Before the

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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Case No. 119 of 2008

IN THE MATTER OF

Reliance Infrastructure Ltd. Transmission Business' (RInfra-T) Petition for Annual Performance Review for FY 2008-09 and Determination of Revenue Requirement for FY 2009-10.

Shri V. P. Raja, Chairman Shri A. Velayutham, Member Shri S. B. Kulkarni, Member

ORDER

Dated: May 28, 2009

In accordance with the Tariff Regulations notified by the Maharashtra Electricity Regulatory Commission (hereinafter referred as MERC or the Commission), Reliance Infrastructure Limited's Transmission Business (RInfra-T), submitted its application for approval of truing up for FY 2007-08, Annual Performance Review for FY 2008-09 and Annual Revenue Requirement for FY 2009-10, under affidavit. The Commission, in exercise of the powers vested in it under Section 61 and Section 62 of the Electricity Act, 2003 (EA 2003) and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by RInfra-T, all the objections and comments of the public, responses of RInfra-T, issues raised during the Public Hearing, and all other relevant material, and after review of

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Annual Performance for FY 2008-09 determines the revenue requirement for the Transmission Business of RInfra for FY 2009-10 as under.

Abbreviations

A&G	Administrative and General		
APR	Annual Performance Review		
ARR	Annual Revenue Requirement		
ATE	Appellate Tribunal for Electricity		
BSES	BSES Limited (now known as Reliance Energy Limited)		
Commission/MERC	Maharashtra Electricity Regulatory Commission		
СРІ	Consumer Price Index		
CSO	Central Statistical Organisation		
Capex	Capital Expenditure		
CTC	Cost to Company		
DPR	Detailed Project Report		
EA 2003	Electricity Act, 2003		
EHV	Extra High Voltage		
GFA	Gross Fixed Assets		
GoI	Government of India		
IBSM	Interim Balancing and Settlement Mechanism		
IDC	Interest During Construction		
InSTS	Intra-State Transmission System		
IWC	Interest on Working Capital		
IT	Income Tax		
kV	Kilo Volt		
kVA	Kilo-Volt Amperes		
kW	Kilo Watt		
LILO	Loop In Loop Out		
MSETCL	Maharashtra State Electricity Transmission Company Limited		
MSLDC	Maharashtra State Load Despatch Centre		
MW	Mega Watt		
MYT	Multi Year Tariff		

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O&M	Operation & Maintenance
PLR	Prime Lending Rate
PBT	Profit Before Tax
R&M	Repair & Maintenance
REL	Reliance Energy Limited
RInfra	Reliance Infrastructure Limited
RInfra-T	Reliance Infrastructure Limited Transmission Business
RoE	Return on Equity
SBI	State Bank of India
SHR	Station Heat Rate
TVS	Technical Validation Session
WDV	Written Down Value
WPI	Wholesale Price Index

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1. BACKGROUND & BRIEF HISTORY

1.1 Background

This Order relates to the Petition filed by Reliance Infrastructure Limited for its Transmission Business (RInfra-T) for truing up of expenses and revenue for FY 2007-08, Annual Performance Review for FY 2008-09 and determination of Aggregate Revenue Requirement for FY 2009-10.

RInfra (formerly known as BSES Ltd and Reliance Energy Limited [REL]) is a vertically integrated utility carrying out the functions of Generation, Transmission, Wheeling and Retail Supply of electricity in the suburbs of Mumbai. RInfra's transmission network consists of around 480 km of 220 kV lines, three 220 kV EHV stations and associated other infrastructure.

1.2 Tariff Regulations

The Commission, in exercise of the powers conferred by the Electricity Act, 2003 (EA 2003), notified the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005, (hereinafter referred as the MERC Tariff Regulations) on August 26, 2005. These Regulations superseded the MERC (Terms and Conditions of Tariff) Regulations, 2004.

1.3 Commission's Order on ARR and Tariff Petition for FY 2005-06 and FY 2006-07

Reliance Energy Limited (REL) filed its ARR Petition for FY 2005-06 on March 1, 2005, based on the draft Tariff Regulations. The Commission notified the MERC (Terms and Conditions of Tariff) Regulations, 2005 on August 26, 2005. In compliance with the Commission's directions issued vide its letter dated October 10, 2005, REL submitted its revised ARR Petition for FY 2005-06 providing the break up of ARR of Generation, Transmission and Distribution Function on November 22, 2005.

Subsequently, REL submitted its ARR and Tariff Petition for FY 2006-07 on February 24, 2006. After two Technical Validations sessions, the Commission vide its letter May 3, 2006 directed REL to submit its revised ARR and Tariff Petition for FY 2006-07 including a

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separate section on truing up of ARR for FY 2005-06. REL submitted its revised ARR and Tariff Petition for FY 2006-07 on May 10, 2006.

The Commission admitted the ARR Petition of REL for FY 2005-06 (Case No. 25 of 2005) and ARR and Tariff Petition of REL for FY 2006-07 (Case No. 53 of 2005) on May 18, 2006. The Commission issued its Order on the above said Petitions of REL on October 3, 2006.

1.4 ATE Judgment

The Commission, in the Tariff Order dated October 3, 2006, determined the revenue requirement of REL for FY 2006-07. In the same Order, the Commission also dealt with the truing up of cost and revenues for FY 2004-05 and FY 2005-06 based on actuals, subject to prudence check. REL challenged this Order of the Commission in the Appellate Tribunal for Electricity (ATE) on the issues of:

- a) Disallowance of actual Employee expenditure and A&G expenditure for FY 2004-05, FY 2005-06 and FY 2006-07,
- b) Disallowance of actual R&M expenditure for FY 2006-07,
- c) Disallowance of higher Income Tax for FY 2004-05 and FY 2005-06,
- d) Direction to reduce distribution loss level in FY 2006-07,
- e) Deviation in the operating norms of station heat rate, auxiliary consumption and secondary oil consumption for generation vis-à-vis the norms stipulated in the MERC Tariff Regulations, and
- f) Reversal of treatment on rebate given by REL to its consumers on account of Judgment passed by the ATE dated May 22, 2006 by including it in the ARR of REL as a distribution licensee by the Commission in the manner set out in paragraph 7.16 and 7.17 of Tariff Order for FY 2006-07. This issue was subsequently not pressed by REL, since the matter was sub-judice before the Hon'ble Supreme Court.

The ATE upheld the appeal of REL in its Judgment dated April 4, 2007 in Appeal No. 251 of 2006 as given below:

a) The ATE upheld REL's appeal regarding the allowance of the actual employee expenditure, A&G expenditure and Income Tax of Rs. 207.34 crore, Rs. 102.02 crore and Rs. 101 crore, respectively, as claimed by REL as against the Commission

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approved figures of Rs. 161.85 crore, Rs. 74.05 crore and Rs. 7.64 crore, respectively, for FY 2004-05.

- b) The ATE also upheld REL's appeal regarding the allowance of the actual employee expenditure, A&G expenditure and Income Tax of Rs. 207.26 crore, Rs. 101.64 crore and Rs. 74 crore, respectively, as against the Commission approved figures of Rs. 182.76 crore, Rs. 77.48 crore and Rs. 26.96 crore, respectively, for FY 2005-06.
- c) The ATE upheld REL's appeal in the context of applicability of norms stipulated under the Tariff Regulations, and ruled that the Commission should not deviate from the operating norms for station heat rate, auxiliary consumption and specific consumption of secondary fuel as specified in the MERC Tariff Regulations, 2005, even though REL's performance was better than the norms.

1.5 Commission's Order on MYT Petition of REL-T for FY 2007-08 to FY 2009-10

REL submitted its ARR and Multi Year Tariff (MYT) Petition for its Transmission Business for the first Control Period from FY 2007-08 to FY 2009-10 on January 16, 2007. The Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act, 2003, and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by REL, all the objections, responses of REL, issues raised during the Public Hearing, and all other relevant material, issued the MYT Order for REL-T, on April 2, 2007, which came into effect from April 1, 2007. As the Annual Performance Review for FY 2007-08 and Tariff determination for FY 2008-09 were under process, the various Utilities filed a Petitions for continuation of revenue requirement determined for FY 2007-08 till the time of issuance of the respective Orders for each Utility. Accordingly, the Commission in its Order dated April 1, 2008 in Case No. 102 of 2007, extended the applicability of the aforesaid Tariff Orders for the Utilities till the revised tariffs are determined for FY 2008-09 under the APR framework and Orders issued there under.

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1.6 Commission's Order on APR Petition for REL-T for FY 2007-08 and Determination of Revenue Requirement for FY 2008-09

REL-T submitted its Petition for Annual Performance Review (APR) for FY 2007-08 and determination of tariff for FY 2008-09 for its Transmission Business on November 30, 2007 (numbered as Case No. 64 of 2007). The Commission issued the APR Order for REL-T in Case No. 64 of 2007 on May 26, 2008, which came into effect from June 1, 2008, and the tariffs were initially valid upto March 31, 2009, which was later extended till the revised tariff were determined for FY 2009-10 vide the Commission's Order dated April 15, 2009 in Case Nos. 152, 153 and 154 of 2008. REL-T has appealed against the Commission's Order on the APR for FY 2007-08 and determination of tariff for FY 2008-09 on the issue of sharing of efficiency gains and losses, income tax computation and computation of transmission system availability, before the ATE (numbered as Appeal No. 115 of 2008). The ATE's decision on REL-T's Appeal is awaited.

1.7 RInfra-T's Petition for truing up for FY 2007-08, Annual Performance Review for FY 2008-09 and Revenue Requirement for FY 2009-10

In accordance with the Regulation 9.1 of MERC Tariff Regulations, the application for the determination of tariff has to be made to the Commission not less than 120 days before the date from which the tariff is intended to be made effective. Further, the first proviso to Regulation 9.1 states that the

"date of receipt of application for the purpose of this Regulation shall be the date of intimation about the receipt of a complete application in accordance with Regulation 8.4 above:"

The Commission had directed RInfra-T to submit the Petition for Annual Performance Review latest by November 30 of each year in accordance with Regulation 9.1 of the Tariff Regulations.

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RInfra-T submitted its Petition for truing up for FY 2007-08, APR for FY 2008-09 and ARR for FY 2009-10 for its Transmission Business on December 10, 2008, based on actual audited expenditure for FY 2007-08, actual expenditure for first half of FY 2008-09, i.e., from April to September 2008, and revised estimated expenses for October 2008 to March 2009, and projections for FY 2009-10. RInfra-T, in its Petition, requested the Commission to:

- admit the APR Petition;
- approve the aggregate Revenue Requirement (ARR) for FY 2007-08;
- approve revised estimates of ARR of FY 2008-09 and FY 2009-10.

The Commission, vide its letter dated January 9, 2009, forwarded the preliminary data gaps and information required from RInfra-T. RInfra-T submitted its replies to preliminary data gaps and information requirement on January 19, 2009.

The Commission scheduled a Technical Validation Session (TVS) on RInfra-T's Petition for approval of APR for FY 2008-09 and ARR for FY 2009-10, on January 28, 2009, in the presence of authorised Consumer Representatives. The list of individuals, who participated in the TVS, is provided at **Appendix-1**. During the TVS, the Commission directed RInfra-T to provide additional information and clarifications on issues raised during the TVS. The Commission also directed RInfra-T to submit the draft Public Notice in English and Marathi in the format prescribed by the Commission.

1.8 Admission of Petition and Public Process

RInfra-T submitted its responses on February 14, 2009 to the queries raised during the TVS, and the Commission admitted the APR Petition of RInfra-T on February 20, 2009.

In accordance with Section 64 of the EA 2003, the Commission directed RInfra-T to publish its application in the prescribed abridged form and manner, to ensure public participation. The Commission also directed RInfra-T to reply expeditiously to all the suggestions and objections from stakeholders on its Petition. RInfra-T issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its APR Petition. The Public Notice

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was published in The Times of India (English), Indian Express (English), Loksatta (Marathi) and Samana (Marathi), newspapers on February 25, 2009. The copies of RInfra-T's Petitions and its summary were made available for inspection/purchase to members of the public at RInfra-T's offices and on RInfra-T's website (www.rinfra.com) and also on the web site of the Commission (www.mercindia.org.in) in downloadable format. The Public Notice specified that the suggestions and objections, either in English or Marathi, may be filed in the form of affidavits along with proof of service on RInfra.

The Commission received written suggestions and objections from various persons. The Public Hearing was held on March 26, 2009 at 11:00 hours at Rangsharda Natya Mandir, Bandra Reclamation, Bandra (W), Mumbai 400 050. The list of objectors, who participated in the Public Hearing, is provided in Appendix- 2.

The Commission has ensured that the due process, contemplated under law to ensure transparency and public participation has been followed at every stage meticulously and adequate opportunity was given to all the persons concerned to file their say in the matter. The Order is being issued well within the time period of 120 days from the date of admission of complete Petition, as stipulated under the EA 2003.

Though a common Public Hearing was held for processing the APR Petitions for FY 2008-09 and determination ARR and tariff for FY 2009-10 filed by RInfra-G (numbered as Case No. 120 of 2008), RInfra-T (numbered as Case No. 119 of 2008) and RInfra-D (numbered as Case No. 121 of 2008), the Commission is issuing separate Orders on the three Petitions filed by RInfra. This Order deals with the truing up for FY 2007-08, Annual Performance Review of FY 2008-09 and Aggregate Revenue Requirement of RInfra-Transmission Business for FY 2009-10. Various suggestions and objections that were raised on RInfra-T's Petition after issuing the Public Notice both in writing as well as during the Public Hearing, along with RInfra-T's response and the Commission's rulings have been detailed in Section 2 of this Order.

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1.9 Organisation of the Order

This Order is organised in the following four Sections:

- Section 1 of the Order provides a brief history of the quasi-judicial regulatory process undertaken by the Commission. For the sake of convenience, a list of abbreviations with their expanded forms has been included.
- Section 2 of the Order lists out the various objections raised by the objectors in writing as well as during the Public Hearing before the Commission. The various objections have been summarized, followed by the response of RInfra and the ruling of the Commission on each of the issues.
- Section 3 of the Order details the truing up of expenses and revenue of RInfra's Transmission Business for FY 2007-08, including sharing of efficiency gains/losses due to controllable factors.
- Section 4 of the Order comprises the Review of Performance for FY 2008-09, covering both physical performance and expenditure heads. This Section also comprises the Commission's analysis on various components of revenue requirement of RInfra-T for FY 2009-10.

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2. OBJECTIONS RECEIVED, RINFRA-T'S RESPONSE AND COMMISSION'S RULING

2.1 Procedure for APR filing and Public hearing

Consumer Human Right Activist (CHRA), Electrical Contractors Association of Maharashtra (ECAM) and several other objectors submitted that under the Multi Year Tariff (MYT) regime, the tariff revision can be undertaken only at the end of the first Control Period, i.e., after March 31, 2010. The MERC (Terms and Conditions of Tariff) Regulations, 2005 were notified on August 23, 2005 before notification of Tariff Policy (TP) and once the TP has been notified on January 6, 2006, it supersedes the MERC (Terms and Conditions of Tariff) Regulations, 2005. Section 5(h)(3) of TP stipulates that once the revenue requirement is established at the beginning of the Control Period, the Regulatory Commission should focus on the regulation of outputs and not the input cost elements and a comprehensive review of performance may be undertaken only at the end of the Control Period. Hence, MYT Tariff should not be revised till the end of the first Control Period, i.e., up to March 31, 2010. Further, the review of performance during the first Control Period should also be done only at the end of the first Control Period as per the TP. The objectors have stated that noncompliance with Central Government Policy by the Commission violates the law.

Several objectors submitted that the Commission should amend the MERC (Terms and Conditions of Tariff) Regulations, 2005, in order to incorporate the provisions of the Tariff Policy, 2006 in the context of MYT exercise.

ECAM, Shri Sandeep Ohri and several other objectors submitted that at the time of fixation of tariff for MYT Control Period, the Commission stated that all the expenses would be frozen at the levels approved in the MYT Orders; however, RInfra-T is asking for approval for additional expenses under each head of expense. They submitted that this additional expense should not be allowed at this stage. They added that if the electricity companies are allowed to increase tariff every year, then there is no sanctity to the MYT process.

Shri Sandeep Ohri and others submitted that as per Section 61 of the Electricity Act, 2003, the Commission should encourage competition, efficiency, economical use of resources, good performance and optimum investments and safeguard consumer's interest and at the same time, ensure recovery of cost of electricity in a reasonable manner. Several objectors

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submitted that the Commission should safeguard the consumers' interest and reduce the tariff.

Retailers Association of India, Shri Sandeep Ohri, Shri P. N. Sridharan, and Shri V. Thanumoorthy submitted that despite the Petitions submitted by RInfra-T being very voluminous with comprehensive data, only three weeks' time has been provided to the consumers for filing their objections, which was insufficient. Shri Jatin Sanghvi, CHRA and Shri V. Thanumoorthy suggested that the Petitioner should provide data in a way that can be understood by common people. Shri Jitendra Sharma and some other objectors submitted that the Public Hearing should be telecasted live on television, for greater public dissemination. Retailers Association of India submitted that there are various fundamental errors, faults and inconsistencies in the Petition. They added that sufficient data and time has not been provided to the consumers to enable them to analyse the petition, thereby denying the opportunity to submit suggestions and objections, which violates the principle of natural justice. Further, the Petitioner has not complied with the statutory provisions of the Electricity Act, 2003, TP, National Electricity Policy and MERC (Terms and Conditions of Tariff) Regulations, 2005.

RInfra's Response

RInfra-T replied that the present Regulations provide for treatment of efficiencies and inefficiencies while determining the tariff.

RInfra replied that the issues raised relating to periodicity of tariff determination during the MYT period has been addressed by the Commission in its Tariff Order dated May 26, 2008 in Case No. 64 of 2007.

As regards the contentions of the objectors regarding the time frame for providing suggestions and objections, RInfra has not submitted any reply.

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Commission's Ruling

As regards determination of tariff on annual basis, the Commission in its MYT Order for RInfra-T dated April 2, 2007 has approved the trajectory of performance parameters and expenditure heads for RInfra-T for the Control Period from FY 2007-08 to FY 2009-10. The Tariff Regulations provide for undertaking Annual Performance Review in each year during the Control Period. Hence, the Commission in this Order, has revised the revenue requirement of RInfra-T for FY 2009-10, on the basis of the trued up expenditure for FY 2007-08 and provisional truing up for FY 2008-09.

Moreover, Para 5.0 (h) (3) of the Tariff Policy (TP) referred by the objectors stipulates as under:

"Once the revenue requirements are established at the beginning of the control period, the Regulatory Commission should focus on regulation of outputs and not the input cost elements. At the end of the control period, a comprehensive review of performance may be undertaken."

The Commission is of the view that the above provision of the Tariff Policy referred to by the objectors does not stipulate that the tariff cannot be determined on an annual basis.

