

**Executive Summary  
For  
RInfra- Transmission  
Annual Performance Review under MYT  
Framework towards truing up of FY08 and  
determination of ARR for FY10**

**Filed with  
Maharashtra Electricity Regulatory Commission**

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## **A. Executive Summary**

### **A.1. Introduction**

Reliance Infrastructure Limited (hereafter referred to as RInfra) is an integrated Utility engaged in Generation, Transmission and Distribution of electricity in suburban areas of Mumbai. As a part of ongoing business, the Company has the transmission network for which this APR/ARR petition is being submitted.

Reliance Infrastructure Limited-Transmission (hereafter referred as RInfra-T), has been recognized as a Transmission Licensee in various Orders issued by the Maharashtra Electricity Regulatory Commission (hereafter referred to as Commission) under Electricity Act 2003. In view of the Commission's Order on Transmission Pricing Framework dated June 27, 2006, RInfra-T is an integral part of Intra State Transmission System (InSTS) As at present, the power generated ( 500 MW at DTFS i.e. RInfra-G) is transmitted to RInfra- Distribution's (herein after referred to as RInfra-D) License area through RInfra-T's network.

### **A.2. Objective of Annual Performance Review**

RInfra-T is submitting the current petition under Sections 86, Section 62 (read with Section 61 and Section 64) of Electricity Act 2003 and under the Regulation 17 (read with Regulation 3 (Part A), Regulations 6& 8 (Part B), Regulations 12-15 (Part C) and Regulations under Part F of MERC (Terms and Conditions of Tariff) Regulations 2005, for the purpose of "Truing Up" of its ARR for FY 08 (**Previous year**), annual performance review of ARR of FY09 (**Current Year**) and for submitting estimates of ARR for FY 10 (**Ensuing Year**), to enable the Commission to determine the ARR for FY 10.

### A.3. Truing Up of ARR for FY 08

The Commission in its MYT Order dated April 02, 2007 (in Case No. 73 of 2006) has determined the Annual Revenue Requirement (ARR) & Tariff of RInfra-T for the control period FY08- FY10. The Commission had, vide its Order dated May 26, 2008 (In Case No.64 of 2007), provisionally trued up fixed cost elements of ARR for FY 08. In the current petition, RInfra-T is submitting the actual expenditure and revenues for FY 08, for final Truing Up of ARR by the Commission.

#### A.3.1. Transmission Related Capital Expenditure

During FY 08, RInfra-T had incurred an amount of Rs 10.10 Crore towards capital expenditure. Out of this, works amounting to Rs. 5.23 Crore were capitalized. The total capitalization during FY 08, including Interest During Construction, works out to Rs 5.55 Crore, compared to Rs. 5.93 Crore approved by the Commission.

The Commission has allowed a capital expenditure of Rs 46.15 Crore for FY 08 after provisional truing up, in the Tariff Order dated 26 May 2008. However, for reasons beyond control of RInfra-T, there were delays in the implementation of various schemes and the actual Capex was Rs 10.10 Crore. The primary reasons for the delays in the major Capex schemes during FY 08, are presented in the table below:

**Table: ES 1 – Reasons for delay in Major Capex schemes during FY 08**

S.No.	Reasons for Delay	Major Schemes Delayed
1.	Delays in supply of equipments/materials from the manufacturers	a) Installation of 5th 220/33kV 125MVA Transformer at Aarey EHV station b) 33kV 13panels GIS boards at Aarey, Versova, Ghodbunder

S.No.	Reasons for Delay	Major Schemes Delayed
2.	Delays in getting statutory clearances/approvals from authorities	a) Installation of 220 kV GIS EHV Station at Chembur
3.	Relocation of site	a) Installation of 4 <sup>th</sup> 220/33kV 125MVA Transformer at Ghodbunder EHV station b) Installation of 5 <sup>th</sup> 220/33kV 125MVA Transformer at Versova EHV station

### A.3.2. Loan Repayment Schedule

The capital expenditure, discussed in the above section, has been financed from the corporate treasury, which comprises different businesses of the Company. For the purpose of truing up of interest on loan and return on equity, a normative Debt: Equity ratio of 70:30 is considered in accordance with the Tariff Regulations. Normative loan repayment tenure of 10 years has been considered for loans drawn prior to FY 07 and 20 years for loans drawn during FY 07 and FY 08.

