

JHARKHAND URJA SANCHARAN NIGAM LIMITED

(State Transmission Utility of Jharkhand)

True-up petition for Transmission business for the period
FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15



BEFORE THE JHARKHAND STATE ELECTRICITY
REGULATORY COMMISSION

At its office at Jharkhand State Electricity Regulatory Commission
2nd floor, Rajendra Jawan Bhawan, Mahatma Gandhi Marg, Ranchi-834001.

CASE NUMBER: Case (T) No. 10 of 2017

IN THE MATTER OF:

Filing of the True-up petition for the FY 2013-2014 (6th January 2014 to 31st March 2014) and FY 2014-2015 for its Transmission Business by the State Transmission Utility of Jharkhand, Jharkhand Urja Sancharan Nigam Limited (JUSNL) under the Jharkhand Electricity Regulatory Commission, (Terms and Conditions for Determination of Transmission Tariff) Regulations 2010 and under Section 62 read with Section 86 of the Electricity Act, 2003 and other enabling provisions seeking approval of the True-up.

AND

IN THE MATTER OF:

JHARKHAND URJA SANCHARAN NIGAM LTD. (hereinafter referred to as "JUSNL" or erstwhile "JSEB-Transmission function" which shall mean for the purpose of this petition the Licensee), having its registered office at DHURWA, HEC, RANCHI.

..... Petitioner

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..... Petitioner

The Applicants respectfully submits as under:

1. The erstwhile Jharkhand State Electricity Board ("Board" or "JSEB") was a statutory body constituted under Section 5 of the Electricity (Supply) Act, 1948 and was engaged in electricity generation, transmission, distribution and related activities in the State of Jharkhand.

2. Jharkhand Urja Vikas Nigam Ltd. (herein after to be referred to as "JUVNL" or "the Holding company") has been incorporated under Indian Companies Act, 1956 pursuant to decision of Government of Jharkhand to reorganize erstwhile Jharkhand State Electricity Board (herein after referred to as "JSEB"). The Petitioner submits that the said reorganization of the JSEB has been done by Government of Jharkhand pursuant to "Part XIII - Reorganization of Board" read with section 131 of The Electricity Act 2003. The Holding company or JUVNL has been incorporated on 16th September 2013 and registered with the Registrar of Companies, Jharkhand, Ranchi and has obtained Certificate of Commencement of Business on 12th November 2013.

3. Jharkhand Urja Sancharan Nigam Ltd. (herein after to be referred to as "JUSNL" or "the Petitioner" has been incorporated on 23rd October 2013 with the Registrar of Companies, Jharkhand, Ranchi and has obtained Certificate of Commencement of Business on 28th November 2013. The Petitioner is a Company constituted under the provisions of Government of Jharkhand, General Resolution as notified by transfer scheme vide notification no. 8, dated 6th January 2014. The Transmission Company - Jharkhand Urja Sancharan Nigam Ltd. is duly registered with the Registrar of Companies, Ranchi on 23rd October 2013.

4. Pursuant to the enactment of the Electricity Act, 2003, every utility is required to submit its Aggregate Revenue Requirement (ARR) for a particular control period and is also required to file Tariff Petitions as per procedures outlined in section 61, 62 and 64, of Electricity Act 2003, and the governing regulations, thereof, laid down by the respective State Electricity Regulatory Commissions. The state transmission utility, JUSNL is also mandated to submit a True-up petition for the Transmission Business, as per the Jharkhand Electricity Regulatory Commission, (Terms and Conditions for Determination of Transmission Tariff) Regulations 2010 and under Section 62 read with Section 86 of the Electricity Act, 2003 and other enabling provisions seeking approval of the True-up.

5. The present petition is being filed by JUSNL before the Hon'ble Jharkhand State Electricity Regulatory Commission for approval of the True-Up for the FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 as per the Electricity Act, 2003 and as per the provisions of the Terms and Conditions For Transmission Tariff Regulations, 2010 notified by the Hon'ble Jharkhand State Electricity Regulatory Commission (JSERC). It may be noted that the accounts for FY 2015-16 are still under finalisation and have not been audited and the true up for FY 2015-16 shall be filed subsequently, once the accounts are audited and certified by CAG.

6. JUSNL along with this petition is submitting the prescribed Regulatory formats with data & information to the extent possible and would make available any further information/ additional data as required by the Hon'ble Commission during the course of tariff determination process.