The Public Notice was published on February 25, 2009 in leading newspapers and the Public Hearing in the matter was scheduled on March 26, 2009, i.e., four weeks after the Public Notice was published. Regulation 64 (a) of the MERC (Conduct of Business) Regulations, 2004 specifies that a minimum of three weeks time should be given before the Public Hearing for submission of objections and comments, as far as possible. Further, an additional time of 7 days was also provided to the objectors to file their rejoinders after the Public Hearing. Thus, the Commission has followed the due regulatory process in accordance with the provisions of EA 2003 and the Commission's Regulations.

On the issue of simplicity of information to be made available to stakeholders, the Commission directed the Petitioner to include an Executive Summary of the Petition and made it available to the public. Further, the Commission also directed the Petitioner to make available the soft copy of formats in MS Excel.

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As regards the objection that the Utilities should not be allowed the projected increase in O&M expenses under the MYT framework, the Commission is of the view that there is merit in the suggestion and the Commission has further elaborated on this issue in the Section 3.1 of this Order.

2.2 Cost plus Tariff based Regulation vis-à-vis Performance Based Regulations

Juhu Schemes Residents Association and others submitted that the cost plus approach of determining the tariff must be abandoned and should be replaced with Performance Based Regulations, whereby the Commission should set the targets for key performance parameters and compute the tariff assuming that such targets are met. Juhu Schemes Residents Association further submitted that the private monopoly in the power sector has led to exploitation of the consumers. Further, the Generating Company sells power to the Transmission Companies at cost plus tariff, then the Transmission Companies sell power to Distribution Companies at cost plus tariff, and then the Distribution Companies sell power to the consumers again at cost plus tariff. Hence, in an environment of cost plus tariff at all stages, where the price increase would be the sole objective of the licensees, efficiency and competition would be eliminated, resulting in higher prices and poor services.

RInfra-T's Response

RInfra submitted that the MERC Tariff Regulations provides for treatment of efficiencies and inefficiencies while determining tariffs.

Commission's Ruling

The existing MERC Tariff Regulations stipulates a judicious mix of cost plus approach and Performance based Regulations to the extent practicable and feasible.

2.3 Third Party Scrutiny

Several objectors submitted that the facts and figures projected in RInfra-T's Petition appear to be contrary to the segment-wise Accounts of RInfra and it is necessary to appoint an independent auditor for the purpose of carrying out an audit of the Petition, and the Auditor's Report should be made available to the Public.

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Shri Guruprasad Shetty and IHRA submitted that the Commission should appoint experts to scrutinize the financial and technical data submitted by the Utility. Shri Sandeep Ohri and others submitted that as per Clause 8.2.1(2) of TP, the State Electricity Regulatory Commission (SERC) should institute a system of independent scrutiny of financial and technical data submitted by the licensees, and enquired about the steps taken by the Commission to implement this provision of the TP. They added that the Commission should reject the Petition filed by RInfra as authenticity of the data is not ensured till date.

RInfra Response

RInfra has not submitted any reply to this objection.

Commission's Ruling

The Commission, with the help of its staff as well as consultants, undertakes a detailed scrutiny of the APR Petitions filed by the Utilities. The Commission has also obtained the reconciliation statements towards reconciliation of expenses and revenue submitted in the APR Petitions with the expenses and revenue allocated to its various businesses as per the Audited Accounts. Further, the Audited Accounts of the Petitioner as well as the Allocation Statements for allocating the expenses and revenue to its various businesses are .submitted by the Petitioner on affidavit and are duly certified by auditor. The Commission has recently notified the MERC (Uniform Recording, Maintenance and Reporting of Information) Regulations, 2009 on April 20, 2009 which is designed to show more clear segment-wise information for each of the Businesses regulated by the Commission.

2.4 Appointment of Consumer Representatives

Shri K Sampath, Shri Jude G. Tandon and others submitted that the Commission should appoint new Consumer Representatives under Regulation 18 of the MERC (Terms and Conditions of Tariff) Regulations, 2005, as the existing Consumer Representative remain absent during Public Hearings. The Petitions are being processed without consumer interest being taken care of, in the absence of the Consumer Representatives. Further, authorised Consumer Representatives have been grossly negligent in pointing out all discrepancies.

RInfra's Response

RInfra has not submitted any reply on this issue.

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Commission's Ruling

The Commission does not agree with the contentions. The representatives of M/s Prayas Energy Group and M/s Mumbai Grahak Panchayat were present during the Technical Validation Session and the representatives of three authorised Consumer Representatives viz., M/s Prayas Energy Group, Mumbai Grahak Panchayat, and Thane Belapur Industries Association were present during the Public Hearing, and also made detailed submissions after study of the Petition filed by RInfra.

2.5 Operation & Maintenance (O&M) Expenses

JVPD Tenants and Residents Association and several others submitted that there is no transparency in the O&M expenses of RInfra for its Generation, Transmission and Distribution businesses, hence, a detailed scrutiny and audit needs to be carried out in this respect from FY 2004-05 to FY 2009-10. Further, JVPD submitted that in a Cost Plus environment, there is a tendency to be extravagant or impose costs on the electricity business to benefit other Divisions of the same Company. JVPD added that the Commission should direct the RInfra to submit a detailed explanation for the increase in O&M expenses and validate the same.

Lifestyle International Pvt. Ltd and some other LT Commercial Consumers submitted that RInfra-T has not provided detailed break-up of approved and actual repair and maintenance expenses for FY 2007-08 in the Petition. Further, the consideration of 6% escalation for projection of employee expenses and A&G expenses for FY 2009-10 is unjustifiable, considering the expected low inflation regime for FY 2009-10. Further, the 13% increase in employee expenses for FY 2008-09 is unjustifiable, as H2 of FY 2008-09 has already captured the impact of additional employees. They added that O&M expenses should be bought down to FY 2005-06 levels.

RInfra's Response

RInfra replied that all the information sought by the Commission has been submitted and the same are part of the tariff determination and truing up process undertaken by the Commission from FY 2004-05 onwards. RInfra added that appropriate explanations regarding increase in O&M expenses have been submitted in the Petition.

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Commission's Ruling

As deliberated in Section 3, the Commission has not allowed the increase in O&M expenses for FY 2007-08 as pass through. For FY 2007-08, the Commission has considered the variation between actual and approved O&M expenses as (gain)/loss on account of controllable factors and has carried out sharing of such (gain)/loss in accordance with the MERC Tariff Regulations.

For FY 2009-10, as detailed in Section 5 of the Order, the Commission has not allowed employee expenses as submitted by RInfra.

2.6 Capital Expenditure

ECAM submitted that the very high and unrealistic capital expenditure incurred by RInfra-T directly affects the consumers in the form of Return on Equity. ECAM added that the Commission should not allow any additional expense over the capital expenditure already approved in the MYT Order. Dr. Ashok Pendse of Mumbai Grahak Panchayat submitted that the prudence of the capital expenditure should be checked and a part of it should be disallowed.

Shri Sandeep Ohri and several others referred to the ATE Judgment in the matter of Appeal No. 251 of 2006, which states that "Merely incurring of expenditure by the licensee cannot be the grounds (for) passing on costs to the consumers".

Janhit Manch, JSRA and several others submitted that the capital expenditure plan of RInfra-T is not transparent, and a detailed scrutiny and audit needs to be carried out in this respect for the period from FY 2006-07 to FY 2009-10. They added that in the cost plus regime, there is a tendency to over invest in order to get additional benefits, which are linked to the capital expenditure. They further added that cost benefit analysis should be carried out for individual schemes and schemes should be approved only after prudence check for usefulness. Further, the capital base of RInfra-T should be reassessed as all the benefits are linked to the capital base, and RInfra should be directed to submit the detailed working of the reasonable return on the capital base.

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Shri Tapan Sharma and several other objectors submitted that RInfra-T should reduce the capital expenditure in view of the economic slowdown and should not burden its consumers with this additional expenditure. They added that the RInfra-T is unable to realize the revenue to support the capital expenditure on account of approved DPRs and should hence, be prudent in undertaking capital expenditure. Several objectors submitted that the investments and operations of other divisions undertaking infrastructure projects including Metro-One project and investment in Reliance Power Limited needs to be scrutinized in the interest of electricity consumers.

Prayas Energy Group (PEG) submitted that the in principle clearance given by the Commission for Capex Schemes clearly states that "in-principle clearance should not be construed as final approval for ARR purpose and the schemes will be open for scrutiny during tariff determination process/ARR review..." Further, it is necessary to validate that the completed schemes have been completed within the scope and other parameters mentioned in the in-principle approval by the Commission and that the expected benefits are realised. As capital expenditure of such high magnitude has enormous tariff implications for years to come, it is very important to analyse the prudence as well as performance improvement and efficiency gains in monetary terms of such expenditure. Further, scrutiny of investment plans in terms of prudence and detailed cost benefit analysis should be carried out before passing on these costs to the consumers.

PEG submitted that RInfra has described the investment schemes individually in the Petition, but not the benefits of the schemes. PEG added that the Commission should scrutinize the individual capex schemes and approve the schemes based on the test of prudence and usefulness. PEG further submitted that the Commission has not done this exercise in past and there is no defined procedure for undertaking the same. PEG further referred to a case in which the Delhi Electricity Regulatory Commission (DERC) scrutinized the capital expenditure of BSES Yamuna Power Limited and BSES Rajdhani Power Limited (group companies of Reliance Infrastructure Ltd), in the matter of ARR for the Control Period from FY 2007-08 to FY 2010-11 and found quite revealing results. Further, DERC disallowed the amount of Rs. 535 Crore in respect of capital expenditure and capitalisation thereof. PEG added that in the view of the above case, there is a need for detailed scrutiny of investment plans beyond in-principle clearance. PEG added that the tariff impact of such huge capital expenditure is largely subdued in initial years due to assumption of long-term of loan

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payment and depreciation considered based on normative approach. However, this capital expenditure has incremental impact on tariff.

HyperCity Retail (India) Ltd and some other LT Commercial Consumers submitted that the Commission in its APR Order dated May 26, 2008 in Case No. 64 of 2007 has approved a capital expenditure of Rs. 586.77 Crore for FY 2008-09 while RInfra-T in its present APR Petition has revised the capital expenditure estimates of FY 2008-09 to Rs. 320.13 Crore. Further, RInfra-T in its Petition submitted that actual capitalisation for H1 of FY 2008-09 as Rs. 8.23 Crore as against total estimated capitalisation of Rs. 102.27 Crore for FY 2008-09. HyperCity Retail (India) Ltd. objected that RInfra-T has not provided the status of the projects to be completed by the end of FY 2008-09 and capitalisation thereof.

RInfra's Response

RInfra replied that the details of the capital expenditure have been submitted in the Petition. RInfra added that the relevant Detailed Project Reports (DPRs) have been submitted to the Commission for its consideration.

The ARR is evaluated by the Commission in three phases, namely one for fixing tariff for the ensuing year, mid-year review through APR and finally through the truing up mechanism after the year is completed and the actual data is available.

RInfra submitted that the details of the equity component eligible for return is given in the Petition and computed in Form 6 of the Financial Model.

RInfra submitted that the need for capital expenditure has been explained in the Petition as well as in the DPR.

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Commission's Ruling

The Commission agrees with the concerns raised by several stakeholders regarding the excessive capital expenditure being undertaken by RInfra, and the impact of the same on the tariff. The Commission has carried out a detailed analysis regarding the capital expenditure and capitalisation and the treatment of the same in Section 4 of this Order. The Commission's computations in this regard, as well as the treatment of non-DPR capital expenditure has been elaborated subsequently in Section 3 on truing up of expenses and revenue for FY 2007-08 and in Section 4 while approving the revised revenue requirement for FY 2008-09 and FY 2009-10.

2.7 Return on Equity, Interest on Long-Term Capital and Working Capital

Shri Guruprasad Shetty and IHRA submitted that return on equity has increased enormously in the previous five years on account of high capital expenditure. This payment of whopping return on equity capital is injustice to the consumers.

They submitted that RInfra has misled the Commission that the funds of the Company are provided to shareholders. RInfra initially contributed Rs. 235 Crore and has taken back more than Rs. 460 Crore in last five years. Further, RInfra had Rs. 10,024 Crore as reserves and surplus and investment of Rs. 7,664 Crore, after payment to shareholders. The market value of this investment was Rs. 33,986 Crore in March 2008. Loans and advances given, along with current assets, amount to Rs. 9,673 Crore. They submitted that this money has been collected from poor consumers. However, on the contrary, RInfra is claiming that there is a 'Revenue Gap and Need for Additional Revenue Requirement'. RInfra has been overcharging the consumers for a long period of time and this over charged amount should be returned to the consumers.

They further submitted that as per the Profit & Loss Account and Balance Sheet, the net profit of RInfra has increased by Rs. 697 Crore (280%), operating income has increased by Rs. 2,175 Crore (152%), investment in markets has increased by nearly Rs. 7,000 Crore (1100%) and reserve and surplus has increased by Rs. 5,190 Crore (210%) in the past three years. They added that RInfra would not have made such huge money, had there been a Revenue Gap. They added that RInfra has manipulated the numbers to show higher revenue requirement.

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Inorbit Mall (India) Pvt. Ltd and some other LT Commercial Consumers submitted that RInfra-T has estimated Rs. 23.16 Crore towards interest expense, which is mainly on account of new loans. However, RInfra-T has not submitted the information pertaining to the financial closure of the new loans in the Petition.

RInfra's Response

As regards the contention raised regarding the approved RoE, RInfra replied that RoE has to be segregated in two components namely:

- § Relating to shareholders, on the total performance of the Company including businesses other than regulated business;
- § Return on regulated business as computed and reflected in the Petition.

RInfra further submitted that the two returns on the equity stated above have their distinct nature including risks and therefore, should not be mixed. The RoE under regulated business forms a part of reserves for the benefit of shareholders of RInfra and any money invested therefrom is eligible for treatment as Equity or Loan in the regulated business as applicable.

RInfra submitted that the contents of the Petition, including equity, loan, etc., should be looked at as applicable for regulated business, whereas the financial statements of RInfra as a Company includes its activities beyond the regulated business and thus, accrual of benefit and the risks thereon are for the shareholders of the Company.

Commission's Ruling

The Commission clarifies that the computations of Return on equity, interest on long-term loan and working capital have been done only in accordance with the provisions of the MERC Tariff Regulations but has also addressed the issues related to return on equity, interest rate on long-term loan and working capital Section 3 and 4 of the Order, while analysing the various components of the Aggregate Revenue Requirement of RInfra-T. The Commission as elaborated in Section 4 agrees with the stakeholders that due to huge capital investments in the last 4-5 years, the return on equity component of RInfra-T has increased substantially.

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As regards the total reserves and surplus of the Company based on Audited Accounts, it is clarified that in accordance with the MERC Tariff Regulations, the Commission has provided return only on normative regulatory equity at the beginning of the year. Any investment by RInfra-T from the internal accruals (i.e. reserves and surplus) over and above the normative equity of 30% of the capital investments has been considered by the Commission as normative loan and the Commission on such normative loan has allowed a normative interest rate of 9% as against return of 14% on equity. Further, the total equity, reserves and surplus, and investments as reflected in the Audited Accounts of RInfra, are for the Company as a whole, which has other Businesses, apart from the Businesses in Maharashtra regulated by the Commission and the Commission has not allowed ROE on that component.

2.8 Income Tax

Shri Guruprasad Shetty and several others submitted that RInfra reported a net profit of Rs. 1,084 Crore in FY 2007-08, and paid Rs. 121 Crore as Income Tax, which has been recovered from the consumers. They objected to such recovery from the consumers, since the income tax has to be paid out of the Company's profits.

JVPD Tenants & Residents Association submitted that the income tax paid by RInfra in previous years should be considered and adjusted. Shri Parag M. Alavani submitted that RInfra has paid higher income tax than that approved by the Commission, which has an impact on the electricity tariff.

RInfra's Response

RInfra replied that the income tax is considered on the principle as set out by the Judgment of the ATE dated April 4, 2007 in Appeal No. 251 of 2006 which states that income tax assessment has to be made on a stand alone basis for the regulated business.

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Commission's Ruling

The Income Tax is considered as a part of the fixed charge, in accordance with Regulation 50.2 of the MERC Tariff Regulations, which stipulates as under:

"50.2.1 Income-tax on the income of the Transmission Business of the Transmission Licensee shall be allowed for inclusion in the aggregate revenue requirement:"

Further, in accordance with the principle set out by the Judgement of ATE dated April 4, 2007 in Appeal No. 251 of 2006, the income tax of the regulated business is assessed and allowed on standalone basis. The detailed principles and computations of Income Tax are given in Section 3 and Section 5 of the Order.

2.9 Involvement of Consumers by the ATE

Shri Guruprasad Shetty submitted that the ATE should involve consumers in matters that could be prejudicial to consumer interest. Further, the ATE should call for objections and suggestions on the matter, which affects the consumers.

RInfra's Response

RInfra has not submitted any reply on this issue.

Commission's Ruling

As regards the contention raised by Shri Guruprasad Shetty regarding the process adopted by the Hon'ble ATE, the Commission is the view that this aspect is not within its jurisdiction, and the objector may approach appropriate forum in this respect if felt necessary. Transmission ARR

Several objectors submitted that the increase in ARR of RInfra-T from Rs. 75.44 Crore for FY 2008-09 to Rs. 107.77 Crore (43% increase) for FY 2009-10 is not commensurate with increase in sales and is not justifiable.

RInfra-T's Response

RInfra-T submitted that the increase in ARR is a reflection of capital projects proposed by RInfra-T and as approved by the State Transmission Utility (STU), which are essential to maintain reliability. RInfra-T added that RInfra-T's ARR forms a part of the Intra State

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Transmission System (InSTS) ARR, comprising the ARR of RInfra-T, TPC-T and MSETCL, which has been allocated to all the Distribution Licensees in Maharashtra.

Commission's Ruling

The Commission agrees with the objectors that RInfra-T has proposed substantial increase in its ARR for FY 2009-10, which is mainly due to increase in capital expenditure and capitalisation proposed by RInfra-T. As discussed earlier, the Commission has not allowed the entire capital expenditure and capitalisation as proposed by RInfra-T and hence, the ARR approved by the Commission for FY 2009-10 is substantially lower than that proposed by RInfra-T.

2.10 Transmission Losses

Shoppers Stop Limited and some other LT Commercial Consumers submitted that the transmission loss in FY 2006-07 was 1.90%, which has increased to 4.61% in FY 2007-08 and 4.85% in FY 2008-09 and FY 2009-10. They added that RInfra-T should reduce transmission losses.

RInfra-T's Response

RInfra-T has not submitted any reply to this objection.

Commission's Ruling

As regards the transmission loss, it is clarified that the transmission loss referred by the objector pertains to composite transmission loss for Intra State Transmission system (InSTS), applicable uniformly for all transmission system users within State. The rationale for considering a uniform intra-State transmission loss across the InSTS, and treating the transmission system as a composite transmission system, rather than that on the basis of the transmission losses on each individual subsystem, has been explained in detail in the Discussion Paper published by the Commission and its Order on Transmission Pricing Framework, and there is no need to reiterate the same in this Order.

