. However, after notification of final transfer scheme the details of actual capital expenditure and capitalization is now available in the books of accounts of the Petitioner.
- 5.5 In accordance with audited accounts, the Petitioner submitted that they have incurred capital expenditure of Rs. 526.38 Crore and capitalization of Rs. 298.89 Crore in the FY 2015-16.
- 5.6 The Petitioner requested the Commission to kindly approve Rs. 526.38 Crore as capital expenditure and Rs. 298.89 Crore as capitalization for FY 2015-16 in line with the audited accounts of the Petitioner.
- 5.7 The following table shows the capital expenditure and capitalization incurred during the FY 2015-16 against the approved capital expenditure and capitalization.

Table 7: Capital Expenditure and Capitalization as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Opening CWIP	529.60	328.59
Capital Expenditure during FY	616.28	526.38
Asset Capitalization	404.92	298.89
Closing CWIP	740.96	556.08

5.8 The Petitioner has claimed the opening Gross Fixed Asset as per the audited accounts for FY 2015-16, after consideration of final transfer scheme. The following table shows the opening and closing balance of Gross Fixed Asset as per audited annual accounts against that approved by the Commission in its Tariff Order dated December 14, 2015.

5.9 The Petitioner further requested the Commission to approve the closing Gross Fixed Asset as Rs. 1365.43 Crore for FY 2015-16 as given in the table below.

Table 8: Gross Fixed Asset as submitted by Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Opening Gross Fixed Asset	785.84	1066.54
Capitalization during FY	404.92	298.89
Closing GFA	1190.76	1365.43

Commission's Analysis

5.10 It is observed that in the absence of scheme-wise details of capitalization, DPR's of the scheme, funding etc., the Commission had provisionally approved the capital expenditure as Rs. 616.28 Crore for FY 2015-16 in its Order dated December 14, 2015 based on the information submitted by the Petitioner.

5.11 The Commission vide its letter dated December 05, 2018 directed the Petitioner to provide Scheme-wise capitalization and its mode of financing. In compliance to Commission's query, the Petitioner vide its reply dated December 05, 2019 submitted the Scheme-wise detail of assets capitalization as Rs.298.25 Crore for FY 2015-16.

5.12 Subsequently, the Commission in the true-up Order dated February 01, 2019 for FY 2013-14 and FY 2014-15, did not approve any capital expenditure and capitalization for FY 2013-14 (6th Jan' 14 - 31st Mar' 14) & FY 2014-15, stating that all the schemes which have been submitted for capitalisation were not part of any planning exercise and without prior approval of the Commission. The Commission further directed the Petitioner to approach the State Government for converting any previous loans taken into grant.

- 5.13 The Commission had outlined the provisions related to Capital Investment Plan of the JSERC Transmission Tariff Regulation, 2010. The relevant clause is outlined below:

“Capital Investment Plan

6.7 The Commission shall approve the system augmentation plan submitted by the Transmission Licensee, based on the load growth forecast during the Control Period. The same would be considered for computation of ARR, wherein the amount of electricity transmitted by the Transmission System shall be projected considering the estimated growth plan of its Beneficiaries and any plans of new transmission system, based on network expansion plans within the State.

6.8 Capital investment plan submitted by the Licensee shall also provide details of ongoing projects that will spill into the Control Period and new projects that will commence during the Control Period but may extend beyond the Control Period.....”

- 5.14 The Petitioner had filed Review Petition against the Commission’s Order dated February 01, 2019. The Commission has disposed the Review Petition vide its Order dated December 03, 2020. The relevant extract of the Review Order is reproduced below:

“31. In the order dated 01st February 2019 also, the Commission had directed the petitioner to submit scheme wise capitalization and capital expenditure for FY 2013-14 and FY 2014-15. The Petitioner initially had submitted Rs. 557.17 Crore as capitalization for FY 2014-15 but after Commission’s directive to submit asset wise capitalization, the Petitioner submitted capitalization details of assets vide letter 313 dated 15th October 2018 and letter 349 dated 21st November 2018 amounting to Rs. 545.70 Cr. The Commission during the preparation of the order, had reviewed the schemes submitted and observed that most of the schemes were commissioned in the period from 2009 to 2013. The schemes were capitalized in FY 2014-15 and were submitted to the Commission in the Petition. Hence the Commission was of the opinion that all the schemes which have been submitted for capitalization now and schemes wherein expenditure has been incurred in the past were not part of any planning exercise and prior approval of the Commission which were supposed to have been under taken, was not taken. Also, most of the assets were commissioned in the period from 2007onwards. The erstwhile JSEB should have capitalized these assets and it would have been considered in tariff. In view of the same, the Commission has not allowed the capital expenditure and capitalization submitted by the Petitioner for the period FY 2013-14 (6th Jan – 31st Mar) to FY 2014-15 in the order dated 01st February 2019.

.....

35. The Petitioner in the review Petition contended that the schemes being referred to were transferred to it as part of CWIP for the year FY 2013-14 by the Transfer scheme and the Petitioner capitalized the commissioned projects in FY 2014-15 (first full year for



JUSNL). After capitalization and audit of the accounts, the petitioner submitted the capitalization and CWIP details before the Commission.

36. The Commission has reviewed the details of the schemes capitalized and CWIP details submitted. It is observed that most of the schemes were undertaken in the erstwhile JSEB period and some of these lines were critical for supplying electricity to the Ranchi city itself. Even though the assets were commissioned and were in operation, the same were not capitalized by JSEB. During the transfer scheme, the same was passed on to JUSNL as CWIP. It is important to note that JSEB being the board would have executed the projects considering the on-ground infrastructure requirement of the State.

37. The Commission reviewed the details and figures submitted along with the transfer scheme and as part of the review petition. Also, senior officials of JUSNL has submitted in affidavit dated 05th October' 20 before the Commission starting the following

“5. That it is humbly and respectfully submits that the figures submitted by JUSNL in the review petition w.r.t GFA and CWIP are in accordance with the Final Transfer Scheme of Govt. of Jharkhand. The Transfer scheme had approved (as on 06th Jan 2014), GFA and CWIP of Rs. 507.97 Cr and Rs. 779.21 Cr for JUSNL. The same have been considered as the respective opening balances for FY 2013-14 by JUSNL in the review petition.

6. That it is humbly and Respectfully submits that the assets proposed to be capitalized during FY 2013-14 and FY 2014-15 have never been capitalized earlier and are currently under full usage and unavoidable for power supply to a vast area of Jharkhand including the state capital.

7. That it is humbly, and respect fully submitted that the schemes which are considered under CWIP in their view petition were finalized at the time of JSEB.”

38. The Commission after analyzing the data submitted and after considering the complete information, is of the view that the assets were part of critical infrastructure for many districts in the state and specially for supplying electricity to Ranchi city. The assets were commissioned but there was delay in capitalizing the same. The same has been capitalized now. Based on the data submitted along with details, the Commission is considering the CWIP and Capex details as submitted by JUSNL.....

5.15 The Commission in this Order has considered the opening CWIP for FY 2015-16 equal to the approved value of closing CWIP for FY 2014-15 in the Review Order dated December 03, 2020. Similarly, the Commission has considered opening GFA for FY 2015-16 equal to closing GFA for FY 2014-15 as approved in its Review Order dated December 03, 2020

5.16 The Commission has scrutinized the additional information submitted by the Petitioner and approves the capitalization for FY 2015-16 as Rs. 298.25 Crore against Rs. 298.89 Crore as claimed by the Petitioner as shown below.



