

Date: 18 July 2012

**MSETCL Response to data gaps in the matter of approval of
BUSINESS PLAN FOR FY 2011-12 to FY 2015-16**

Sl. No.	Reference	Information required	Query/Data Gaps
1.	Affidavit	Full name of the deponent	<p>The affidavit is filed by the deponent Pratap Mohite. As per MERC Conduct of Business Regulation 2004, the affidavit shall be drawn up in the first person and shall state the full name.</p> <p>Full name of the deponent is missing in the affidavit. Please submit.</p>
2.	Affidavit	Separate statements	<p>As per, MERC Conduct of Business Regulation 2004, Every affidavit shall clearly and separately indicate the statements which are true to the –</p> <p>(i) knowledge of the deponent; and</p> <p>(ii) based on information received by the deponent which he believes to be true.</p> <p>The affidavit filed by MSETCL does not include a separate statement indicating the petition to be true to the knowledge of the deponent.</p>

MSETCL Response:

The affidavit has been submitted, consistent with MSETCL's earlier submission of the Business Plan on 23rd September 2011. However, the petition required to be served to the public shall be submitted with revised affidavit, as suggested.

3.	Page 2	Correction in year of Regulation	<p>It is stated that 'Subsequent to this amendment the Hon'ble Commission vide its Order on Petition for deferment in implementation of MYT for the 2nd Control period in the matter of Case no 62 of 2011 dated November 3, 2011 approved submission of Petition on ARR and Tariff determination for FY 2011-12 and 2012-13 under MERC (Terms and conditions of Tariff) Regulations, 2011.'</p> <p>As per Order in case no. 62 of 2011, the Commission approved submission of petition on ARR and Tariff determination for FY 2011-12 and FY 2012-13 under MERC (Terms and conditions of Tariff) Regulations, 2005.</p> <p>Please rectify the mistake.</p>
4.	Page 2	Updated information regarding Order in case 169 of 2011	<p>It is stated that 'MSETCL has submitted its Petition for True-up of FY 2010-11, approval of ARR for FY 11-12 & 12-13 and determination of tariff for FY 2012-13. MSETCL humbly submits that since the approval of ARR and determination of Tariff for FY 2011-12 and 2012-13 would be undertaken by the Hon'ble Commission under provisions of MERC (Terms and conditions of Tariff) Regulations, 2005, in the Business Plan the computations of ARR for FY 11-12 and 12-13 have been made under provisions of MERC (MYT) Regulations, 2011 to maintain continuity between the 2-year period of FY 11-12 and 12-13 and the 3 year period of FY 13-14 to 15-16, however, the Business Plan seeks approval of ARR for FY 13-14 to 15-16 under provisions of MERC (MYT) Regulations, 2011.'</p> <p>The Commission has disposed of the Order in case 169 of 2011 for approval of true up of FY 2010-11 and ARR for FY 11-12 & FY 12-13. Please correct the sentence to reflect the same.</p>
5.	Page 2	Correction in Regulations used for FY 2011-12 and FY 2012-13	<p>It is stated that 'MSETCL has submitted its Petition for True-up of FY 2010-11, approval of ARR for FY 11-12 & 12-13 and determination of tariff for FY 2012-13. MSETCL humbly submits that since the approval of ARR and determination of Tariff for FY 2011-12 and 2012-13 would be undertaken by the Hon'ble Commission under provisions of MERC (Terms and conditions of Tariff) Regulations, 2005, in the Business Plan the computations of ARR for FY 11-12 and 12-13 have been made under provisions of MERC (MYT) Regulations, 2011 to maintain continuity between the 2-year period of FY 11-12 and 12-13 and the 3 year period of FY 13-14 to 15-16, however, the Business Plan seeks approval of ARR for FY 13-14 to 15-16 under provisions of MERC (MYT) Regulations, 2011.'</p> <p>As per the Business Plan petition the computations for ARR for FY 11-12 and FY 12-13 are made under provisions of MERC (Terms and conditions of Tariff) Regulations, 2005 and not as per MERC (MYT) Regulations, 2011 as described by MSETCL.</p> <p>Please rectify.</p>

MSETCL Response (for query No. 3 to5):

The suggested revisions shall be incorporated in the revised petition.