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2.11 Depreciation

HyperCity Retail (India) Ltd and some other LT Commercial Consumers submitted that RInfra-T has not provided reasons for variation between approved and actual depreciation though the opening GFA is same for both approved and actual capitalisation of FY 2007-08.

RInfra-T's Response

RInfra-T has not submitted any reply to this objection.

Commission's Ruling

This issue has been discussed in detail in section 3.3 of the Order.

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3. TRUING UP OF ANNUAL REVENUE REQUIREMENT FOR FY 2007-08

RInfra-T, in its Petition for Annual Performance Review for FY 2008-09 and determination of revised revenue requirement for FY 2009-10, has included a section on final truing up of expenditure and revenue for FY 2007-08 based on actual expenditure and revenue for FY 2007-08 as per audited accounts. RInfra-T has provided the comparison of actual revenue and expenditure against each head with the revenue and expenditure approved by the Commission along with the reasons for deviations. RInfra-T submitted that in its Petition, it has considered truing up for FY 2007-08 and the revenue gap in FY 2007-08 was entirely on account of uncontrollable factors.

In this Section, the Commission has analysed all the elements of actual revenue and expenses for FY 2007-08, and has undertaken the truing up of expenses and revenue after prudence check. Further, the Commission had stipulated in its APR Order dated May 26, 2008 that the gains and losses on account of controllable factors will be shared between the Licensee and the consumers at the time of truing up of ARR in accordance with Regulation 19 of the MERC (Terms and Conditions of Tariff) Regulations, 2005.

3.1 O&M Expenses

Operation and Maintenance (O&M) expenditure comprises employee related expenditure, Administrative and General (A&G) expenditure, and Repair and Maintenance (R&M) expenditure. RInfra-T's submissions on each of these expenditure heads, and the Commission's ruling on the truing up of the O&M expenditure heads are detailed below. Further, treatment of O&M expenses and its relevance under MYT framework has been further elaborated under para 4.3 of this Order.

3.1.1 Employee Expenses

RInfra-T submitted that the net actual employee expenses for FY 2007-08 was Rs 7.32 Crore against the Rs 7.33 Crore approved by the Commission in its Order dated May 26, 2008. RInfra-T submitted that out of the total net employee expense of Rs. 7.32 Crore, the terminal benefits for the employees (i.e., Provident Fund, Superannuation and Gratuity) amounted to Rs. 0.54 Crore, in FY 2007-08. RInfra-T requested the Commission to allow the actual expenses as incurred.

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The Commission is of the view that employee expense is a 'controllable' parameter and has accordingly, analysed the actual employee expenses for FY 2007-08 under various heads vis-à-vis the actual expenditure in FY 2006-07. The Commission asked RInfra-T regarding the reasons for the substantial increase in certain sub-heads of employees expenses (viz., staff welfare expense, other allowance etc.,) in FY 2007-08 over the actual expense in FY 2006-07. RInfra-T submitted that most of its employees, over a period of time, had moved from the earlier salary structure to Cost to Company (CTC) salary structure, which provided them an ability to allocate part of their CTC into facilities like Food Coupons, Leave Travel, etc. In view of this change from old salary structure to CTC, it had resulted into certain regrouping within the components of employee expenses. The Commission has considered the same.

In its reply to data gaps raised, RInfra-T submitted a reconciliation statement between the revenue and expenses of Reliance Infrastructure Limited as a Company and its various business operations, including details of the allocation to RInfra-D, RInfra-T and RInfra-G (for Mumbai license area) separately.

Considering the details of actual employee expenses and reasons submitted by RInfra-T, the Commission has accepted the actual employee expenses for FY 2007-08 under the truing up exercise, as summarised in the following Table:

Table: Employee Expenses

-	Rs	Crore)	١
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Particulars	APR Order	Actuals	Allowed after truing up
Net Employee Expenses	7.33	7.32	7.32

3.1.2 Administration & General (A&G) Expenses

RInfra-T submitted that the actual A&G expenses in FY 2007-08 were Rs 2.35 Crore as against Rs 2.27 Crore approved by the Commission in its APR Order dated May 26, 2008. A&G expenditure comprises a number of services availed by RInfra-T such as security, transport, communication, etc., the cost of which is dependent on various external factors.

RInfra-T added that the increase in A&G expenses vis-à-vis the level approved by the Commission was on account of increase in Rent, Rate & Taxes and Bank charges, which were beyond the control of RInfra-T, as well as increase in vital and unavoidable expenses

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like security arrangements and training and hike in fuel prices in the latter half of FY 2007-08. RInfra-T requested the Commission to allow the actual expenses.

The Commission enquired regarding the reasons for increase in expenses on subscription and fees under A&G expenses in FY 2007-08 as a against nil expenses in FY 2006-07. RInfra-T submitted that this expense was the licence fee paid to the Commission in FY 2007-08. However, during FY 2006-07, this licence fee was accounted in the supply business, as a combined cheque was issued towards licence fees for distribution and transmission business together. Accordingly, the Commission has accepted the submission of RInfra-T.

The Commission enquired from RInfra-T regarding whether the expense of Rs. 0.03 Crore shown as bank charges under A&G expenses was already considered under the interest on working capital and other finance charges. Rnfra-T submitted that this amount was the charge on account of Letter of Credit issued by the banks to RInfra-T and that these charges were not considered under interest and other finance charges. Accordingly, the Commission has considered the same.

The Reliance Group acquired majority stake in BSES Ltd. in the year 2003. Subsequently, the name was changed from BSES Ltd. to Reliance Energy Limited (REL) in the year 2004. REL later became part of the Reliance Anil Dhirubhai Ambani Group (Reliance-ADAG) in the year 2006. Further, REL changed its name to Reliance Infrastructure Limited (RInfra) in the year 2008. The Commission enquired from RInfra regarding the total cost incurred for change of name in each of the above instances and cost allocation between its Mumbai Licence Business and Other Businesses for each such re-branding exercise, as well as the expense head under which, this expenditure has been booked. RInfra-T submitted that no expenses on this account have been allocated to the Generation, Transmission and Distribution business of Mumbai licence area. However, normal printing cost on stationery such as letter heads, visiting cards, etc., was incurred and due care was taken to control the stationery printing prior to the change in name. Accordingly, the Commission has considered the same.

The Commission enquired regarding the reasons for increase in conveyance and travel expenses under A&G expense from Rs. 0.01 Crore in FY 2006-07 to Rs. 0.08 Crore in FY 2007-08. RInfra-T submitted that its employees had to travel to China and Germany in

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connection with procurement of transformers and switchgears and hence, there was an increase in travelling expenses.

The Commission had approved A&G expenses in its MYT Order dated April 2, 2007 as Rs. 2.27 Crore and A&G expense in its APR Order dated May 26, 2008 as Rs. 2.27 Crore. Against this amount RInfra-T (previously submitted under the name of REL-T) in its APR Petition dated November 30, 2007 submitted A&G expense as Rs. 2.31 Crore, which has been further revised to Rs. 2.35 Crore in RInfra-T's present APR Petition. The Commission is of the view that in any regulated business, the expense needs to be managed within the allowed expenses, and any excess or savings be treated as loss and gain and to be shared between the Licensee and the consumer in accordance with Tariff Regulations. Accordingly, the Commission has disallowed the increase in expense on account of conveyance and travel expense.

Considering the details of actual A&G expenses and reasons submitted by RInfra-T for increase in A&G expenses, the Commission has considered actual A&G expenses for FY 2007-08 except for the disallowance of the expenditure as stated above. Sharing of loss on account of above has been addressed in the paragraph on sharing of gains and losses. The summary of A&G expenses approved in the APR Order, actual A&G expenses and A&G expenses approved after truing up for FY 2007-08 has been shown in the following Table:

Table: A&G Expenses (Rs Crore)

Particulars	APR Order	Actuals	Allowed after truing up
Net A&G Expenses	2.27	2.35	2.27

3.1.3 R&M Expenses

RInfra-T submitted that the actual R&M expenses of Rs 2.68 Crore in FY 2007-08, which was slightly higher than the R&M expense of Rs. 2.49 Crore approved by the Commission in its APR Order dated May 26, 2008, was on account of additional activities pertaining to hotline washing of transmission lines on towers at critical locations to prevent undesirable tripping. Further, there was an increase in the R&M expenses on account of replacement of defective and punctured insulators. RInfra-T requested the Commission to allow the R&M expense of Rs. 2.68 Crore under the truing up process.

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The Commission enquired regarding the break-up of the incremental expense of Rs. 0.19 Crore incurred (Rs. 2.68 Crore – Rs. 2.49 Crore) on account of above mentioned two activities. RInfra-T submitted that at the time of filing the Petition, a certain adjustment was assumed to the previous year's expenditure to project the expenses in the Petition. The R&M activities were dependent on various factors including the outages, planned maintenance, and cost of materials and service providers. Thus, RInfra-T could not identify the actual contribution of individual elements of R&M expense to the total variation. Hotline washing and replacement of punctured and defective insulators were additional preventive maintenance measures carried out by RInfra-T, on which RInfra-T had incurred the expense during FY 2007-08.

The Commission is of the view that activities of hotline washing of transmission lines at critical locations even as part of preventive maintenance are normal R&M activities as also the replacement of punctured insulators cannot be considered separately. The Commission is not satisfied that expenses on account of hotline washing of transmission lines on towers; replacement of defective and punctured insulators; require R&M expense which is incremental to the levels prudently estimated and allowed earlier in the APR Order. Further, the Licensee, under a regulated regime, is expected to manage its expenses within the levels allowed. The Commission has approved the R&M expenses in its MYT Order dated April 2, 2007 and APR Order dated May 26, 2008 as Rs. 2.49 Crore as against an amount of Rs. 2.52 Crore submitted in RInfra-T's APR Petition dated November 30, 2007, which has been further revised to Rs. 2.68 Crore in RInfra-T's present APR Petition. Accordingly, the Commission has disallowed the incremental R&M expense.

The variation between actuals and allowed are considered for sharing of loss and has been dealt with under the paragraph of sharing of gains and losses. The summary of R&M expenses approved in the APR Order, actual R&M expenses and R&M expenses approved after truing up for FY 2007-08 has been shown in the following Table:

Table: R&M Expenses (Rs Crore)

Particulars	APR Order	Actuals	Allowed after truing up
Net R&M Expenses	2.49	2.68	2.49

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3.2 Capital Expenditure and Capitalisation

Variation between approved and actual values of capital expenditure and capitalisation significantly influences computation of various expenses such as depreciation, interest on long term debt, and return on equity. RInfra-T, in its Petition, submitted that it had incurred an amount of Rs 10.10 Crore towards capital expenditure in FY 2007-08. Out of this, works amounting to Rs. 5.23 Crore were capitalized The Commission, in its Order dated October 3, 2006, has held that the Interest during the Construction (IDC) should be capitalized as and when an asset is put to use. Accordingly, the IDC for FY 2007-08 works out to Rs.0.32 Crore and the total capitalization works out to Rs 5.55 Crore, compared to Rs. 5.93 Crore approved by the Commission in the MYT Order.

RInfra-T further submitted that the Commission, in its APR Order dated May 26, 2008 has allowed a capital expenditure of Rs 46.15 Crore for FY 2007-08 after provisional truing up. However, for reasons beyond the control of RInfra-T, there were delays in the implementation of various schemes and the actual capital expenditure was Rs 10.10 Crore. RInfra-T submitted that major capital expenditure schemes like installation of 5th 220/33 kV 125 MVA transformer at Aarey EHV station, 33 kV GIS panel boards (13 nos.) at Aarey, Versova and Ghodbunder were delayed on account of delay in supply of equipments/materials from the manufacturers. Installation of 220 kV GIS EHV station at Chembur was delayed on account of delay in getting statutory clearances/approvals from the authorities, while installation of 4th 220/33 kV 125 MVA transformer at Ghodbunder EHV station and installation of 5th 220/33 kV 125 MVA transformer at Versova EHV station were delayed on account of relocation of site.

RInfra-T submitted that the total capitalisation amount included Rs. 1.39 Crore towards Loop-In Loop-Out (LILO) project of the transmission division, which would enhance reliability and improve supply conditions. The balance schemes were pertaining to security and reliability improvement schemes like security measures at Aarey, Versova and Ghodbunder, procurement of testing equipments and maintenance tools, retrofitting of 33 kV circuit breakers, additional protection for 220 kV towers, etc.

The Commission has provisionally considered all the Non-DPR related capitalisation of Rs. 5.55 Crore as estimated by RInfra-T during FY 2007-08. As regards accrual of projected benefits actually, the Commission directs to submit the detailed report with established benefits vis-à-vis the benefits projected with the schemes within one month from the

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<u>issuance of this Order</u> so that the amounts can be allowed finally in the next APR/ARR Order. Accordingly, approved capitalisation for FY 2007-08 is summarised in the following Table:

Table: Capital expenditure and Capitalisation (Rs Crore)

Particulars	APR Order	Actuals	Allowed after truing up
Capital Expenditure	46.15	10.10	10.10
Capitalisation	5.93	5.55	5.55

3.3 Depreciation

The Commission, in its APR Order dated May 26, 2008, had permitted depreciation to the extent of Rs 7.36 Crore for FY 2007-08, which amounted to 2.47% of Opening level of Gross Fixed Assets (GFA) of RInfra-T for FY 2007-08, which was stated at Rs 298.09 Crore. The depreciation rates were considered as prescribed under MERC Tariff Regulations. RInfra-T, in its APR Petition, submitted that the actual depreciation expense incurred in FY 2007-08 was Rs 8.12 Crore, at an overall depreciation rate of 2.72% corresponding to opening GFA of Rs 298.09 Crore, and requested the Commission to allow the actual depreciation expenses after truing up.

The Commission enquired regarding the reasons for increase in the depreciation expenses. RInfra-T submitted that in the APR Petition for FY 2007-08 dated November 30, 2007, depreciation rates were erroneously taken as 2.57% for all assets under Plant and Machinery. However, as per MERC Tariff Regulations, the rate of 2.57% is applicable only for Extra High Voltage (EHV) lines above 66 kV. RInfra-T submitted that most of the other assets under Plant and Machinery should have been depreciated at higher rates, applicable as per MERC Tariff Regulations. RInfra-T added that in the present Petition, the depreciation has been recomputed at the correct rates. Hence, the depreciation expense was revised to Rs. 8.12 Crore for FY 2007-08.

In reply to data gaps, RInfra-T submitted voltage-wise break-up of assets under Plant & Machinery along with the detailed computation sheet for asset-wise depreciation for FY 2007-08. Further, RInfra-T in its additional submissions, has confirmed that depreciation has not been claimed beyond 90% of the asset value in line with the MERC Tariff Regulations.

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The depreciation rate for capacitors under Plant & Machinery was considered by the Commission as per the MERC Tariff Regulations as against 30% claimed by RInfra-T. Accordingly, the depreciation expenditure approved by the Commission for FY 2007-08 has been summarised in the following Table:

Table: Depreciation

(Rs Crore)

Particulars	APR	Actuals	Allowed after
	Order		truing up
Depreciation	7.36	8.12	8.10
Opening Gross Fixed Asset	298.09	298.09	298.09
Depreciation as % of Op. GFA	2.47%	2.72%	2.72%

3.4 Interest Expenses

The Commission, in its APR Order dated May 26, 2008, had approved interest expense of Rs 0.70 Crore, after considering the interest expense on normative debt corresponding to capitalised assets only. The Commission had considered an interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06 and an interest rate of 8% p.a. for assets put to use during FY 2006-07. RInfra-T submitted that the revised interest expense for FY 2007-08 is estimated at Rs 0.76 Crore.

The Commission has considered the interest expense of the normative debt corresponding to capitalised assets only and has considered the interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06 and interest rate of 8% p.a. for assets put to use during FY 2006-07 and FY 2007-08 in line with the principles adopted in the APR Order dated May 26, 2008. The Commission has considered normative loan repayment tenure of 10 years for loan drawal during FY 2004-05 and FY 2005-06 and 20 years for loan drawal during FY 2006-07 and FY 2007-08. Further, in the case of interest expense for FY 2007-08 the Commission has considered the loan drawal, loan repayment and interest expense based on actual capitalisation during respective halves (i.e., H1 and H2) of FY 2007-08. Accordingly, the interest expense during FY 2007-08 works out to Rs 0.70 Crore as against Rs 0.76 Crore as claimed by RInfra-T and is shown in the following Table:

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Table: Interest Expenses

(Rs Crore)

Particulars	APR Order	Actuals	Allowed after truing up
Op. Balance	6.68	6.68	6.68
Additions	4.15	3.88	3.88
Repayments	(0.92)	(1.00)	(0.89)
Cl. Balance	9.91	9.56	9.67
Interest	0.70	0.76	0.70

3.5 Interest on working capital

As regards Interest on Working Capital, RInfra-T submitted that the interest rate has been considered at 11.50 % as considered by the Commission in its Order dated May 26, 2008. Accordingly, RInfra-T estimated the revised Interest on Working Capital (IWC) considering the components considered in the MERC Tariff Regulations, as Rs 0.76 Crore as against Rs 0.73 Crore approved by the Commission.

The Commission enquired regarding the basis of computing 'one-twelfth of the sum of the book value of stores, materials and supplies', used in computation of IWC for FY 2007-08. RInfra-T submitted that the total value of stores includes Capital and O&M Stores, however, there is no segregation of O&M stores and therefore, based on sample analysis carried out, it was observed that the value of O&M stores is approximately 10% of value of the total stores. Hence, 10% of one-twelfth of the sum of the book value of total stores at the end of each month was considered as O&M Stores. Accordingly, the Commission has considered the same.

The Commission has estimated the normative working capital interest for FY 2007-08 in accordance with the MERC Tariff Regulations and based on expenses approved in this Order after truing up. However, the Commission considers this to be a controllable parameter and has therefore computed the sharing of gains/losses on the difference between normative working capital interest and the actual working capital interest incurred, which in this case is zero, since this is a controllable parameter. Further, the MERC Tariff Regulations stipulates that rate of interest on working capital shall be considered on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on the date on which the application for determination of tariff is made. As the short-term Prime Lending Rate of State Bank of India at the time when RInfra-T filed the Petition for ARR for FY 2007-08 was

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11.50%, the Commission has considered the interest rate of 11.50% for estimating the normative interest on working capital, which works out to Rs 0.76 Crore. Since, this is a controllable parameter, 1/3rd of the gains on account of savings of interest on working capital, i.e. difference between normative IWC and actual IWC will have to be shared amongst RInfra-T and the transmission system users, in accordance with the MERC Tariff Regulations. Accordingly, net entitlement of RInfra-T towards interest on working capital works out to Rs 0.50 Crore.

