

**EXECUTIVE SUMMARY OF TATA POWER-T
TRUE-UP PETITION FOR FY 2011-12 AS WELL
AS MYT PETITION FOR FY 2012-13 TO FY
2015-16**

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LIST OF ABBREVIATIONS

Abbreviation	Description
A&G	Administration and General
APR	Annual Performance Review
ARR	Annual Revenue Requirement
AS	Accounting Standard
ATE	Appellate Tribunal for Electricity
Capex	Capital Expenditure
CPI	Consumer Price Index
Crs	Crores
CWIP	Capital Works In Progress
DPR	Detailed Project Report
EA 2003	The Electricity Act, 2003
FY	Financial Year
GFA	Gross Fixed Assets
GoM	Government of Maharashtra
HO	Head Office
HT	High Tension
IDC	Interest During Construction
IT	Income Tax
kV	Kilo Volt
kVA	Kilo Volt Ampere
kWh	Kilo Watt Hours
LA	Licensed Area
LT	Low Tension
MERC	Maharashtra Electricity Regulatory Commission
MSETCL	Maharashtra State Electricity Transmission Company Limited
MU	Million Units
MVA	Mega Volt Ampere
MW	Megawatt
MYT	Multi Year Tariff
O&M	Operation and Maintenance
PLR	Prime Lending Rate
PPA	Power Purchase Agreement
R&M	Repairs and Maintenance
R-Infra	Reliance Infrastructure
RoE	Return on Equity
Rs.	Rupees

Abbreviation	Description
SS	Support Services
STU	State Transmission Utility
TOD	Time Of the Day
Tata Power	The Tata Power Company Limited
Tata Power – G	Generation Business of The Tata Power Company Limited
Tata Power – D	Distribution Business of The Tata Power Company Limited
Tata Power – T	Transmission Business of The Tata Power Company Limited

1 EXECUTIVE SUMMARY

The Tata Power Company Limited (“Tata Power”) is a company established in 1919. On April 1, 2000, The Tata Hydro-Electric Power Supply Company Limited (established in 1910) and The Andhra Valley Power Supply Company Limited (established in 1916) were merged into Tata Power, to form one unified entity. Consequent to the merger, the licenses of the above mentioned companies were also merged and Tata Power was granted a license by the Government of Maharashtra (GoM) for the supply of energy to the public in its Mumbai License Area and to supply energy in bulk to Distribution Licensees, vide resolution No: IEA –2001/ CR-10509/NRG-1, dated July 12, 2001.

Post enactment of the Electricity Act and the License Regulations notified by this Hon’ble Commission, Tata Power as a deemed Licensee has submitted its license for modifications as may be necessary to bring it in conformity with EA 2003.

Tata Power has been recognized as a deemed Transmission Licensee (“Tata Power-T”) by this Hon’ble Commission under the EA 2003.

1.1 Filings under MYT Regulations, 2011

The Hon’ble Commission issued the MYT Regulations, 2011 on 4th February, 2011. As per paragraph 7.1 of these MYT Regulations, a Transmission Licensee such as Tata Power – T is required to file a Business Plan for the Control Period of five financial years commencing from 1st April 2011 to 31st March 2016. Tata Power-T had filed such a Business Plan separately with the Hon’ble Commission. The Hon’ble Commission has issued an Order for the Business Plan on 28th June, 2012 (“Business Plan Order”), wherein it has been directed to Tata Power to submit the MYT Petition for the Control Period (FY 2012-13 to FY 2015-16) with the approved Business Plan as the basis along with the ARR for FY 2011-12.

1.2 ARR / MYT for the Second Control Period – FY 2011-12 to FY 2015-16

Tata Power, in this petition, has presented the Aggregate Revenue Required for the different years of the Second Control Period. In line with the directive of the Hon’ble Commission the ARR of FY 2011-12 has been arrived at using the old MERC Tariff Regulations, 2005 whereas the ARRs of the balance four years i.e. FY 2012-13 to FY 2015-16 have been arrived at as per the new MYT Regulations, 2011 and on the basis of the Business Plan approved by the Hon’ble Commission in its order dated 28th June 2012.