Prayers before the Hon'ble Commission:

The petitioner respectfully prays that the Hon'ble Commission may:

1. Admit this True-Up Petition for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010.
2. Grant an expeditious hearing of this Petition.
3. Approve the True-Up for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 to the extent claimed by the Petitioner in accordance with the submissions and rationale submitted in this Petition.
4. Approve cumulative revenue gap of Rs. 233.42 Crores for FY 2013-14 and FY 2014-15 along with carrying cost till date in the subsequent Tariff Order to be issued by the Commission for JUSNL.
5. Issue appropriate directives for making applicable the Tariff determined for past period.
6. Condone any inadvertent omissions/errors/rounding off differences/shortcomings/deficiencies in the Petition and permit the Petitioner to add/modify/alter this filing and make further submissions as may be required at a future date.
7. Pass such further and other Orders, as the Hon'ble Commission may deem fit and appropriate, keeping in view the facts and circumstances of the Case.

For Jharkhand Urja Sancharan Nigam Limited/

(Petitioner)

Date: 11th October 2017

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* From 6th January 2014 to 31st March 2014

1. Section A : Executive Summary

1.1 Structure of the Petition

1.1.1. The Petition includes the following sections: -

- a) Section A contains the Executive Summary of the Petition.
- b) Section B contains the brief Introduction and overall approach of tariff petition.
- c) Section C contains the True-Up for FY 2013-2014 (6th January 2014 to 31st March 2014).
- d) Section D contains the True-Up for FY 2014-2015.
- e) Section E contains JUSNL's prayers to the Commission.

1.1.2. Jharkhand Urja Sancharan Nigam Limited (JUSNL) is filing this petition for the approval of True-Up for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 for Transmission Business under MYT Regulations 2010 notified by the Hon'ble Commission.

1.1.3. This section highlights the summary of the petition for True-Up for the FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15.

1.1.4. JUSNL is submitting this petition in compliance with regulations notified by the Hon'ble Commission along with the specified data formats for transmission licensees.

1.2. True-Up for FY 2013-2014 and FY 2014-2015

1.2.1. JUSNL has worked out the revenue gap and presented actual revenue components, considering Provisional Tariff Order on Review of ARR for FY 2013-14 (6th January 2014 to 31st March 2014) & FY 2014-15 and ARR and Transmission Tariff for FY 2015-16 for JUSNL issued on 14th December 2015, vis-à-vis the audited annual accounts of JUSNL for the years FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15.

1.2.2. The summary of actual and approved figures of ARR for the FY 2013-14 (6th January 2014 to 31st March 2014) and 2014-15 is tabulated below.

Table 1 Summary of Aggregate Revenue Requirements

Particulars (Rs. Crores)	FY 2013-2014*			FY 2014-2015		
	Approved	Actual	Deviation	Approved	Actual	Deviation
Employee Cost	7.34	12.33	4.99	33.92	38.01	4.09
Administrative and General Cost	1.62	1.48	(0.14)	7.54	5.58	(1.96)
Renovation and Modernization Cost	2.69	20.12	17.43	11.57	28.35	16.78
Total Operations and Maintenance Cost	11.65	33.93		53.03	71.94	
Interest and Finance Charges	4.95	0.27	(4.68)	29.62	17.10	(12.52)
Interest on Working Capital	1.10	2.47	1.37	5.64	8.89	3.25
Depreciation	7.50	6.15	(1.35)	41.58	55.18	13.60
Net Prior Period Charges	-	-	-	-	6.63	6.63
Total Cost	25.20	42.82	17.62	129.87	159.74	29.87
Add: Return on Equity	5.38	17.55	12.17	29.81	150.70	120.89
Less: Non-Tariff income	1.04	1.98	0.94	4.69	5.89	1.20
Net Aggregate Revenue Requirement	29.54	58.39	28.85	154.99	304.55	149.56

* From 6th January 2014 to 31st March 2014

- 1.2.3. The Hon'ble Commission had approved an Aggregate Revenue Requirement (ARR) of INR 29.54 Crs for the period FY 2013-14 (6th January 2014 to 31st March 2014) and INR 154.99 Crs for the period FY 2014-15. As per the audited accounts, the actual expenses were Rs. 58.39 Crores for FY 2013-14 and Rs. 304.55 Crores for FY 2014-15. The detailed calculations and the methodology adopted for the same is discussed in subsequent chapters.
- 1.2.4. JUSNL has worked out the cumulative revenue gap for FY 2013-14 (6th January 2014 to 31st March 2014) and for FY 2014-15 based on sharing of gains and losses and then applying carrying cost as specified in the Regulations.
- 1.2.5. The Hon'ble Commission is therefore requested to kindly allow cumulative gap of Rs. 233.42 Crores on truing up of FY 2013-14 and FY 2014-15 till the end of FY 2016-17 along with carrying cost.