3.6 Return on Equity (RoE)

RInfra-T submitted that based on the capital expenditure, capitalisation and normative debt: equity norm of 70:30, the return on the equity portion has been considered at 14%. Further, RInfra-T has computed RoE on the opening equity as well as on 50% of the equity portion of the capitalisation during the year in accordance with the MERC Tariff Regulations.

The Commission enquired from RInfra-T regarding whether any consumer contribution or grant or capital subsidy has been utilised for funding the schemes capitalised, to which, RInfra-T submitted that no consumer contribution or capital subsidy has been utilised for funding the schemes capitalised in any financial year. Accordingly, the Commission has considered the same.

The Commission has computed the RoE for FY 2007-08 on the opening balance of equity and 50% of the equity portion of the approved asset capitalisation during the year, in accordance with the MERC Tariff Regulations as applicable for the transmission business. The summary of RoE projected by RInfra-T and approved by the Commission for FY 2007-08 is summarised in the following Table:

Table: Return on Equity (Rs Crore)

Particulars	APR	Actuals	Allowed after
	Order		truing up
Regulatory Equity at beginning of year	130.69	130.69	130.69
Equity Portion of Capitalised Expenditure	1.78	1.66	1.66
Regulatory Equity at the end of the year	132.47	132.35	132.35
Return on Regulatory Equity at the beginning	18.30	18.30	18.30
of the year			
Return on Equity Portion of Capital	0.12	0.12	0.12
Expenditure Capitalised			

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Particulars	APR	Actuals	Allowed after
	Order		truing up
Total Return on Regulatory Equity	18.42	18.41	18.41

3.7 Contribution to Contingency Reserves

RInfra-T submitted that the contribution to contingency reserves for FY 2007-08 has been computed at 0.5% of opening GFA in accordance with the MERC Tariff Regulations, as Rs. 1.49 Crore, which is the same amount as approved by the Commission in the APR Order.

The Commission enquired regarding the opening balance of contingency reserve of RInfra-T as on April 1, 2007. RInfra-T submitted that opening balance of contingency reserve as on April 1, 2007 is Rs. 1.48 Crore. Accordingly, the Commission has considered the same.

The MERC Tariff Regulations stipulate that the amount appropriated under contingency reserve shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of the close of the financial year. The Commission asked RInfra-T to submit documentary evidence to the effect that contingency reserve for FY 2007-08 has been invested in approved securities, in accordance with MERC Tariff Regulations.

The Commission has also considered the contribution to contingency reserves at 0.5% of opening GFA for FY 2007-08. Accordingly, the Commission has considered contribution to contingency reserve of Rs 1.49 Crore for FY 2007-08 as claimed by RInfra-T.

3.8 Income Tax

RInfra-T, in its Petition, submitted that the income tax liability of RInfra-T for FY 2007-08 was Rs 10.47 Crore, against the income tax of Rs. 10.05 Crore approved by the Commission in its APR Order. RInfra-T submitted that the income tax is payable at the corporate tax rate of 33.99% (30% tax, 10% surcharge on tax, and 2% education cess on tax and surcharge), and requested the Commission to allow tax liability of Rs. 10.47 Crore after truing up.

In reply to data gaps, RInfra-T submitted copies of challans of actual income tax paid for FY 2007-08 for RInfra as a Company as a whole as per the provisions of Income Tax Act, 1961. RInfra-T submitted that actual income tax paid by it for company as a whole for FY 2007-08 is Rs. 82.49 Crore.

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The Commission subsequently asked RInfra to submit the detailed computations of income tax for RInfra-T, after considering the 80 IA tax benefits, and other tax exemptions as applicable, including tax depreciation. RInfra, in its reply, submitted the revised workings for income tax in which it has computed tax by adding back the regulatory depreciation and reducing Tax depreciation on WDV basis under provisions of the Income Tax Act. RInfra, also added back the normative interest on loan and normative interest on working capital to the taxable income while computing the income tax. The Commission has considered the same.

For the purpose of income tax computations, the Commission has considered the RoE as the regulatory profit before tax, in accordance with the approach suggested by RInfra in the earlier APR Petition, and adopted by the Commission in the previous APR Order. Further, the Commission has not grossed up such RoE component for income tax, since the income tax is being allowed as an expense under the ARR, in accordance with the MERC Tariff Regulations.

As regards tax on income arising out of incentive earned by RInfra-T due to higher than normative availability of its transmission system, the Commission is of the view that the expenses incurred for achieving better performance for higher Availability have already been allowed as pass through by the Commission and allowing tax on income arising out of better performance will put additional burden to consumers. Moreover, the MERC Tariff Regulations stipulate that the Transmission Licensee is allowed to retain one-third of the efficiency gains, while one-third is added to a special reserve to be used to off-set efficiency losses in future, if required, and only the balance one-third is passed on to the consumers (distribution licensees, in this case) through reduction in tariff. If the income tax on the share retained by the Transmission Licensee is passed through as an expense in the ARR, it will amount to reducing the consumer's share, i.e., one-third of the efficiency gains. This clearly is not the intention of the MERC Tariff Regulations. In other words, income tax is to be allowed as a pass through in the ARR, only to the extent of normal profits, i.e., the RoE, and not on any additional returns that the licensee is able to earn. Hence, the Utility has to pay the Income Tax on efficiency gains out of its own profits, and this cannot be passed on to the consumers. Accordingly, the Commission has not considered the tax on income arising out of availability incentive.

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Based on the above principles, the Commission has estimated the income tax of RInfra-T on standalone basis as Rs 7.13 Crore. The income tax projected by RInfra-T in its APR Petition and the income tax approved by the Commission after truing up is shown in the Table below:

Table: Income Tax (Rs Crore)

Sl.	Particulars	FY 2007-08			
		Petitioned	Approved after truing up		
1	Profit Before Tax/Regulated Return on Equity	27.89	18.41		
2	Add: Depreciation as per APR	8.12	8.10		
3	Less: Depreciation as per Income Tax	(6.74)	(6.74)		
4	Add: Normative Interest on Long Term Loan	0.76	0.70		
5	Add: Normative Interest on Working Capital	0.76	0.50		
6	Total	30.79	20.97		
7	Income Tax on Total Profit	10.47	7.13		

3.9 Incentive for Higher Availability

RInfra-T submitted that in accordance with the Commission's Order dated June 27, 2006, in Case No.58 of 2005, RInfra-T is entitled for incentive on transmission system availability higher than 98%. RInfra-T submitted that the transmission system availability in FY 2007-08 was 99.44%, and the incentive works out to Rs. 0.77 Crore.

In its Order in Case 58 of 2005, the Commission had ruled as under:

"2.8.7 Accordingly, the Commission rules that the transmission licensee shall be entitled to incentive on achieving annual availability beyond the target availability as stipulated under MERC (Terms and Conditions for Tariff) Regulations 2005, in accordance with the following formula:

Incentive = Annual Transmission Charges x [Annual availability achieved – Target Availability] / Target Availability;

Where,

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Annual transmission Charges shall correspond to ARR for the particular transmission licensee within State, as the case may be.

Provided that no incentive shall be payable above the availability of 99.75% for AC system and 98.5% for HVDC system."

In this context, the Commission observes that the claim for transmission system availability of the transmission licensee needs to be certified by the Maharashtra State Load despatch Centre (MSLDC). Accordingly, the Commission has directed RInfra-T to arrange for requisite certification from MSLDC and also directed MSLDC to formulate an appropriate procedure to monitor and certify the Transmission System Availability of various transmission licensees on regular basis. Pending finalisation of such procedure, the Commission has proceeded to consider the claims of RInfra-T for incremental availability beyond threshold norm for FY 2007-08 and its claim for incentive thereof. RInfra-T has submitted its transmission system availability computation duly certified by MSLDC for FY 2007-08.

Accordingly, the Commission has computed the incentive for transmission system availability greater than 98% in accordance with the above formula and considering the approved ARR of Rs. 48.30 Crore, the incentive works out to Rs. 0.71 Crore. The Commission has included the above incentive of Rs. 0.71 Crore in the Aggregate Revenue Requirement for FY 2009-10, which shall be payable by the Transmission System Users. The Commission has not considered income tax on this element of RInfra-T's revenue earned for passing on to its consumers.

3.10 Non Tariff Income

RInfra-T submitted that the actual non-tariff income for FY 2007-08 was Rs 0.12 Crore, which was same as that approved by the Commission.

RInfra-T submitted that the Commission in its Order dated October 03, 2006 in Case No. 25 of 2005 and 53 of 2005 had used the contingency reserve in determination of tariff for FY 2006-07 and therefore, no investment was required to be retained in Regulatory Accounts for the period prior to the said Order.

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For FY 2006-07 and FY 2007-08 combined, as provided in the MERC Tariff Regulations, the required contingency reserve investment for RInfra-T is Rs. 2.97 Crore and that for Reliance Infrastructure Limited-Distribution business (RInfra-D) is Rs. 21.36 Crore. Hence, the requirement for RInfra-D and RInfra-T combined amounts to Rs. 24.33 Crore. However, RInfra continues to maintain contingency reserve investment of Rs. 73.24 Crore in authorised securities as reflected in Schedule 6 (A) (a) of the Annual Accounts and proportionately considers the income on this amount in its Regulatory submissions.

The Commission observed that from Schedule 6 (A) (a) of the Annual Accounts for FY 2007-08, the average interest rate works out to 7.25% and accordingly asked RInfra-T regarding the basis for projecting lower non-tariff income on account of contingency reserves. RInfra-T submitted that, as per Regulations, the contingencies reserves for the year are required to be invested within a period of six months of the close of the final year. The interest income is thus not available for the full year in succeeding year, hence, the lower projection. Further, the contingency reserve investments are considered to be invested in 6.75% Tax Free US 64 Bonds. However, RInfra-T re-computed the interest on contingency reserves at 7.25%.

Accordingly, the Commission has considered the non-tariff income as shown in the Table below:

(Rs Crore)

Table: Non-Tariff Income

Particulars	APR Order	Actuals	Allowed after truing up
Non-Tariff Income	0.12	0.12	0.12

3.11 Revenue from Transmission Tariff

RInfra-T submitted that the revenue from transmission tariff in FY 2007-08 was Rs. 41.73 Crore as approved by the Commission in its Intra-Sate Transmission System (InSTS) Order dated April 2, 2007 in Case No. 86 of 2006, and submitted the actual month-wise revenue from transmission tariff. The Commission has considered the same as revenue from transmission tariff for FY 2007-08.

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3.12 Sharing of gains and losses in FY 2007-08

RInfra-T categorised all the expenditure as uncontrollable and hence, did not compute the gains and losses for controllable expenditure. The relevant provisions under the MERC Tariff Regulations stipulating sharing of gains/losses due to controllable factors are reproduced below:

- "17.6.2 Some illustrative variations or expected variations in the performance of the applicant which may be attributed by the Commission to controllable factors include, but are not limited to, the following:
- (a) Variations in capital expenditure on account of time and/ or cost overruns/efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;
- (b) Variations in technical and commercial losses, including bad debts;
- (c) Variations in the number or mix of consumers or quantities of electricity supplied to consumers as specified in the first and second proviso to clause (b) of Regulation 17.6.1;
- (d) Variations in working capital requirements;
- (e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted in accordance with those Regulations;
- (f) Variations in labour productivity;
- (g) Variations in any variable other than those stipulated by the Commission under Regulation 15.6 above, except where reviewed by the Commission under the second proviso to this Regulation 17.6.

. . .

- 19.1 The approved aggregate gain to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:
- (a) One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10;

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- (b) In case of a Licensee, one-third of the amount of such gain shall be retained in a special reserve for the purpose of absorbing the impact of any future losses on account of controllable factors under clause (b) of Regulation 19.2; and
- (c) The balance amount of gain may be utilized at the discretion of the Generating Company or Licensee.
- 19.2 The approved aggregate loss to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:
- (a) One-third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be specified in the Order of the Commission under Regulation 17.10; and
- (b) The balance amount of loss shall be absorbed by the Generating Company or Licensee."

The Commission has considered the performance parameters and expenses for computing the sharing of gains/losses in accordance with the MERC Tariff Regulations, as elaborated below:

Sharing of loss on account of O&M expenses

As regards the employee expenditure, the actual expenditure (Rs 7.32 Crore) has been lower than that approved (Rs 7.33 Crore) under the APR Order by Rs 0.01 Crore. As regards A&G expenditure and R&M expenditure, the actual expenditure has been higher than that considered in the APR Order, which has been dis-allowed to the extent mentioned under relevant paragraphs earlier. RInfra-T's submission that the increase has been due to uncontrollable factors has not been accepted. Hence, there is a need for sharing of loss on these heads of expenditure in accordance with the MERC Tariff Regulations. The actual A&G expenditure at Rs. 2.35 Crore, has been higher than that allowed in the APR Order at Rs. 2.27 Crore, and the efficiency loss on this account works out to Rs. 0.08 Crore. Further, the actual R&M expenditure at Rs. 2.68 Crore has been higher than that allowed in APR

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Order at Rs. 2.49 Crore, and thus, the total efficiency loss on account of A&G expenses and R&M expenses works out to Rs. 0.27 Crore. Out of the total efficiency loss, $1/3^{rd}$ has been considered to be passed on to the Transmission System Users, while $2/3^{rd}$ has to be borne by RInfra-T.

Sharing of gains on account of Interest on Working Capital (IWC)

As discussed in the above paragraphs, the actual interest on working capital incurred by RInfra-T during FY 2007-08 is nil and the normative interest on working capital approved by the Commission considering other elements of expenses as approved after truing up, works out to Rs 0.76 Crore. Since, this is a controllable parameter, $1/3^{\rm rd}$ of the gains on account of saving of interest on working capital, i.e. difference between normative IWC and actual IWC, will have to be shared between RInfra-T and the transmission system users, in accordance with the MERC Tariff Regulations. Accordingly, net entitlement of RInfra-T towards interest on working capital works to Rs 0.50 Crore and efficiency gain to be shared with transmission system users works out to Rs 0.26 Crore.

Total Amount of Efficiency Gains

Thus, the Commission has estimated the total efficiency gains due to controllable factors as Rs 0.48 Crore, which has been shared as per the MERC Tariff Regulations, hence, one-third of this efficiency gain is to be shared with the Transmission System Users, one-third has been passed on to a special reserve to be created to offset future losses due to controllable factors, if any, and one-third has been allowed to be retained by RInfra-T. The summary of the net ARR and efficiency gains as approved by the Commission for FY 2007-08 is given in the following Table:

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Table: Summary of Truing Up for FY 2007-08

(Rs. Crore)

SI.	Particulars	Order	Audited	Approved after truing up	Total Efficiency Gains/(Losses)	1/3rd of Gains/Losses shared with TSU	2/3rd of Gain/Losses retained by RInfra-T	Net entitlement	Transferred to Reserve out of net entitlement under Reg 19.1 (b)
(1)	(2)	(3)	(4)	(5)	(6)=(5)-(3)	(7)=(6)/3	(8)=(6) x 2/3	(9)	
Α	Expenditure								
1	Operation & Maintenance Expenses	12.09	12.35	12.08	(0.27)	(0.09)	(0.18)	12.17	(0.09)
2	Depreciation, including advance against depreciation	7.36	8.12	8.10	-	-	-	8.10	-
3	Interest on Long-term Loan Capital	0.70	0.75	0.70	-	-	-	0.70	-
4	Interest on Working Capital	0.73	0.76	0.50	0.76	0.25	0.50	0.50	0.25
5	Other Expenses	ì	-	ì	1	-	-	-	-
6	Income Tax	10.06	10.47	7.13	1	-	-	7.13	-
7	Contribution to contingency reserves	1.49	1.49	1.49	•	-	-	1.49	-
	Total Expenditure	32.42	33.95	30.00	0.48	0.16	0.32	30.10	0.16
В	Return on Equity	18.42	18.41	18.41	-	-	-	18.41	-
С	Aggregate Revenue Requirement	50.85	52.36	48.42	0.48	0.16	0.32	48.51	0.16
D	Revenue								
1	Tariff income	41.73	41.73	41.73	-	-	-	41.73	-
2	Non-tariff Income	0.12	0.12	0.12	-	-	-	0.12	-
	Total of Revenue	41.85	41.85	41.85	-	-	-	41.85	-
Е	Revenue Gap/ (Surplus)	8.99	10.51	6.57	-	-	-	6.66	-
F	Add Incentive due to Higher Availability in FY 2007-08	-	-	0.71	-	-	-	0.71	-
G	Total Revnue Gap/ (Surplus)							7.37	-

3.13 Revenue Gap

The Commission in its APR Order dated May 26, 2008 has approved ARR of Rs. 50.85 Crore upon provisional truing up for FY 2007-08. Against this approved ARR of Rs 50.85, the approved revenue for FY 2007-08 was Rs 41.85 Crore comprising revenue from transmission tariff of Rs 41.73 Crore and Non-tariff income of Rs 0.12 Crore. Accordingly, under APR Order for FY 2007-08, the Commission has allowed the revenue gap of Rs 8.99 Crore to be recovered from transmission tariff for FY 2008-09.

Under its APR petition for FY 2008-09, RInfra-T has submitted Aggregate Revenue Requirement of Rs 52.36 Crore for FY 2007-08 for final true-up and total revenue of Rs 41.85 Crore comprising revenue from transmission tariff of Rs 41.73 Crore and Non-tariff income of Rs 0.12 Crore. Accordingly, RInfra-T has submitted total revenue gap for FY 2007-08 as Rs 10.51 Crore.

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The Commission has recomputed the revenue gap/(surplus), by considering the approved ARR and net entitlement upon sharing of gains/losses pursuant to final true-up for FY 2007-08 as Rs 48.51 Crore and approved revenue of Rs 41.85 Crore. Further, the incentive income of Rs 0.71 Crore on account of higher availability in FY 2007-08 has been considered in the ARR of FY 2009-10.

Thus, the revenue gap for FY 2007-08 works out to Rs. 7.37 Crore (including incentive of Rs. 0.71 Crore), which has been added to the ARR of FY 2009-10, as discussed in the subsequent Section.

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4. PERFORMANCE REVIEW OF FY 2008-09 AND DETERMINATION OF REVENUE REQUIREMENT FOR FY 2009-10

4.1 Performance Parameters

Regulation 16.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005, stipulates,

"The Commission may stipulate a trajectory, which may cover one or more control periods, for certain variables having regard to the reorganization, restructuring and development of the electricity industry in the State.

Provided that the variables for which a trajectory may be stipulated include, but are not limited to, generating station availability, station heat rate, transmission losses, distribution losses and collection efficiency."

Regulation 49.1 of the MERC (Terms and Conditions of Tariff) Regulations, 2005, stipulates,

"Target availability for full recovery of annual transmission charges

- (a) AC system: 98 per cent
- (b) HVDC bi-pole links and HVDC back-to-back stations:- 95 per cent"

4.1.1 System Availability

RInfra-T has to maintain the system availability at the levels stipulated in the MERC Tariff Regulations in order to be eligible to recover the full fixed charges, i.e., ARR, as determined by the Commission. Any reduction in system availability will lead to pro-rata reduction in recovery of the ARR. The Commission will true-up the actual availability of RInfra-T's transmission system at the end of the year based on actuals, and the recovery of complete ARR will depend on the achievement of the normative availability levels.