6.	Page 89	Correction in description of Order	<p>It is stated that 'The Hon'ble Commission has approved the O&M Expenses for FY 2010-11 in the APR Order for FY 2011-12 (Case Number 169 of 2011) issued on May 18, 2012 which are tabulated below:'</p> <p>The Order in case 169 of 2011 issued on May 18, 2012 is not APR Order for FY 2011-12 but is a True up Order for FY 2010-11.</p> <p>Please rectify the sentence</p>
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MSETCL Response:

The suggested revisions shall be incorporated in the revised petition.

	Page 89	Correction in heading	<p>The heading for '7.5.1.1 O&M Expenses for FY 2010-11 and FY 2011-12' need to be changed as the section describes derivation of O&M expenses for FY 2011-12 and FY 2012-13.</p> <p>Please rectify.</p>
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MSETCL Response:

The suggested revisions shall be incorporated in the revised petition.

7.	Page 89 Page 90	R&M Expenses for FY 2010-11 in Table 22 and Table 24	<p>As per the table 22 and table 24 MSETCL has considered R&M Expenses for FY 2010-11 as approved in Order 169 of 2011 to project the expenses for FY 2011-12 and FY 2012-13. The approved R&M expenses for FY 2010-11 considered are Rs. 302 crore.</p> <p>As per Order in case 169 of 2011, approved R&M expenses for FY 2010-11 are Rs. 288.53 crore.</p> <p>Please correct the same.</p>
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MSETCL Response:

The amounts considered in the petition are consistent with the Hon'ble Commission's approval, as indicated in the column – **Entitlement as per Regulations/Order** of Table 33 (page no. 67) of the Order in Case No. 169 of 2011.

8.	Page 89	Correction in year	It is stated that 'In the same Order the Commission has considered inflation rates on the basis of WPI and CPI index for the purpose of estimation of O&M Expenses during FY 2010-11 and FY 2011-12.' In Order in case 169 of 2011, the Commission has considered inflation rates on the basis of WPI and CPI index for the purpose of estimation of O&M expenses during FY 2011-12 and FY 2012-13. Please correct the year mentioned.
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MSETCL Response:

The suggested revisions shall be incorporated in the revised petition.

9.	Page 98	Basis for reduction in loan amount	MSETCL has considered 80% of the total assets retired during the respective year for reduction of loan amount during that particular year. Please give the basis for reduction of loan amount for corresponding reduction of total assets retired during a particular year.
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MSETCL Response:

The assets expected to retire during a financial year has been assumed to be funded by a debt equity ratio of 80:20, as the actual mapping of the assets with the specific loan may not be possible considering the huge asset base of MSETCL.

10.	Page 98	Basis for 11.5% of WIP	MSETCL has calculated interest expense capitalised for a particular year as 11.5% of closing work in progress of respective year. Please give basis for consideration of 11.5%.
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MSETCL Response:

The interest rate of 11.5% has been assumed considering a premium of 1% over the prevalent Base rate of 10.5%.

11.	Page 99	Finance Charges for FY 11-12 and FY 12-13 in Table 35	Finance Charges for FY 11-12 and FY 12-13 as per table are Rs. 13.2 crore and Rs. 19.58 crore, which as per MSETCL are approved by the Commission in Order dated May 18, 2012. As per the Order in case 169 of 2011 dated May 18, 2012, Finance Charges approved by the Commission for FY 11-12 and FY 12-13 are Rs. 12.73 crore and Rs. 15.5 crore. Please make the correction.
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MSETCL Response:

MSETCL has considered finance charges from FY 2011-12 to FY 2015-16 as 0.5% of the new loans drawn during respective years as per the methodology adopted by the Hon'ble Commission in its Order in Case No. 169 of 2011, dated May 18, 2012.