2. Section B : Introduction

2.1. Background

- 2.1.1. The erstwhile Jharkhand State Electricity Board ("Board" or "JSEB") was a statutory body constituted under Section 5 of the Electricity (Supply) Act, 1948 and was engaged in electricity generation, transmission, distribution and related activities in the State of Jharkhand. The erstwhile Jharkhand State Electricity Board (JSEB) was constituted on March 10, 2001 under the Electricity (Supply) Act, 1948 as a result of the bifurcation of the erstwhile State of Bihar. Before that, the Bihar State Electricity Board (BSEB) was the predominant entity entrusted with the task of generating, transmitting and supplying power in the State.
- 2.1.2. Jharkhand Urja Vikas Nigam Ltd. (herein after to be referred to as "JUVNL" or "the Holding company") has been incorporated under Indian Companies Act, 1956 pursuant to decision of Government of Jharkhand to reorganize erstwhile Jharkhand State Electricity Board (herein after referred to as "JSEB"). The Petitioner submits that the said reorganization of the JSEB has been done by Government of Jharkhand pursuant to "Part XIII - Reorganization of Board" read with section 131 of The Electricity Act 2003. The Holding company or JUVNL has been incorporated on 16th September 2013 and registered with the Registrar of Companies, Jharkhand, Ranchi and has obtained Certificate of Commencement of Business on 12th November 2013.
- 2.1.3. The Energy Department, Government of Jharkhand, vide its Letter No. 1/Board-01- Urja-26/13 -1745 dated 28th June 2013 unbundled the erstwhile JSEB into following companies:

"Jharkhand Bijli Vitran Nigam Ltd", means the Distribution Company to which the Distribution Undertakings of the Board are transferred in accordance with this Scheme.

"Jharkhand Urja Utpadan Nigam Ltd" means the Generating Company to which the Generating Undertakings of the Board are transferred in accordance with this Scheme;

“Jharkhand Urja Sancharan Nigam Ltd” means the Transmission Company to which the Transmission Undertakings of the Board are transferred in accordance with this Scheme;

“Jharkhand Urja Vikas Nigam Ltd” means the Company that owns all shares of newly incorporated reorganized three companies i.e. Jharkhand Urja Utpadan Nigam Ltd , Jharkhand Urja Sancharan Nigam Ltd and Jharkhand Bijli Vitran Nigam Ltd;

- 2.1.4. Jharkhand Urja Sancharan Nigam Ltd. (herein after to be referred to as “JUSNL” or “the Petitioner” has been incorporated on 23rd October 2013 with the Registrar of Companies, Jharkhand, Ranchi and has obtained Certificate of Commencement of Business on 28th November 2013. The Petitioner is a Company constituted under the provisions of Government of Jharkhand, General Resolution as notified by transfer scheme vide notification no. 8, dated 6th January 2014. The Transmission Company - Jharkhand Urja Sancharan Nigam Ltd. is duly registered with the Registrar of Companies, Ranchi on 23rd October 2013.
- 2.1.5. JUSNL is a Transmission Licensee under the provisions of the Electricity Act, 2003 (EA, 2003) having license to establish or operate transmission lines in the State of Jharkhand.
- 2.1.6. Being a State Transmission Utility (STU), it caters to the requirements of the State for transmitting power from the state owned generation stations and the power purchases from other external sources into the distribution network. The responsibilities of the erstwhile JSEB- Transmission function as a STU have now been transferred to Jharkhand Urja Sancharan Nigam Ltd (JUSNL).
- 2.1.7. Section 62 of the Electricity Act 2003 requires the STU to furnish details as may be specified by the Appropriate Commission for determination of tariff. In addition, as per the MYT Regulations issued by the Hon'ble Commission, JUSNL is required to file for all reasonable expenses it believes it would incur over the next control period and seek the approval of the Hon'ble Commission for the same. The filing is to be done based on the projections of the expected revenue

and costs, which should be arrived at by a reasonable methodology adopted by the petitioner.