In this context, the Commission observes that the claims for transmission system availability of transmission licensee need to be certified by MSLDC. Accordingly, the Commission directs RInfra-T to arrange for requisite certification from MSLDC for FY 2008-09 and FY 2009-10 and also directs MSLDC to formulate an appropriate procedure to monitor

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and certify the Transmission System Availability of various transmission licensees on a regular basis.

RInfra-T is entitled for incentive on transmission system availability greater than 98%, in accordance with the method of computation of the incentive as elaborated in Section 3, while determining the incentive for FY 2008-09, at the time of final true-up.

4.1.2 Transmission Loss

The Commission has considered the intra-State transmission loss of 4.85% for the Control Period, in accordance with the principles outlined in the Transmission Pricing Framework Order dated June 27, 2006 and Transmission Tariff Order dated September 29, 2006.

The interface metering (G<>T and T<>D) over intra-State transmission system, of which RInfra-Transmission system is part of, is yet to be accomplished. The Commission has directed all transmission licensees to facilitate and co-operate with MSETCL to ensure that the requisite special energy meters are put in place across all the interface points at the earliest. The energy accounting and ascertainment of transmission losses for intra-State transmission system as well as for various components/elements of the transmission system would be feasible upon establishment of such metering arrangement.

As per energy accounting undertaken by MSLDC under interim balancing and settlement mechanism (IBSM), the intra-State transmission losses have been assessed at 4.67% for FY 2007-08 and 4.87% for FY 2008-09 based on assessment upto February 2009 (11 months). Further, transmission loss for InSTS during FY 2009-10 has been projected as 4.85%.

4.2 Provisional Truing-up for FY 2008-09

RInfra-T, in its APR Petition for FY 2008-09 and ARR Petition for FY 2009-10, submitted the performance for FY 2008-09 based on actual performance for the first half of the year, i.e., April to September 2008, and estimated performance for the second half of the year, i.e., October 2008 to March 2009. RInfra-T submitted the comparison of each element of expenditure and revenue with that approved by the Commission in its APR Order dated May 26, 2008 on RInfra-T's Annual Performance Review for FY 2007-08 and Revenue Requirement for FY 2008-09.

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RInfra-T, in its Petition, requested that the estimated revenue gap for FY 2008-09 be considered while revising the approved expenditure for FY 2009-10. The Commission will undertake the final truing up of the revenue requirement and Revenue for FY 2008-09 once the audited accounts of RInfra-T for FY 2008-09 are available, i.e., during Annual Performance Review for the third year of the Control Period, viz., FY 2009-10. However, the Commission in this Order on APR for FY 2008-09 and determination of ARR for FY 2009-10 has considered provisional truing up of certain elements of the revenue requirement in cases where the impact is very high, or there is a change in principles/methodology, and due to revision in capital expenditure/capitalisation figures. The revised estimate of performance of RInfra-T during FY 2008-09 and FY 2009-10 as compared to the Commission's MYT/APR Order for RInfra-T is discussed in the following paragraphs.

The Commission clarifies that the final truing up and the computation of sharing of gains and losses due to uncontrollable factors will be undertaken only after the audited expenses and revenue are available. Further, for computing sharing of efficiency gains/losses for FY 2008-09, the revised expenses approved for FY 2008-09 in this Order under the provisional truing up exercise will be considered as base expenses.

4.3 O&M Expenses for FY 2008-09 and FY 2009-10

Operation and Maintenance (O&M) expenditure comprises employee related expenditure, Administrative and General (A&G) expenditure, and Repair and Maintenance (R&M) expenditure. RInfra-T's submissions on each of these expenditure heads, and the Commission's ruling on the same are detailed below.

RInfra-T submitted that in order to estimate the individual expenses under Operation & Maintenance expenses for FY 2009-10, RInfra-T has worked out the relevant escalation factors for the ensuing year. RInfra-T submitted that the escalation factors were worked out based on a composite index, constituted by the standard price indices. For this purpose, historical data for Wholesale Price Index (WPI) for all commodities was collated from Office of the Economic Adviser to Ministry of Commerce and Industry (Government of India), Consumer Price Index (Urban Non-Manual Employees) from Central Statistical Organisation (CSO), Ministry of Statistics & Programme implementation (GoI), and CPI (Industrial Workers) from Labour Bureau (Government of India).

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It was further submitted that, based on RInfra's employee mix of workers and officers, a composite price index with 70% weightage to CPI (Industrial Workers) and 30% weightage to CPI (Urban Non-Manual Employees) was formed. This composite index was used to escalate the employee expenses during FY 2009-10. For projecting A&G expenses, a composite index, with 60% weightage to Wholesale Price Index (for All Commodities) and 40% weightage to composite CPI index (as discussed above), was computed. RInfra-T submitted that it has factored in the long-term as well as the immediate price changes, while working out the escalation factors for FY 2009-10.

RInfra-T submitted that the long-term price variation has been considered to smoothen the inflation curve. For this purpose, the variation for standard indices was considered for last six financial years, i.e., the data for the period from FY 2002-03 to FY 2007-08 was analysed to work out the average annual change during this period. Accordingly, the stand alone index values were mapped to arrive at the percentage variation for composite indices during the same period.

RInfra-T submitted that it was necessary to consider short-term price variations to factor in the current economic scenario. Hence, the data for the first five months of FY 2008-09 were considered for the constituent indices. Accordingly, the stand-alone index values were mapped to arrive at the percentage variation for composite indices for the first five months during current year and finally the percentage variation during first five months was computed.

RInfra-T submitted that it has projected employee expenses for FY 2009-10 based on the Composite CPI, which has increased by 5.14% per annum on an average for the last six years. Further, this composite index grew by 5.85% during the first five months in the current year, which translates into 14.04% per annum, if projected linearly. However, seeing the current economic and financial scenario in the country and overseas; and buoyant with the policy directives and fiscal measures of the Government and RBI for inflation control, RInfra-T submitted that it expects the situation to improve on the price front next year. Hence, RInfra-T has given higher weightage (90%) to long-term trends for price variation and considered an escalation factor of 6 % for employee expenses during FY 2009-10.

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RInfra-T submitted that it has projected A&G and R&M Expenses based on the Composite WPI-CPI index. This composite WPI-CPI index has increased by 5.47% per annum on an average for the last six years, and grew by 6.52% during the first five months in the current year, which translates into 15.64% per annum, if projected linearly. However, for the reasons stated above, a higher weightage of 90% has been given to long term trends for price variation and hence, the A& G expenses and R&M expenses are projected to grow by 6% during FY 2009-10.

Relevance of Multi-Year Tariff

In this context, the Commission observes that during the public regulatory process on the APR Petitions, several consumers have expressed their opinion that revising tariff on an annual basis is against the principles of MYT. While this is not incorrect if one goes by the pure concept of MYT, in Maharashtra, parameters like sales and power purchase have not been stipulated in the MYT Orders, due to the uncertainty on account of the prevailing supply shortages in the State and the respective licence area. Consequently, the tariff has been specified for only one year, rather than the Control Period, which is also in accordance with the MERC Tariff Regulations, which specifies that tariff will be determined annually.

Consequently, in the MYT Orders, the Commission has primarily stipulated the following parameters separately for each year of the Control Period, viz.,

(a) <u>Performance trajectory</u>

- i. Station Heat Rate (SHR), auxiliary consumption, transit losses and secondary oil consumption for Generating Companies;
- ii. Availability for Transmission Licensees; and
- iii. Distribution loss for Distribution Licensees

(b) Cost elements

- Operation & Maintenance (O&M) expenses have been approved as a whole for Generating Companies, and for individual elements, viz., employee expenses, A&G expenses, and R&M expenses, for Transmission Licensees and Distribution Licensees
- ii. Working capital interest

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However, even though the O&M expenses have been approved by the Commission for each year of the Control Period, wherein, by and large, the Utility's projections have been accepted, most Utilities have projected significant further annual increase in the O&M expenses for each year in the Control Period. If this increase in O&M expenses is allowed as sought by the Utilities, then the MYT framework created by the Commission in its MYT Orders will have no sanctity. Hence, the Commission rules that for FY 2008-09 and FY 2009-10, the O&M expenses allowed by the Commission for FY 2007-08 under the final truing up for FY 2007-08, after considering the base as audited expenses for FY 2006-07, will be considered as the base, except for pure uncontrollable elements such as increase in employee expenses due to change in accounting standards and increase will be allowed strictly as per the CPI/WPI growth as applicable, which incidentally, is higher than the growth rate projected by the Utilities in their respective original Petitions. The variation between allowed expenses and actual expenses will be considered as a controllable gain/loss, and will be shared between the Utilities and the respective consumers, in accordance with Regulation 19 of the MERC Tariff Regulations.

4.3.1 Employee Expenses

RInfra-T submitted that the total employee expense for FY 2008-09 is estimated at Rs 8.07 Crore as against Rs 7.78 Crore approved by the Commission in the APR Order dated May 26, 2008. RInfra-T submitted that subsequent to the enactment of the EA 2003, RInfra-T has strengthened its Human Resources in terms of skills and proficiency to exceed consumer expectations and regulatory requirements. RInfra-T submitted that actual employee expenditure during H1 of FY 2008-09 is Rs. 3.77 Crore. However, the employee expenses are expected to increase on account of increase in number of employees during H2 of FY 2008-09. The numbers of employees are projected to increase from 142 in H1 to 168 in H2.

For FY 2009-10, the impact of increase in the employees cost during H2 of FY 2008-09, is considered for the entire year. Therefore, the employee expenses during H2 of FY 2008-09 are projected for full year, and then these estimated expenses are escalated by the expected increase of 6% based on the composite CPI index during FY 2009-10. Hence, the employee expenses for FY 2009-10 are estimated to be Rs. 9.08 Crore.

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In reply to data gaps raised, RInfra-T submitted that the increase in gross employee expenses to Rs. 10.09 Crore for FY 2008-09 from Rs. 7.32 Crore in FY 2007-08 was on account of increase in salary and on account of new recruitment in FY 2008-09. The Commission asked RInfra-T to submit the break-up of increase in employee expenses on account of salary increase and on account of increase in number of employees. RInfra-T, in its reply, submitted that out of the total increase of Rs. 2.77 Crore (i.e., Rs. 10.09 Crore - Rs. 7.32 Crore), the increase in salary amounted to Rs. 0.75 Crore, while the balance Rs. 2.02 Crore is pertaining to recruitment of new employees. However the amount of Rs. 2.02 Crore has been proposed to be capitalised with the schemes and the impact is not considered in FY 2008-09.

As regards increase in the number of employees, the Commission asked RInfra-T to submit details of number of additional employees proposed for various activities. RInfra-T submitted that a number of new installations were being undertaken and therefore, additional manpower had to be recruited to be able to undergo the training and manage its network facilities. However, it was not possible to give the information as sought by the Commission.

The Commission considers employee costs as controllable and does not accept RInfra-T's contention. Therefore for FY 2008-09, for each sub-head of employee expenditure, the Commission has considered an increase of around 7.31% on account of inflation factor corresponding to Consumer Price Index (CPI) over the revised level of employee expenses as approved for FY 2007-08 under the truing up exercise in this Order, except for sub-heads of leave encashment, medical reimbursement, bonus, pension and gratuity payments. RInfra-T's submission for figures under these sub-heads has been considered. The Commission has considered the point to point inflation over CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 3 years, i.e., FY 2006-07 to FY 2008-09 (upto December 2008), to smoothen the inflation curve. The Commission has disallowed the increase in employee expenses on account of increase in number of employees, in view of the provisional disallowance of the capital expenditure and capitalisation of major schemes pending verification whether the capital expenditure schemes are meeting the objective/purpose as elaborated in the subsequent paragraphs on capital expenditure and capitalisation in this Section. The Commission will undertake the final truing up of employee expenses for FY 2008-09 based on actual employee expenses for the entire year subject to prudence check, during the APR process for FY 2008-09.

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Similarly, for FY 2009-10, for each sub-head of employee expenditure, the Commission has considered an increase of around 7.31% on account of inflation over the revised level of employee expenses as approved for FY 2008-09 under the provisional truing up exercise in this Order, based on the increase in Consumer Price Index (CPI), with the same treatment for certain sub-heads as elaborated earlier. Accordingly, the approved employee expenses for FY 2008-09 and FY 2009-10 is summarised in the following Table:

Table: Approved Employee Expenses for FY 2008-09 and FY 2009-10 (Rs. Crore)

Particulars		FY 2008	-09	FY 2009-10			
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved	
Gross Employee Expenses	7.78	10.09	7.76	-	11.22	8.33	
Less: Expenses capitalized	-	(2.02)	(0.92)	-	(2.14)	(0.98)	
Net Employee Expenses	7.78	8.07	6.84	6.69	9.08	7.35	

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4.3.2 A&G Expenses

RInfra-T submitted that the total A&G expense for FY 2008-09 is estimated at Rs 2.39 Crore, which is same as that approved by the Commission in the APR Order. For estimation of A&G expense for FY 2009-10, RInfra-T has considered an escalation factor of 6% (based on composite CPI-WPI index) over the expenses of FY 2008-09 and accordingly, A&G expense for FY 2009-10 are estimated as Rs. 2.53 Crore.

The Commission asked RInfra-T to submit the basis for estimating the sub-head 'miscellaneous expenses' as Rs. 0.37 Crore and Rs. 0.39 Crore for FY 2008-09 and FY 2009-10, respectively, and the details of the same. RInfra-T submitted that actual miscellaneous expense for H1 of FY 2008-09 is Rs. 0.17 Crore, which included AMC for AC plant and fire fighting equipments of Rs. 0.13 Crore, water supply expense of Rs. 0.012 Crore, etc., In reply to data gaps, RInfra-T submitted that miscellaneous expense for H1 of FY 2008-09, erroneously included an amount of Rs. 0.0635 Crore towards expenditure on paints for transmission tower, which has now been capitalised. Accordingly, RInfra-T revised the miscellaneous expenses for H1 of FY 2008-09 as Rs. 0.1021 Crore. Further, RInfra-T submitted that all the expenses were recurring in nature, on annual basis.

RInfra-T added that A&G expenses does not include any expense, which could be apportioned to the capital cost for FY 2008-09 and FY 2009-10, and hence, expenses capitalised under A&G expenses is nil.

The Commission opines that all the above mentioned activities are normal A&G activities in the course of business and not requiring any 'additional' compensation. For FY 2008-09, the Commission has henceforth only considered an increase of around 6.04% on account of inflation over the revised level of A&G expenses as approved for FY 2007-08 in this Order, based on the increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI). The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. of India) and CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 3 years, i.e., FY 2006-07 to FY 2008-09 (upto December 2008), to smoothen the inflation curve. The Commission has considered a weight

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of 60% to WPI and 40% to CPI, based on the expected relationship with the cost drivers. The Commission will undertake the final truing up of A&G expenses for FY 2008-09 based on actual A&G expenses for the entire year subject to prudence check, during the APR process for FY 2009-10.

For FY 2009-10, for each sub-head of A&G expenditure, the Commission has considered an increase of around 6.04% on account of inflation over the revised level of A&G expenses as approved for FY 2008-09 under the provisional truing up exercise in this Order, based on the increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI). Accordingly, the approved A&G expenses for FY 2008-09 and FY 2009-10 is summarised in the following Table:

Table: Approved A&G Expenses for FY 2008-09 and FY 2009-10 (Rs. Crore)

Particulars		FY 2008-	-09	FY 2009-10			
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved	
Net A&G Expense	2.39	2.39	2.23	2.52	2.53	2.37	

Further, as regards appointment of consultants, the Commission directs RInfra that in future, any appointment of consultants where the estimated cost for the engagement of the Consultants is more than Rs. 1 crore, it should ensure that the selection is made through a competitive bidding process, proper Terms of Reference are prepared, cost benefit analysis is stated upfront and the deliverables of the consultancy assignment are properly defined. RInfra-T should submit the following details for all consultancy assignments of more than Rs 1 Crore in its APR and Tariff Petition:

- Process followed for appointment of Consultant including number of bids received along with bid documents
- Stated Cost-Benefit analysis and assessment of cost benefit analysis after completion of the assignment
- List of Deliverables submitted by Consultant

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4.3.3 R&M Expenses

RInfra-T submitted that the total R&M expenses for FY 2008-09 is estimated at Rs 3.24 Crore against the Rs 2.62 Crore approved by the Commission in the APR Order. RInfra-T submitted that R&M expenses are required to maintain the system in healthy condition by carrying out prescribed preventive maintenance and attending breakdowns. During H1 of FY 2008-09, RInfra-T has incurred expenditure of Rs. 1.60 Crore against R&M activities and the expenses are estimated to be Rs. 1.64 Crore during H2 of FY 2008-09. The increase in R&M expenses is on account of activities involving hotline washing of Transmission lines on the towers located at critical locations to prevent undesirable tripping; and likely replacement of defective and punctured insulators, if any. RInfra-T further submitted that the increased R&M expenses are justified by the higher transmission system availability of RInfra-T's network.

RInfra-T submitted that for FY 2009-10, an escalation of 6% (based on composite CPI-WPI index) has been considered over the R&M expenses projected for FY 2008-09. Hence, the R&M expenses for FY2009-10 are projected to be Rs. 3.43 Crore.

For FY 2008-09, the Commission has considered an increase of around 5.19% on account of inflation over the revised level of R&M expenses as approved for FY 2007-08 in this Order, based on the increase in Wholesale Price Index (WPI). The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. of India) for a period of 3 years, i.e., FY 2006-07 to FY 2008-09 (upto December 2008), to smoothen the inflation curve. The Commission will undertake the final truing up of R&M expenses for FY 2008-09 based on actual R&M expenses for the entire year subject to prudence check, during the APR process for FY 2009-10.

For FY 2009-10, for each sub-head of R&M expenditure, the Commission has considered an increase of around 5.19% on account of inflation over the revised level of R&M expenses as approved for FY 2008-09 under the provisional truing up exercise in this Order, based on the increase in Wholesale Price Index (WPI). Accordingly, the approved R&M expenses for FY 2008-09 and FY 2009-10 is summarised in the following Table:

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Particulars FY 2008-09 FY 2009-10 **APR** Revised Approved **MYT** Revised **Approved** Order Estimate After Order **Estimate** provisional truing up 2.62 3.24 2.66 2.76 3.43 2.97 **Net R&M Expenses**

Table: Approved R&M Expenses for FY 2008-09 and FY 2009-10 (Rs. Crore)

4.4 Capital Expenditure and Capitalisation

Variation between approved and actual values of capital expenditure and capitalisation significantly influences computation of various critical expense heads such as depreciation, interest on long term debt, and return on equity.