Table 9: Gross Fixed Asset as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Opening Gross Fixed Asset	785.84	1066.54	1055.08
Capitalization	404.92	298.89	298.25
Closing GFA	1190.76	1365.43	1353.33

Operation and Maintenance Expenses

Petitioner's Submission

- 5.17 The Petitioner submitted that the Operation and Maintenance (O&M) cost is mainly driven by the length of transmission line and number of substations. Employee Expenses 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.
- 5.18 **Employee Expenses:** The Petitioner further submitted that they are able to keep a tap on the employee expenses and restrict the employee expenses within the approved expenses of Rs. 36.52 Crore for FY 2015-16.
- 5.19 **Administrative and General Expenses:** The Petitioner highlighted that the A&G expenses incurred during FY 2015-16 is well within the limit approved by the Commission in its Order dated December 14, 2015.
- 5.20 **Repairs and Maintenance Expenses:** The Petitioner submitted that the R&M expenses include procurement of various spares used for maintenance purposes as well as labour charges for repairs. The Petitioner further submitted that the opening Gross Fixed Asset as per actual audited accounts for FY 2015-16 is Rs. 1066.54 Crore which is much higher than the approved value of Rs. 785.84 Crore in the Tariff Order dated December 14, 2015. Hence, the R&M expenses claimed as Rs. 23.75 Crore is higher due to higher asset base than the approved value of Rs. 18.31 Crore.
- 5.21 The Petitioner further added that the k-factor arrived after comparing actual opening Gross Fixed Asset with actual R&M Expense is 2.23% which is lower than that approved value of 2.33% in the tariff Order dated December 14, 2015.
- 5.22 The Petitioner therefore requested to approve Rs. 66.37 Crore as O&M Expenses against Rs. 63.02 Crore approved by the Commission in the Tariff Order dated December 14, 2015.



- 5.23 The Petitioner submitted that saving on employee expenses and A&G expenses should be shared with the consumer as per JSERC Transmission Tariff Regulations, 2010.
- 5.24 The following table shows the O&M Expense approved in Tariff Order dated December 14, 2015 vis-à-vis actual O&M Expense claimed as per audited annual accounts for FY 2015-16.

Table 10: O&M Expenses as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Employee Expenses	32.67	33.54
Terminal Benefits	3.85	2.22
Administrative & General Expenses	8.19	6.87
Repairs & Maintenance Expenses	18.31	23.75
O&M Expenses	63.02	66.38

Commission's Analysis

- 5.25 **Employee Expenses:** The Commission in its Order dated December 14, 2015 had projected the Employee Expenses for FY 2015-16 by increasing the provisionally approved Employee Cost (excluding the amount of arrears paid out on account of wage arrears and terminal benefits) for FY 2014-15 by Inflation Factor of 8.64%. The Commission has provisionally considered the cost towards terminal benefits during FY 2015-16 to be same as that for FY 2013-14 and was due to be trued-up on submission of audited accounts for FY 2015-16.
- 5.26 The Commission vide its Order dated February 01, 2019 has trued up the Employee Expenses and Terminal Benefits based on actuals for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15 as per audited accounts. Further, the Commission in its Review Order dated December 03, 2020 retained the Employee Expenses and Terminal Benefits as approved in Order dated February 01, 2019.
- 5.27 The Commission, in this Order has approved the Employee Expenses and terminal benefits based on actuals for FY 2015-16.
- 5.28 **Administrative and General Expenses:** The Commission in its Order dated December 14, 2015 has projected the A&G Expenses for FY 2015-16 by increasing the provisionally approved A&G Expenses for FY 2014-15 by Inflation factor of 8.64%.
- 5.29 However, during truing up for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15, the Commission has considered the actual A&G Expenses for approval and the same was retained in Review Order dated December 03, 2020. Hence, considering the



same methodology adopted in the earlier Orders, the Commission has approved the A&G Expenses based on actual as per audited accounts for FY 2015-16.

- 5.30 **Repairs and Maintenance Expenses:** The Commission has benchmarked the R&M costs as a proportion of the opening GFA for FY 2011-12 in accordance with the Transmission Tariff Regulations 2010 and approved the R&M expenses for FY 2015-16 by multiplying the approved GFA with 'k' factor (2.33%).
- 5.31 Similarly, in its true-up Order dated February 01, 2019, the Commission approved the R&M expenses for FY 2013-14 (Jan 06, 2014 to Mar 31, 2014) and FY 2014-15 by multiplying the approved GFA with 'k' factor (2.33%).
- 5.32 Further, the Commission in its Review Order dated December 03, 2020 revised the R&M Expenses based on the approved GFA and 'k' factor (2.33%).
- 5.33 The Commission has adopted the similar methodology and approved the R&M expenses considering the approved opening GFA and 'k' factor as 2.33% for FY 2015-16.
- 5.34 The O&M expenses as approved by the Commission in MYT Order dated December 14, 2015, submitted by the Petitioner vis-à-vis as approved by the Commission is shown below.

Table 11: O&M Expenses as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Employee Expenses	32.67	33.54	33.54
Terminal Benefits	3.85	2.22	2.22
Administrative & General Costs	8.19	6.87	6.87
Repairs & Maintenance Expenses	18.31	23.75	24.58
O&M Expenses	63.02	66.38	67.21

Depreciation

Petitioner's Submission

- 5.35 The Petitioner submitted that the depreciation has been calculated as per the depreciation schedule provided in the Appendix-I of the JSERC Transmission Tariff Regulations 2010.
- 5.36 The Petitioner further submitted that the depreciation calculated is slightly higher due to variation in value of opening Gross Fixed Asset approved by the Commission in the Tariff Order dated December 14, 2015 and actual Gross Fixed Asset as per annual accounts for FY 2015-16.



5.37 The Petitioner therefore requested the Commission to approve the actual depreciation expense as Rs. 65.61 Crore derived on the basis of actual asset base for FY 2015-16.

Table 12: Depreciation as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Depreciation	64.10	65.61

Commission's Analysis

5.38 The Commission observed that the depreciation claimed in the Petition for FY 2015-16 does not match with the depreciation calculated in Form F7 of the format submitted by the Petitioner. The Petitioner was directed to reconcile the same. The Petitioner in its reply dated December 24, 2018, submitted that the difference in the depreciation claimed is due to the depreciation of prior period and JSEB Restructuring Account and requested the Commission to consider the depreciation as per Note-13 of the annual accounts of FY 2015-16.

5.39 The Commission has calculated asset wise depreciation based on approved value of opening Gross Fixed Asset and addition during the FY 2015-16. The depreciation rate for the various asset classes have been considered as per Appendix-I of JSERC Transmission Tariff Regulations, 2010.

5.40 The depreciation as approved by the Commission in Tariff Order dated December 14, 2015, now submitted by the Petitioner vis-à-vis and as approved by the Commission now is shown below.

Table 13: Depreciation as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Depreciation	64.10	65.61	63.10

Interest and Finance Charge

Petitioner's Submission

5.41 The Petitioner has submitted that it has funded 90% of its capital expenditure from State Government loans and remaining 10% is through equity infusion.

5.42 Citing the above reason, the Petitioner submitted that the loan balance has substantially increased with increase in capital expenditure and capitalization during FY 2015-16. The

Petitioner has claimed interest on loan of Rs. 129.41 Crore against the approved value of Rs. 54.34 Crore.

