



- d. *The approval of the capital expenditure by the Commission for the ensuing year shall be in accordance with load growth, system extension, rural electrification, transmission loss reduction or quality improvement as proposed in the Transmission Licensee's supporting documents.*
- e. *The Commission may also undertake a detailed review of the actual works compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year.*
- f. *In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information along with reasons justifying the emergent nature of the proposed work, seeking post facto approval by the Commission.*
- g. *The Transmission Licensee shall take up the work prior to receiving the approval from the Commission provided that the emergent nature of the scheme has been certified by its Board of Directors.*
- h. *If capital expenditure is less than INR 10 Crore, the Transmission Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all of the relevant supporting documents.*
- i. *Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets.*

Unquote

4.3.14 The Petitioner in the current True-Up proceedings of FY 2019-20 has submitted the capitalisation details, Fixed Asset Register for FY 2019-20 along with the Audited Balance Sheet. The Commission through data gaps asked the Petitioner that whether it has taken prior approval of the schemes greater than Rs. 10 Crores in terms of Regulation 19A of UPERC MYT Transmission Regulations, 2014

4.3.15 In reply, the Licensee submitted the DPRs and other necessary documents for projects above 10 Crores as under:



Table 4-5: LIST OF DPR SUBMITTED BY THE PETITIONER FOR FY 2019-20

S. No	Description	Location	Type of Scheme	Requirement	Voltage Level (kV)	Amount (Rs. Crore)	COD
1	Construction of 2x500MVA, 400/220kV Noida Sec-148 GIS s/sand its associated lines	Gautam budh Nagar	New Construction	Load growth and strengthening of the existing system	400	369.88	03.04.2019
2	Construction of 2x160+2x40MVA, 220/132/33kV Substation Amethi and associated lines	Amethi	New Construction		220	153.26	27.04.2019
3	Construction of 3x60MVA, 220/33kV Substation, Botanical Garden Noida Sec-38(A) and its associated lines	Gautam budh Nagar	New Construction		93.8	07.06.2019	
4	Construction of 3x60MVA, 220/33kV Substation DahiChowkiand associated lines.	Unnao	New Construction		50.94	14.10.2019	
5	Construction of 2x160+2x40MVA, 220/132/33kV Substation Gola and associated lines.	Gorakhpur	New Construction		111	23.04.2019	
6	Construction of 2x160+2x40MVA, 220/132/33kV Substation Partapur Jagritivihar(Meerut)and associated lines.	Meerut	New Construction		116.79	09.08.2019	
7	Construction of 1x160,3x60MVA, 220/132kV, 220/33kV Hybrid Substation Partapvihar (Ghaziabad)and associated lines.	Ghaziabad	New Construction		84.49	30.10.2019 & 16.01.2020	
8	Construction of 2x60MVA, 220/33kV PhoolbaghSubstation and associated lines	Kanpur	New Construction		118.22	15.11.2019	



Approval of ARR and Tariff for UPPTCL for FY 2021-22, APR of FY 2020-21 and True-up of FY 2019-20

S. No	Description	Location	Type of Scheme	Requirement	Voltage Level (kV)	Amount (Rs. Crore)	COD
9	Construction of 2x160+2x40MVA, 220/132/33kV Substation Raja katalaband associated lines.	Varanasi	New Construction			145.3	19.07.2019
10	Construction of 132 kV Hanuman GIS substation Setu, Lucknow & associated lines	Lucknow	New Construction			192.62	19.06.2019
11	Construction of 2X40MVA 132 KV substation Lambhua, Sultanpur and associated lines	Sultanpur	New Construction			29.2	31.01.2020
12	Construction of 132 kV substation Narkhi, Firozabad & associated lines	Firozabad	New Construction			25.34	07.05.2019
13	Construction of 2X40MVA 132 kV substation Rudauli Ayodhya & associated lines	Ayodhya	New Construction			42.74	29.02.2020
14	Construction of 132 KV substation Sonkh Road , Mathura and associated lines	Mathura	New Construction		132	24.43	22.11.2019
15	Construction of 132KV substation Baghra, Muzaffarnagar and associated lines	Muzaffarnagar	New Construction			20.54	17.12.2019
16	Construction of 132KV substation Kabrai , Mahoba and associated lines	Mahoba	New Construction			17.63	10.04.2019
17	Construction of 132 kV substation Bansdih(Balia) & its associated lines	Balia	New Construction			57.82	18.04.2019
18	Construction of 132 kV substation Fatehpursikri & associated lines	Agra	New Construction			33.16	07.03.2020