- 2.1.8. The MYT regulations notified by the Hon'ble Commission also mandates the filing of True-Up petition for the said Control Period. Since the Financial Year 2013-14 and 2014-15 has already passed and the audited annual accounts for the same is available, JUSNL is filling this petition for the approval of True-Up for the FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15.
- 2.1.9. The Govt. of India notified the Electricity Act, 2003 on 10th June, 2003 repealing the Indian Electricity Act-1910, the Electricity (Supply) Act 1948 and the E.R.C. Act, 1998. Among the tariff related provisions, the State Electricity Regulatory Commission (SERC) has to be guided by National Electricity Policy and National Tariff Policy. The generation, transmission and distribution tariff has to be determined separately. The Jharkhand State Electricity Regulatory Commission (hereinafter referred as "Commission") has framed Regulations specifying the terms and conditions for determination of transmission tariff.
- 2.1.10. While submitting this True-Up Petition, Jharkhand Urja Sancharan Nigam Limited has placed utmost efforts to adhere to the said Regulations framed by this Hon'ble Commission.

2.2. Existing Infrastructure Details of JUSNL

- 2.2.1. The following are the details of existing infrastructure of JUSNL as on till date

Sl. No.	Class of Transmission Line	Length (In CKM)	Capacity (in MVA)
1	400 KV	180	NIL
2.	220 KV	1295	2200
3	132 KV	1886	3045
	TOTAL	3361	5245

2.3. Approach for Filing the True-Up Petition

- 2.3.1. The Key aspects of the approach followed for filing related to the Multi Year Tariff framework are mentioned below
- 2.3.2. The Hon'ble Commission has notified JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 which was thereafter repealed by the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2015.

- 2.3.3. The Commission had issued provisional Tariff Order on Review of ARR for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 and ARR and Transmission Tariff for FY 2015-16 for Jharkhand Urja Sancharan Nigam Ltd (JUSNL) on 14th December 2015.
- 2.3.4. The Commission vide this Order had directed JUSNL to file for True up Petition for the first control period i.e. from FY 2011-12 to FY 2014-15. The relevant extract are as follows.
- “8.2 The Commission directs JUSNL to file the true-up Petition for transmission function of the erstwhile JSEB for the period FY 2011-12, FY 2012-13 and FY 2013-14 (for period 1st April 2013 to 5th January 2014) and also for the period post unbundling i.e. FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 along with its next Petition for approval of ARR for second MYT control period.....”*
- 2.3.5. JUSNL would like to submit that the Company has come into existence with effect from 6th January 2014 and started off its operations with a clean balance sheet.
- 2.3.6. JUSNL was provided for opening balances of accounts through final transfer scheme vide gazette notification by the Government of Jharkhand dated 20th November 2015. JUSNL as a company did not exist for the period FY 2011-12, FY 2012-13 and FY 2013-14 (1st April 2013 to 5th January 2014)
- 2.3.7. However the Commission has directed JUSNL to file true up Petition for such period i.e. FY 2011-12, FY 2012-13 and FY 2013-14 (1st April 2013 to 5th January 2014) where it did not exist separately and was part of erstwhile JSEB.
- 2.3.8. Moreover there are no separate accounts/information available of JUSNL for this period as only single accounts were prepared during this period i.e. of erstwhile JSEB.
- 2.3.9. In view of the same and in light of discussion with Commission. The True Up for the period FY 2011-12, FY 2012-13 and FY 2013-14 (1st April 2013 to 5th January 2014) is to be filed by the holding Company Jharkhand Urja Vikas Nigam Limited (JUVNL) in consultation/support from JBVNL (the Distribution company), JUSNL (the Transmission company) and JUUNL (the Generating company)

- 2.3.10. All the four Companies were part of erstwhile JSEB during the period FY 2011-12, FY 2012-13 and FY 2013-14 (1st April 2013 to 5th January 2014) and therefore true up of this period has to be filed in co-ordination with all the Companies.
- 2.3.11. JUSNL now is therefore filing the True up petition for the company period i.e. for Truing up of FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15. Since the said period is part of the first control period, JUSNL has considered JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 for truing up exercise since these Regulations were applicable for the period from FY 2011-12 to FY 2015-16.
- 2.3.12. The Petitioner thus submits the True-Up Petition for the consideration of the Hon'ble Commission along with the specified formats, providing information on various parameters.

2.4. Provisions of the Law

- 2.4.1. The Hon'ble Commission has notified scope of JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 as:

"A3: SCOPE OF REGULATIONS AND EXTENT OF APPLICATION

3.1 Subject to the provisions of the Act, Rules and Policies, these Regulations shall apply in all cases of determination of Transmission Tariff under Section 62 of the Act. It shall however, not apply in the case where tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government as per the provisions of Section 63 of the Act.

