

Executive Summary

The Maharashtra State Electricity Transmission Company Limited (MSETCL or Mahatransco) is submitting this Annual Performance Review Petition for the year FY 2008-09 as per the MERC (Terms and Conditions of Tariff) Regulations, 2005 based on the actual expenditure till September 2008 and projections from October 2008 to March 2009. As per the provisions of the said regulations MSETCL is also submitting the revised projections for the year FY 2009-10 for determination of Aggregate Revenue Requirement.

MSETCL's AGGREGATE REVENUE REQUIREMENT

MSETCL has provided actual expenses data based on audited accounts for the period from April 1, 2007 to March 31, 2008. The expenditure for FY 2008-09 has been estimated on the basis of actual till September 2008 and projections for the remaining six months on the basis of past trends and other considerations. Projections for FY 2009-10 also have been made on the same principles.

- a) The Operations and Maintenance expenses have been projected considering actual of FY 2007-08 as basis for projection. Employee expenses and Administration & General (A&G) Expenses have been projected using escalation rates determined by the MERC in its MYT tariff order. However, Repairs and Maintenance (R&M) Expenses have been projected as per the estimates of field offices.
- b) A revised estimate of capital expenditure of MSETCL is Rs. 2400 crore in FY 2008-09 and Rs. 4847 crore in FY 2009-10.

- c) Depreciation has been computed as per rates specified in the MERC (Terms and Conditions of Tariff) Regulation 2005.
- d) Interest on long-term loans has been projected on the outstanding loans, and fresh mobilisation towards capital expenditure thereafter.
- e) Interest on working capital has been computed on normative basis in accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005. As MSETCL has not considered any actual working capital loan, interest on working capital has been treated as efficiency gain in line with the treatment of the Commission, and proposed to be shared with consumers according to the guidelines of tariff regulations.
- f) Other interest and finance charges have been projected realistically based on actual loan drawl considered for funding capital expenditures.
- g) The income tax liability of MSETCL has been computed based on the principles of the Income Tax Act.
- h) MSETCL has projected the Return on Equity at the rate of 14%, and in accordance with methodology specified in the MERC (Terms and Conditions of Tariff) Regulations, 2005.
- i) Non Tariff Income has been projected realistically based on past trends.

The Net Revenue Requirement of MSETCL is the summation of the above fixed costs and the RoE, less non-tariff income. Summary of MSETCL's revenue requirement is presented below.

Revenue Requirement of MSETCL

All figures in Rs. Crore

Sr. No.	Particulars	Previous Year (2007-08)	Current Year (2008-09)	Ensuing Year (2009-10)
		(Actuals/ Audited)	(Revised Estimates)	(Revised Projection)
1	Operation & Maintenance Expenses	568.83	776.85	970.52
1.1	<i>Employee Expenses</i>	248.44	402.01	542.40
1.2	<i>Administration & General Expenses</i>	73.83	65.07	68.11
1.3	<i>Repair & Maintenance Expenses</i>	246.56	309.77	360.01
2	Depreciation, including advance against depreciation	430.42	411.71	455.45
3	Interest on Long-term Loan Capital	194.21	259.07	299.70
4	Interest on Working Capital and on consumer security deposits	49.45	65.21	80.57
5	Other Interest and Finance charges	26.06	34.36	44.15
6	Other Expenses	9.48	6.65	20.47
7	Income Tax	96.50	248.20	127.15
8	Contribution to contingency reserves	44.83	24.58	27.54
9	Prior-period adjustments (Review Petition)	2.82		
10	Total Revenue Expenditure	1,422.60	1,826.63	2,025.55
11	Return on Equity Capital	398.88	427.60	484.50
12	Aggregate Revenue Requirement	1,821.48	2,254.22	2,510.04
13	Less: Non Tariff Income	76.86	86.59	88.32
14	Less: Income from Other Business	0.00	0.00	0.00
15	Less: Income from Goa Transmission Charges	8.90	8.90	8.90
16	Aggregate Revenue Requirement from transmission Tariff	1,735.73	2,158.74	2,412.83

Thus, the Net Revenue Requirement of MSETCL is projected to be Rs. 2,158.74 crore and Rs. 2,412.83 crore in FY 2008-09 and FY 2009-10 respectively.