### A.3.3. Availability of RInfra-T Network

The MERC had specified an Availability Factor of 98% and above for full fixed cost recovery. During FY 08, RInfra-T has achieved an Availability Factor of 99.44%.

### A.3.4. Operation & Maintenance (O&M) Expenses

The O&M expenses, which include Employee expenses, Administrative & General expenses and Repair & maintenance expenses, are summarized as under:

Table: ES 2 – Summary of O&M expenses of RInfra-T during FY 08

Particulars	UoM	MERC Tariff Order (dated May 26, 2008)	Actuals
Employee Expenses	Rs. Crore	7.33	7.32
A&G expenses	Rs. Crore	2.27	2.35
R&M Expenses	Rs. Crore	2.49	2.68
<b>Total O&amp;M Expenses</b>	<b>Rs. Crore</b>	<b>12.09</b>	<b>12.35</b>

#### A.3.4.1. Employee Expenses

During FY 08, RInfra-T has incurred a total amount of Rs. 7.32 Crore, as compared to Rs.7.33 Crore approved by MERC in its Order dated May 26, 2008. As regards to terminal benefits (such as Provident Fund, Superannuation and Gratuity), RInfra-T the amount is Rs. 0.54 Crore during FY 08.

#### A.3.4.2. Administrative & General (A&G) Expenses

RInfra-T has incurred an amount of Rs. 2.35 Crore towards A&G expenses as against Rs. 2.27 Crore approved in the Commission's Tariff Order dated May 26, 2008. RInfra-T in its APR FY 08 petition, estimated the A&G Expenses to be Rs. 2.31 Crore for FY 08. The increase in expenses can be attributed, inter-alia to:

- a) There was a marginal increase in expenses under the head Rent Rate & Taxes and Bank charges, which is beyond control of RInfra-T.
- b) Increase in vital & unavoidable expenses like security arrangements and Training.
- c) Hike in fuel prices in the later half of FY 08. The factor being uncontrollable in nature, resulted in higher conveyance & travel, vehicle hiring and vehicle running expenses during H2 of FY 08.

#### **A.3.4.3. Repairs and Maintenance (R&M) Expenses**

During FY 08, RInfra-T has incurred an amount of Rs. 2.68 Crore, which is marginally higher than Rs. 2.49 Crore approved by the Commission in its Tariff Order. The increase in R&M Expenses is on account of additional activities pertaining to hotline washing of Transmission lines on towers located 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.

#### **A.3.5. Depreciation and Advance against Depreciation**

The Commission has specified the Depreciation Schedule in the Tariff Regulations. The depreciation rate is determined as per the Regulation.

The depreciation for FY 08, as per MERC rates is Rs. 8.12 Crore, against the Commission approved amount of Rs. 7.36 Crore. RInfra-T has not claimed any advance against depreciation for FY 08.

#### **A.3.6. Interest on Loan Capital**

RInfra-T has considered a normative Debt: Equity ratio of 70:30 for financing the capital expenditure projects (corresponding to capitalized assets only). The interest on the loan capital is computed at the rate 10% per annum for projects initiated prior to FY 07 and 8% per annum for FY 07 and FY 08.

The total interest payable during FY 08 works out to Rs. 0.76 Crore against the Commission approved interest expenses of Rs 0.70 Crore.

#### **A.3.7. Interest on Working Capital**

As per regulation 50.6.1 of MERC Tariff Regulations for Transmission, the working capital requirement for FY 08 has been computed to be Rs 6.59 Crore. The interest

on working capital for FY 08 is computed to be Rs. 0.76 Crore, against the Commission approved amount of Rs. 0.73 Crore.

#### **A.3.8. Contribution to Contingency Reserve**

The contribution has been considered as 0.5% of Opening Gross Fixed Assets, as allowed by the Commission. During FY 08, contribution to contingency reserves is Rs. 1.49 Crore. The Commission in the Order dated May 26, 2008 has approved the same amount.