12.	Page 100	Depreciation rates for Air conditioner – Portable and Vehicles in table 36	As per the table depreciation rate for Air conditioner – Portable is given as 6% while for vehicles it is given as 6%. As per MERC (Terms and conditions) of Tariff Regulations, 2005 depreciation rate for Air conditioner – Static is 6% and for Air conditioner - Portable it is 18% while for vehicles (self propelled vehicles) it is given as 18%. Please clarify and correct.
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MSETCL Response:

Majority of Air Conditioners are installed at sub stations are static in nature and a depreciation rate of 6% is applicable on them. The proportion of the portable is nominal and hence overall depreciation rate of 6% has been used for the purpose of forecast during the plan period. The actuals may be considered by the Hon'ble Commission during mid-term performance review/Truing-up.

13.	Page 100	Depreciation rate for Land and Land rights in table 37	As per the table depreciation rate for Land and Land rights is given as 0.56%. As per MERC (Multi Year Tariff) Regulations, 2011 depreciation rate for land owned under full title is 0% while for land held under lease is 3.34%. Please clarify.
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MSETCL Response:

The rate of 0.56% depreciation is considered based on the average rate computed for the said asset-class for FY 2009-10.

14.	Page 105	Approved opening balance of equity in table 40 for FY 12	As per table 40, MSETCL has considered opening equity base as approved by Commission as Rs. 3772.41 crore. As per Order in case 169 of 2011, approved opening balance of equity for FY 12 is Rs. 3482.21 crore. Please clarify and correct.
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MSETCL Response:

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 below:

Particulars	Amount (Rs Cr)
Regulatory Equity at the beginning of the year (FY 2010-11)	3,271.95
Capitalisation during the year	2502.28
Equity portion of capitalisation during the year	500.46
Regulatory Equity at the end of the year	3772.41

15.	Page 107	Non tariff income for FY 2012-13 in table 44	While projecting the non tariff income for FY 12-13 and onwards MSETCL has considered a nominal increase of 2% based on estimate of Rs. 174.66 crore likely to be received in FY 11-12. Non Tariff income for FY 2012-13 is Rs. 169.76 crore which is lower than that for FY 11-12. Please clarify.
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MSETCL Response:

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. The variations from year-to-year for each item do not exhibit any significant trend. Some items may have, infact shown a declining trend in FY 2010-11.

Hence, MSETCL has taken a reasonable escalation of 2% on the recurring NTI items for FY 2011-12. The actual Non-Tariff Income may be considered by the Hon'ble Commission at the time of mid-term performance review or final truing-up.

16.	Form IT Computation	Reason for hard coded values of interest on working capital used in calculation of Income Tax	While computing the expected Income Tax in form IT Computation, MSETCL has considered hard coded values for Interest on Working capital and not considered the derived values as perform F6. Please clarify and explain the basis for these hard coded values of interest on working capital.
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MSETCL Response:

The form F6 considers the computation of working capital on normative basis, as provided under the relevant Tariff Regulations. However, for the purpose of Income Tax computations estimates for the actual working capital interest has been worked out and the same has been used for forecasting the income tax liability for the plan period.

17.	TVS held on 8 th December 2011.	Details directed by the Commission	The Commission had directed MSETCL to submit efficiency gains resulting out of capital expenditure planned as per the business plan, avenues to increase income from other sources, present and upcoming substations and transmission lines of PGCIL, provision for ring main system for major developing cities and considerations regarding CPPs such as Railways, load centers, industrial corridors etc. in the business plan. These details are not covered in the revised submission of the Business Plan. Please include these details in the petition.
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MSETCL Response:

MSETCL has already incorporated most of the items referred above, in its revised submissions. For example, details have been provided for ***Establishment of comprehensive communication network using OPGW*** at Page No 86. Further, impact of configuration of load centres, on Transmission Losses has been discussed at 8.3.2. Also, a technical note Capital Investment planning is being attached herewith as Annexure-1.

Further, MSETCL shall submit a detailed note consolidating the items mentioned in query 17 shortly.