In this regard, the Hon'ble Commission had in their Business Plan Order considered capitalisation for (i) Schemes approved and (ii) Schemes that have been submitted to the Hon'ble Commission for approval. Since the passage of time after the submission of the Business Plan, there has been an inclusion of few DPRs for approval to the Hon'ble Commission. We have included the impact of the same in our present MYT petition.

As the year FY 2011-12 has concluded, Tata Power – T is filing this Annual Revenue Requirement petition for the transmission function for the year FY 2011-12 based on the actual performance. Similarly projections for the period FY 2012-13 to FY 2015-16 have been modified (with respect to the amounts give in the Business Plan order) for incorporating the actual performance of FY 2011-12.

Tata Power has filed an appeal in the Appellate Tribunal of Electricity against the directive of filing the performance of FY 2011-12 on the basis of MERC Tariff Regulations 2005. Tata Power – T reserves the right to seek appropriate adjustments in the cost based on the decision of Hon'ble ATE. The ARR for the Transmission Licensee for FY 2011-12 and the rest of the Control Period i.e. FY 2012-13 to FY 2015-16 have been carried out separately and details of the same are presented in the **Section 4: Annual Revenue Required (ARR) For FY 2011-12** and **Section 5: Projections of Annual Revenue Required (ARR) For the Control Period FY 2012-13 to FY 2015-16**

Tata Power –T had filed a petition for approval of truing up of Aggregate Revenue Requirement for FY 2009-10 and Annual Performance Review for FY 2010-11. The Hon'ble Commission has issued an order dated 14th February, 2012 for this petition in Case 106 of 2011. Tata Power considers it appropriate to present the (Gap)/ Surplus for the past period as approved by the Hon'ble Commission in the Order. However, Tata Power has appealed against this Order in the ATE for certain issues. Tata Power – T reserves the right to seek appropriate adjustments in the cost based on the decision of Hon'ble ATE.

1.2.1 Recoveries pertaining to the Past Period

The (Gap) / Surplus as approved by the Hon'ble Commission in their order dated 14th February, 2012 works out to be **Rs. 8.66 Crores** along with the interest upto FY 2012-13.

Table: 1-1: Past Recoveries

		Rs. Crores
		Approved Amount
1	Impact of ATE Order dated 14th February 2011	-
2	Additional Recovery of RoE for FY 2008-09 due to impact of re-instatement of Equity in the year	(1.33)
3	(Gap)/Surplus of FY 2009-10	1.90
4	(Gap)/Surplus of FY 2010-11	7.00
5	Interest at SBI PLR rate of 14.39% for FY 2011-12	1.09
6	Total	8.66

1.2.2 Capitalisation during the Control Period

Tata Power – T has presented in the table below the actual capital expenditure and capitalization for FY 2011-12 and the capital expenditure and capitalisation based on the principle approved in the Business Plan for the period FY 2012-13 to FY 2015-16.

Table: 1-2: Capital Expenditure & Capitalization

Category	Capital Expenditure					Capitalisation				
	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
DPR	339.65	768.23	836.05	933.68	504.76	254.26	716.51	378.45	1050.26	1239.80
Non-DPR	31.26	34.18	16.49	6.16	6.49	20.46	32.99	20.64	6.36	6.49
HO/SS	3.81	5.00	5.00	5.00	5.00	3.81	5.00	5.00	5.00	5.00
TOTAL	374.72	807.41	857.53	944.84	516.25	278.53	754.50	404.09	1061.62	1251.29

1.2.3 Return on Equity

On the basis of MERC (MYT Regulations) 2011, Tata Power - T has evaluated Return on Equity for the period FY 2012-13 to FY 2015-16, whereas for FY 2011-12, the RoE has been computed based on Tariff Regulations, 2005. The Table below indicates the RoE for FY 2011-12 to FY 2015-16:

Table: 1-3: Return on Equity

(Rs. Crores)

Sr. No.	Particulars	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
1	Regulatory Equity at the beginning of the year	561.14	644.26	870.20	989.48	1,306.49
2	Less: Equity Portion of Asset de-capitalised / retired during the Year	(0.43)	(0.42)	(1.94)	(1.48)	(0.19)
3	Capitalisation	278.53	754.50	404.09	1,061.62	1,251.29
4	Equity portion of capitalisation	83.56	226.35	121.23	318.49	375.39
5	Regulatory Equity at the end of the year	644.26	870.20	989.48	1,306.49	1,681.70
	Return Computation					
6	Return on Regulatory Equity at the beginning of the year	78.56	99.86	134.88	153.37	202.51
7	Return on Equity portion of capitalisation	5.82	17.51	9.24	24.57	29.08
8	Total Return on Regulatory Equity	84.38	117.37	144.13	177.94	231.58

