

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

Case 137 of 2011

Date: 17.09.2012

Reply to Additional Data Gaps

Sr. No.	Reference	Query/ Data gap	Replies of MSETCL	Additional Data gaps
1	F8	The Regulatory Equity at the beginning of the year for FY 2011-12 as per Final Order dated 08.05.2012, Case 169 of 2011,(as approved), was 3482.21 crores	The opening balance of equity has been computed based on the actual capitalization for FY 2010-11 and a debt: equity ratio of 80:20,	As per the order Case 169 of 2011, the Equity balance has been considered after taking into account the audited figures of the year 2010-11 and on the basis of actual capitalization approved by the commission. Please reconcile the same.

MSETCL Reply:

MSETCL reiterates that it has considered the addition to equity based on the actual capitalization from its audited accounts, and a debt equity ratio of 80:20.

2	F9	The total NT Income rises at approx 18% to 23% year on year. However from the year 2012-13 onwards, the growth rate considered is only 2%.	The Non-Tariff income is composed of items, which are completely different in nature. Further, they have not shown any specific trend in the past. Their variation from year-to-year for each item does not exhibit any significant trend. Some items may have in fact shown a declining trend in FY 2010-11. Hence, MSETCL has taken a reasonable escalation of 2% on the NTI items for FY 2011-12. The actual Non-Tariff Income may be considered by the Hon'ble Commission at the time of midterm performance review or final truing-up.	There is no specific trend. However, If we compare the Year on Year increase from 2009-10 to 2010-11 to 2011-12 we find an increase of almost 15 - 20 % per year. Hence if we consider a year on year increase at 10% the N T Income for the years 2012 onwards the ARR Requirements for each year will reduce accordingly. The total reduction in the ARR Requirement from 2012-13 to 2015-16 will amount to Rs. 157 crores.
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MSETCL Reply:

MSETCL resubmits that the Non-Tariff income is composed of items, which are completely different in nature. Further, they have not shown any specific trend in the past. Their variation from year-to-year for each item does not exhibit any significant trend. Some items may have in fact shown a declining trend in FY 2010-11. Hence, MSETCL has taken a reasonable escalation of 2% on the NTI items for FY 2011-12. The actual Non-Tariff Income may be considered by the Hon'ble Commission at the time of midterm performance review or final truing-up.

However, the income from interest on contingency reserves shall be recomputed based on the expected addition to contingency reserves (0.25% of opening GFA) in the revised petition.

3	4.4	Capitalization Plan	-	In the Sheet 4.4, Column V and Column W, both are named as Investment for the year 2011-12, and in the formula for calculating the Closing WIP only Column W figures are considered. Please correct the same.
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MSETCL Reply:

The typographical error shall be corrected in the revised petition.

4	F5	Depreciation & Advance Against Depreciation	-	As per the MYT 2011, the concept of AAD has been waived off. Hence the inclusion of AAD in Depreciation expenses for the year has to be looked into.
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MSETCL Reply:

As the repayment of loans exceeds the Depreciation, the disallowance of AAD would result into erosion of equity/RoE of MSETCL. Therefore, MSETCL prays to the Hon'ble Commission to not to restrict the approval of repayment for the year to the extent of depreciation claimed for the year and instead it should allow MSETCL to claim the excess of actual repayment made during the year over the depreciation for the year to be claimed as Advance Against Depreciation.

As alternative, the Hon'ble Commission may approve the same depreciation rates, without provision of AAD. However, it may allow Return of 15.5%(RoE) on balance 10% of its funding, considered as normative equity. The approach shall also be consistent with the fact that the depreciation rates in

MYT Regulations 2011, has been arrived at after considering a debt: equity ratio of 70:30, whereas MSETCL funds its Capex through a debt equity ratio of 80:20.

5		Reference Order Case 169 of 2011	-	As per the Directives by the Commission in Order Case 169 of 2011, the Company was directed to take an immediate action on the unutilized bays with the distribution companies. The plan of action undertaken by MSETCL.
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MSETCL Reply:

The matter regarding unutilized bays, has been taken up with MSEDCL. Further, a committee comprising of Dir (Proj), Dir(Op), ED(Proj), ED(Op) MSETCL & MSEDCL has been formed. The committee is taking review of the same every month from June 2012 onwards. MSEDCL is identifying the bays by arranging field visit & feasibility is being checked to feed their Distribution network planned under infra in 2012-13 & 2013-14.

6	F6	Other Interest & Finance Charges	-	As per the Commission, the Finance Charges has to be up to 0.50% of the loan drawl as approved by the Commission. The company does not incur finance charges at full 0.50% of loan drawls for the year, However has claimed at 0.50% being the maximum allowed.
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MSETCL Reply:

MSETCL has considered the finance charges (as %) as approved by the Hon'ble Commission.

7	F 2.2	Transmission Network Details	-	Considering the actual numbers from 2001-02 till 2010-11 in the transmission network of the company , the yearly additions in the Transmission network in ckt kms is always been within 1000 ckt kms. However the proposed addition as submitted by the company in the pursuing years is higher. Please provide the basis and the assumptions based on which the figures of the additions are derived.
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MSETCL Reply:

It is true that during 2001-2002 to 2010-11, MSETCL has commissioned EHV lines not exceeding the limit of 1000 ckm during any one year. However , MSETCL we has commissioned 1696 ckt km during FY 2011-12. The plan for FY 2012-13 to FY 2015-16 is based on the requirement of Discom, feasibility & system study & accordingly the figures of addition of lines are derived. MSETCL believes that it shall be able to meet its target for addition of ckt-km in the plan period.

8	Capital Expenditure Proposed	Capital Expenditure Proposed	-	The Transformation Capacity Increase in the year 2011-12 as compared to 2010-11 as shown by the company is 8825 MVAs. The Capital Expenditure against such increase is 2412 crores. However for the year 2012-13 the company has proposed capacity increase of 7800 MVAs and the Capital Expenditure against the same is 4895 crores being disproportionate with the figures of the year 2011-12. Please provide the detailed calculations for the same. Annexure 3
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MSETCL Reply:

The various schemes are phased out over multiple years. The addition to the transformation capacity materializes on completion of the scheme. It shall be therefore, inappropriate to link transformation capacity addition to single year capex. It shall be therefore, linked to the completion of schemes.

9	Capital Expenditure Proposed	Capital Expenditure Proposed	-	For the F.Y 2011-12, Please provide the actual figures of the Capital Expenditure Incurred, Capitalization done, the actual additional in the number of bays and the actual increase in the Transformation Capacity
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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.