3.2 In accordance with the principles laid out in these Regulations, the Commission shall determine the Aggregate Revenue Requirement (ARR) for the Transmission Business."

2.4.2. Provisions for True-Up Exercise for MYT Control Period in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010:

“A14: TRUING UP

True-Up for the Period before Transition period

14.1 Performance review and adjustment of variations of the Transmission Licensee for years before the Transition Period shall be considered during the Transition Period.

True-Up for the Transition period

14.2 Performance review and adjustment of variations of the Transmission Licensee for the year covered under the Transition Period shall be considered during the Control Period.

True-Up for the Control Period

14.3 The true-up for the Control Period shall be as per clause 6.16 and 6.18 of these Regulations.

True Up in Control Period

6.16 The true up across various controllable parameters shall be conducted as per principles stated below: -

6.17 For controllable parameters,

(a) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(b) at the end of the control period –

(i) The Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) Depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the mid-term review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.

6.18 Notwithstanding anything contained in these Regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission."

2.4.3. Provisions of incentives on operational parameters in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010:

"Quality of Supply

7.41 The Commission shall monitor the following Quality of Supply parameters during the Control Period:

(a) Transmission System Availability;

(b) Transformer Failure, across various capacities which represents the number of transformer failures as a percentage of the total number of transformers in that specified capacity within the Transmission System, over a specified period of time.

7.42 The Transmission Licensee in its Business Plan filings shall submit and propose the trajectory for the achievement of quality targets. The Commission will specify the targets for each parameter. The Transmission

Licensee shall submit its performance on each parameter in the form and manner specified by the Commission..."

3. Section C : True-Up of ARR for FY 2013-14

3.1. Preamble

- 3.1.1. This section outlines the performance of the JUSNL for the FY 2013-14 (from 6th January 2013 to March 2014).
- 3.1.2. In line with the provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010, JUSNL hereby submits the True-up petition comparing the actual performance during FY 2013-2014 (from 6th January 2013 to March 2014) with the forecast approved by the Hon'ble Commission vide Multi Year Tariff Order case no. 3 of 2015 dated 14th December 2015.

3.2. True up of Aggregate Revenue Requirement of FY 2013-14 (6th January 2014)

- 3.2.1. JUSNL submits that the final transfer scheme was notified on 20th November 2015 vide Government of Jharkhand notification no. 2917 wherein separate balance sheet was notified by the Government of Jharkhand for all the four entities namely JBVNL, JUSNL, JUUNL and JUVNL.
- 3.2.2. The final transfer scheme with Gazette notification is attached as Annexure A. The opening balances for the period FY 2013-14 (from 6th January 2013 to March 2014) is based on the final transfer scheme notification as mentioned above and the transactions that are recorded in the period from 6th January 2014 to 31st March 2014.
- 3.2.3. The Hon'ble Commission has notified the Tariff Order dated 14th December 2015 wherein it has approved provisional numbers for FY 2013-14 for a period from 6th January 2014 to 31st March 2015. The actual expenses incurred by JUSNL in FY 2013-14 vis-à-vis the approved expenses are provided in this section.
- 3.2.4. Seeking approval of Trued-up components of ARR for FY 2013-14, JUSNL, submits this petition along with audited account placed at Annexure B.

3.3. Capital expenditure and Capitalization

- 3.3.1. JUSNL has considered the actual capital expenditure and capitalization that has incurred in the books of accounts for truing up of expenses for FY 2013-14.
- 3.3.2. The following are the provision of JSERC Tariff Regulations 2010 for truing up of capital expenditure and capitalization.

"6.17 (b) at the end of the control period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;.....

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission..."

- 3.3.3. As per the above provisions the Hon'ble Commission shall review the actual capitalization for truing up vis-à-vis approved capitalisation and accordingly provide for expenses such as depreciation, interest and return on equity.
- 3.3.4. The following table shows the capital expenditure and capitalization that has incurred during the year against the approved capital expenditure and capitalization.