RInfra-T, in its Petition, submitted that it has incurred a capital expenditure of Rs 35.94 Crore during H1 of FY 2008-09. During this period, the works capitalized amounted to Rs. 8.23 Crore, as there were delays in various schemes. RInfra-T has estimated fresh capital expenditure of Rs 284.19 Crore during H2 of FY 2008-09, based on the estimates of the DPR and non-DPR schemes. RInfra-T submitted that works amounting to Rs 95.78 Crore would be capitalised during FY 2008-09, as against the total capital expenditure of Rs. 320.13 Crore.

For FY 2009-10, RInfra-T has projected a capital expenditure of Rs. 828.58 Crore against various schemes granted in-principle approval by the Commission and other Non-DPR schemes. Total capitalization during FY 2009-10 is projected to be Rs. 536.67 Crore.

RInfra-T submitted that major capital expenditure schemes under new sub-stations and interconnections, which are expected to be completed in FY 2008-09 are:

• Installation of 5th 220/33kV 125 MVA Transformer at Aarey EHV station to provide n-1 redundancy at Aarey and to meet the existing and the estimated future demand.

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- Installation of 4th 220/33kV 125 MVA Transformer at Ghodbunder EHV station to provide n-1 transformation redundancy at Ghodbunder EHV station as per State Grid Code Regulations.
- 33 kV GIS panel boards (13 nos.) at Aarey, Versova, Ghodbunder to enhance reliability and flexibility and to facilitate timely routine maintenance.

RInfra-T submitted that major capital expenditure schemes under new sub-stations and interconnections, which are expected to be completed in FY 2009-10 are:

- Installation of 5th 220/33kV 125MVA Transformer at Versova EHV to enhance the transformation capacity of 220 kV Versova EHV station and improve reliability and flexibility of supply, also to provide n-1 transformation redundancy as per State Grid Code Regulations.
- Installation of 220 kV GIS EHV Station at Chembur,
- Installation of 220 kV GIS at Saki EHV station,
- Installation of 200 kV Borivali Receiving Station,
- Installation of 220 kV EHV station at Goregaon.

The Commission, under its APR Order for FY 2007-08, had approved capitalisation of Rs. 107.66 Crore for FY 2008-09. Under its MYT Order, the Commission had approved capitalisation of Rs. 9.22 Crore and Rs. 0.5 Crore for FY 2008-09 and FY 2009-10, respectively. Against this, RInfra-T has projected revised estimate of capitalisation of Rs. 102.27 Crore for FY 2008-09 and Rs. 536.67 Crore for FY 2009-10.

In reply to data gaps, RInfra-T submitted that actual capital expenditure and capitalisation till March 2009 was Rs. 121.70 Crore and Rs. 93.58 Crore, respectively. The total capitalisation of Rs. 93.58 Crore includes an amount of Rs. 79.69 Crore against DPR schemes for which the Commission has given in-principle clearance.

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The revision in ARR/tariff sought by different Utilities as a part of the Annual Performance Review (APR) process for FY 2008-09 can be attributed primarily to increase in power purchase cost of distribution licensees and the steep increase in capital expenditure and capitalisation being undertaken by the Utilities in recent years. The issue of increase in power purchase expenses is being dealt with in the Orders of the respective distribution licensees, since the reasons for the increase are different for different distribution licensees. However, the issue of steep increase in capital expenditure and capitalisation is a generic issue and relevant for all the Utilities.

While the Commission appreciates that the investment on capex schemes is an ongoing process for any Utility/Licensee, it is required for healthy system development with tangible and intangible benefits. The scope, objective and benefits are identified while formulating project reports. After implementation of the scheme, before capitalisation, the benefits are to be demonstrated by the Utility. Utility is required to execute the capex schemes in a phased manner so as to minimise tariff shock attributable to capex implementation. The Commission can permit capex in ARR only after prudence check as there is an impact on tariff.

To understand the significance of the capitalisation claimed by RInfra-T, the actual capitalisation over the last four to five years vis-à-vis the opening GFA prevailing around 5 years ago have been compiled as under:

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10				
					Revised					
Particulars	Actuals	Actuals	Actuals	Actuals	Estimate	Projected				
Opening GFA										
RInfra-G	1294.09	1294.59	1302.83	1311.18	1560.14	1592.19				
RInfra-T	284.14	284.86	296.68	298.09	303.64	405.91				
RInfra-D	1,562.94	1707.92	1923.72	2,347.39	2,594.22	2,955.97				
Total RInfra	3141.17	3287.37	3523.23	3956.67	4457.99	4954.07				
Asset addition d	uring the year	ſ								
RInfra-G	1.20	9.63	8.44	249.18	38.24	63.24				
RInfra-T	0.72	6.90	1.41	5.55	102.27	536.67				
RInfra-D	177.36	282.94	455.61	285.29	375.70	538.05				
Total RInfra	179.28	299.47	465.46	540.02	516.21	1137.96				
Asset write off/re	etirement dur	ing the year								
RInfra-G	(0.71)	(1.64)	(0.09)	(0.21)	(6.19)	-				
RInfra-T	-	-	-	-	-	-				

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	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Particulars	Actuals	Actuals	Actuals	Actuals	Revised Estimate	Projected
RInfra-D	(32.38)	(57.35)	(31.94)	(38.47)	(13.94)	(14.45)
Total RInfra	(33.09)	(58.99)	(32.03)	(38.68)	(20.13)	(14.45)
Closing GFA						
RInfra-G	1294.59	1302.58	1311.18	1560.14	1592.19	1655.43
RInfra-T	284.86	291.75	298.09	303.64	405.91	942.58
RInfra-D	1707.92	1933.51	2347.39	2594.22	2955.97	3479.57
Total RInfra	3287.37	3527.85	3956.66	4457.99	4954.07	6077.58

The above compilation has been done for RInfra as a whole, to give a better picture of the overall increase in asset addition over the last five years, since RInfra was earlier being regulated as an integrated Utility.

It is clear from the above Table that the Gross Fixed Assets have increased by around 28%, 230%, and 104% for the Generation, Transmission, and Distribution Business, respectively, over the last five years. The pace of asset addition has increased by leaps and bounds over the last five years. RInfra-D has projected to almost double its asset base (as in FY 2004-05) by the end of FY 2009-10, while RInfra-G and RInfra-T have proposed to increase their asset base (as in FY 2004-05) to around 1.3 to 3.3 times. Further, when RInfra was operating in an integrated manner in FY 2004-05, the total asset addition every year was less than around Rs. 200 crore, whereas in FY 2008-09 and FY 20091-0, the Transmission and Distribution Businesses are individually adding assets of more than this amount every year on an average, while the capital asset addition in Generation Business has also increased significantly in scale. The addition to the asset base is clearly not commensurate either with the increase in sales or increase in demand in MW served. Since the Utilities were able to serve the existing consumer base well enough with the existing assets, the rationale for this steep increase in the asset base needs to be examined further. The favourite argument of the Utilities that in the past, there was a backlog on this account and that they want to take it up is also unconvincing to justify the 100% increase in the asset base in such a short period.

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In the regulated business, the returns to the investors are linked to the equity invested in the business, which in turn is directly linked to the existing asset base and assets added every year. The steep increase in the asset base every year has been suggested by the consumers to be an attempt by the Utilities to increase the returns from the regulated business, as during the Public Hearing conducted by the Commission on the APR Petitions filed by the Utilities.

The Commission has conducted a Public Hearing on the Petitions filed by different Utilities to ascertain the views of the consumers and other stakeholders on the Petition and the tariff increase sought by the Utility. During the Public Hearings, there was a huge resistance to the proposed tariff increase and one of the common objections has been that the increase in ARR/tariff being sought by the Utilities is exorbitant and the capital expenditure should not be allowed to the extent sought by the Utilities, since there has been no great increase in the sales quantum or any great improvement in some cases deterioration in the service quality over the period.

Further, as regards capital expenditure, the Commission has instituted a process of giving inprinciple approval for the capital expenditure schemes costing above Rs. 10 crore (together known as DPR Schemes), wherein the Utility has to submit Detailed Project Report (DPR) as well as the expected cost-benefit analysis, pay back period, etc., as per well laid out guidelines. Schemes costing less than Rs. 10 crore are considered as non-DPR schemes and the Utilities are not required to submit any DPR for the approval of the same. It is often observed that at the time of obtaining in-principle approval of the Commission for the DPR schemes, the Utilities indicate several quantifiable benefits and a short payback period. However, the Utilities are not able to substantiate the benefits once the capital investment is actually undertaken and the assets are added to the Gross Fixed Assets (GFA). As a result, the costs and hence, the tariffs are increased, but the expected benefits to the system do not accrue.

In this regard, the in-principle approval given by the Commission to the DPR Schemes has certain standard covenants. One such in-principle approval given to a scheme submitted by MSETCL is reproduced below, for reference:

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- "...2. Please note that this in-principle clearance should not be construed as final approval for ARR purpose and the scheme will be open for scrutiny during the tariff determination process/ARR review, particularly in the context of actual cost incurred, scope and objective achieved etc. ex post after implementation of the scheme. MSETCL will be required to submit the status of implementation of the scheme with cost incurred till date, likely completion date etc. along with their ARR petition or during the tariff determination process at the appropriate time.
- 3. MSETCL should submit half yearly report giving the status of implementation of the scheme in terms of expenditure incurred and item wise physical progress achieved during the implementation of the scheme.
- 4. Assets created after execution of the scheme should be maintained separately in the Asset register.
- 5. Immediately after completion / commissioning of the respective scheme, MSETCL should communicate to the Commission the date of completion of the scheme, actual cost incurred, escalation in cost, if any with reasons, the scope and objectives of the scheme and to what extent they have been achieved, etc. so as to facilitate a comparison between the in-principle clearance and the actual." (emphasis added)

However, the Utilities have not been able to submit any evidence that the scope and objective of the scheme have been achieved.

In this context, the recent Report by Forum of Regulators on Multi-Year Framework has also emphasized that the capital expenditure plans of Utilities should clearly bring out cost benefit analysis and targeted reduction in technical losses.

Further, the Commission has observed that most of the Utilities have projected very high non-DPR schemes, and in some cases, the capital expenditure and capitalisation projected under non-DPR schemes is several times that projected under DPR schemes. This defeats the very purpose of classifying schemes costing above Rs. 10 crore as DPR schemes and requiring regulatory scrutiny of the schemes.

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In this regard, the Commission in its APR Order for Maharashtra State Electricity Transmission Company Limited (MSETCL) for FY 2007-08 as well as the MYT Orders for Utilities had observed as under:

"However, the Commission would like to reiterate that in-principle approval of the scheme does not absolve the senior management of MSETCL of their responsibility to prioritise various schemes and undertake cost benefit analysis and financial analysis to validate the commercial prudence of each scheme. MSETCL should ensure that the projected benefits actually accrue for the benefit of the stakeholders. It would be essential to monitor progress of each scheme as well as track expenditure and benefits accrued as per the scheme."

. . .

"The increase in quantum of Non-DPR schemes indicates an unhealthy trend, as the Commission feels that there is a tendency to split distribution scheme so that capital outlay of the scheme is below Rs. 10 Crore, to escape regulatory scrutiny. The Commission will take a review of the schemes being classified under Non-DPR category, and in case it is found that these schemes should have ideally been classified under DPR category, then that capex and the related capital charges will be disallowed till the DPR is submitted and the scheme is approved by the Commission."

In view of the above, as a general rule, the Commission has decided that the total capital expenditure and capitalisation on non-DPR schemes in any year should not exceed 20% of that for DPR schemes during that year. To achieve the purpose, the purported non-DPR schemes should be packaged into larger schemes by combining similar or related non-DPR schemes together and converted to DPR schemes, so that the in-principle approval of the Commission can be sought in accordance with the guidelines specified by the Commission.

Further, in the absence of documentary evidence that the stated purpose and objective of the capex schemes have been achieved, MERC is restricting the capitalisation considered for the purposes of determination of ARR and tariff. Once the Utilities submit the necessary justification to prove that the scope and objective of the capex scheme has been achieved as projected in the DPR, the same may be considered in future Orders.

RInfra is directed to prioritize the capex schemes based on importance and the schemes may be implemented in a phased manner to minimise the impact on transmission costs.

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For the purpose of APR exercise for FY 2008-09 and revised projection for FY 2009-10, the Commission has not considered capitalisation of such DPR schemes where in-principle approval of the Commission is yet to be provided. For the purpose of APR exercise for FY 2008-09, the Commission is of the view that the benefits of such scheme need to be examined and until it is ascertained that the projected benefits actually accrue for the benefit of the stakeholder, it would not be appropriate to allow such expenses. Accordingly, the Commission has considered a provisional fifty percent (50%) of the projected capitalisation in FY 2008-09 (i.e., Rs. 39.85 Crore for DPR Schemes and Rs. 6.95 Crore for Non-DPR Schemes).

For the purpose of determination of Revenue Requirement for FY 2009-10, the Commission is of the view that the benefit of such schemes needs to be examined and until it is ascertained that the projected benefits actually accrue for the benefit of the stakeholder, it would not be appropriate to allow such expenses. Accordingly, the Commission has provisionally not considered the capitalisation of 220 kV GIS at Saki EHV station (Rs. 198.15 Crore), 220 kV GIS Borivali (Rs. 190.84 Crore) and 220 kV GIS Goregaon EHV station (Rs. 114.21Crore) amounting to Rs 484 Crore out of proposed capitalisation of Rs 536.67 Crore by RInfra-T. Besides, considering earlier track record of delays in availing various statutory clearances, it is unlikely that such schemes will be completed and capitalised within one year, as RInfra-T is yet to commence the work on these schemes. For the purpose of this Order, for Non-DPR schemes, the Commission has considered 50% of the proposed capitalisation by RInfra-T on adhoc basis as the Commission is of the view until it is ascertained that the projected benefits actually accrue for the benefit of the stakeholder, it would not be appropriate to allow the entire expenses. Accordingly, revised estimate for capitalisation for FY 2008-09 and approved capitalisation for FY 2009-10 is summarised in the following Table:

Table: Capitalisation as approved by the Commission (Rs Crore)

Particulars		FY 2008-	09		FY 2009-1	10
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved
Capitalisation	107.66	102.27	46.79	0.50	536.67	28.62

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4.5 Depreciation

The Commission, in its APR Order, had permitted depreciation to the extent of Rs. 7.66 Crore for FY 2008-09 and Rs 8.13 Crore for FY 2009-10 in the MYT Order, which amounts to 2.52% and 2.57% of Opening level of Gross Fixed Assets (GFA) of RInfra-T for FY 2008-09 and FY 2009-10, respectively. RInfra-T submitted that the depreciation for FY 2008-09 and FY 2009-10 has been computed based on the opening GFA. RInfra-T, under its APR Petition, submitted revised estimate for depreciation expenditure for FY 2008-09 and FY 2009-10 as Rs. 8.26 Crore and Rs. 11.90 Crore respectively, at an overall depreciation rate of 2.72% and 2.93% corresponding to opening GFA of Rs. 303.64 Crore and Rs. 405.91 Crore, respectively. RInfra-T's projection of depreciation expenses for FY 2008-09 and FY 2009-10 is given in the Table below:

Table: Depreciation Expenses projected by RInfra-T (Rs Crore)

Particulars	FY 20	008-09	FY 2009-10		
	APR Order	Revised Estimate	MYT Order	Revised Estimate	
Depreciation	7.66	8.26	8.13	11.90	
Opening Gross Fixed Assets	304.02	303.64	316.00	405.91	
Depreciation as % of Op. GFA	2.52%	2.72%	2.57%	2.93%	

RInfra-T confirmed that depreciation has not been claimed beyond 90% of the asset value in accordance with the MERC Tariff Regulations.

In view of revised value of capitalisation as estimated under previous paragraphs for FY 2008-09 and as approved for FY 2009-10, the depreciation expenditure as estimated by the Commission for FY 2008-09 and approved for FY 2009-10 considering the depreciation on opening GFA is summarised in the following Table:

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Table: Depreciation as approved by the Commission

(Rs Crore)

Particulars		FY 2008-0	9	FY 2009-10			
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved	
Depreciation	7.66	8.26	8.23	8.13	11.90	9.89	
Opening Gross Fixed Assets	304.02	303.64	303.64	316.00	405.91	350.43	
Depreciation as % of Op. GFA	2.52%	2.72%	2.71%	2.57%	2.93%	2.82%	

The Commission will undertake the final truing up of depreciation based on actual capitalisation during the entire year subject to prudence check, during Performance Review for the third year of the Control Period, i.e., FY 2009-10.

4.6 Interest Expenses

The Commission, in its APR Order for FY 2007-08, had permitted interest expense of Rs 2.31 Crore for FY 2008-09 and Rs 1.68 Crore for FY 2009-10 in the MYT Order. Loan addition of Rs 75.36 Crore was considered in the APR Order for FY 2008-09, and Rs. 0.35 Crore was considered for FY 2009-10 in the MYT Order, corresponding to 70% of the capitalised asset cost during respective years.

RInfra-T, in its APR Petition, submitted the revised estimate for interest expenses for FY 2008-09 and FY 2009-10 as Rs 3.96 Crore and Rs 23.16 Crore, respectively, as shown in the Table below:

Table: Long-term Interest Expenses projected by RInfra-T (Rs Crore)

Particulars	FY 20	008-09	FY 2009-10		
	APR Order	Revised Estimate	MYT Order	Revised Estimate	
Op. Balance	9.91	9.56	21.47	76.57	
Additions	75.36	71.59	0.35	375.67	
Repayments	(2.90)	(1.00)	(1.20)	(4.58)	
Cl. Balance	82.37	80.15	20.62	447.65	
Interest	2.31	3.96	1.68	23.16	
Overall Interest Rate	-	8.82%	7.98%	8.84%	

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RInfra-T submitted that interest on long-term debt for FY 2008-09 and FY 2009-10 has been computed considering normative loans for the assets put to use. RInfra-T requested the Commission to consider a normative interest of 9% for loans drawn in FY 2008-09 and FY 2009-10 with loan tenure of 20 years.

RInfra-T submitted that the economic scenario has undergone a change as compared to FY 2006-07 when the Commission issued the MYT Order. The prevailing PLRs of various banks have been around 13.50% p.a. RInfra-T submitted that Reliance Metro (one of the subsidiaries of RInfra) has availed of finance from IDBI for its ongoing project at PLR minus 200 bps, which works out to 11.50%. RInfra-T submitted that the interest rate currently being allowed by the Commission at 8% for projects initiated in FY 2008-09 onwards, does not reflect the market reality. In response to a specific suggestion by the Commission during the TVS, RInfra-T submitted that as a support to the consumer and goodwill gesture, it has recomputed the loan borrowings at 9% for FY 2008-09 and FY 2009-10.

Considering the supporting submitted by RInfra-T and the current Benchmark PLR rates, the Commission is of the view that a 9% interest rate for a normative loan of 20 year period is reasonable and accordingly, the Commission has considered the same.