- 5.43 The Petitioner further submitted that repayment for financial year have been considered equal to depreciation and weighted average Interest Rate has been considered as 13% for FY 2015-16.

Table 14: Interest and Finance Charge as submitted by the Petitioner (Rs Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Opening Debt Balance	308.33	
Net Additions	283.45	
Repayment	64.10	-
Closing Debt Balance	527.68	
Average	418.01	
Rate of Interest (%)	13%	13%
Interest & Finance Charges	54.34	129.41

Commission's Analysis

- 5.44 The Commission vide its letter dated December 05, 2018, directed the Petitioner to reconcile the interest charges considering the actual capitalization and repayment made instead of loan amount received from the State Government.
- 5.45 The Petitioner in its reply dated December 24, 2018 submitted that the interest on loan has been claimed based on audited accounts for FY 2015-16. The Petitioner further added that the same approach was adopted in earlier petition for True up of FY 2013-14 and FY 2014-15 (post unbundling period) submitted to the Commission which is under consideration and requested the Commission to approve interest expense as submitted based on audited accounts. Further, the Petitioner submitted the loan sanctioned letter to substantiate its claim.
- 5.46 The Commission in its Order dated December 14, 2015 considered the opening Loan for FY 2015-16 equal to the closing Loan for FY 2014-15. The same methodology was adopted by the Commission in its Order dated February 01, 2019 and Review Order dated December 03, 2020.
- 5.47 Taking into account the information submitted by the Petitioner, the Commission has considered opening balance of normative loan for FY 2015-16 equal to the closing loan balance for FY 2014-15 as approved in Review Order dated December 03, 2020.
- 5.48 As per Clause 7.10 of JSERC Transmission Tariff Regulation 2010, the Debt:Equity ratio of transmission project will be considered as per the following:-

“For a project declared under commercial operation on or after 01.04.2011, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

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

- 5.49 Accordingly, the Commission has approved the Debt:Equity ratio for additional capitalisation for FY 2015-16 as 90:10.
- 5.50 The deemed repayment for the financial year has been considered equal to depreciation allowed for FY 2015-16 in accordance with the JSERC Transmission Tariff Regulations, 2010.
- 5.51 In the absence of the actual loan portfolio, the Commission has considered the rate of interest as 13.00% as approved in Order dated December 14, 2015, true-up Order dated February 01, 2019 and Review Order dated December 03, 2020.

Table 15: Interest and Finance Charge as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Opening Debt Balance	308.33		489.47
Net Additions	283.45		268.43
Repayment	64.10	-	63.10
Closing Debt Balance	527.68		694.80
Rate of Interest (%)	13.00%	13.00%	13.00%
Interest & Finance Charges	54.34	129.41	76.98

Interest on Working Capital

Petitioner's Submission

- 5.52 The Petitioner submitted that it has calculated the Interest on Working Capital (IoWC) based on the provisions prescribed in JSERC Transmission Tariff Regulations, 2010.
- 5.53 The Petitioner submitted that the Maintenance Spares has been considered as 15% of actual O&M Expenses in line to the JSERC Regulations. Further, O&M Expense of one month is considered and receivables equivalent to Annual Revenue Requirement (ARR) for FY 2015-16 has been considered. The Petitioner has considered interest rate equal to SBI PLR rate as on April 01, 2015.
- 5.54 The following table shows the IoWC claimed for FY 2015-16 vis-a-vis that approved by the Commission in the Tariff Order dated December 14, 2015.

Table 16: Interest on Working Capital as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
O&M Expenses for 1 Month	5.25	5.53
Maintenance Spares (15% of O&M Exp.)	9.45	9.96
Receivables equivalent for 2 Months	38.39	75.77
Working Capital Requirement	53.09	91.26
Interest Rate	14.75%	14.75%
Interest on Working Capital	7.83	13.46

Commission's Analysis

5.55 The Commission has considered the interest on working capital as per the norms specified in the JSERC Transmission Tariff Regulations, 2010 as reproduced below.

“Working Capital

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

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

(b) *Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and*

(c) *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 FY 2011-12 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.”*

5.56 The Commission has considered the above mentioned norms and approved the Interest on Working Capital as shown below.

Table 17: Interest on Working Capital as approved by the Commission (Rs Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
O&M Expenses for 1 Month	5.25	5.53	5.60
Maintenance Spares (15% of O&M Exp.)	9.45	9.96	10.08
Receivables equivalent for 2 Months	38.39	75.77	43.01
Working Capital Requirement	53.09	91.26	58.69
Interest Rate	14.75%	14.75%	14.75%
Interest on Working Capital	7.83	13.46	8.66

Return on Equity

Petitioner's Submission

- 5.57 The Petitioner has submitted that they have computed the Return on Equity based on the provisions prescribed in the JSERC Transmission Tariff Regulations, 2010. The Petitioner has considered opening base of Equity as Rs. 974.39 Crore and closing balance as Rs. 972.96 Crore for FY 2015-16 as reflected in the annual audited accounts. The Petitioner further submitted that there is a slight reduction of Rs. 1.42 Crore in the closing equity balance due to adjustment in JSEB restructuring account.
- 5.58 The Petitioner has submitted that the amount of Rs. 972.96 Crore is under Restructuring for Pending Adjustment is to be received by JUSNL from the State Government in the form of Equity.
- 5.59 The Petitioner has submitted that the amount is to be treated as equity pending to be received from State Government and therefore the Petitioner has calculated return on equity on the same amount.
- 5.60 The Petitioner has considered average equity balance for claiming Return on Equity for FY 2015-16 and is as shown below.

Table 18: Return on Equity as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Opening Equity	235.75	974.39
Addition during the Year	121.48	-1.42
Closing Equity	357.23	972.97
Average Equity	296.49	973.68
Rate of ROE	15.50%	15.50%
Return on Equity (ROE)	45.96	150.92



Commission's Analysis

5.61 The relevant Clause related to Return on Equity as per JSERC Transmission Tariff Regulations, 2010 is reproduced below.

“Debt-Equity Ratio

7.10 For a project declared under commercial operation on or after 1.04.2011, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan:

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

7.11 Return on equity shall be computed in rupee terms, on the equity base determined in accordance with clause 7.10 of these Regulations.

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

7.13 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”

5.62 The Commission observed that the Petitioner has considered the equity component more than the normative equity of 30% of the GFA. The Petitioner was required to justify its claim of equity amount of Rs. 974.39 Crore out of the Total Gross Fixed Asset of Rs. 1066.54 Crore.

5.63 The Petitioner in its reply dated December 24, 2018 submitted that the amount of Rs. 972.29 Crore shown as ‘Restructuring Account Pending adjustment’ is part of the Equity. The amount as mentioned as Rs. 972.29 Crore is the amount which is to be converted to paid-up equity, as notified by the Government of Jharkhand in the Final Transfer Scheme. The Petitioner further submitted that in order to get this amount converted to equity, it has to increase its authorised paid up equity capital to the desired level as per the present legal framework and therefore, at present, it is shown as a “Restructuring Account Pending adjustment” and further adding share capital of Rs. 2.10 Crore makes total equity of Rs. 974.39 Crore.

5.64 The Commission has gone through the submissions of the Petitioner. The Commission has considered the closing balance of equity for FY 2014-15 as the opening balance for FY 2015-16 approved in the Review Order dated December 03, 2020.