S. No	Description	Location	Type of Scheme	Requirement	Voltage Level (kV)	Amount (Rs. Crore)	COD
19	Construction of 2x40 MVA, 132/33kV Substation Hasanganj (Unnao) and associated lines.	Unnao	New Construction			42.38	28.02.2020
20	Construction of 2x20 MVA, 132/33kV Substation Kalwari (Basti) and associated lines.	Basti	New Construction			26.4	23.11.2019
TOTAL COST						1755.94	

4.3.16 The Commission has observed that the Petitioner did not take the prior approval of the schemes executed during FY 2019-20 from the Commission in terms of Regulation 19A of UPERC MYT Transmission Regulations, 2014. Moreover, it is pertinent to note that the Petitioner has submitted DPR of schemes of Rs. 1755.94 Crore instead of Rs. 3919.70 Crore. The DPRs submitted by the Petitioner is of Rs. 1755.94 Cr, however the claimed investment during the year is of Rs. 3,919.70 Cr in the True-Up Petition.

Table 4-6: DPR SUBMITTED BY PETITIONER AND GAP IN CLAIM OF FY 2019-20

DPR Submitted for Projects (Rs. Cr.)	Investment During the year claimed in Petition (Rs. Cr.)	Gap (Rs. Cr.)
1755.94	3,919.70	2,163.76

4.3.17 Further the Petitioner has not submitted the supporting document required to be submitted and the Petitioner cannot take recourse of the Tariff Petition to approve the schemes that were to be submitted for prior approval of the Commission before the commencement of the work through separate proceedings. Hence the same cannot be considered.

4.3.18 Further, in the True-of FY 2018-19 Order dated 10.11.2021, the Commission in this regard had observed as under:

Quote

5.2.14 From the above, it is observed, that the Commission in its Tariff Orders and further proceedings, kept reminding the Petitioner to submit the Capital investment plan and take prior approval of the schemes greater than INR 10 Crore as per Regulation 19A of the UPERC MYT Regulations 2014. **However, the Petitioner did not take prior approval for the Commission for any of the schemes**



with capital expenditure greater than INR 10 Crore. Accordingly, the Commission has decided to disallow 25% of the Capital investment for FY 2018-19 due to repeated non-compliance of the Commission`s orders.

Unquote

4.3.19 Thus, in view of the above discussion the Commission is of opinion that since the Petitioner has not taken prior approval of the Commission for any of the schemes with the capital expenditure greater than 10 Crore in accordance with UPERC (Multi Year Transmission Tariff) Regulations, 2014, hence it is decided to disallow 25% of the Capital investment for FY 2019-20 due to repeated non-compliance of the Commission`s Orders, in line with the True-Up Order of FY 2018-19 dated 10.11.2021. Accordingly, the Commission has derived the capital investments, closing CWIP and capitalization for FY 2019-20 in the Table below:

TABLE 4-7: CAPITAL INVESTMENTS FOR FY 2019-20 APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Derivation	Tariff Order dt. 27.08.2019	True-Up Petition	Approved upon True-Up
Opening CWIP as on 1 st April	A	8280.99	6805.05	5877.72
Investments during the year	B	5018.96	3919.70	2939.78
Employee Expenses Capitalisation	C	734.98	255.21	191.41
A&G Expenses Capitalisation	D	0.00	0.00	0.00
Interest Capitalisation on Interest on long term loans	E	904.73	168.20	137.88
Total Investments	F= A+B+C+D+E	14939.66	11148.16	9146.78
Transferred to GFA (Total Capitalisation)*	G	4426.58	3310.41	2716.11
Closing CWIP	H= F-G	10513.08	7837.75	6430.67

*Actual Percentage capitalisation comes out to be 30% as per the Petitioner`s submission and hence the same is being used for approval of FY 2019-20.

4.3.20 The Commission, as per MYT Regulations 2014, has considered a normative approach with Debt: Equity ratio of 70:30, 70% of the capital expenditure undertaken in the year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contribution. The portion of capital expenditure financed through Consumer Contributions, capital subsidies and grants has been separated and reduced, as the same would not be charged to the consumers. The Commission has approved the amounts received as Consumer Contributions, capital subsidies and grants based on the Audited Accounts of the Petitioner, as summarised in the Table below:



TABLE 4-8: APPROVED CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2019-20 (RS. CRORE)

Particulars	Tariff Order dt. 27.08.2019	True-Up Petition	Approved Upon Truing Up
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	900.91	1319.32	1326.67
Additions during the year	398.70	396.72	396.72
Less: Amortisation	63.46	102.92	97.66**
Closing Balance	1236.15	1613.13	1625.73

** For FY 2019-20, the depreciation on assets made by consumer contributions claimed by UPPTCL as per Audited Accounts is based on SLM method. However, the same has been recomputed based on WDV method & applicable rates as per UPERC MYT Regulations, 2014.