#### **A.3.9. Return on Equity**

As per MERC Tariff Regulations, Return on Equity (RoE) is computed @ 14% on the Regulatory Equity at the beginning of the year on 50% of the equity component of the projected addition to the capital assets during the year. Accordingly, the actual return on equity is Rs. 18.41 Crore for FY 08, against the Commission approved return of Rs. 18.42 Crore.

#### **A.3.10. Income Tax**

In case of RInfra-T, the Income Tax payable is at the prevalent Corporate Tax Rate of 33.99%. The Income Tax is calculated by grossing up RoE by tax and adding back normative interest expenses (long term and short term), regulatory depreciation and deducting the tax depreciation (WDV approach). The Income Tax for FY 08 works out to Rs. 10.47 Crore. The Commission had allowed a tax liability of Rs. 10.05 Crore for the year.

#### **A.3.11. Non-Tariff & Other Business Income**

During FY 08, RInfra-T has earned an amount of Rs. 0.12 Crore under Non-Tariff Income, against Rs. 0.12 Crore approved by the Commission.

### **A.3.12. Revenue Gap of FY 08**

#### **A.3.12.1. Net Aggregate Revenue Requirement**

After accounting for Non-tariff income the Net Aggregate Revenue Requirement for RInfra-T is Rs. 52.24 Crore, against Rs. 50.72 Crore approved by the Commission during mid year review for FY 08.

#### **A.3.12.2. Revenue through Transmission Charges**

RInfra-T recovered an amount of Rs. 41.73 Crore from Annual Transmission Charges for FY 08, as approved by the Commission in its InSTS Tariff Order dated April 2, 2007 in Case No. 86 of 2006.

During the mid year review for FY 08, Commission allowed a provisional revenue gap of Rs. 8.99 Crore, to be recovered through Annual Transmission Charges for FY 09. Hence, the revenue gap is calculated after considering this amount in the revenue for FY 08.

#### **A.3.12.3. Revenue Deficit**

Considering the Net ARR of Rs. 52.24 Crore for FY 08 and revenue of Rs. 50.72 Crore, there is an additional gap of Rs (1.52) Crore for FY 08 over the Commission approved provisional deficit of Rs. 8.99 Crore in the Order dated May 26, 2008. This gap is entirely on account of uncontrollable factors, as already discussed in detail under the respective sections on ARR components.

### **A.3.13. Incentive for Higher System Availability for FY 08**

As per the Commission's Order dated June 27, 2006 (Case No. 58 of 2005), Transmission Licensee is entitled to incentive on achieving annual availability beyond

the Target Availability (i.e. 98%) as stipulated under the Tariff Regulations. The incentive shall be calculated in the following manner:

**Incentive = Annual Transmission Charges \* ((Annual Availability Achieved – Target Availability)/Target Availability).**

Accordingly, RInfra-T has claimed an incentive of Rs 0.77 Crore for achieving the system availability of 99.44% during FY 08. This amount is over and above the Revenue Gap of Rs. (1.52) Crore for FY 08.

Table: ES 3 – Truing up summary for FY 08

S.No.	Particulars	Approved	Actuals	Deviation	Controllable	Uncontrollable
<b>A</b>	<b>Expenditure</b>					
1	Operation & Maintenance Expenses	12.09	12.35	0.26		0.26
1.1	Employee Expenses	7.33	7.32	(0.01)		(0.01)
1.2	Administration & General Expenses	2.27	2.35	0.08		0.08
1.3	Repair & Maintenance Expenses	2.49	2.68	0.19		0.19
2	Depreciation, including advance against depreciation	7.36	8.12	0.76		0.76
3	Interest on Long-term Loan Capital	0.70	0.76	0.06		0.06
4	Interest on Working Capital and on consumer security deposits	0.73	0.76	0.03		0.03
5	Other Expenses	0.00	0.00	0.00		0.00
6	Income Tax	10.05	10.47	0.42		0.42
7	Contribution to contingency reserves	1.49	1.49	(0.00)		(0.00)
	<b>Total Expenditure</b>	32.42	33.95	1.53		1.53
<b>B</b>	<b>Return on Equity</b>	18.42	18.41	(0.01)		(0.01)
	<b>Gross Aggregate Revenue Requirement</b>	50.85	52.36	1.52		1.52
<b>C</b>	<b>Revenue</b>					
1	Revenue from Tariffs	41.73	41.73	0.00		0.00
2	Other Income	0.12	0.12	(0.00)		(0.00)
3	Revenue allowed to be recovered through FY 09 Transmission Tariffs	8.99	8.99	0.00		0.00
	<b>Total Revenue</b>	50.85	50.84	(0.00)		(0.00)
<b>D</b>	<b>Revenue Gap = (C) - [(A) + (B)]</b>	0.00	(1.52)	(1.52)		(1.52)