5.65 The Commission has accordingly approved the Return on Equity for FY 2015-16. The Return on Equity as approved in Order dated December 14, 2015, as submitted by the Petitioner and approved by the Commission is shown below:

Table 19: Return on Equity as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Opening Equity	235.75	974.39	316.52
Addition during the Year	121.48	-1.42	29.83
Closing Equity	357.23	972.97	346.35
Rate of ROE	15.50%	15.50%	15.50%
Return on Equity (ROE)	45.96	150.92	51.37

Non-Tariff Income (NTI)

Petitioner's Submission

5.66 The Petitioner has claimed the Non-Tariff Income as Rs. 5.62 Crore as against the approved value of Rs. 4.93 Crore in Tariff Order dated December 14, 2015.

Table 20: Non-Tariff Income as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Non-Tariff Income	4.93	5.62

Commission's Analysis

5.67 The Commission has scrutinised the audited accounts for FY 2015-16 and observes that the Petitioner has not included accrued income of Interest on FDR for FY 2015-16 of Rs. ~0.46 Crore in the Non-Tariff Income.

5.68 Accordingly, the Commission after due prudence approves the Non-Tariff Income based on actual including interest on FDR of Rs. 0.46 Crore as summarized in the table below:

Table 21: Non-Tariff Income as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Non-Tariff Income	4.93	5.62	6.08

Prior Period Expenses

Petitioner's Submission

5.69 The Petitioner has claimed the prior period credits of Rs. 3.16 Crore which has been recorded in the books of accounts of the Petitioner.



Table 22: Prior Period Expenses as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Prior Period Credits	-	(3.16)

Commission's Analysis

5.70 The Prior Period Expenses include mainly retrial benefit, income from Transmission charges/supervision charges and other items etc. The Prior Period Expenses is substantiated by the audited account submitted by the Petitioner. Hence, the Commission has approved Prior Period Credits of Rs. (3.16) Crore for FY 2015-16.

Table 23: Prior Period Expenses as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Prior Period Credits	-	(3.16)	(3.16)

Incentive for Transmission Availability

Petitioner's Submission

5.71 In line with Clause 8.7 of JSERC Transmission Tariff Regulations, 2010 the Petitioner has claimed an incentive of Rs. 37.46 Crore for achieving 99.19% availability of transmission network against the normative value of 98.50%.

Table 24: Incentive as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Incentive	-	37.46

Commission's Analysis

5.72 The Commission vide its letter dated December 05, 2018 directed the Petitioner to provide documentary evidence for NATSAF considered and reconcile the calculation of incentive.

5.73 The Petitioner in its reply dated December 24, 2018 submitted that the same was an inadvertent error and revised the incentive amount as Rs. 3.08 Crore. However, the Petitioner failed to substantiate the basis of NATSAF considered for computing Incentive.

5.74 The Commission observed that the Petitioner has not substantiated its claim of availability as 99.19% for FY 2015-16. The Petitioner was required to submit its claim along with the certificate from State Load Dispatch Centre (SLDC). In light of no supporting document, the Commission has not approved the incentive as claimed by the Petitioner.



Table 25: Incentive as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition*	Approved
Incentive	-	3.08	-

* Revised in reply dated December 24, 2018

Revenue from Existing Tariff

Petitioner's Submission

5.75 The Petitioner submitted the revenue of Rs. 155.37 Crore during the FY 2015-16. The revenue earned was based on the tariff of Rs. 0.18/kWh for the period from April 2015 to December 2015 and tariff of Rs. 0.19/kWh from January 2016 to March 2016.

Table 26: Revenue as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Revenue	129.60	155.37

Commission's Analysis

5.76 The Commission after scrutinising the audited accounts and approves the revenue for FY 2015-16 as tabulated below.

Table 27: Revenue as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Revenue	129.60	155.37	155.37

Aggregate Revenue Requirement

Petitioner's Submission

5.77 The summary of Aggregate Revenue Requirement (ARR) for FY 2015-16 as approved by the Commission in its Order dated December 14, 2015 and that submitted by the Petitioner is shown below.

Table 28: Aggregate Revenue Requirement as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
O&M Cost	63.02	66.38
Interest on Normative Loan	54.34	129.41
Interest in Working Capital	7.83	13.46
Depreciation	64.10	65.61
Prior Period Expenses/Credit	0.00	(3.16)
Return on Equity	45.96	150.92



Particulars	FY 2015-16	
	Tariff Order	Petition
Non-Tariff Income	4.93	5.62
Incentive	-	3.08*
Aggregate Revenue Requirement	230.32	420.08

* Revised in its reply dated December 24, 2018

Commission's Analysis

5.78 The Commission after due scrutiny as detailed above approves the Aggregate Revenue Requirement (ARR) for FY 2015-16 as shown below.

Table 29: Aggregate Revenue Requirement as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
O&M Cost	63.02	66.38	67.21
Interest on Normative Loan	54.34	129.41	76.98
Interest in Working Capital	7.83	13.46	8.66
Depreciation	64.10	65.61	63.10
Prior Period Expenses/Credit	0.00	(3.16)	(3.16)
Return on Equity	45.96	150.92	51.37
Non-Tariff Income	4.93	5.62	6.08
Incentive	-	3.08*	0.00
Aggregate Revenue Requirement	230.32	420.08	258.08

* Revised in its reply dated December 24, 2018

Gap/Surplus

Petitioner's Submission

5.79 The Petitioner has claimed the Gap of Rs. 299.24 Crore for FY 2015-16 and requested the Commission to approve the revenue gap as shown below.

Table 30: Gap/(Surplus) as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2015-16	
	Tariff Order	Petition
Aggregate Revenue Requirement	230.32	454.61
Revenue	129.60	155.37
Gap/(Surplus)	100.72	299.24

Commission's Analysis

5.80 The Commission in this Order has approved each component of Annual Revenue Requirement and approves the Gap for FY 2015-16 as shown below.



Table 31: Gap/(Surplus) as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16		
	Tariff Order	Petition	Approved
Aggregate Revenue Requirement	230.32	420.08*	258.08
Revenue	129.60	155.37	155.37
Gap/(Surplus)	100.72	264.71	102.71

* Revised in its reply dated December 24, 2018

- 5.81 The Commission is further of the view that as the Petitioner has not filed the Petition on time and therefore no carrying cost on the gap amount shall be allowed for the period of delay.



A 6: TRUE UP FOR FY 2016-17

- 6.1 The Petitioner has submitted the True-up Petition for FY 2016-17 based on audited accounts taking into consideration the provision of JSERC (Term and Condition for determination of Transmission Tariff Regulation), 2015.
- 6.2 The Commission has carried out the True Up for FY 2016-17 taking into consideration:
- Audited accounts for the FY 2016-17 and additional data submitted by the Petitioner;
 - JSERC (Term and Condition for determination of Transmission Tariff Regulation), 2015;
 - Methodology adopted by the Commission in the Previous Order;

Capital Expenditure & Capitalization

Petitioner's Submission

- 6.3 The Petitioner has considered the actual capital expenditure and capitalization as per audited account for truing up of expenses for FY 2016-17. The Petitioner further submitted that the capital expenditure incurred during FY 2016-17 was only against that projects/scheme which is acknowledged by the Commission in Order dated February 24, 2018.
- 6.4 The Petitioner requested the Commission to approve Rs. 200.70 Crore as capital expenditure and Rs. 43.31 Crore as capitalization for FY 2016-17 in line with the audited annual accounts of the Petitioner.
- 6.5 The following table shows the capital expenditure and capitalization incurred during the FY 2016-17 vis-à-vis that approved by the Commission in its MYT Order.