MSETCL has computed the revenue shortfall on account of the extension of applicability of the previous order for the period April - May 2008.

Provisional True for Period April-May 2008

Rs crore

Particulars	Revenue Earned as Per MYT Order	Approved for FY 2008-09	Provisional True up amount for April & May 2008
One month Transmission Charges	128.91	155.37	26.46
Two months charges (April & May 2008)	257.83	310.74	52.92

In this regard MSETCL prays to the Honourable Commission to allow the following expenses while determining the revenue requirement of MSETCL for FY 2009-10.

1. Revenue Requirements of Rs. 1,735.73 crore, Rs. 2,158.74 crore and Rs. 2,412.83 crore in FY 2007-08, FY 2008-09 and FY 2009-10 respectively.
2. Shortfall in revenue of Rs. 52.92 crore in provisional truing up for period April-May 2008.
3. A&G expenses of Rs. 19.31 crore disallowed in truing up of FY 2006-07 towards lease rent paid to MSEB Holding Company. This amount is the total amount paid in FY 2005-06 and FY 2006-07 after the formation of MSETCL.
4. Shortfall in revenue of Rs. 44.97 crore in truing up of FY 2007-08. This amount has been arrived after
 - a. Duly sharing the efficiency gain with the transmission system users of MSETCL according to the principle of the Commission set out in tariff regulations, and

- b. Factoring in the A&G expense prayed for in prayer no. 3.
5. Estimated shortfall in revenue during the current year amounting to Rs. 454.72 crore. This revenue shortfall has been computed after duly considering sharing of efficiency gain with the transmission system users of MSETCL.

Hence MSETCL prays to the Honourable Commission to fix tariff for MSETCL so as to enable it recover its revenue requirement for FY 2009-10 along with the shortfalls illustrated above. The total revenue requirement of MSETCL for which transmission tariff needs to be set is computed below.

Net Annual Revenue Requirement for FY 2009-10 from Transmission Tariff

All figures in Rs. Crore

Sl. No.	Particulars	Amount
1	Annual Revenue Requirement of FY 2009-10	2,412.83
2	Provisional True-Up Requirement of FY 2008-09	432.98
3	Provisional True-Up Requirement for April-May 2008	52.92
4	Truing-Up Requirement of FY 2007-08	44.97
5	Net Revenue Requirement of FY 2009-10 from Transmission Tariff	2,943.69

TRANSMISSION PRICING

As per the Honourable Commission's Order on Transmission Pricing Framework, the ARR of the Transmission Licensees in the State is to be pooled together to form the "Pooled Cost" or "Total Transmission System Cost (TTSC)" which is to be recovered from the Transmission System Users. Since the recovery of the ARR of each licensee is

linked to the TTSC of all the Transmission Licensees, MSETCL is not submitting any Tariff Petition for recovery of the ARR for FY 2009-10.

However, in this petition, MSETCL has proposed to allocate the share of **Total Transmission System Cost (TTSC)** to each distribution licensee/ transmission system user (TSU) on the basis of yearly average schedule of the SLDC as issued to the said transmission system user for the previous year, instead of the average coincident peak demand method being adopted by the Honourable Commission. This is elaborated in section **Error! Reference source not found.** of this petition. The Commission may be pleased to approve the same, if find appropriate.

PRAYERS

- a. The ARR proposed by MSETCL for FY 2007-08, FY 2008-09 and FY 2009-10 may please be approved in accordance with the submissions and rationale given in this Petition.
- b. True-up and adjustments pertaining to prior period expenses and performance review of the current year as discussed in this petition may please be approved along with revenue requirement of FY 2009-10.
- c. A net revenue requirement of Rs. 2943.69 crore may please be determined for FY 2009-10, as estimated in this petition.
- d. MSETCL may be allowed revision in the Petition as may be necessary.
- e. Any errors/omissions may please be condoned, and opportunity be given to rectify the same.