#### **A.4. Annual Performance Review of FY 09**

RInfra had filed its ARR and Tariff Petition for FY 2008–09, with the Commission on **30<sup>th</sup> November 2007**. The Commission in its order dated 26<sup>th</sup> May 2008 in Case No. 64 of 2007 has determined the Aggregate Revenue Requirement (ARR) for FY 09.

RInfra-T has filed this petition with the Commission towards Annual Performance Review (APR) of FY09 and ARR determination for FY 10.

##### **A.4.1. Transmission Related Capital Expenditure**

To provide quality and reliable power to Transmission System Users (TSU), it is imperative that adequate transmission infrastructure is made available.

RInfra-T has incurred a Capital Expenditure of Rs 35.94 Crore during H1 of FY 09. During this period, the capitalization of works amounts to Rs. 8.23 Crore, as there were delays in various schemes for reasons already stated in the Capital Expenditure section of FY 08. Therefore, the majority of the CWIP at the end of H1, which amounts to Rs. 35.44 Crore, would be capitalized in the second half of FY 09.

Moreover, RInfra-T has estimated fresh Capital expenditure of Rs 284.19 Crore during H2 of FY 09, based on the cost estimates of the DPR and non-DPR schemes. RInfra-T submits that works amounting to Rs 95.78 Crore would be capitalised, against the total Capital Expenditure of Rs. 320.13 Crore during FY 09.

The IDC at a rate of 9% per annum<sup>1</sup> for capitalisation during FY 09, has been considered. Hence, the IDC for FY 09 works out to Rs 6.06 Crore. Accordingly, the total capitalization for FY 09 amounts to Rs 102.27 Crore as against to Rs. 107.66 Crore approved by the Commission. The discussion is summarized in the following table:

**Table: ES 4 – Capital Expenditure & Capitalization of RInfra-T during FY 09**

Particulars	UoM	FY 09	
		MERC Tariff Order (Dated May 26, 2008)	Revised Estimates
Opening Balance of CWIP	Rs. Crore		7.74
Capital Expenditure	Rs. Crore	586.77	320.13
<b>Works capitalized (DPR and Non DPR)</b>	<b>Rs. Crore</b>	} 107.66	<b>95.78</b>
Interest Capitalized	Rs. Crore		6.06
Expenditure Capitalised	<b>Rs. Crore</b>		0.43
<b>Total Capitalization</b>	<b>Rs. Crore</b>	<b>107.66</b>	<b>102.27</b>
Closing Balance of CWIP	Rs. Crore		231.65

<sup>1</sup> Refer to section A.4.4.6 on Interest on Loan Capital for FY 09

The proposed Capex during second half of FY 09 is higher when compared to the Capex during first half for the reasons stated below:

- Deferred delivery of equipments, which was supposed to be received during the FY 08 and H1 of FY 09, is expected to be received in the current half of the financial year. (The delays and the schemes affected, have already been elaborated in the section A.3.1.)
- To implement the schemes approved for FY 09. These schemes have already been approved by the Commission.

A snapshot of the on-going Capex Schemes is provided in the following table:

**Table: ES 5 – On-going Capex Schemes of RInfra-T**

On-going Capex Schemes (Expected completion during FY 09)	On-going Capex Schemes (Expected completion during FY 10)
<ul style="list-style-type: none"> <li>• Installation of 5th 220/33kV 125MVA Transformer at Aarey EHV station</li> <li>• Installation of 4th 220/33kV 125MVA Transformer at Ghodbunder EHV station</li> <li>• 33kV 13panels GIS boards at Aarey, Versova, Ghodbunder</li> <li>• Detailed engineering surveys</li> <li>• Security and Reliability Schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Installation of 5th 220/33kV 125MVA Transformer at Versova EHV station</li> <li>• Installation of 220kV GIS EHV Station at Chembur</li> <li>• 220kV GIS at Saki EHV Station</li> <li>• 220 kV Borivali Receiving Station</li> <li>• 220 kV EHV Station at Goregaon</li> <li>• Detailed engineering survey</li> <li>• Security and Reliability Schemes</li> </ul>