Table 32: Capital Expenditure & Capitalization as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Opening CWIP	740.96	556.08
Capital Expenditure	233.92	200.70
Asset Capitalization	127.14	43.31
Closing CWIP	847.74	713.46

- 6.6 The Petitioner has claimed the opening Gross Fixed Asset (GFA) as per the audited accounts for FY 2016-17 and requested the Commission to approve the closing GFA as Rs. 1408.74 Crore for FY 2016-17. The following table shows the opening and closing

balance of GFA as per audited annual accounts vis-à-vis that approved by the Commission in its Tariff Order dated February 24, 2018.

Table 33: Gross Fixed Asset as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Opening Gross Fixed Assets	1190.76	1365.43
Capitalization	127.14	43.31
Closing GFA	1317.90	1408.74

Commission's Analysis

- 6.7 The Commission has approved the capital expenditure and capitalization for 2nd Control period in its MYT Order dated February 24, 2018 subject to true-up based on actual.
- 6.8 The Commission observed that the Petitioner has claimed the capex and capitalization as per audited accounts however, the Petitioner has not provided any detail of scheme/project. The Commission in its letter dated December 05, 2018 directed the Petitioner to provide the scheme wise detail for the capex and capitalization as claimed in the petition.
- 6.9 The Petitioner in its reply dated December 24, 2018 requested the Commission for additional six week's time to submit the detailed reconciled capitalization figures as the scheme wise data was being compiled from the field.
- 6.10 The Commission vide its letter dated April 12, 2019 once again directed the Petitioner to submit the scheme wise detail of capitalization for FY 2016-17. In compliance to Commission's reminder, the Petitioner submitted the scheme wise details of capitalization of Rs. 41.83 Crore vide its letter dated May 10, 2019.
- 6.11 The Commission has scrutinized the detail submitted by the Petitioner and found discrepancy between the capitalization values as submitted in petition and that submitted in its reply dated May 10, 2019.
- 6.12 After several reminders from the Commission, the Petitioner reconciled the scheme wise details of capitalization amounting to Rs. 42.61 Crore vide its letter dated December 05, 2019.
- 6.13 Even after repeated reminders, the Petitioner was not able to provide the satisfactory detail and proper justification for mismatch in the capitalization numbers. The Commission has therefore approved the capitalization as Rs. 42.61 Crore as submitted by the Petitioner in its reply dated December 05, 2019.



Table 34: Gross Fixed Asset as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
Opening Gross Fixed Assets	1190.76	1365.43	1353.33
Capitalization	127.14	43.31	42.61
Closing GFA	1317.90	1408.74	1395.94

Operation and Maintenance Expenses

Petitioner's Submission

- 6.14 The Petitioner submitted that the Operation and Maintenance (O&M) cost is mainly driven by the length of transmission line and number of substations.
- 6.15 **Employee Expenses:** The Petitioner submitted that the Employee Expenses 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. The Petitioner submitted that the increase in employee expenses is higher as compared to approved value, since the escalation considered by the Commission in its MYT Order was only 3.35%, much less as compared to actual increase in salaries and employee benefits.
- 6.16 The Petitioner further highlighted 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 December 14, 2015.
- 6.17 **Administrative and General Expenses:** The Petitioner highlighted that the A&G expenses incurred during the FY 2016-17 is almost in line with the expenses approved by the Commission in its Order dated February 14, 2018.
- 6.18 **Repairs and Maintenance Expenses:** The Petitioner submitted that the R&M expenses include procurement expenses as well as labour charges for repairs. The Petitioner added that they have been able to control its R&M expenses within the limit as approved by the Commission, even after having a higher asset base on actual basis as compared to approved value.
- 6.19 The Petitioner requested the Commission to approve Rs. 79.27 Crore as O&M Expenses as against Rs. 72.60 Crore approved by the Commission in the MYT Order dated February 24, 2018.
- 6.20 The Petitioner submitted that saving on R&M Expenses and A&G Expenses should be shared with the consumer as per JSERC Transmission Tariff Regulations, 2015.



6.21 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 35: O&M Expenses as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Employee Expenses	33.77	43.02
Terminal Benefits	3.85	2.84
Administrative & General Costs	8.47	9.01
Repairs & Maintenance Expenses	26.51	24.40
O&M Expenses	72.59	79.27

Commission's Analysis

- 6.22 **Employee Expenses:** The Commission in its MYT Order dated February 24, 2018 approved the employee cost for 2nd control period by increasing the provisionally approved employee cost as per tariff Order dated December 14, 2015 for FY 2015-16 (excluding the amount of terminal benefits) with an inflation factor of 3.35%. The Commission also observed that there has been considerable increase in
- 6.23 Since, the employee expense for FY 2015-16 is now finalised. Hence, the Commission has considered the true up value of employee expenses (excluding terminal benefits) for FY 2015-16 in this Order and has increased it with the actual inflation factor to determine the employee expenses. The terminal benefit is approved on actuals based on audited accounts.
- 6.24 **Administrative and General Expenses:** The Commission in its MYT Order dated February 24, 2018 approved the A&G expenses for 2nd control period by increasing the provisionally approved value of A&G cost for FY 2015-16 as per tariff Order dated December 14, 2015 with an inflation factor of 3.35%.
- 6.25 The Commission has now approved the A&G expenses on actuals based on audited accounts in the true-up for FY 2015-16. Hence, the Commission has considered the approved value of A&G expenses for FY 2015-16 and increase with the actual inflation factor to determine the A&G Expenses.
- 6.26 **Repairs and Maintenance Expenses:** The Commission has benchmarked the R&M expenses for 2nd control period as a proportion of the opening GFA of the respective financial year.
- 6.27 The Commission has adopted the similar methodology and approved the R&M expenses considering the approved opening GFA and 'k' factor as 2.23% for FY 2016-17.



6.28 The O&M expenses as approved by the Commission in MYT Order dated December 24, 2018, now submitted by the Petitioner vis-à-vis as approved by the Commission is shown below.

Table 36: O&M Expenses as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
Employee Expenses	33.77	43.02	34.56
Terminal Benefits	3.85	2.84	2.84
Administrative & General Costs	8.47	9.01	7.08
Repairs & Maintenance Expenses	26.51	24.40	30.18
O&M Expenses	72.60	79.27	74.66

Depreciation

Petitioner's Submission

6.29 The Petitioner submitted that the depreciation has been calculated as per the depreciation schedule provided in the Appendix-I of the JSERC Transmission Tariff Regulations 2015.

6.30 The Petitioner further added that the depreciation expenses claimed are higher than the approved in tariff Order dated February 24, 2018 due to deviation in the asset base of the Petitioner reflecting in the audited accounts (opening GFA) and the asset base approved by the Commission in MYT Order dated February 24, 2018.

6.31 The Petitioner therefore requested the Commission to approve the actual depreciation expense of Rs. 72.18 Crore as per audited accounts for FY 2016-17.

Table 37: Depreciation as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Depreciation	54.03	72.18

Commission's Analysis

6.32 The Commission observed that the depreciation claimed in the Petition for FY 2016-17 does not match with the depreciation calculated in Form F7 of the format submitted by the Petitioner. The Petitioner was directed to reconcile the same. The Petitioner in its reply dated December 24, 2018, submitted that the difference in the depreciation claimed is due to the depreciation of prior period and JSEB Restructuring Account and requested the Commission to consider the depreciation as per Note 13 of the annual accounts of FY 2016-17.