4.3.21 The approved financing of the Capital Investment is as shown in the Table given below:

TABLE 4-9: APPROVED FINANCING OF THE CAPITAL INVESTMENTS IN FY 2019-20 (RS. CRORE)

Particulars	Derivation	Tariff Order dt. 27.08.2019	True-Up Petition	Approved Upon Truing Up
Investment	A	5018.96	3919.70	2939.78
Less:				
Consumer Contribution	B	398.70	396.72*	396.72
Investment funded by debt and equity	C=A-B	4620.26	3522.98	2543.05
Debt Funded	70% of C	3234.18	2466.09	1780.14
Equity Funded	30% of C	1386.08	1056.89	762.92

*Out of Rs. 396.72 Cr., Consumer Contribution is of Rs. 384.89 Cr. and Grant is of 11.83 Cr.

INTEREST ON LONG TERM LOAN

4.3.22 From the above tables, it can be observed that UPPTCL has made an investment of Rs. 3919.70 Crore in FY 2019-20. The consumer Contributions, capital subsidies and grants received during the corresponding period is Rs. 396.72 Crore. Thus, balance investment of Rs. 3522.98 Crore has been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 2466.09 Crore or 70% of the capital investment is approved to be funded through debt of Rs. 2466.09 Crore and balance 30% equivalent to Rs. 1056.89 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.



4.3.23 The Commission on prudence check found that the actual weighted average interest rate is 10.12% wrt the actual loans from REC and PFC claimed by the Petitioner is somewhat different from the balance sheet figures. On prudence, the Commission found that even though the opening and closing values of both the loans were claimed as per the Balance sheet, the actual amount of interest for the year was not as per the audited balance sheet.

Table 4-10: CALCULATION OF INTEREST ON LONG TERM LOANS FOR FY 2019-20

Loan No.	Lender	Opening as on 01.04.2019	Addition	Repayment	Closing as on 31.03.2020	Interest paid (Claimed by Petitioner)	Interest paid (as per balance sheet)
Loan 1	PFC	5086.42	916.25	343.37	5659.30	573.84	474.00
Loan 2	REC	6799.98	1248.31	720.55	7327.74	785.00	784.16
	Total	11,886.40	2,164.56	1,063.92	12,987.04	1,358.84	1,258.17
Weighted Avg. Interest Rate for Long Term Debts						10.93%	10.12%

4.3.24 The same was enquired from the Petitioner. The Petitioner replied that the interest cost (included in finance cost) in Annual Accounts are not reported on actual payment basis, but are reported on accrual basis. Annual Accounts of the company have been prepared as per the Generally Accepted Accounting Principles and relevant Rules applicable to Electricity Company as per Companies Act. These principles and rules require us to show expenses on accrual basis duly adjusted for cost not borne by the company. Considering this, the interest payments against last year's provision has been reduced and provision for interest accrued but not due for payment has been added. The figures are also adjusted for any aid from GoUP as the interest cost to that extent has not been borne by the company. However the Commission has considered the normative loan and the interest on loan has been calculated on the basis of actual figures reflected in the balance sheet.

4.3.25 Considering the above, the gross interest on long-term loan is approved. Further, the interest capitalisation has been considered at the same rate as per the Audited Accounts. The closing loan balance as approved at the end of FY 2018-19 has been considered as the opening loan for FY 2019-20. The interest on long-term loan approved for FY 2019-20 is as shown in the Table given below:



TABLE 4-11: ALLOWABLE INTEREST ON LONG TERM LOAN FOR FY 2019-20 AS APPROVED BY THE COMMISSION (RS. CRORE)

Particulars	Tariff Order dt. 27.08.2019	True-Up Petition	Approved Upon Truing Up
Opening Loan	10698.55	11582.42	10481.30
Loan Additions (70% of Investments)	3234.18	2466.09	1780.14
Less: Repayments (Depreciation allowable for the year)	1205.52	1233.56	1142.56
Closing Loan Balance	12727.21	12814.94	11118.88
Weighted Average Rate of Interest	11.16%	10.93%	10.12%
Interest on long term loan	1307.28	1332.83	1092.60
Interest Capitalisation Rate	59.40%	12.62%	12.62%
Less: Interest Capitalized	904.73	168.20	137.88
Net Interest Charged	402.55	1164.63	954.72

4.4 FINANCE CHARGES

Petitioner's submission

4.4.1 The Petitioner further submitted that it has incurred finance charges to the tune of Rs. 0.09 Crore as per annual accounts towards expenditures like bank charges, finance charges, etc and the same may be allowed in the true up for FY 2019-20.