#### **A.4.2. Loan Repayment Schedule**

The capital expenditure, discussed in the above section, has been financed from corporate treasury, which comprises different businesses of the Company. For the purpose of truing up of interest on loan and return on equity, a normative Debt: Equity ratio of 70:30 is considered in accordance with the Tariff Regulations. A

normative loan repayment tenure of 10 years has been considered for loans drawn prior to FY 07 and 20 years for loans drawn during FY 07 and thereafter.

#### **A.4.3. Availability of RInfra-T Network**

During H1 of FY 09, RInfra-T has achieved an Availability Factor of 99.73% and has assumed an Availability Factor of 98% for H2 as per norms.

#### **A.4.4. Aggregate Revenue Requirements (ARR)**

The Commission has specified the following constituents in determining the fixed charge recovery. These constituents have been discussed individually, as under:

#### A.4.4.4. Operation & Maintenance (O&M) Expenses

The O&M expenses, which include Employee expenses, Administrative & General expenses and Repair & maintenance expenses, are summarized as under:

**Table: ES 6 – Summary of O&M Estimated Expenses of RInfra-T during FY 09**

Particulars	UoM	FY 09	
		MERC Tariff Order	April-March (Estimated)
Net Employee Expenses	Rs. Crore	7.78	8.07
Net A&G Expenses	Rs. Crore	2.39	2.39
Net R&M Expenses	Rs. Crore	2.62	3.24
<b>Net O&amp;M Expenses</b>	Rs. Crore	<b>12.80</b>	13.70

##### A.4.4.4.1. Employee Expenses

The actual employee expenditure during H1 of FY 09 is Rs 3.77 Crore. However, the employee expenses are expected to increase on account of increase in number of employees during H2. The number of employees are projected to increase from 142 in H1 to 168 in H2.

Hence, RInfra-T has estimated a total employee expenses of Rs 8.07 Crore during FY 09 as against Rs.7.78 Crore approved by the Commission.

##### A.4.4.4.2. Administrative & General (A&G) Expenses

RInfra-T has estimated A&G expenses of Rs 2.39 Crore for FY 09, as against Rs. 2.39 Crore approved by the Commission.

#### **A.4.4.4.3. Repairs and Maintenance Expenses**

Repairs & Maintenance expenditure is required to maintain the system in healthy condition by carrying out prescribed preventive maintenance and attending breakdown. RInfra-T has estimated a total R&M expenses of Rs. 3.24 Crore during FY 09 as against Rs. 2.62 Crore approved by the Commission. During H1 of FY 09, RInfra-T has incurred expenditure of Rs. 1.60 Crore against R&M activities and the expenditure is estimated to be Rs. 1.64 Crore during H2.

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 trippings; and replacement of defective and punctured insulators. The increased R&M expenses are reflected in the higher transmission system availability of 99.73% during H1 of FY 09.

#### **A.4.4.5. Depreciation and Advance against Depreciation**

The Commission has specified the Depreciation Schedule in the Tariff Regulations. The depreciation rate is determined as per the Regulation.

The depreciation for FY 09, as per MERC rates is Rs. 8.26 Crore, against the Commission approved amount of Rs. 7.66 Crore.

#### **A.4.4.6. Interest on Loan Capital**

RInfra-T has considered a normative Debt: Equity ratio of 70:30 for financing the capital expenditure projects (corresponding to capitalized assets only). The interest on the loan capital is computed @ 10% per annum for projects initiated during FY 05 and FY 06 and 8% p.a. for FY 07 & FY 08.