6.33 The Commission has calculated asset wise depreciation based on approved value of opening GFA and addition during the year in this Order. The depreciation rate for the various asset classes have been considered as per the JSERC Transmission Tariff Regulations, 2015.

6.34 The depreciation as approved by the Commission is summarised in the following table.

Table 38: Depreciation as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
Depreciation	54.03	72.18	72.08

Interest and Finance Charge

Petitioner's Submission

6.35 The Petitioner claimed interest on loan as Rs. 170.66 Crore as against the approved value of Rs. 73.35 Crore. The Petitioner further submitted that all the capital expenditure carried out has been funded through State Government loan. The Petitioner further submitted that the State Government loan carries an interest rate of 13% and the Petitioner has not availed any loan from any other institution for FY 2016-17.

6.36 The Petitioner submitted that the difference in disallowance of capital expenditure and capitalization in the last Tariff Order has resulted in huge deviation between the approved and actual interest on loan expenses. The Petitioner submitted that all the assets are funded through State loan and therefore requested to allow such expenses.

Table 39: Interest and Finance Charge as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Opening Debt Balance	527.68	
Net Additions	127.14	
Repayment	54.03	-
Closing Debt Balance	600.79	
Rate of Interest (%)	13.00%	13.00%
Interest & Finance Charges	73.35	170.66

Commission's Analysis

6.37 The Commission vide its letter dated December 05, 2018, directed the Petitioner to reconcile the interest charges considering the actual capitalization and repayment made instead of loan amount received from the State Government.



- 6.38 The Petitioner in its reply dated December 24, 2018 submitted that the interest on loan has been claimed based on audited accounts for FY 2016-17. The Petitioner further added that the same approach was adopted in earlier petition for True up of FY 2013-14 and FY 2014-15 (post unbundling period) submitted to the Commission which is under consideration and requested the Commission to approve interest expense as submitted based on audited accounts.
- 6.39 Further, the Commission vide letter dated December 05, 2018, directed the Petitioner to provide scheme wise capitalization and the mode of financing of each scheme for FY 2016-17. The Petitioner in its reply dated December 24, 2018, requested six weeks of time to submit the details. The Commission observed that even after the lapse of the additional time, the Petitioner failed to submit the detail.
- 6.40 The Commission has calculated interest on loan as per JSERC Transmission Tariff Regulations, 2015. The Commission has considered opening balance of normative loan for FY 2016-17 equal to approved closing balance for FY 2015-16 in this Order.
- 6.41 As the Petitioner has submitted that all the capitalization is carried out taking loan from State Government, hence, the Commission has considered the entire capitalisation during the year funded through loan.
- 6.42 The deemed repayment for the financial year has been considered equal to depreciation allowed for FY 2016-17 in accordance with the JSERC Transmission Tariff Regulations, 2015.
- 6.43 In the absence of the actual loan portfolio, the Commission has considered the rate of interest as 13% as approved in MYT Order dated December 24, 2018.

Table 40: Interest and Finance Charge as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
Opening Debt Balance	527.68		694.80
Net Additions	127.14		38.349
Repayment	54.03	-	72.08
Closing Debt Balance	600.79		661.07
Rate of Interest (%)	13.00%	13.00%	13.00%
Interest & Finance Charges	73.35	170.66	88.13



Interest on Working Capital

Petitioner's Submission

- 6.44 The Petitioner has calculated the Interest on Working Capital based on the provisions prescribed in JSERC Transmission Tariff Regulations, 2015. The Petitioner has claimed the maintenance spares as 15% of actual O&M expenses in line to the JSERC Regulations.
- 6.45 Further, O&M expense of one month has been considered and receivables equivalent to Annual Revenue Requirement (ARR) for FY 2016-17 has been considered. The interest rate considered is the SBI Base rate as on April 1, 2016.
- 6.46 The following table shows the Interest on Working Capital for FY 2016-17 claimed vis-à-vis that approved by the Commission in the Tariff Order dated December 24, 2018.

Table 41: Interest on Working Capital as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
O&M Expenses for 1 Month	6.05	6.61
Maintenance Spares (15% of O&M Exp.)	10.89	11.89
Receivables equivalent for 2 Months	43.85	86.56
Working Capital Requirement	60.79	105.06
Interest Rate	12.80%	12.80%
Interest on Working Capital	7.78	13.45

Commission's Analysis

- 6.47 The Commission has considered the interest on working capital as per the norms specified in the JSERC Transmission Tariff Regulations, 2015 as reproduced below.

“Working Capital

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

- (a) Maintenance spares @ 15% of the O&M expenses specified in clauses 7.34-7.36 of these Regulations;*
- (b) Receivables equivalent to two months of annual fixed cost; and*
- (c) Operation and Maintenance expenses for one month,*
- (d) Less: Interest on amount, if any, held as security deposits from Transmission system users.*

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.”

- 6.48 Based on the detail submitted by the Petitioner and prudence check, the Commission has approved the Debt:Equity ratio for additional capitalisation for FY 2016-17 as 90:10.
- 6.49 The Commission has considered the above mentioned norms and approved value in this Order for calculation of Interest on Working Capital as shown below.

Table 42: Interest on Working Capital as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
O&M Expenses for 1 Month	6.05	6.61	6.22
Maintenance Spares (15% of O&M Exp.)	10.89	11.89	11.20
Receivables equivalent for 2 Months	43.85	86.56	47.86
Working Capital Requirement	60.79	105.06	65.28
Interest Rate	12.80%	12.80%	12.80%
Interest on Working Capital	7.78	13.45	8.36

Return on Equity

Petitioner's Submission

- 6.50 The Petitioner submitted that they have computed the Return on Equity based on the provisions prescribed in the JSERC Transmission Tariff Regulations, 2015. The Petitioner has considered the opening balance of equity as Rs. 972.96 Crore and closing balance as Rs. 972.96 Crore for FY 2016-17 as reflecting in the annual audited accounts.
- 6.51 The Petitioner further submitted that the amount under Restructuring for Pending Adjustment is the amount which is yet to be received by JUSNL from the State Government in the form of equity. Since, the amount is reflecting in the balance sheet of the Petitioner after gazette notification of transfer scheme by the State Government. Hence, the Petitioner requested to consider the amount as equity pending to be received from State Government and therefore calculated the Return on Equity on the same amount. The Petitioner further emphasised that they are continuously following up with the State Government for release of the above mentioned amount as equity.

Table 43: Return on Equity as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Opening Equity	357.23	972.96
Addition during the Year	0.00	0.00
Closing Equity	357.23	972.96
Rate of ROE	15.50%	15.50%
Return on Equity (ROE)	55.37	150.81

Commission's Analysis

6.52 The relevant Clause related to Return on Equity as per JSERC Transmission Tariff Regulations, 2015 is reproduced below.

“Debt-Equity Ratio

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

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

Return on Equity

7.11 Return on equity shall be computed in rupee terms, on the equity base determined in accordance with clause 7.10 of these Regulations.

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.....

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”

6.53 The Commission observed that the Petitioner has considered the equity component more than the normative equity of 30% of the GFA. The Petitioner was directed to justify the reason for the same and reconcile as per the relevant Regulations.

6.54 The Petitioner in its reply dated December 24, 2018 submitted that the amount of Rs. 972.29 Crore shown as “Restructuring Account Pending adjustment” is part of the equity. The amount as mentioned as Rs. 972.29 Crore is the amount which is to be converted to paid-up equity, as notified by the Government of Jharkhand in the Final Transfer Scheme. The Petitioner further submitted that in order to get this amount converted to equity, it has

to increase its authorised paid up equity capital to the desired level as per the present legal framework and therefore, at present, it is shown as a “Restructuring Account Pending adjustment”.