Table 2: CWIP Capital Expenditure and Capitalization (Rs. Crores)

Particulars	Approved	Actual
Opening CWIP	209.14	482.01
Capital Expenditure during the year	263.14	3.94
Less: Asset Capitalized	-	1.40
Closing CWIP	472.28	484.55

** From 6th January 2014 to 31st March 2014*

- 3.3.5. The Commission in its Tariff Order had provisionally approved opening balance of CWIP at Rs. 209.14 Crores for FY 2013-14. The Opening balance was based on the closing balances for FY 2012-13 of erstwhile JSEB Transmission

function. The Commission had approved such opening balance in the absence of final transfer scheme notification.

- 3.3.6. However after notification of final transfer scheme the details of actual capital expenditure and capitalization is now available in the books of accounts of JUSNL.
- 3.3.7. In accordance with the same, it is submitted that JUSNL has incurred actual capital expenditure of Rs. 3.94 Crores and actual capitalization of Rs. 1.40 Crores for the period of 6th January 2014 to 31st March 2014 for FY 2013-14.
- 3.3.8. The Hon'ble Commission is therefore requested to kindly approve Rs. 3.94 Crores as capital expenditure and Rs. 1.40 Crores as capitalization for FY 2013-14 (from 6th January 2013 to March 2014) in line with the audited annual accounts of JUSNL.

3.4. Gross Fixed Asset

- 3.4.1. The Commission in its last tariff Order has determined the opening balance of GFA for FY 2013-14 for the transmission function of erstwhile JSEB based on the closing GFA for FY 2012-13 as per the audited accounts of FY 2012-13.
- 3.4.2. JUSNL has now claimed opening GFA as per the audited annual accounts for FY 2013-14 which is in line with the balance sheet notified in the final transfer scheme. The following table shows the opening and closing balance of GFA as per audited annual accounts and that approved by JSERC in last tariff Order.

Table 3: GFA for FY 2013-14 (Rs. Crores)

Particulars	Approved	Actual
Opening Gross Fixed Assets (GFA)	496.42	507.97
Addition in GFA	-	1.40*
Closing GFA	496.42	509.37
Less Accumulated Depreciation	200.17	193.84
Net Fixed Assets (NFA)	296.25	315.53

* From 6th January 2014 to 31st March 2014

3.4.3. The opening GFA claimed by JUSNL in this Petition is based on the audited annual accounts prepared on the basis of final transfer scheme notification.

3.4.4. The Commission is therefore requested to approve closing GFA of Rs. 509.37 Crores for FY 2013-14 as given the table above.

3.5. Operations and Maintenance expenses

3.5.1. The Operation and Maintenance (O&M) costs of the licensee include the following;

- Employee Expenses (EE)
- Administration and General Expenses (A&G)
- Repair and Maintenance expenses (R&M)

3.5.2. The O&M costs are mainly driven by the length of lines and number of Sub Stations. Employee costs constitute a major portion of the O&M expenses and the expenses include salaries of the staff, payments related to surrender leave, various medical allowances, leave travel allowances and other allowances.

3.5.3. The JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 define O&M expenses as follows.

"2.1 (47) Operation and Maintenance expenses" or "O&M expenses" means the expenditure incurred on operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

3.5.4. The Commission in its last tariff Order has considered the inflation factor by taking weighted average of the WPI and CPI for FY 2011-12 in the ratio 45:55, in accordance with the Transmission Tariff Regulations, 2010.

3.5.5. In case of employee and A&G cost, the Hon'ble Commission has taken into account the inflation factor derived on the basis of weighted average of the WPI and CPI and applied on the actual employee expenses of FY 2012-13. The cost was further apportioned in case of FY 2013-14 for the period of 85 days (from 6th January 2013 to March 2014)

- 3.5.6. For R&M expenses, the Commission has adopted the methodology as specified in the Tariff Regulations. The Commission considered k-Factor of 2.33% which was arrived using the ratio of R&M expenses to Opening GFA for FY 2011-12. The same k-Factor was applied on the opening GFA for FY 2013-14 for arriving at R&M expenses in the tariff order.
- 3.5.7. As per the prescribed Regulations O&M cost consist of the following parameters
“7.33 Operation and Maintenance (O&M) expenses shall comprise of the following:
(a) Salaries, wages, pension contribution and other employee costs;
(b) Administrative and General costs;
(c) Repairs and maintenance expenses; and
(d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax).....”
- 3.5.8. JUSNL now submits that the actual expenses for employee, A&G and R&M incurred during the year for claiming truing up of O&M expense for FY 2013-14 (from 6th January 2013 to March 2014)
- 3.5.9. The following table shows the approved O&M expenses vis-à-vis actual O&M expenses as per audited annual accounts for FY 2013-14.