As regards the interest rate applicable for normative loans for RInfra-T, the Commission has stated in the Para 4.5 of the Tariff Order dated October 03, 2006:

*“Further, the Commission has considered interest cost at the interest rate of 10% p.a. for the assets put to use during FY 2004-05 and FY 2005-06 and at the interest rate of 8% p.a. for assets put to use during FY 2006-07. Interest rate of 8% is reasonable, considering REL’s credit rating and the fact that the successor entities of erstwhile MSEB, viz., MSPGCL and MSEDCL have been able to raise loans at the interest rate of 8%.”*

However, the economic scenario has undergone a change since then. A copy of news item (Exhibit 8) which reflects PLR prevailing at the time of submission of APR petition, indicates that PLR for most of the banks are hovering around 13-13.5%.

Recently, Reliance Metro (one of the subsidiary of RInfra) has availed a loan for one of its project. The interest was charged at PLR minus 200 basis points and the PLR at the time of disbursement was 13.5% and therefore the interest rate worked out to be 11.5%.

RInfra wishes to bring it to the notice of the Commission that being in the regulated business, the earnings of RInfra depends on return on equity and loans and any change in principle for same would lead a wrong precedence and create undue expectations. However, as a support to the consumer and our gesture, we have computed the normative loan borrowing at 9% for FY 08-09 and FY 09-10, even when the supporting submitted herewith reflects 12.5% (**Exhibit 9**) was a reasonable estimate.

The total interest payable during FY 09, as per methodology outlined above, works out to Rs. 3.96 Crore, against the Commission approved interest expenses of Rs 2.31

Crore. The additional interest payable is on account of additional capitalization and higher interest rates during FY 09.

#### **A.4.4.7. Interest on Working Capital**

The working capital requirement has been calculated as per regulation 50.6.1 of MERC Tariff Regulations.

The Commission in its Order dated May 26, 2008, has considered the rate of interest on working capital as 12.75% in accordance with the short-term Prime Lending Rate of State Bank of India prevalent at the time of filing the Petition for FY 09, viz., November 30, 2007. The same has been considered for revised estimates for FY 09.

The interest expenses on the working capital is Rs. 1.27 Crore, as against the Commission approved interest expenses of Rs 0.84 Crore. The increase in the interest expenses is on account of increase in the working capital requirement (confirming with Tariff Regulations), as the constituent i.e. the annual O&M expenses have gone up.

#### **A.4.4.8. Contribution to Contingency Reserve**

For FY 09, the contribution to contingency reserve is Rs. 0.76 Crore at 0.25% of opening GFA, as allowed by the Commission.

#### **A.4.4.9. Return on Equity**

As per MERC Tariff Regulations, a return at the rate of 14% is allowed on the amount of approved equity capital at the beginning of the year plus 50% of the normative equity portion for the assets capitalized during the year.

Following the same principles, a return on equity of Rs. 20.68 Crore has been considered for FY 09, against the Commission approved return of Rs 20.81 Crore.

#### **A.4.4.10. Income Tax**

In case of RInfra-T, the Income Tax payable is at the prevalent Corporate Tax Rate of 33.99%. The Income Tax is calculated by grossing up RoE by tax and adding back normative interest expenses (long term and short term), regulatory depreciation and deducting the tax depreciation (WDV approach). Accordingly, the tax liability for RInfra-T is Rs 10.32 Crore for FY 09, against the Commission approved amount of Rs. 7.88 Crore.

#### **A.4.4.11. Non- Tariff & Other Business Income**

The Non Tariff Income for FY 09 works out to be Rs 0.17 Crore as against Rs.0.19 Crore approved by the Commission.

#### **A.4.4.12. Incentive for higher availability during FY 07**

The Commission had allowed an additional amount of Rs. 0.45 Crore in the ARR for FY 09 in its Order dated May 26, 2008; the amount was allowed against the incentive for higher availability during FY 07. The same has been considered by RInfra-T.

#### **A.4.4.13. Revenue Gap of FY 07**

The Commission had allowed an amount of Rs. 5.71 Crore in the ARR for FY 09, against the revenue gap during FY 07 in its Order dated May 26, 2008. The same has been considered in the ARR by RInfra-T.

**A.4.4.14. Revenue Gap of FY 08**

The Commission has allowed an amount of Rs. 8.99 Crore in the ARR for 09, against the provisional revenue gap for FY 08. However, as discussed in the truing up section for FY 08, the actual deficit has increased by Rs. (1.52) Crore. The same has been accounted in the revised estimates of ARR for FY 09.