The Commission has considered the interest expense on the normative debt corresponding to capitalised assets only and has considered the interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06, and interest rate of 8% p.a. for assets put to use during FY 2006-07, FY 2007-08 and interest rate of 9% p.a. for assets put to use in FY 2008-09 and FY 2009-10, in line with the principle adopted in the Tariff Order dated October 3, 2006 and MYT Order. Accordingly, approved interest expenses for FY 2008-09 and FY 2009-10 is summarised in the following Table:

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Table: Approved Long-term Interest Expenses

(Rs Crore)

Particulars	FY 2008-09			FY 2009-10			
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved	
Op. Balance	9.91	9.56	9.67	21.47	76.57	39.89	
Additions	75.36	71.59	32.75	0.35	375.67	20.03	
Repayments	(2.90)	(1.00)	(2.53)	(1.20)	(4.58)	(3.53)	
Cl. Balance	82.37	80.15	39.89	20.62	447.65	56.39	
Interest	2.31	3.95	2.23	1.68	23.16	4.33	
Overall Interest Rate		8.82%	9.01%	7.98%	8.84%	9.00%	

4.7 Interest on Working Capital for FY 2008-09 and FY 2009-10

RInfra-T estimated the Interest on Working Capital (IWC) considering interest rate @ 12.75% as per the components considered in the MERC Tariff Regulations, with the revised IWC estimated at Rs 1.27 Crore as against Rs 0.84 Crore approved by the Commission. Further, RInfra-T submitted that in accordance with the MERC Tariff Regulations, RInfra-T has considered one-eighth (one and half months equivalent) of the expected revenue from sale of electricity at the prevailing tariffs, for computing the working capital requirement. For FY 2009-10, RInfra-T estimated the interest on working capital, considering interest rate as 13.00%, as Rs. 1.31 Crore as against Rs. 0.75 Crore approved by the Commission in the MYT Order.

The Commission has estimated the working capital requirement of RInfra-T for FY 2008-09 after considering the provisional truing up of various expenditure heads. The MERC Tariff Regulations stipulate that the 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 the date on which the application for determination of tariff is made. As the application for determination of tariff for FY 2008-09 was made on November 30, 2007, the Commission has considered the short-term Prime Lending Rate of State Bank of India of 12.75% prevalent at that time for estimating the interest on working capital.

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For FY 2009-10, the Commission has estimated the working capital requirement of RInfra-T after considering the revised expenditure approved in this Order. The Commission has considered the interest rate as 13.00% in accordance with the short-term Prime Lending Rate of State Bank of India prevalent at the time of filing the APR Petition for FY 2008-09, viz., December 10, 2008. The revised interest on working capital for RInfra-T for FY 2008-09 and FY 2009-10 is given in the following Table:

Table: Interest on Working Capital for FY 2008-09 and FY 2009-10 (Rs Crore)

Particulars		FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved	
Interest on Working Capital	0.84	1.27	0.97	0.75	1.31	1.11	

4.8 Contribution to Contingency Reserves for FY 2008-09 and FY 2009-10

RInfra-T submitted that the contribution to contingency reserves for FY 2008-09 and FY 2009-10 has been computed at 0.25% of opening GFA in accordance with the Commission's Tariff Regulations, as Rs. 0.76 Crore and Rs. 1.01 Crore, respectively, as against Rs. 0.76 Crore for FY 2008-09 approved in APR Order for FY 2007-08 and Rs. 1.58 Crore approved for FY 2009-10 in the MYT Order, by the Commission.

In this regard, the MERC (Terms and Conditions of Tariff) Regulations, 2005 stipulates,

"50.7.1 Where the Transmission Licensee has made an appropriation to the Contingencies Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed towards such appropriation in the calculation of aggregate revenue requirement:

Provided that where the amount of such Contingencies Reserves exceeds five (5) per cent of the original cost of fixed assets, no such appropriation shall be allowed which would have the effect of increasing the reserve beyond the said maximum:

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Provided further that the amount so appropriated shall be invested in securities authorized under the Indian T rusts Act, 1882 within a period of six months of the close of the financial year."

The Commission has verified that the contingency reserves of RInfra-T do not exceed 5% of the original cost of fixed assets. Accordingly, the Commission has approved the contribution to contingency reserves at 0.25% of opening GFA as Rs. 0.76 Crore and Rs. 0.88 Crore for FY 2008-09 and FY 2009-10, respectively, as against projected contribution of Rs. 0.76 Crore and Rs. 1.01 Crore respectively.

4.9 Return on Equity (RoE)

The Commission had allowed return on equity to the extent of Rs 20.81 Crore for FY 2008-09 in its APR Order for FY 2007-08, and Rs 19.27 Crore for FY 2009-10 in the MYT Order, considering rate of return of 14% during respective years. RInfra-T, in its APR Petition, submitted the revised estimate of return on equity for FY 2008-09 and FY 2009-10 as Rs 20.68 Crore and Rs 34.10 Crore, respectively. RInfra-T submitted that based on the capital expenditure, capitalisation, and normative debt: equity norm of 70:30, the return on equity on the equity portion has been considered at 14%.

In view of revised capitalisation as approved by the Commission in this Order, the Commission has computed the RoE for FY 2008-09 and FY 2009-10 on the opening balance of equity and 50% of the equity portion of the asset value capitalised during the year, in accordance with the MERC Tariff Regulations as applicable for the transmission business. Accordingly, approved Return on Equity for FY 2008-09 and FY 2009-10 is summarised in the following Table:

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Table: Return on Equity as approved by the Commission

(Rs Crore)

Particulars	FY 2008-09			FY 2009-	10	
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved
Reg. Equity at beginning of year	132.47	132.35	132.35	137.54	163.04	146.39
Equity Portion of Capitalised Expenditure	32.30	30.68	14.04	0.15	161.00	8.58
Reg. Equity at the end of the year	164.77	163.04	146.39	137.69	324.04	154.98
Return on Reg. Equity at beginning of year	18.55	18.53	18.53	19.26	22.83	20.49
Return on Equity Portion of Capital Expenditure Capitalised	2.26	2.15	0.98	0.01	11.27	0.60
Total Return on Regulated Equity	20.81	20.68	19.51	19.27	34.10	21.10

4.10 Income Tax for FY 2008-09 and FY 2009-10

RInfra-T submitted that for FY 2008-09 and FY 2009-10, the income tax has been estimated at the prevalent corporate tax rate of 33.99%, and is estimated at Rs 10.32 Crore and Rs. 8.8 Crore, respectively, as against the income tax of Rs. 7.88 Crore considered by the Commission for FY 2008-09 in its APR Order for FY 2007-08 and Rs. 4.53 Crore for FY 2009-10 in its MYT Order.

In reply to data gaps, RInfra-T submitted detailed income tax computations for RInfra-T, after considering the prevalent tax exemptions as applicable, including tax depreciation, for FY 2008-09 and FY 2009-10. RInfra-T submitted the workings for income tax by grossing up the RoE, adding back the regulatory depreciation and reducing Tax depreciation on WDV basis under provisions of the Income Tax Act. RInfra-T has also added back the normative interest on loan and normative interest on working capital to the taxable income while computing the income tax. RInfra-T submitted that the income tax computed under this method is Rs. 10.32 Crore and Rs. 8.80 Crore for FY 2008-09 and FY 2009-10, respectively.

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The Commission has dealt with the issues of income tax in Section 3 while discussing the income tax for FY 2007-08. However, while normative interest on long-term loans has been added to the RoE while computing the Income Tax for FY 2008-09, the normative interest on working capital loan has not been added to the RoE, since it is not possible to project the exact actual interest expense that will be incurred by RInfra-T. Depending on the actual interest on working capital incurred by RInfra-T, only the difference between the normative interest and actual interest, and that too, only if the actual interest is lower than the normative interest on working capital, will have to be added to the RoE, for computing the Income Tax. Hence, this can be considered at the time of final truing up. Further, the Commission has not grossed up such RoE component for income tax, since the income tax is allowed as part of the ARR as an expense head, in accordance with the MERC Tariff Regulations.

The Commission has estimated the income tax for FY 2008-09 on stand alone business considering the RoE as per the revised estimate of ARR. The income tax projected by RInfra-T in its APR Petition, and the income tax estimated by the Commission for FY 2009-10 is shown in the Table below. The Commission will however, true up the income tax, based on final truing up for FY 2008-09 and FY 2009-10.

Table: Income Tax approved by the Commission for RInfra-T (Rs Crore)

Particulars		FY 2008-09			FY 2009-10		
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved	
Profit Before Tax	31.36	31.32	19.51	-	51.65	21.10	
Add: Depreciation as per APR	7.66	8.26	8.23	-	11.90	9.89	
Less: Depreciation as per Income Tax	(18.99)	(14.46)	(9.95)	-	(62.15)	(14.03)	
Add: Normative Interest on Long Term Loan	2.31	3.96	2.23	-	23.16	4.33	
Add: Normative Interest on Working Capital	0.84	1.27	-	-	1.31	-	

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Particulars	FY 2008-09				FY 2009-	10
	APR Order	Revised Estimate	Approved After provisional truing up	MYT Order	Revised Estimate	Approved
Total	23.18	30.35	20.03	-	25.88	21.29
Income Tax on Total Profit	7.88	10.32	6.81	4.53	8.80	7.24

4.11 Non-Tariff Income for FY 2008-09 and FY 2009-10

RInfra-T submitted that the Non-Tariff Income for FY 2008-09 is estimated at Rs 0.17 Crore, as against Rs 0.19 Crore approved by the Commission in the APR Order for FY 2007-08. RInfra-T estimated non-tariff income as Rs. 0.25 Crore for FY 2009-10 as against Rs. 3.61 Crore approved by the Commission in the MYT Order.

The Commission has accepted RInfra-T's revised projections of Non-Tariff Income, and will undertake the truing up of Non Tariff Income based on audited accounts during Performance Review for the third year of Control Period, i.e., FY 2009-10, and thereafter.

4.12 Annual Revenue Requirement of RInfra-T for FY 2008-09 and FY 2009-10

Based on analysis of each element discussed above, the Aggregate Revenue Requirement of RInfra-T for FY 2008-09 and FY 2009-10 as approved by the Commission in its APR Order for FY 2007-08 and MYT Order, as estimated by RInfra-T in the APR Petition and as approved by the Commission in this Order is given in the following Tables:

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Table: Aggregate Revenue Requirement for FY 2008-09 (Rs Crore)

SI.	Particulars	APR Order	Revised Estimate	Approved after Provisional truing up
(1)	(2)	(3)	(4)	(5)
Α	Expenditure			
1	Operation & Maintenance Expenses	12.80	13.70	11.73
	Employee Expenses	7.78	8.07	6.84
1.2	Administration & General Expenses	2.39	2.39	2.23
1.3	Repair & Maintenance Expenses	2.62	3.24	2.66
2	Depreciation, including advance against depreciation	7.66	8.26	8.23
3	Interest on Long-term Loan Capital	2.31	3.95	2.23
4	Interest on Working Capital	0.84	1.27	0.97
5	Other Expenses	-	-	-
6	Income Tax	7.88	10.32	6.81
7	Contribution to contingency reserves	0.76	0.76	0.76
	Total Expenditure	32.26	38.26	30.73
В	Return on Equity	20.81	20.67	19.51
С	Aggregate Revenue Requirement	53.07	58.93	50.25
8	Add: Revenue Gap for FY 2006-07	5.71	5.71	5.71
9	Add: Incentive for higher availability in FY 2006-07	0.45	0.45	0.45
10	Add: Revenue Gap for FY 2007-08	8.99	10.51	6.66
11	Less: Non-tariff Income	0.19	0.17	0.17
D	Aggregate Revenue Requirement from Transmission Tariff	68.03	75.43	62.89
Е	Tariff Income	67.87	63.51	63.56
F	Provisional Revenue Gap/ (Surplus)	0.16	11.92	(0.67)

Based on provisional truing up of various elements for FY 2008-09 as discussed in above paragraphs, the Aggregate Revenue Requirement for FY 2008-09 works out to Rs 62.89 Crore including revenue gaps of previous years (FY 2006-07 and FY 2007-08), incentive for FY 2006-07 and non-tariff income for FY 2008-09 as against the amount of Rs 68.03 Crore approved in the APR Order. As against the approved revenue requirement of Rs 62.89 Crore upon provisional true-up for FY 2008-09, the approved revenue for FY 2008-09 amounts to Rs 63.56 Crore. During FY 2008-09, the approved transmission tariff for FY 2008-09 was applicable for 10 months (June 2008 to March 2009) whereas approved transmission tariff for FY 2007-08 was applicable for 2 months (April and May 2008). Hence, revenue from

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transmission tariff during FY 2008-09 was Rs 63.56 Crore. Thus, there is a revenue surplus of Rs 0.67 Crore during FY 2008-09, which needs to be trued up provisionally, along with determination of ARR for FY 2009-10. The Aggregate Revenue Requirement for FY 2009-10, as shown below:

Table: Aggregate Revenue Requirement for FY 2009-10 (Rs Crore)

SI.	Particulars	MYT Order	Revised Estiamte	Approved
(1)	(2)	(3)	(4)	(5)
Α	Expenditure			
1	Operation & Maintenance Expenses	11.97	15.05	12.69
1.1	Employee Expenses	6.69	9.08	7.35
1.2	Administration & General Expenses	2.52	2.53	2.37
1.3	Repair & Maintenance Expenses	2.76	3.43	2.97
2	Depreciation, including advance against depreciation		11.90	9.89
3	3 Interest on Long-term Loan Capital		23.16	4.33
4	Interest on Working Capital	0.75	1.31	1.11
	Other Expenses	-	-	-
6	Income Tax	4.53	8.80	7.24
7	Contribution to contingency reserves	1.58	1.01	0.88
	Total Expenditure	28.64	61.23	36.13
В	Return on Equity	19.27	34.09	21.10
С	Aggregate Revenue Requirement	47.91	95.32	57.22
	Less: Non-Tariff Income	3.61	0.25	0.25
D	D Aggregate Revenue Requirement from Transmission Tariff		95.07	56.97
	Add: Incentive for Higher Availability in FY 2			0.71
E	E Add: Revenue Gap/ (Surplus) from Provisional Truing up for FY 2008-09			(0.67)
F	Total Revenue to be recovered through Transmission tariff			57.02

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Accordingly, the Commission approves Annual Revenue Requirement for FY 2009-10 as Rs 57.02 Crore. The Aggregate Revenue Requirement for FY 2009-10 is higher than that determined in the MYT Order primarily due to the increase in capitalisation related expenses and increase in income tax.

4.13 Transmission Tariff for FY 2009-10

The Commission has issued its Order in respect of the intra-State transmission pricing framework in Case No. 58 of 2005 on June 27, 2006. The ARR as approved by the Commission for RInfra-T for FY 2009-10 in this Order, will be used to determine the composite ARR of the complete intra-State transmission system of all transmission licensees in the State for FY 2009-10. Hence, in this Order the Commission has only determined the ARR for RInfra-T for FY 2009-10 and not determined any transmission tariff for RInfra-T. The revenue for RInfra-T for FY 2009-10 will be as per the tariff determined by the Commission separately under its Order on intra-State transmission pricing.

4.14 Applicability of Order

This Order for the third year of the first Control Period, i.e., for FY 2009-10, shall come into force with effect from May 1, 2009. The Commission will undertake the Annual Review of RInfra-T's performance during the last quarter of FY 2009-10. RInfra-T is directed to submit its Petition for Annual Review of its performance during the first half of FY 2009-10, as well as truing up of revenue and expenses for FY 2008-09 based on audited accounts, with detailed reasons for deviation in performance, latest by November 30, 2009.

The Commission acknowledges the efforts taken by the Consumer Representatives and other individuals and organisations for their valuable contribution to the APR process for RInfra-T for FY 2008-09 and determination of revenue requirement for FY 2009-10. Accordingly, Case No. 119 of 2008 stands disposed off.

Sd/- Sd/- Sd/- (S. B. Kulkarni) (A. Velayutham) (V.I

(S. B. Kulkarni) (A. Velayutham) (V.P. Raja) Member Member Chairman



(P. B. Patil) Secretary, MERC

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APPENDIX 1
List of Persons who attended the Technical Validation Session held on January 28, 2009

S.No	Name	
RInfra Officials		
1.	Shri G. Khandelwal	
2.	Shri Kapil Sharma	
3.	Shri Kamal Kant	
4.	Shri G.Srinivas Rao	
5.	Shri Ganesh Balasubramanian	
6.	Shri Sharad Nath	
7.	Shri Kishor Patil	
8.	Shri. P.G. Phokmare	
9.	Shri A C Tambawala	
10.	Shri Mohan Limaye	
11.	Shri A Shahi	
12.	Shri P.S. Pandya	
13.	Shri R.R. Mehta	
14.	Shri Madan Biyami	
15.	Shri P.M Hundil	
16.	Shri M.S.Rao	
17.	Shri P.V. Chawada	
18.	Shri Vikas Sonar	
19.	Shri Dhiraj Manikar	
20.	Shri Sanjay B	
21.	Shri Karman .K	
22.	Shri Karan Pallav	
23.	Shri A. Vijay	
24.	Shri S.A. Radke	
25.	Shri A. Mondal	
26.	Shri Vivek Mishra	
27.	Shri Mangle Sumegh	
28.	Shri Prasad Rao	
29.	Shri Atul Joshi	
30.	Shri Anish J	
Others		
31.	Dr. Ashok Pendse	
32.	Shri S. Dixit	
Consultants to		
Commission	Cl. ' A'', D. I',	
33.	Shri Ajit Pandit	
34.	Shri Palaniappan M	
35.	Shri Suresh Gehani	
36.	Shri S.R.Karkhanis	
37.	Kum. Kirty Sharma	
38.	Shri Anand Kulkarni	

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S.No	Name
39.	Shri Santosh Kumar Singh
40.	Shri Krishnajith M.U.
41.	Shri M.N. Bapat