Table 3: Operation and Maintenance Expense for FY 2013-2014 (Rs. Crores)*

Particulars	Approved	Actual
Employee Cost	7.34	12.33
Administrative and General Cost	1.62	1.48
Repairs and Maintenance Cost	2.69	20.12
Total Operations and Maintenance Cost	11.65	33.93

* From 6th January 2014 to 31st March 2014

- 3.5.10. Employee Expenses: There is an increase in employee cost mainly on account of increase in number of employees due to inclusion of some non- technical staffs from the JUVNL (holding company) to JUSNL (transmission utility. This has resulted into an increase in number of employees who started deriving their perks and salaries from JUSNL.

- 3.5.11. Further an increase in Dearness Allowance by 10% also resulted in to increase in employee expenses. The reasons listed for increase in employee cost are uncontrollable in nature and JUSNL is therefore claiming the entire deviation from the approved numbers in the truing up exercise.
- 3.5.12. The Hon'ble Commission is requested to kindly approve employee expenses of Rs. 12.33 Crores for FY 2013-14 (6th January onwards)
- 3.5.13. Administrative and General Expenses: The administrative and general expenses incurred during FY 2013-14 are very much in line with the expenses approved in last tariff order.
- 3.5.14. The Commission is therefore requested to kindly approve Rs. 1.48 Crores for administration and general expenses for FY 2013-14 (6th January 2014 onwards).
- 3.5.15. Repairs and Maintenance: It is submitted that JUSNL has incurred expenses worth Rs. 20.12 Crores for FY 2013-14 (85 days) as compared to Rs. 2.69 Crores approved by the Commission.
- 3.5.16. It is submitted that the repairs and maintenance expenses not just includes labour cost but also includes procurement cost of materials necessary for repairs. Therefore there is a huge deviation in the R&M cost that is approved and that has actually incurred in FY 2013-14.
- 3.5.17. Moreover the Commission had approved R&M expense for FY 2013-14 based on accounts of erstwhile JSEB for FY 2012-13 which is not the basis for accounting of actual expense of JUSNL.
- 3.5.18. The Commission is therefore requested to kindly approve Rs. 20.12 Crores as repairs and maintenance expenses for FY 2013-14 (from 6th January 2013 to March 2014).
- 3.5.19. The Commission is therefore requested to kindly approve Rs. 33.93 Crores as O&M expenses against Rs. 11.65 Crores approved by Commission in last tariff order.

3.6. Depreciation

- 3.6.1. The Hon'ble Commission has determined asset-wise depreciation with asset additions during the year considered as per the approved capitalisation for the year. The depreciation rates for the various asset classes have been considered as per the Transmission Tariff Regulations, 2010.
- 3.6.2. The existing Provisions for the calculation of depreciation of the GFA in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 provides the method for calculation of the Depreciation of GFA and it given as;

"7.24 Depreciation shall be calculated for each year of the Tariff period, on the amount of Capital Cost of the assets admitted by the Commission; Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant:

7.25 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

- 3.6.3. JUSNL has calculated depreciation in annual accounts based on the above mentioned provisions. Moreover the depreciation expenses are very much in line with the approved by the Hon'ble Commission in last tariff Order.
- 3.6.4. The following table shows the depreciation claimed by JUSNL against that approved by the Hon'ble Commission in last tariff order.

Table 4: Depreciation Expense for FY 2013-2014*

Particulars	Approved	Actual
Depreciation	7.5	6.15

* From 6th January 2014 to 31st March 2014

- 3.6.5. JUSNL requests the Hon'ble Commission to kindly approve the actual expense of Rs. 6.15 Crores which is borne in terms of depreciation expense for FY 2013-14 (from 6th January 2013 to March 2014)

3.7. Interest and Loan capital

- 3.7.1. The Commission in its previous Tariff Order had computed the interest on normative loan as per the appropriate Regulations specified in Transmission Tariff Regulations, 2010.
- 3.7.2. The opening balance of normative loan for FY 2013-14, has been considered as the closing balance of normative loan for the transmission function of erstwhile JSEB for FY 2012-13 and which is as per the audited accounts for FY 2012-13.
- 3.7.3. The repayments for the year were considered equal to depreciation and weighted average interest rate considered for FY 2013-14 is 13%
- 3.7.4. The relevant provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 provides the details and description of the calculation of the interest on loan capital.
- 3.7.5. JUSNL had claimed interest on loan of Rs. 0.27 Crores against the approved amount of Rs. 4.95 Crores. JUSNL submits that as per the final transfer scheme all the liabilities were taken over by the State Government and clean balance sheet were notified to individual Companies.
- 3.7.6. In view of the same, the interest expense is only for the duration of 85 days i.e for the period from 6th January 2013 to March 2014.
- 3.7.7. As specified above the Interest on loan for the FY 2013-14 (from 6th January 2013 to March 2014) has been calculated based on the outstanding loan balance of 85 days and the applicable interest rate. The following table shows the interest on loan claimed by JUSNL against that approved in last tariff order.

