

**BUSINESS PLAN FOR FY 2011-12 to FY 2015-16**

**Case 137 of 2011: Reply to Data Gaps**

<b>Sl. No.</b>	<b>Reference</b>	<b>Information required</b>	<b>Query/Data Gaps</b>
1.	Excel business plan model- F6	Repayment of loans and Calculation of interest expenses	<p>For loans taken from institutions like LIC, JICA, IFC, Bank of Baroda, Union bank of India, Bank of Maharashtra and Oriental bank of commerce closing balance of loan as on end of FY 11 is not zero, still for ensuing years interest on these loans have not been considered for arriving at annual interest expenses. Repayment of these loans has also not been considered during the control period.</p> <p>Please provide a clarification on the details of these loans including the interest expenses from these loans.</p>

**MSETCL Reply:**

The Interest expenses shall be recomputed considering repayment and loan drawl from these sources. Any shortfall of debt, shall be assumed to be drawn from REC and PFC in the ratio of 80:20 during the control period.

2	Page 106 of 126, business plan petition	Interest on contingency reserve investments	<p>MSETCL has not considered any non tariff income arising out of investments in contingency reserve , although substantial contributions to contingency reserves are being made in the different years of the control period</p> <p><b>Contribution to contingency reserve( Rs Cr)</b></p> <table border="1"><thead><tr><th><b>FY 2011-12</b></th><th><b>FY 2012-13</b></th><th><b>FY 2012-14</b></th><th><b>FY 2014-15</b></th><th><b>FY 2015-16</b></th></tr></thead><tbody><tr><td>34.65</td><td>39.73</td><td>48.85</td><td>58.01</td><td>69.29</td></tr></tbody></table>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2012-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	34.65	39.73	48.85	58.01	69.29
<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2012-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>									
34.65	39.73	48.85	58.01	69.29									

			<p>(i) What is the cumulative contingency reserve of MSETCL as on beginning of FY 2011-12?</p> <p>(ii) What treatment is being done to contingency reserves by MSETCL?</p>
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**MSETCL Reply**

The NTI shall be recomputed considering the contribution to contingency reserves during the control period.

- (i) The cumulative contingency reserves (approved) amounts to Rs 162.91 Cr at the beginning of FY 2011-12.
- (ii) The contingency reserves are invested in the Government securities.

3	Page 13 of 126, Business plan petition	Clarification regarding reference to Regulation	<p>MSETCL has mentioned in Business plan petition that the projections for FY 2013-14 to FY2015-16, are based on MERC (Terms and conditions of Tariff) Regulations 2011.</p> <p>Please provide clarification, if the regulation referred to is MERC (MYT) Regulations, 2011.</p>
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**MSETCL Reply:**

MSETCL clarifies that the instance refers to MERC (MYT) Regulations 2011.

4	Page 22 of 126, Business plan petition	Transmission loss	<p>MSETCL has claimed in the business plan petition that the actual loss in the Intra-State transmission system is 4.31% for FY 2010-11.</p> <p>MSETCL has also claimed in the petition that significant investment is being planned to undertake augmentation/system strengthening of the transmission network on MSETCL. Still MSETCL has requested the Commission to approve the Intra-State Transmission loss as 4.85%. This is higher than the current actual level of transmission loss of MSETCL.</p>
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			Please provide clarification on the basis of considering the above.
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**MSETCL Reply:**

MSETCL submits that the transmission losses in the transmission network depends upon various factors such as shift of load centers, energy injection and drawl in to the network and the extent of inherent technical loss pertaining to the transmission equipments in use. Further, in current scenario the load is present on the western side, whereas the generation is predominantly on the eastern side, and the situation is likely to continue in future, therefore restricting the scope of reduction in Transmission losses. To improve further transmission losses, the overloaded lines and low voltage pockets are identified and the schemes are prepared for corrective action. Thus, MSETCL is taking efforts to keep the transmission losses under control by further improving the transmission corridor and installation of capacitor for power factor improvement. MSETCL shall continuously strive to reduce the technical losses in the system and proposes to achieve the transmission losses in the system at the level of 4.85% as a normative loss for the period from FY 2011-12 to FY 2015-16.