1.2.4 Interest and Finance Charges

The Interest costs have been captured under the following three heads:

- Interest on Loan
- Interest on Working Capital
- Other Finance Charges
- **Interest on Loan**

In addition to loans considered for financing the capitalisation from FY 2003-04 to FY 2010-11, Tata Power –T has taken new loans for (i) financing the capitalisation in FY 2011-12 and FY 2012-13. The details of the loans taken for funding the capitalisation for FY 2011-12 and FY 2012-13 have been presented in **Section 5.5** The Interest on Loan Capital at actuals for FY 2011-12 and projected for FY 2012 - 13 to FY 2015 - 16 is as follows:

Table: 1-4: Interest on Loan Capital

Rs. Crores

Particulars	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Opening Balance	384.31	550.03	1,000.66	1,177.28	1,775.05
Additions	194.97	528.15	282.86	743.14	875.90
Repayments	29.26	77.51	106.25	145.36	207.51
Closing Balance	550.03	1,000.66	1,177.28	1,775.05	2,443.45
Interest Rate	10.88%	10.87%	10.96%	10.98%	10.99%
Total Interest Expense	50.82	84.25	119.40	162.09	231.79

For FY 2012-13 to FY 2015-16, Tata Power – T has considered a weighted average interest rate based on opening balance of existing loans for the particular year in line with Regulation 33.5 of the MYT Regulations, 2011. Further, the interest rate for normative loans has been charged at the weighted average rate as computed above.

- **Interest on Working Capital**

The Interest on working capital has been computed based on the elements specified in the Tariff Regulations, 2005 for FY 2011-12 and MYT Regulations, 2011 for the period FY 2012-13 to FY 2015-16.

For the purpose of computations the interest on working capital for FY 2011-12, a weighted average interest rate of **14.39%** has been considered based on the weighted average short term PLR of SBI prevailing in FY 2011-12. For the remaining years of the Control Period, a rate of **14.75%** has been considered as this rate is prevailing at the time of filing of this petition.

Table: 1-5: Interest on Working Capital

<i>Rs. Crores</i>						
Sr. No.	Particulars	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
1	One-twelfth of the amount of Operations & Maintenance Expenses	10.24	12.59	14.32	16.55	20.49
2	One-twelfth of the sum of the book value of stores, materials & supplies	16.98	16.98	16.98	16.98	16.98
3	One and a half months equivalent of the transmission charges	42.23	56.71	70.82	89.10	118.97
4	Total Working Capital	69.44	86.28	102.12	122.63	156.45
Computation of working capital interest						
5	Interest Rate (%)	14.39%	14.75%	14.75%	14.75%	14.75%
6	Interest on Working Capital	10.00	12.73	15.06	18.09	23.08

- **Other Finance Charges**

The other finance charges are to the tune of **Rs. 0.01 Crores** for FY 2011-12.

1.2.5 Depreciation

Tata Power - T has computed the depreciation by applying the rates specified under the MERC (Terms & Conditions of Tariff), 2005 for FY 2011-12 and the rates specified in MYT Regulations, 2011 for the period FY 2012-13 to FY 2015-16. Based on the same, the Depreciation works out as shown in the Table below:

Table: 1-6: Depreciation

<i>Rs. Crores</i>					
Particulars	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Opening GFA	1,564.43	1,841.51	2,594.63	2,992.26	4,048.96
Total Depreciation	39.51	77.51	106.25	145.36	207.51
Avg Depreciation (%)	2.53%	4.21%	4.09%	4.86%	5.13%

1.2.6 O&M Expenditure

The O&M expenditure for the period FY 2012-13 to FY 2015-16 has been estimated considering the number of bays and line lengths expected to be in operations for the Control Period as per approved capitalisation in the Business Plan. The O&M Expenditure for the Control Period is projected by applying the norms given in the MYT Regulations, 2011. For FY 2011-12 the actual O&M expenditure incurred has been presented in line with the Tariff Regulations, 2005. The projections of the O&M expenditure during the Control Period are as given in the table below:

Table: 1-7: O&M Expenditure

<i>Rs. Crores</i>					
O&M Expenditure	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Norm -Bays (Rs Lakhs/Bay)					
>400 KV		99.11	104.78	110.78	117.11
Between 66 and 400 KV		30.12	31.85	33.67	35.60
Less than 66 KV		6.30	6.66	7.04	7.44
Norms Transmission Lines (Rs Lakhs/Ckt Km)					
>400 KV		0.56	0.59	0.63	0.66
Between 66 KV and 400 KV		1.16	1.22	1.29	1.37
O&M Expenditure	122.82	151.14	171.83	198.61	245.91

1.2.7 Income Tax

The Income Tax has been computed for FY 2011-12 based on the actual income for Tata Power-Transmission. In line with the MYT Regulations, 2011 the Income Tax for the period FY 2012-13 to FY 2015-16 has been considered as per latest Audited Accounts available i.e. for FY 2011-12. The Income Tax thus applicable is as shown in the Table below:

Table: 1-8: Income Tax

Rs. Crores

Particulars	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Income Tax	37.00	37.00	37.00	37.00	37.00

1.2.8 Statutory Appropriation

The contribution to Contingency Reserves has been computed at **0.25 %** of closing GFA for the period FY 2011-12 to FY 2015-16 subject to not exceeding 5% of the GFA. The statutory appropriation for FY 2011-12 to FY 2015-16 works out as shown in the Table below:

Table: 1-9: Statutory Appropriation

Rs. Crores

Particulars	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Statutory Appropriation	4.60	6.49	7.48	10.12	13.25

1.2.9 Non-Tariff Income

For FY 2011-12, Tata Power - T has provided the actual Non-Tariff Income and comprises of Recurring items and Non-Recurring items. For the period FY 2012-13 to FY 2015-16, the Non-Tariff Income has been considered at the same level as has been approved by the Hon'ble Commission in the order for Business Plan dated 28th June, 2012 in Case 168 of 2011. The Non-Tariff Income is as shown in the Table below:

Table: 1-10: Non-Tariff Income

Rs. Crores

Particulars	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Non-Tariff Income	11.85	32.84	34.56	36.39	38.32

1.2.10 Incentive on Transmission Availability

The Availability of the Transmission System of Tata Power for FY 2011-12 as certified by SLDC was **99.46 %**. The incentive for FY 2011-12 on the basis of the actual availability works out to **Rs. 5.03 Crores**. For the period FY 2012-13 to FY 2015-16, no incentive has been considered in line

with the Business Plan Order issued by the Hon'ble Commission dated 28th June, 2012 in Case 168 of 2012. However the same shall be computed and presented at the time of submission of True-up of the respective years.

1.2.11 Annual Revenue Requirement

Based on the actual of FY 2011-12 and the projections of the various elements for the period FY 2012-13 to FY 2015-16, the ARR for different years is shown in the Table below:

Table: 1-11: ARR for FY 2011-12 and Annual Transmission Charges from FY 2012-13 to FY 2015-16

Particulars	<i>(Rs. Crores)</i>				
	FY 2011-12 (Actuals)	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
O&M Charges	122.82	151.14	171.83	198.61	245.91
Interest on Long-term Loan	50.82	84.25	119.40	162.09	231.79
Interest on Working Capital	10.00	12.73	15.06	18.09	23.08
Other Finance Charges	0.01	-	-	-	-
Depreciation	39.51	77.51	106.25	145.36	207.51
Return on Equity	84.38	117.37	144.13	177.94	231.58
Income Tax	37.00	37.00	37.00	37.00	37.00
Statutory Appropriations	4.60	6.49	7.48	10.12	13.25
Annual Transmission Charges	349	486	601	749	990
Add: Incentive	5.03	-	-	-	-
Total Transmission Charges	354	486	601	749	990
Less: Non Tariff Income	11.85	32.84	34.56	36.39	38.32
Less: LCC cost allocatable to TPC-G and TPC-D	4.53				
Net Aggregate Revenue Requirement from Transmission Tariff	337.80	453.65	566.58	712.82	951.80

1.2.12 Sharing of Gains and Losses of FY 2011-12

The last ARR order issued for Tata Power-T was on 3rd September, 2010 in Case 97 of 2009 which was applicable for the year FY 2010-11. Since, FY 2011-12 was part of the Control Period as defined in MYT Regulations, 2011, Tata Power had made a Business Plan submission for the entire Control Period which included FY 2011-12. However, as directed by the Hon'ble Commission, the Tariff Regulations, 2005 are applicable for FY 2011-12. In view of this, there are no approved figures for FY 2011-12 which can be compared with the actual performance to arrive at the Gains and Losses for FY 2011-12.

