
MAHATRANSCO
Maharashtra State Electricity Transmission Co. Ltd.
MAHARASHTRA STATE ELECTRICITY TRANSMISSION CO. LTD.
Corporate Identity No. U40109MH2005SGC153646

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Ref No. MSETCL/CO/SE/R&C Cell/729

Date : 28/07/2023

To,
The Secretary,
Central Electricity Regulatory Commission
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Subject : Terms and Conditions of Tariff for the period commencing from 1st April, 2024- Comments and suggestions on the Approach Paper from stakeholders, electricity industry players etc. thereof.

Ref. : Public Notice- File No. L-1/268/2022/CERC Dated 26.05.2023

Dear Sir,

Central Electricity Regulatory Commission (CERC) is framing the MYT Regulation for the Fifth Control Period i.e. from FY 2024-FY2029. For the purpose of Terms and Conditions of Tariff for the period commencing from 1st April, 2024, an Approach Paper is published by CERC vide public notice under reference and invited the comments and suggestions on the Approach Paper from stakeholders, electricity industry players etc.

Accordingly, after going through the details of various points discussed in the Approach Paper, MSETCL has provided its comments/suggestions on various points related to the Terms and Conditions of Tariff. The point wise comments/suggestions of MSETCL are enclosed herewith as Annexure-A.

Further, the glimpse of comments of MSETCL against various points are as below -

3.1 - Alternative Approach to Tariff Determination: CERC has proposed the Normative Approach as an alternative approach to Tariff Determination instead of the existing Performance Based Hybrid Approach (PBHA). The main aim is simplification of the tariff determination process. MSETCL upholds the existing Performance Based Hybrid Approach (PBHA).

3.2 - **Normative Tariff:** Shift to a normative tariff, wherein, once capital costs are approved on an actual basis after prudence check, all other AFC components are determined on a normative basis.

4.2.1- **Capital Cost:** Continuation of Interim Tariff Method.

4.2.2 - **Procurement of Equipment and Services:** The regulated tariff mechanism fulfills the requirement through competitive bidding and brings transparency in the process, the same is proposed to be continued.

4.4.1 - **Computation of Interest During Construction (IDC):** In AP it has been proposed that, the IDC approved in the original investment approval be considered instead of actual IDC in case of delay. MSETCL would like to continue with the approval of actual IDC in case of delay on prudence check basis.

4.6 & 4.19 - **Renovation and Modernisation (R&M) & Life of Generating Stations and Transmission System:** Due to technological upgradation and obsolescence of spares and services facilities, thereby limiting the ability to maintain the asset within useful life. Hence, life of the existing asset of 25 years to 35 years is not recommended also the provision the renovation and modernization be continued after 25 years.

4.7 - **Initial Spares:** It is suggested that present sub-categories for initial spares used in transmission systems may be retained instead of 5 classes of transmission assets.

4.8.1 & 4.9 - **Controllable and Un-Controllable Factors & Differential Norms-Servicing Impact of Delay:** Delay on account of forest clearance must be considered for inclusion as an un-controllable factors and MSETCL suggest to drop the related differential norms.

4.10.2 - **Normative Additional Capitalisation – Transmission System:** Additional capitalisation must be allowed additional capitalisation post cut-off date must be allowed on completion of useful life, technological obsolescence, change in law, force majeure, or due to replacement.

4.11 - **GFA/NFA/Modified GFA approach:** NFA / modified GFA approach are being suggested as an alternative approach against the current GFA approach. MSETCL prefers GFA approach.

4.12.1 - **Segregation of Normative O&M Expenses:** Combined O&M expenses norms are suggested instead of Segregation of Normative O&M Expenses in two categories i.e., Employee Expenses & Other O&M Expenses.

4.12.2 - **Norms for HVDC Stations:** Present specified structure of O&M norms for HVDC are suggested to be retained.

4.12.3- **O&M Norms for Special Cases:** Additional O&M is proposed in case of transmission asset operated in the Hilly Region, the same is backed by MSETCL.

4.13 **Depreciation:** It is proposed to consider the loan tenure of 15 years instead of 12 years and derive the depreciation rate accordingly. MSETCL suggests applying the same for the new projects.

4.14.1 - **Interest on Loans:** As per the prevailing tariff regulation Weighted Average Rate of interest calculated on the basis of the actual loan portfolio be followed.

4.15 & 4.16 **Rate & Return on Equity (RoE):** ROCE approach has been proposed but MSETCL is preferred the RoE approach. A views are also sought on reducing the rate of return on equity.

4.17 - **Tax Rate:** Methodology for determination of tax rate required for grossing up the base rate of RoE. MSETCL has suggested to continue the effective tax rate.

4.18.2 & 4.18.3 **Interest on Working Capital & Normative Working Capital and interest thereon:** Present working capital norms are to be continued, but comments are sought on any modification or suggestions or better alternatives.

4.21 - **Sharing of Gains:** With an aim to reduce the overall ARR suggestions/comments are invited ways to increase non-core revenues through optimal utilisation of available resources

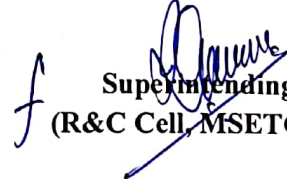
6.3 & 6.6 - **Decommissioning of Generating Station and Transmission Assets & Up-gradation of Asset/ Replacement:** MSETCL suggested that the entire unrecovered depreciation should be permitted to be recovered. Moreover, the transmission licensee should be granted a one-time compensation for decommissioned assets. If such one-time compensation and the remaining depreciation are not authorized, then the decommissioned assets should not be removed or decapitalized from the licensee's regulated Gross Fixed Assets (GFA).

6.5 - **Approval process for carrying out non-ISTS lines carrying inter-state power and associated Capital Cost:** The proper guidelines are to be formulated for the construction of ISTS lines by state utilities. Further, for the existing lines, in the event of non-determination of tariff, the benchmark cost shall be consider for PoC mechanism.

Thanking you,

Encl.:- Annexure-A

Yours Faithfully


Superintending Engineer,
(R&C Cell, MSETCL, Mumbai.)

Copy s.w.r.to:

The Director Finance, C.O., MSETCL, Mumbai

The Chief General Manager (F&A), C.O., MSETCL, Mumbai.

The General Manager (F&A), C.O., MSETCL, Mumbai