5	Excel business plan model- sheet "Funding Pattern"	Clarification on methodology used for computation of yearly loan drawl	<p>MSETCL_has calculated loan drawl as 80% of capital expenditure and equity drawl as 20% of capitalization for the each year of the control period. As per MYT regulations, 2011 the equity and debt drawl needs to be calculated <b>based on capital cost of capitalized assets.</b></p> <p>Relevant provision in MYT regulations 2011 in this regard is provided below  <i>"For a project declared under commercial operation on or after April 1, 2011, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Generating Company, Transmission Licensee and Distribution Licensee:</i></p> <p><i>Provided that where equity actually deployed is less than 30% of the <b>capital cost of the capitalised asset</b>, the actual equity shall be considered for determination of tariff."</i></p> <p>Please clarify the reason for deviation in approach for calculation of loan</p>
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			drawl.
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**MSETCL Reply:**

As per MYT regulations 2011:

*“Provided that where equity actually deployed is less than 30% of the **capital cost of the capitalised asset**, the actual equity shall be considered for determination of tariff.”*

Hence, MSETCL has considered a debt:equity ratio of 80:20, where the equity portion does not exceed the limit of 30% as per the Regulations.

6	Page 81 of 126, Business plan petition	Capitalization details	MSETCL has provided the details of year wise capitalization for the control period as shown below				
			<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
			2195.96	3874.62	3882.71	4771.17	4449.06
			For FY 2011-12 and FY 2012-13, the Commission had approved capitalization of Rs 3182.67 Cr and Rs 3874.62 Cr respectively for MSETCL, as per the Order on Case 169 of 2011.				
			What is the reason for deviance in capitalization numbers for FY 2011-12 as submitted by MSETCL as against the approved numbers for the same as per the Order on Case 169 of 2011? In case there is delay in capitalization of some of the schemes in FY 2011-12 what is the impact of the same on capitalization numbers for the subsequent years, has it already been factored in the capitalization numbers given by MSETCL? Please provide details.				

**MSETCL Reply:**

As mentioned in the petition, the Capital expenditure, Capitalisation, addition to number of bays, ckt-km, transformation capacity for FY 2011-12 is based on the actual amounts (provisional) for FY 2011-12. Therefore, there is a difference between the approved numbers and petition figures.

Since, the capitalization numbers are actual, impact has already been considered.

7	Page 106 of 126, Business plan petition	Details of revenue from ST Open Access Charges	<p>MSETCL has provided revenue from Open Access charges for the year FY 2011-12 and has considered 2% increase for the same in subsequent years of the control period.</p> <p>Please provide details of the basis to arrive at the revenue from Open access Charges and the computation, if any.</p> <p>Please provide reasoning as to why only a 2% yearly rise is considered for revenue from Open Access charges for different years in the 2<sup>nd</sup> control period, as in FY 2010-11 and FY 2011-12 around 40% increase over the previous year has been observed.</p>
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**MSETCL Reply :**

The average ST open access charges recovery for FY 2009-10 and FY 2010-11, is Rs 40.70 Cr. Hence, MSETCL's projections for FY 12 onwards, which is in excess of Rs. 80 Cr for each year are reasonably placed. Further, MSETCL is in not in position to ascertain the number of applications for ST open access that shall be submitted/ approved for each year of the plan period. The Hon'ble Commission may please consider the actual revenue from ST open access charges at the time of final truing up.

8	Page 68 of 126, Business plan petition	Clarification regarding data provided on demand supply gap in the state	<p>In the graph provided by MSETCL showing availability (MW) and peak demand (MW) for different years from 2001-02 to 2010-11, the legends appear to be incorrect.</p> <p>Please provide clarification.</p>
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**MSETCL Reply :**

The error shall be rectified in the revised petition.

9		Impact of ARR on electricity consumer	Please provide an analysis of Impact of ARR proposed by MSETCL for different years of the 2 <sup>nd</sup> control period on electricity consumer in per unit per MW basis.
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**MSETCL Reply:**

The desired computations are tabulated below:

Particulars	Notation	FY 13	FY 14	FY 15	FY 16
ARR (MSETCL) - Rs Cr	A	4,547.23	4,402.39	4,875.00	5,893.89
Demand (state) – MW	B	23,826.00	24,780.00	25,789.00	30,729.00
ARR (Rs/kW/month)	C= A/B/12months*1000	159.04	148.05	157.53	159.84
ARR(Rs/kWH )	4 = C/720 Hrs (in a month)	0.22	0.21	0.22	0.22

**The above analysis is after considering only the projected ARR of MSETCL only.**