**A.4.4.15. ARR summary for FY 09**

Based on the preceding discussions, the Aggregate Revenue Requirement (net of Non-Tariff Income) for RInfra-T is Rs 75.44 Crore for FY 09, against Rs 68.02 Crore approved by the Commission in the Order dated May 26, 2008.

**A.4.5. Revenue Gap of FY 09**

**A.4.5.1. Revenue recovered through Annual Transmission Charges for FY 09**

The Commission approved an amount of Rs. 68.02 Crore towards the revenue requirement for RInfra-T for FY 09 in the Order dated May 26, 2008 in **Case No. 64 of 2007**. However, in the Commission's InSTS Tariff Order dated May 31, 2008 in **Case No. 104 of 2007**, the recovery of only Rs. 67.87 Crore was allowed against the revenue requirement of RInfra-T for FY 09. Hence, there is a gap of Rs. 0.15 Crore in the approved revenue requirement and the approved tariff revenue. Further, Transmission charges were levied at the monthly rate applicable for FY 08, for initial two months of FY 09.

Hence, the total revenue from Tariffs for FY 09 is estimated to be Rs. 63.51 Crore, as against the Commission approved ARR of Rs. 68.02 Crore.

**A.4.5.2. Revenue Deficit of FY 09**

Considering the Net ARR of Rs. 75.44 Crore for FY09 and revenue from Transmission Charges of Rs. 63.51 Crore, there is a deficit of Rs (11.93) Crore for

FY 09. This gap is entirely on account of uncontrollable factors, as already discussed in detail under the respective sections on ARR components.

RInfra- T prays the Commission be pleased to allow the deficit to be recovered through Annual Transmission Charges for FY 10.

Table: ES 7 –Truing up summary for FY 09

S.No.	Particulars	Approved	Actual	Deviation	Controllable	Uncontrollable
<b>A</b>	<b>Expenditure</b>					
1	Operation & Maintenance Expenses	12.80	13.70	0.90		0.90
1.1	Employee Expenses	7.78	8.07	0.29		0.29
1.2	Administration & General Expenses	2.39	2.39	0.00		(0.00)
1.3	Repair & Maintenance Expenses	2.62	3.24	0.62		0.62
2	Depreciation, including advance against depreciation	7.66	8.26	0.60		0.60
3	Interest on Long-term Loan Capital	2.31	3.96	1.64		1.64
4	Interest on Working Capital and consumer security deposits	0.84	1.27	0.43		0.43
5	Other Expenses					
6	Income Tax	7.88	10.32	2.43		2.43
7	Contribution to contingency reserves	0.76	0.76	0.00		
	<b>Total Expenditure</b>	<b>32.26</b>	<b>38.26</b>	<b>6.01</b>		<b>6.01</b>
	Revenue gap of FY 07 allowed	5.71	5.71	0.00		
	Incentive for higher availability in FY 07	0.45	0.45	0.00		
	Revenue gap of FY 08	8.99	10.51	1.52		1.52
<b>B</b>	<b>Return on Equity</b>	20.81	20.68	(0.13)		(0.13)
	<b>Gross Aggregate Revenue Requirement</b>	68.21	75.61	7.40		7.40
<b>C</b>	<b>Revenue</b>					
1	Revenue from Tariffs	68.02	63.51	(4.51)		(4.51)
2	Other Income	0.19	0.17	(0.02)		(0.02)
	<b>Total Revenue</b>	68.21	63.68	(4.53)		(4.53)
<b>D</b>	<b>Revenue Gap = (C) - [(A) + (B)]</b>	0.00	(11.93)	(11.93)		(11.93)

## **A.5. Aggregate Revenue Requirement for FY 10**

### **A.5.1. Key Assumptions**

#### **A.5.1.1. Capital Expenditure**

- RInfra-T has projected a capital expenditure of Rs. 828.58 Crore for the schemes already approved by the Commission and other Non-DPR schemes. (The schemes are listed in 2<sup>nd</sup> Column of Table ES- 4.)
- Debt:Equity Ratio of 70:30
- Interest During Construction is based on the normative debt for projected Capitalisation of Rs. 536.67 Crore and is calculated at a rate of 9% per annum, in line with IDC calculations for FY 09