6.55 The Commission has considered the opening balance for FY 2016-17 as closing balance of equity for FY 2015-16 as approved in this Order.

6.56 The Commission has considered the above mentioned norms and approved the Return on Equity for FY 2016-17. The Return on Equity as approved in MYT Order dated December 24, 2018, now submitted by the Petitioner and that approved by the Commission is shown below.

Table 44: Return on Equity as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
Opening Equity	357.23	972.97	346.35
Addition during the Year	0.00	0.00	4.26
Closing Equity	357.23	972.97	350.61
Rate of ROE	15.50%	15.50%	15.50%
Return on Equity (ROE)	55.37	150.81	54.01

Non-Tariff Income (NTI)

Petitioner’s Submission

6.57 The Petitioner has claimed Non-Tariff Income (NTI) of Rs. 10.11 Crore against the approved value of Rs. 5.90 Crore in in Tariff Order dated December 24, 2018.

Table 45: Non-Tariff Income as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Non-Tariff Income	5.90	10.11

Commission’s Analysis

6.58 The Commission after due prudence approves the Non-Tariff Income (NTI) based on actual as per audited accounts as tabulated below.

Table 46: Non-Tariff Income as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
Non-Tariff Income	5.90	10.11	10.11

Incentive for Transmission System Availability

Petitioner's Submission

6.59 The Petitioner has claimed an incentive of Rs. 43.12 Crore for achieving 99.51% availability of transmission network against the normative value of 98.50%.

Table 47: Incentive as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Incentive	-	43.12

Commission's Analysis

6.60 The Commission vide its letter dated December 05, 2018 directed the Petitioner to provide documentary evidence for NATSAF considered and reconcile the calculation of incentive as per the relevant Regulations.

6.61 The Petitioner in its reply dated December 24, 2018 submitted that earlier submission was an inadvertent error and revised the incentive as Rs. 5.01 Crore from Rs. 43.12 Crore for FY 2016-17.

6.62 The Commission observed that the Petitioner has not substantiated its claim of availability as 99.51% for FY 2016-17. The Petitioner needed to submit its claim along with the certificate from State Load Dispatch Centre (SLDC). In view of no supporting document, the Commission has not approved any incentive for FY 2016-17.

Table 48: Incentive as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition*	Approved
Incentive	-	5.01	-

* Revised in reply dated December 24, 2018

Aggregate Revenue Requirement (ARR)

Petitioner's Submission

6.63 The summary of Aggregate Revenue Requirement (ARR) for FY 2016-17 as approved by the Commission in MYT Order dated December 24, 2018 and as submitted by the Petitioner is shown below.

Table 49: Aggregate Revenue Requirement as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
O&M Cost	72.59	79.29

Particulars	FY 2016-17	
	MYT Order	Petition
Interest on Normative Loan	73.35	170.66
Interest in Working Capital	7.78	13.45
Depreciation	54.03	72.18
Return on Equity	55.37	150.81
Non-Tariff Income	5.90	10.11
Incentive	-	5.01*
Aggregate Revenue Requirement	257.22	481.29

* Revised in reply dated December 24, 2018

Commission's Analysis

6.64 The Commission after due scrutiny approved the Aggregate Revenue Requirement (ARR) for FY 2016-17 as shown below.

Table 50: Aggregate Revenue Requirement as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
O&M Cost	72.59	79.29	74.66
Interest on Normative Loan	73.35	170.66	88.13
Interest in Working Capital	7.78	13.45	8.36
Depreciation	54.03	72.18	72.08
Return on Equity	55.37	150.81	54.01
Non-Tariff Income	5.90	10.11	10.11
Incentive	-	5.01*	-
Aggregate Revenue Requirement	257.22	481.29	287.13

* Revised in reply dated December 24, 2018

Revenue

Petitioner's Submission

6.65 The Petitioner submitted the revenue from transmission business as Rs. 189.96 Crore for FY 2016-17 as per audited account.

Table 51: Revenue as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Petition
Revenue	257.22	189.96

Commission's Analysis

6.66 The Commission after scrutinising the audited accounts approves the revenue from transmission business for FY 2016-17 as tabulated below.



Table 52: Revenue as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	MYT Order	Petition	Approved
Revenue	257.22	189.96	189.96

Gap/Surplus

Petitioner's Submission

6.67 The Petitioner has claimed the Gap of Rs. 291.33 Crore for FY 2016-17 and requested the Commission to approve the revenue gap as shown below.

Table 53: Gap/(Surplus) as submitted by the Petitioner (Rs. Crore)

Particulars	FY 2016-17	
	Tariff Order	Petition
Aggregate Revenue Requirement	257.22	481.29
Revenue	257.22	189.96
Gap/(Surplus)	0.00	291.33

* Revised in reply dated December 24, 2018

Commission's Analysis

6.68 The Commission in this Order has approved each component of Annual Revenue Requirement and approves the Gap for FY 2016-17 as shown below.

Table 54: Gap/(Surplus) as approved by the Commission (Rs. Crore)

Particulars	FY 2016-17		
	Tariff Order	Petition	Approved
Aggregate Revenue Requirement	257.22	481.29	287.13
Revenue	257.22	189.96	189.96
Gap/(Surplus)	0.00	291.33	97.17

* Revised in its reply dated December 24, 2018

6.69 The Gap/(Surplus) approved in this Order for FY 2015-16 and FY 2016-17 will be passed-on to the Beneficiary while carrying out the Annual Revenue Requirement for subsequent year.

6.70 The Commission is further of the view that as the Petitioner has not filed the Petition on time and therefore no carrying cost on the gap amount shall be allowed for the period of delay.



A 7: STATUS OF EARLIER DIRECTIVES

7.1 The Commission has time and again issued various directives in order to improve the functioning of the Petitioner. However, the Commission notes with concern that the Petitioner has repeatedly failed to comply with the directives of the Commission. The Commission directs the Petitioner to comply with the directives with utmost sincerity failing which penal action may be taken.

Directives	Status	Views of the Commission
Directives issued by the Commission in its MYT Order dated December 24, 2018 & February 01, 2019		
True up petition for FY 2015-16, FY 2016-17 & Tariff Petitions for FY 2017-18, FY 2018-19		
<p>The Commission directs the Petitioner to file True up Petition for FY16, FY17 & ARR for FY18 & FY 19 in next two months from the issue of this order along with CAG report.</p> <p>The Commission directs the Petitioner 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.</p>	<p>The Petitioner has submitted the above said petition before the Commission for approval along with CAG report.</p> <p>The Petitioner has initiated the process of appointing a Consultant for maintaining asset/ property register and will file detail on yearly basis from FY 2019-20 onwards.</p>	<p>The Commission observes that the Petitioner failed to timely comply the direction.</p> <p>The Petitioner is directed to speed up the process and submit the asset register along with next tariff petition.</p>
Detailed Project Reports (DPR)		
<p>The Commission directs the Petitioner to submit remaining DPR's 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.</p>	<p>The Petitioner submitted the DPR's of schemes funded by World Bank along with cost benefit analysis.</p>	<p>The Commission noted the reply submitted by the Petitioner.</p> <p>The Commission directs the Petitioner to ensure that any scheme proposed and submitted before the Commission need to be accompanied with DPR along with compliance as per Clause 6.9 of JSERC (Terms and Conditions for Determination of Transmission Tariff)</p>