Commission's Analysis

4.4.2 The Commission approves the finance charges as per the Audited Accounts to the extent of Rs. 0.09 Crore for FY 2019-20.

4.5 INTEREST ON WORKING CAPITAL

Petitioner's Submission

4.5.1 The Petitioner submitted that the UPERC (MYT for Transmission Tariff) Regulations, 2014 provides that for normative interest on working Capital based on the methodology outlined in the Regulations. The interest on working capital has been computed based on the methodology specified in the Regulation 24.

4.5.2 The Petitioner has considered the interest rate of 13.80% for the purpose of computing Interest on Working Capital for FY 2019-20, which is the SBAR as on May 30, 2019 (i.e. the date of issuance of Admittance Order of ARR/Tariff Petitions for FY 2019-20). The



Petitioner has, in accordance with the above-mentioned MYT Transmission Regulations, considered the interest on working capital. In the Tariff Order for FY 2019-20, the Commission had allowed Rs. 54.99 Crore towards interest on working capital. The MYT Transmission Regulations provide for the normative interest on working capital. Accordingly, the Petitioner has claimed Rs. 113.77 Crore towards interest on working capital for FY 2019-20 as computed in the table below:

TABLE 4-12: ALLOWABLE INTEREST ON WORKING CAPITAL FOR FY 2019-20 AS SUBMITTED BY THE PETITIONER (RS. CRORE)

Particulars	Claimed for 2019-20
One Month of O&M Expenses	126.89
Maintenance spares @ 40% of R&M expenses for two months	33.05
Receivable equivalent to 60 days average billing of consumers	664.49
Less: Security deposits from consumers	-
Total Working Capital Requirement	824.43
Interest rate (%)	13.80%
Interest on working capital	113.77

Commission's Analysis:

4.5.3 As per the first proviso of Regulation 24 of UPERC Multi Year Transmission Tariff Regulation, 2014:

Quote

"24 The Transmission Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

O&M expenses for one month.

Two months equivalent of expected revenue.

Maintenance spares @ 40% of R&M expenses for two month.

Less:

Security deposits from consumers, if any-

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission."

Unquote



4.5.4 From the above it can be understood that the interest on working capital shall be on normative basis and rate of interest shall be equal to State Bank Advance Rate (SBAR) as of the date (30.05.2019) on which Petition for determination of the tariff is admitted (i.e. Admittance Order dated May 30, 2019) by the Commission. Accordingly, the Commission has considered the interest rate on working capital requirement at 13.80%. The link for the same is: <https://www.sbi.co.in/portal/web/interest-rates/benchmark-prime-lending-rate-historical-data>

4.5.5 The Commission, in accordance with the Transmission MYT Regulations, 2014, has considered the interest on working capital as shown in the Table given below:

TABLE 4-13: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2019-20 (RS. CRORE)

Particulars	Tariff Order dt. 27.08.2019	Claimed	Approved upon Truing Up
One Month of O&M Expenses	30.69	126.89	80.19
Maintenance spares @ 40% of R&M expenses for two months	30.48	33.05	30.68
Receivable equivalent to 60 days average billing of consumers	337.28	664.49	513.75
Less: Security deposits from consumers	-	-	-
Total Working Capital Requirement	398.46	824.43	624.62
Interest rate (%)	13.80%	13.80%	13.80%
Interest on working capital	54.99	113.77	86.20

4.5.6 The following table summarises the total interest and finance charges approved by the Commission for True-up of FY 2019-20 as against those claimed by the Petitioner in the Tariff Order for UPPTCL for FY 2019-20:

TABLE 4-14: APPROVED INTEREST AND FINANCE CHARGES FOR FY 2019-20 (RS. CRORE)

Particulars	Tariff Order dt. 27.08.2019	True-up Petition	Approved Upon Truing- Up
A: Interest on Long Term Loans			
Gross Interest on Long Term Loan	1307.28	1332.83	1092.60
Less: Interest Capitalisation	904.73	168.20	137.88
Net Interest on Long Term Loans	402.55	1164.63	954.72
B: Finance and Other Charges	0.56	0.09	0.09
C: Interest on Working Capital	54.99	113.77	86.20
Total (A+B+C)	458.09	1278.49	1041.00