#### **A.5.1.2. Aggregate Revenue Requirement**

- Transmission System availability for RInfra-T is considered 98% as per norms
- Employee expenses are estimated by escalating the base figures for FY 10 by 6% (based on composite CPI Index). These base figures are estimated by considering the impact of increased employee expenses in H2-FY 09 for full year in FY 10
- A&G expenses are escalated by 6%( based on composite CPI-WPI Index) over FY 09 estimates for A&G expenses
- R&M expenses are escalated by 6%( based on composite CPI-WPI Index) over FY 09 estimates for R&M expenses
- Depreciation as per MERC Rates for various asset classes. No advance against depreciation has been claimed for FY 10

- Loan Repayment period of 20 years and normative interest rate of 9% considered, based on current economic scenario
- The revenues for the purpose of estimation of the Working Capital is assumed to be at the level of FY 09, as per Tariff Regulations
- Rate of interest on working capital has been considered as 13.00% in accordance with the short-term Prime Lending Rate of State Bank of India prevalent at the time of filing the Petition for FY 09, viz., November 30, 2008
- Contribution to Contingency reserves at 0.25% of opening balance of Gross Fixed Assets for the year.
- Return on equity at the rate of 14% on the amount of equity capital at the beginning of the year plus 50% of the normative equity portion for the assets capitalized during the year.
- Non Tariff Income is projected to be Rs. 0.25 Crore, confirming with the higher interest income from additions to Contingency Reserves during FY 10.
- Transmission System Availability Incentive for FY 08 considered in the ARR for FY 10.
- The Revenue Gap of FY 09(including additional gap of FY 08) considered in the ARR for FY 10.

The summary of ARR for FY 10 is presented in the following table:

Table: ES 8 –Summary of ARR for FY 10

S. No.	Particulars	Estimates	MYT Order (dated April 2, 2007)	Difference (Estimates- Order)
1	Operation & Maintenance Expenses	<b>15.05</b>	11.97	3.08
1.1	Employee Expenses	9.08	6.69	2.39
1.2	Administration & General Expenses	2.53	2.52	0.01
1.3	Repair & Maintenance Expenses	3.43	2.76	0.67
2	Depreciation, including advance against depreciation	11.90	8.13	3.77
3	Interest on Long-term Loan Capital	23.16	1.68	21.48
4	Interest on Working Capital and on consumer security deposits	1.31	0.75	0.56
5	Income Tax	8.80	4.53	4.27
6	Contribution to contingency reserves	1.01	1.58	(0.57)
7	<b>Total Revenue Expenditure</b>	<b>61.23</b>	<b>28.64</b>	<b>32.59</b>
8	Return on Equity Capital	34.10	19.27	14.83
9	<b>Aggregate Revenue Requirement</b>	<b>95.33</b>	<b>47.91</b>	<b>47.42</b>
10	Less: Non Tariff Income	0.25	3.61	(3.36)
11	<b>Net ARR</b>	<b>95.08</b>	<b>44.30</b>	<b>50.78</b>
	<b>Add:</b>			-
12	<b>Incentive for higher availability during FY 08</b>	<b>0.77</b>		<b>0.77</b>
13	<b>Revenue Gap of FY 09 (includes revenue gap of FY 08, over and above the provisional gap allowed during FY 09)</b>	<b>11.93</b>		<b>11.93</b>
14	<b>Aggregate Revenue Requirement from Transmission Tariff</b>	<b>107.77</b>	<b>44.30</b>	<b>63.47</b>

## **A.6. Prayer**

The present application is being filed with the Commission for the purpose of “trueing up” of its ARR of FY 08 (**Previous year**), annual performance review of FY 09 (**Current Year**) and for approval of revised estimates of FY 10 (**Ensuing Year**) ARR. In view of the above facts and circumstances, RInfra-T prays to the Commission that it may be pleased to:

- a. Admit the APR Application/petition as submitted herewith.
- b. True-up the Annual Revenue Requirement for FY 08
- c. Approve revised ARR for FY 09 and estimates for FY 10
- d. Allow additions/alterations/changes/modifications to the application at a future date.
- e. Allow any Other Relief, order or direction, which the Honorable Commission deems fit to be issued.
- f. Condone any inadvertent Omissions / errors / rounding off difference / shortcoming.