Directives	Status	Views of the Commission
		Regulations, 2015.
Strengthening of transmission network		
The Commission directs the Petitioner to make all out efforts to ensure that upstream and downstream network is also built in synchronization. Moreover, the Petitioner should also 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.	The Petitioner submitted that all the projects/schemes are carried out in phased manner and in sync with the transmission planning for connectivity at both the end. This would ensure no asset is stranded for long time interval. With respect to on-going schemes which are carried out by JUSNL and PGCIL, the Petitioner submitted that all the schemes are in its completion phase and is expected to complete by end of FY 2018-19.	The Commission noted the reply submitted by the Petitioner. The Commission directs the Petitioner to ensure that proper co-ordination should be there at the upstream and downstream so that no asset is stranded.
Metering Status		
The Commission directs the Petitioner to submit status of meters available & operational at various locations as on April 01, 2017 in the given format within next 2 months from issue of the Order.	The Petitioner submitted the status of available and operational meters as per the format given before the Commission along with this Petition.	The Commission observes that there is scarcity of meters at the intersection point and also the working of meter installed is the issue. The Commission directs the Petitioner to ensure 100% healthy and working meter at all the intersection point.
Energy Accounting & Audit		
The Commission directs the Petitioner 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 20 th of succeeding month.	The Petitioner submitted the energy accounting & audit report for the month of Jan'18 along this petition and will further submit such report on monthly basis before the Commission.	The Commission noted the reply submitted by the Petitioner. The Commission directs the Petitioner to submit energy accounting on monthly basis before the Commission.
Transformer Earthing		
The Commission directs the Petitioner to submit the status/ value of PT earthing and bus	The Petitioner submitted that they shall submit report on status/ value of PT earthing	The Commission noted the reply submitted by the Petitioner.



Directives	Status	Views of the Commission
coupler bays at various voltage levels in every six months.	and bus coupler bays in every six months starting from Sep'18.	The Commission directs the Petitioner to submit such report on half yearly basis.
Segregation of SLDC		
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 within two months of issuance of this Order.	The Petitioner submitted that it has started segregating accounts for SLDC function from Jan'17 and submitted the trial balance of accounts for 3 months of FY 2016-17 (Jan'17- Mar'17) along with petition.	The Commission observed that the Petitioner has failed to submit separate ARR for SLDC Business. The Petitioner is directed to submit separate petition for ARR for SLDC Business from now onwards.
Projects under PPP Mode		
The Petitioner had submitted that projects under PPP mode shall be selected through TBCB and tariff shall be recovered directly by the agency from JBVNL. 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 OA consumers, Railways etc., 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	The Petitioner submitted that the projects identified under PPP mode are funded by private players appointed through competitive bidding process. The successful bidder shall enter into Transmission Service Agreement with JBVNL and pay transmission charges on the basis of bidding rate. The Agency shall also approach JSERC for approval of Transmission License and TSA. The Petitioner further 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 TL & S/S. JBVNL being a distribution Licensee, cannot come up with the requirement of transmission lines and substations in the existing network of JUSNL. JUSNL therefore based on its	The Commission noted the reply submitted by the Petitioner. The Petitioner is required to comply the Clause 6.9 of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015. The Commission directs the Petitioner that any investment plan need to be supported with the requirement of the Distribution Licensee.



Directives	Status	Views of the Commission
<p>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 directs the Petitioner to follow a standard and transparent process after due approval of the STU.</p>	<p>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.</p>	
<p>Re-financing of State Government Loans</p>		
<p>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</p>	<p>The Petitioner submitted that in this regards, they are already in talks with NABARD to fund the schemes under DVC area and NABARD has agreed to fund ~50% of schemes under DVC area. The interest rate of NABARD will be approximately 4% less than the State government rate.</p> <p>The Petitioner further added that the effect of low interest rate shall be seen from FY 2019-20 onwards when these projects will be put to use after capitalized.</p>	<p>The Commission noted the reply submitted by the Petitioner.</p> <p>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 also approach the State Government to convert the loans into grant. Further, the Petitioner may look for Viability Gap Funding for schemes which may be developed for social cause.</p> <p>Taking into account the above facts, the Commission in its Order dated February 24, 2018, had already approved the</p>



Directives	Status	Views of the Commission
<p>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.</p>		<p>interest rate on loan as 5% from FY 2018-19 onwards while approving the Interest and Finance Charges.</p> <p>The Petitioner is directed to submit the steps taken towards above mentioned conversion of Government Loan into grants/refinancing/VGF within three months from the issuance of this Order.</p>
Data Gaps		
<p>The Commission directs the Petitioner to note the data deficiencies highlighted throughout the present petition and submit required details and certificates along with the next petition.</p>	<p>-</p>	<p>The Commission observes that several discrepancies were observed in the petition submitted before the Commission.</p> <p>The Petitioner need to improve the quality and standard of future petitions that need to be submitted before the Commission as per timeline specified in the Regulations.</p>



A 8: DIRECTIVES

Timely submission of the petition before the Commission

8.1 The Commission observed that the Petitioner failed to submit the petition before the Commission within the timeline specified in the JSERC Tariff Regulations, 2010 and JSERC Tariff Regulations 2015. The Commission directs the Petitioner to ensure timely submission of the petition in future failing which the same shall be treated as noncompliance of direction and may attract penalty.

True up petition for FY 2017-18, FY 2018-19 & FY 2019-20 and other pending Petitions

8.2 The Petitioner is directed to submit the true up petition for FY 2017-18, FY 2018-19 & FY 2019-20 along with other pending Petitions immediately before the Commission within one month from the issuance of this Order without any further delay.

Data adequacy in the next Petition

8.3 The Commission observed that the Petitioner has not submitted the required data/supporting documents in proper formats along with the petition. Even after sufficient time and several reminders, the Petitioner couldn't provide sufficient justification and reasons for discrepancy raised by the Commission specially related to addition of capex expenditure and capitalization during the year. The Commission directs the Petitioner to submit the petition complete with all relevant formats, failing which may lead to even non-acceptance of petition. Additionally, the Petitioner is directed to submit its claim with proper documentary proofs and reasoning.

In addition to above directives in this Order, the Petitioner is required to review the comments of the Commission on the directives issued in previous years Tariff Orders and comply with the same.

This Order is signed and issued by the Jharkhand State Electricity Regulatory Commission on December 30, 2020.

Date: 30.12.2020

Place: Ranchi

(Pravas Kumar Singh)

MEMBER (Legal)

(Rabindra Narayan Singh)

MEMBER (Engg.)



ANNEXURE 1

List of participating members of the Public in the Public Hearing though Video Conferencing

Sr. No.	Name	Address/Organization
Date & Time: August 13, 2020 02:30 PM		
1	Mr. Ajay Bhandari	Stakeholde
2	Mr. A. K. Singh	JUSNL
3	Mr. Ajit Kumar	JUSNL
4	Mr. Abhinash Kumar	JUSNL
5	Mr. Vivek Kumar	JUSNL
6	Mr. Ashwin Govindan	Stakeholder
7	Mr. Chandan Kumar	Stakeholder
8	Mr. Rishi Nandan	JBVNL
9	Mr. Mohit Bhardwaj	Consultant, JBVNL
10	Mr. Neelesh Chandra	Stakeholder
11	Mr. Subrat Kumar	Consultant, JUSNL