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Appexdix-2

List of Objectors

S.No.	Name & Address of the Objector	Designation	Institution
1.	Dr. Ashok Pendse		Mumbai Grahak Panchayat
2.	Dr. S.L. Patil	Secretary General	Thane Belapur Industries Association
3.	Shri Shantanu Dixit/ Ashwini Chitinis	Member	Prayas, Energy Group
4.	Shri V. Gopal		Individual
5.	Shri Srinivasan Krishnan		Individual
6.	Shri Sanjeev Kapoor		Kapoor Glass India Pvt. Ltd.
7.	Shri Krishna Sarbadhikary		Individual
8.	Shri Ramniklal Chheda		The Retail Grain Dealers Co.op.So.Ltd
9.	Shri. S. S. Seth	Dy. CE (SO) W.S	Municipal Corporation of Greater Mumbai (MCGM)
10.	Shri Sandeep N. Ohri	Moderator	Individual/BIJLEE Yahoo Groups
11.	Shri K.C. Varshney	Divisional Engineer (Bldg)	Mahanagar Telephone Nigam Ltd
12.	Shri S.K. Lahiri		Individual
13.	Col. M. Masand	President	The Association of Hospitals
14.	Shri Mukund K. Parikh		Individual
15.	Shri Jitendra N. Gupta		Individual
16.	Shri Tapan Sharma		Individual
17.	Shri Bankim P. Gor		Individual
18.	N.A	Trustee	Shri Sarvodaya Hospital
19.	Shri Dilip Modi	Secretary	Pinky Prestige CHS Ltd
20.	Shri Sandeep Jalan		Janhit Manch
21.	Shri Bhagvanji Raiyani	President	Janhit Manch
22.	Shri Shatadru Sengupta	Director-Legal and Company Secretary	Hardcastle Restaurants Pvt. Ltd.
23.	Shri Krishnanath R. Nevrekar, (Shri Vinayak Joshi), (Shri Vasant Shirali)		Individual
24.	Shri Dejul M. Shah		Individual

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S.No.	Name & Address of the	Designation	Institution
	Objector		
25.	Shri Mohammed Afzal		Consumer / Human Right Activist
26.	Shri Hiren Shah		Individual
27.	Shri Rupesh S. Jadhav		Individual
28.	AshokKumar Hasija	Wing Commander	Individual
29.	Shri Vijay B. Malwankar,	Executive	Shivsena Grahak Sauraksan
	Shri Prasad P. Ayare	Committee Member	Sangh
30.	Shri Girdhari B. Lutharia		Individual
31.	Shri Darakh		Individual
32.	Smt. Shyama Nivas		Individual
33.	Dr. Laxmi Vyas		Individual
34.	Shri Anil M. K.		Individual
35.	Smt. Meenakshi Bhalla		Individual
36.	Shri Jatin Sanghavi		Individual
37.	Shri M. J. Gajaria		The Westminster Co-op Housing Society Ltd.
38.	Ms. Usha Chandra Sekhar		Athreya Associates
39.	N.A	Partner	Jain Sweet & Bhelpuri House
40.	Smt. Shweta A. Abrol/ Shri Rakshpal Abrol	Chief Co-ordinator/ Convenor	Bharitya Udhami Avam Upbhokta Sangh
41.	Shri Satya.K. Srivastava	Chief Financial Officer	Spencer's Retail Limited
42.	Shri K. Sampath		Individual
43.	Shri Abhigyan Jha		Individual
44.	Shri Parthasarthy Ganguly	Dy. GM (Legal)	Mumbai International Airport P. Ltd.
45.	Shri Nitin Pandit	President	International Institute for Energy Conservation (IIEC)
46.	Shri Pankaj D. Muni	President	Electrical Contractors' Association of Maharashtra
47.	Shri Guruprasad Shetty		Association of Hotels & Restaurant / Individual
48.	Shri Shrikant S. Prabhu		Individual
49.	Shri Yashwant Trimbak Oke		Individual
50.	Shri Sandeep R. Borkar		Individual
51.	Shri Zaheer M. Kondkar		Individual
52.	Shri Hiroo P. Malkani		Individual
53.	Shri Rajesh Varma		Individual

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S.No.	Name & Address of the Objector	Designation	Institution
54.	Shri Madanmohan R. Singh		Individual
55.	Shri T. R. Saranathan		Individual
56.	Shri Manohar Pednekar		Sahil International, Mumbai
57.	Shri S.A. Puranik	Dy. GM (Electric Supply)	BEST Undertaking
58.	Shri Vasant Shetty, Shri Narayan.M. Alva	<u>Vice-President</u>	Indian Hotel & Restaurant Association
59.	Shri N. Ponarathanam, [Total 74 Applications]		Vel Induction Hardenings
60.	Shri N. Thampan		Individual
61.	Smt. Jude G. Tandon		Individual
62.	Shri P. N. Sridharan		Individual
63.	Smt. Iona Dias		Individual
64.	Shri Avinash Fortes		Individual
65.	Shri V. Thanumoorthy		Individual
66.	Shri V.H.Wagle	Assistant General Manager	Tata Power Company Ltd.
67.	Shri Utsal Karani, [Total 213 Applications]		Individual
68.	Smt. Kruti Shah		Individual
69.	Shri Mukeshchandra P. Parekh		Individual
70.	Shri N.K. Pratapan	General Secretary	Pestom Sagar Citizens Forum
71.	Shri Kangaraj		Individual
72.	Shri M. Babu		Individual
73.	Smt. Rima Chavan		Individual
74.	Shri R.N. Vakharia		Individual
75.	Shri Ashok Parekh/Sanjay Shah	President/Secretary	Kamla Vihar G-5, Co-op Housing Society
76.	Shri Jeet Gulati	Chairman	Maker Arcade Premises Co.op.Soc.Ltd
77.	Shri Mahendrakumar B. Mehta		Individual
78.	Shri Amit. S. Gajaria	Member (Special Power Committee)	Kandivali Co.op.Indl. Estate Ltd.
79.	Wadia Ghandy & Co. Advocate & Solicitors		Retailers Association of India
80.	Wadia Ghandy & Co. Advocate & Solicitors		Hyper City Retail (I) Ltd
81.	Wadia Ghandy & Co. Advocate & Solicitors		BD & P Hotels (I) Pvt. Ltd

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S.No.	Name & Address of the	Designation	Institution
	Objector		
82.	Wadia Ghandy & Co.		Inorbit Mall (I) Pvt. Ltd.
	Advocate & Solicitors		
83.	Wadia Ghandy & Co.		Shoppers Stop Limited
84.	Advocate & Solicitors Wadia Ghandy & Co.		Globus Stores Pvt. Ltd
04.	Advocate & Solicitors		Globus Stoles Pvt. Ltd
85.	Dr. Rajas A. Rane	Working Committee	Shivsena Grahak Saurakshan
		Member	Kaksh
86.	Shri D.D Chaphalkar		Multiplex Association of India, [FICCI]
87.	Shri Prakash Khatiwala	President	Juhu Scheme Residents
88.	Shri Mahash Darbhaya	Proprietor	Association
	Shri Mahesh Barbhaya	Fiopricioi	Lata Enterprises
89.	Shri Jubal Braganza		Individual
90.	Shri Surendrakumar Suri		Individual
91.	Shri D. D Savla	President	Dadar Merchant's Association
92.	N.A	Manager	Shree Bhayander Stainless Steel Mfrs. & Traders Association
93.	Adv. Parag M. Alavani,	General Secretary	Bhartiya Janata Party
94.	Shri. Ishwar P. Kewalramani		Excel Electric
95.	Shri S.C. Gupta	Supt. Engineer	Prasar Bharati, (Broadcasting Corporation of India)
96.	Shri S. Amin [Total 85 Applications]		Seagull Anglore Co-op Housing Society, Chembur
97.	Shri. A.K Khanna	Director	Isha Steel Treatment Pvt. Ltd.
98.	Shri A. R. Bapat,		Individual
99.	Total 45 objectors	NA	The Tenants of Kalyan Bldg
100.	Shri Shrikant R. Belwalkar		Individual
101.	Shri Kantilal Jangbari	President	JVPD Tenants & Residents Association
102.	Shri Utsal Karani		JVPD Tenants & Residents Association
103.	Shri Harish B.Sheatty	President	Maharashtra Manav Seva Sangh
104.	Shri Mahadev Gaikwad		Bhimshakti Ekta Mitra Mandal
105.	Shri Kisan Gaikwad		Individual
106.	Shri N.D. Manjrekar		Individual
107.	Shri Vanraj Patil		Individual
108.	Smt. Anjali		Individual
109.	Smt. Surekha K. Nilakh		Individual
	[Total 67 Applications]		

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S.No.	Name & Address of the	Designation	Institution
	Objector		
110.	Shri Vasant K. Gade		Islampur Samaj Kalyan Society
	[Total 110 Applications]		
111.	1		Shetye Pvt. Ltd.
112.	[Total 47 Applications] Shri G.A. Gohin		Individual
112.	[Total 85 Applications]		marviduai
113.			Neelkant Apartment, Chembur
	[Total 84 Applications]		-
114.	Wadia Ghandy & Co.		Asian Hotels Ltd.
115	Advocate & Solicitors Wadia Ghandy & Co.		Lifestyle International Dut Ltd
113.	Advocate & Solicitors		Lifestyle International Pvt. Ltd.
116.	Wadia Ghandy & Co.		R. Mall Developers Pvt. Ltd.
	Advocate & Solicitors		1
117.	Shri Yazdi Tantra	Representative	Juhu Scheme Residents
110	GI : X		Association
118.	,		Individual
119.			Individual
120.	1		Individual
121.	Shri Bhaskar Prabhu		Individual
122.	Shri Rajiv Arora		Individual
123.	Shri Anil Mani		Individual
124.	Shri Ketan B. Kapadia		Individual
125.	Shri Tirath R. Sonpar		Individual
126.	Shri Chaitanya P. Kalve		Individual
127.	Shri Pravin Jain		Individual
128.	Shri Malav Ravel		Individual
129.	Shri Shirlyn Galbao		Individual
130.	Shri Sharat Bangera		Individual
131.	Shri Rajesh Bhatt		Individual
132.	Smt. Shradda Mathure		Individual
133.	Smt. P. Fernandes		Individual
134.	Shri Rajive Prasad		Individual
135.	Shri Jayesh Thacker		Individual

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S.No.	Name & Address of the Objector	Designation	Institution
136.	Smt. Anita Balani		Individual
137.	,Ms. Sherly J. Singh	Director	Hotel Samraj
138.	Shri Sunay Gandhi,		Individual
139.	Shri Kantilal Bheda,		Individual
140.	V.C. Darak		V.C. Darak & Associates
141.	Smt. Archana Mehta,		Individual
142.	Dr. Anupam Karmakar	Chief Operating Officer	Parakh Hospital
143.	Shri Amin Mukhi		Individual
144.	Shri Sanjay Sakpal	General Secretary	Ishanya Mumbai District Congress Committee
145.	Shri Sundararaman S Iyer, Shri Suresh M.Mehta	President and Managing Trustee, Executive Trustee	Mumbai Citizens & Commuters' Trust & Citizens Development Trust of India
146.	Shri A.V. Shenoy, Shri Pramod Muzumdar	Convener, Co- convener	Energy Study Group
147.	N.A	Chairman and Hon. Secretary	Navsamaj Co.Op. Housing Soc. Ltd.
148.	Shri Shabbir Udaipurwala and Shri Diwakar Udywar	Secretary and Chairman	Ram Mandir Road Factory Owners Association
149.	N.A	Secretary and Chairman	Juhu Abhishek Apmt. CHS Ltd
150.	Shri Anuj Dhokai		Xoriant Solutions Pvt. Ltd.
151.	Shri Joseph Gonsalves		Individual
152.	Smt. Yojana Pednekar		Individual
153.	Shri Amit Khemka		Individual
154.	Smt. Supriti Singh		Individual
155.	Shri Pankaj Bhatia		Individual
156.	Shri Joy Bimal Roy		Individual
157.	Shri Sajjan Kumar Poddar		Individual
158.	Shri Bhawan Khatwani		Individual
159.	Shri Kumar Pravesh		Individual
160.	Shri Adhir Varma		Individual
161.	Smt. Alice Syam		Individual

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S.No.	Name & Address of the	Designation	Institution
	Objector		
162.	Shri Bhupendra C. Jhaveri		Individual
163.	Shri Sanjay Khullar		Individual
164.	Shri Sundeep Nagpal		Individual
165.	Shri K. Shanmugam		Individual
166.	N.A	Secretary	Ghatkopar Presidential Towers 'B' CHS Ltd
167.	Smt. Usha Bhende		Individual
168.	Shri K.R. Seshadri		Individual

List of Objectors present during Public Hearing held on March 26, 2009

S.No.	Name & Address of the	Institution
	Objector	
1.	Dr. Ashok Pendse	Mumbai Grahak Panchayat
2.	Dr. S.L. Patil	Thane Belapur Industries
		Association
3.	Ms. Ashwini Chitnis	Prayas, Energy Group
4.	Shri V. Gopal	Individual
5.	Shri Sandeep N. Ohri	Individual
6.	Shri I.C. Shukla	Shri Bhagwanji Raiyani, Janhit Manch
7.	Shri Vijay B. Malwankar	Shivsena Grahak Sauraksan Sangh
8.	Shri R.K.Seth	Mumbai International Airport P. Ltd.
9.	Shri O.P. Singh	Mumbai International Airport P. Ltd.
10.	Shri Pravind Kumar	Mumbai International Airport P. Ltd.
11.	Shri P.S. Ganguly	Mumbai International Airport P. Ltd.
12.	Shri Mahesh Patankar	International Institute for Energy Conservation (IIEC)
13.	Shri Rahul Agnihotri	International Institute for Energy Conservation (IIEC)
14.	Ms. Ira Athalle	International Institute for Energy Conservation (IIEC)
15.	Shri Sanjay Sakpal	Electrical Contractors' Association of Maharashtra
16.	Shri Guruprasad Shetty	Association of Hotels &

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S.No.	Name & Address of the	Institution
	Objector	
		Restaurant
17.	Shri Dipankar Das, Shri Harinder Toor	BEST Undertaking
18.	Shri N. Ponarathanam	Vel Induction Hardenings
19.	Shri Jude G. Tandon	Individual
20.	Shri P. N. Sridharan	Individual
21.	Shri V. Thanumoorthy	Mumbai Citizens Welfare Forum
22.	Shri Prashant Awekar	Tata Power Company Ltd.
23.	Shri V.H.Wagle	Tata Power Company Ltd
24.	Shri Prashant Joshi	Tata Power Company Ltd
25.	Shri Shekar Khedia	Tata Power Company Ltd
26.	Shri A.Sethi	Tata Power Company Ltd
27.	Wadia Ghandy & Co. Advocate & Solicitors	Retailers Association of India
28.	Wadia Ghandy & Co. Advocate & Solicitors	Hyper City Retail (I) Ltd
29.	Wadia Ghandy & Co. Advocate & Solicitors	BD & P Hotels (I) Pvt. Ltd
30.	Wadia Ghandy & Co. Advocate & Solicitors	Inorbit Mall (I) Pvt. Ltd.
31.	Wadia Ghandy & Co. Advocate & Solicitors	Shoppers Stop Limited
32.	Wadia Ghandy & Co. Advocate & Solicitors	Globus Stores Pvt. Ltd
33.	Wadia Ghandy & Co. Advocate & Solicitors	Asian Hotels Ltd.
34.	Wadia Ghandy & Co. Advocate & Solicitors	Lifestyle International Pvt. Ltd.
35.	Wadia Ghandy & Co. Advocate & Solicitors	R. Mall Developers Pvt. Ltd.
36.	Dr. Dedhia	Parakh Hospital
37.	Shri Champalal Jain	Individual
38.	Shri V. Sequeria	Individual
39.	Shri Praveen Mehra	Mirage Hotel
40.	Shri Antony Samy	Individual
41.	Shri V. Gopal	Individual
42.	Shri H.S. Kamath	Individual
43.	Ms. Sunila Manerikar	Individual
44.	Shri Ashish Patankar	Individual
45.	Shri Shabbir	Ram Mandir Road Factory Owners Association
46.	Shri Kumarpal Chaganraji	Individual

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S.No.	Name & Address of the	Institution
	Objector	
	Rathore	
47.	Shri Suhajul Hassan	Individual
48.	Shri Deepak N. Israni	DLH
49.	Shri A.D. Golandaz	AITUC
50.	Shri Subash C. Patel	Individual
51.	Shri P.G. Muzumdar	Energy Study Group
52.	Shri A.V.Shenoy	Energy Study Group
53.	Shri U.P.Naniwadekar	Municipal Corporation of Greater Mumbai
54.	Mary Antony	Jagrut Kamgar Manch
55.	Shri Murali Nair	Legal Advisor
56.	Shri S.A.Nikalje	MSPGCL
57.	Shri S.D.Maithi	PAEC
58.	Shri R.Mago	PAEC
59.	Shri A.S.Bhattaharya	PAEC
60.	Shri Yasmdev Bahl	Blue Drat Express Ltd.
61.	Shri K.Vinodham	Individual
62.	Shri S.V.Varadkar	OHRC
63.	Shri A.M.Goklani	Individual
64.	Shri Himanshu Chandavarkar	PXI, Mumbai
65.	Girija Gupte	Jagrut Kamgar Manch
66.	Shri S.Sharma	Power Age Consultants
67.	Shri R.S.Verma	Individual
68.	Shri Navin Pandey	Society and You
69.	Shri Hardeo R. Patel	Individual
70.	Ms. Archana Patankar	Tata Institute of Social Science
71.	Bhecmeshwar	Tata Institute of Social Science
72.	Shri R. Thomas	Advisor
73.	Shri S.M. Mehra	M.C.C.T, Mumbai
74.	Shri P.M.Suru	Borosil Glass Works
75.	Ms. Vanita	CCN News
76.	Shri Mohan S	Ahav
77.	H.A.D'Silva	Holy Family Hospital, Bandra
78.	Shri K.J.Shah	Individual
79.	Shri Mukund	Individual
80.	Shri S.Chandrashekar	Amrapali Industries
81.	Shri Rajesh Shinde	Rajesh Industries
82.	Shri Vinay Sethi	Hotel Nataraj
83.	Ms. Ruchita Saxena	Individual
84.	Shri Ketan Malhotra	J.M.D.Engineering Works
85.	Shri Jimit Joshi	Individual
86.	Ms. Sapna Desai	Mid-day
87.	Shri Sachin S. Nachnekar	Rhyth
88.	Ms. Smita Kamble	Prerna

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S.No.	Name & Address of the	Institution
	Objector	
89.	Shri Akshay Rane	Prerna
90.	Shri Pravin Kamble	Prerna
91.	Shri Sujaad Hurane	Individual
92.	Shri Thakur Gautamraj	Individual
93.	Shri Ramji Bhanvshali	Individual
94.	Shri Kausar Patel	Vashi Naka Islampura
95.	Ms. Amina Akhtar	Vashi Naka Islampura
96.	Kamrunnisa	Vashi Naka Islampura
97.	Shri Shashank Rao	Individual
98.	H.M.Mandliya	Individual
99.	Shri Rajil Menon	Down to Earth
100.	Ms. Rachita Prasad	News Wire 18
101.	Shri Chittaranjan	The Times of India
102.	Khatuni Bi	Samaj Kalyan Society, Vashi
		Naka
103.	Shri Vasant K Gade	Samaj Kalyan Society, Vashi
		Naka
104.	Shri V.R. Khandekar	Angelore Co-Hsg.Society
105.	Shri Sunil Joglekar	HIRCO Powai
106.	Shri Vipul Ravze	Talent Securities
107.	Shri Shanti Patel	Individual
108.	Shri H.K.Bulbwalla	Individual
109.	Shri K.R.Seshadri	Individual

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