However, for the purpose of justification of expenditure of FY 2011-12 and to arrive at the Gains and Losses, the applicable figures have been arrived at using the approved figures of FY 2010-11, in the Order dated 3rd September 2010, as the base and applying appropriate

escalation factors as per the philosophy adopted by the Hon'ble Commission in previous orders. The applicable figures so arrived, their comparison with the actual expenditure and the subsequent Gains and Losses are indicated below:

- **Gains and loss in O&M Expenditure**

The Sharing of gains and loss for Tata Power - T has been worked out on the basis of the Tariff Regulations outlined and also the categorisation of expenses. Based on the same, the Net Entitlement to Tata Power-T work out to **Rs. 122.82** Crores respectively.

1.2.13 Revenue from Transmission Business for FY 2011-12

The total Revenue earned for FY 2011-12 works out as given in the Table below:

Table: 1-12: Revenue for FY 2011-12

<i>Rs. Crores</i>			
Tariff Order Applicable	Transmission Charges recovered per Month	No. of Months	Total Revenue
September 10, 2010	24.73	12	296.73

1.2.14 Net Annual Transmission Charges and (Gap) / Surplus for FY 2011-12

The break-up of the expenses for FY 2011-12 along with the adjustments on account of sharing of gains and losses is as follows:

Table: 1-13: Net Annual Transmission Charges & Gap for FY 2011-12

Rs. Crores

Sr. No.	Particulars	Approved Figures of FY 2010-11	Applicable Figures for FY 2011-12	Entitlement as per the Regulations	Efficiency Gains / (Loss) from Controllable factors shared with Consumers	Net Entitlement (Including Transfer to Reserves) after Impact of Gains / (Loss) from Controllable factors
I Revenue						308.58
	-Transmission Charges					296.7300
	- Other Income					11.85
II Expenditure						
1	Operation & Maintenance Expenses		116.3	122.82	-	122.82
	Employee Expenses	59.25	67.0			
	R&M	12.46	13.3			
	A&G	30.36	36.0			
2	Depreciation, including advance against depreciation			37.32		37.32
3	Interest on Long-term Loan Capital			41.72		41.72
4	Interest on Working Capital			10.00		10.00
5	Other Finance Charges			0.01		0.01
6	Incentive			5.03		5.03
7	Statutory Appropriations/ Contingency Reserve			4.60		4.60
8	Income Tax			37.00		37.00
9	Return on Equity			80.38		80.38
10	Less: Load Control Cost Allocated to Tata Power-G & Tata Power-D			4.53		4.53
10	Total Expenditure			334.36		334.36
III	Pure (Gap) / Surplus for FY 2011-12 (I - II)					(25.78)

As can be seen from the table above, the pure gap for FY 2011-12 is **Rs. (25.78) Crores** which is computed as the difference between the Revenue earned for FY 2011-12 and the expenditure of FY 2011-12 alone. The resultant net (Gap)/Surplus for FY 2011-12 along with the past recoveries works out to **Rs. (17.13) (17.13) Crores**.

Table: 1-14: Net (Gap) / Surplus for FY 2011-12

Sr. No.	Particulars	
1	Pure (Gap)/Surplus for FY 2011-12	(25.78)
2	(Gap) / Surplus as per Order dated 14th February, 2012 in Case 106 of 2011	8.66
3	Net (Gap)/Surplus	(17.13)

1.3 ARR including the past recoveries

After considering such past recoveries the total ARR for the different years of the control period is as follows:

Table: 1-15: Annual Revenue Requirement for the Control Period along with Past Recoveries

(Rs. Crores)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
ARR for the year	453.65	566.58	712.82	951.80
Past Recoveries/ ATE judgment dated 31st August 2012 impact*	51.84			
Total ARR to be recovered	505.48	566.58	712.82	951.80

The Hon'ble Commission is requested to kindly approve the above ARR for the Control Period.