Table 5: Interest on Loan capital Expense for FY 2013-2014*

Particulars	Approved	Actual
Interest on Loan	4.95	0.27

* From 6th January 2014 to 31st March 2014

- 3.7.8. Hence JUSNL requests the Commission to approve the actual expense of Rs. 0.27 Crores in terms of total interest on loan expense for FY 2013-14 (from 6th January 2013 to March 2014)

3.8. Interest on Working Capital

- 3.8.1. The Commission had worked out interest on working capital based on the provisions of Tariff Regulations, 2010. The following extract shows the methodology for determination of interest on working capital.

"7.30 The Commission shall determine the Working Capital requirement containing the following components:

- (a) Maintenance spares @ 15% of the O&M expenses specified in clauses 7.33-7.36 of these Regulations;*
- (b) Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and*
- (c) Operation and Maintenance expenses for one month...."*

Interest on Working Capital

7.31 Rate of interest on working capital during Transition period shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on (i) April 1, 2011 or April 1 of the year in which the Transmission System is declared under commercial operation, whichever is later for FY2011-12 and (ii) April 1, 2012 or April 1 of the year in which the Transmission System is declared under commercial operation, whichever is later for FY2012-13.

During Control Period rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on April 1, 2013 or April 1 of the year in which the Transmission System, is declared under commercial operation.

7.32 The interest on working capital shall be payable on normative basis notwithstanding that the Transmission Licensee has not taken working capital loan from any outside agency....”

- 3.8.2. JUSNL has calculated interest on working capital based on the provisions prescribed above in Tariff Regulations, 2010. JUSNL has taken maintenance spares at 15% of actual O&M expenses as claimed in this Petition for FY 2013-14.
- 3.8.3. Further O&M expenses of one month is considered and receivables equivalent to ARR for FY 2013-14 has been considered. The interest rate considered is the SBI PLR rate as on April 1 for the respective year.
- 3.8.4. The following table shows the calculation of interest on working capital for FY 2013-14 vis-a-vis approved by the Hon'ble Commission in last tariff order

Table 6: Interest on Working Capital Expense for FY 2013-2014

Particulars	Approved	Normative
O&M expenses for one month	4.17	11.82
Maintenance Spares (15% of O&M Expense)	7.51	21.28
Receivables equivalent to 2 months of transmission charges	21.14	40.26
Total Working Capital Requirement	32.82	73.36
Interest Rate	14.45%	14.45%
Interest on Working Capital	4.74	10.6
Interest on Working Capital for Company Period*	1.10	2.47

* From 6th January 2014 to 31st March 2014

- 3.8.5. Hence JUSNL requests the Commission to approve the normative expenses of Rs. 2.47 Crores on account of interest on working capital as per the notified Tariff Regulations of JSERC.

3.9. Return on Equity

- 3.9.1. Hon'ble Commission in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 contains the following provisions regarding the Return on Equity:

"7.12 Return on equity shall be computed on pre-tax basis at the base rate of 15.50% to be grossed up as per clause 7.13 of these Regulations.

The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate applicable to the Transmission Licensee as per details shown as under

(i) Transition period: Base rate to be grossed by the applicable tax rate for the Year 2010-11 for filing of ARR in FY2011-12 and applicable tax rate for the Year 2011-12 for filing of ARR in FY2012-13.

(ii) MYT period: Base rate to be grossed by the applicable tax rate for the Year 2012-13.

Provided that return on equity with respect to the actual tax rate applicable to the Transmission Licensee, in line with the provisions of the relevant Finance Acts of the respective year during the Control period shall be trued up separately for each year of the Control period along with the tariff petition filed for the next Control period.

7.14 Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

Rate of pre-tax return on equity = Base rate / (1-t)

Where 't' is the applicable tax rate....."

- 3.9.2. JUSNL has computed Return on Equity based on the provisions prescribed above in the JSERC Tariff Regulations, 2010. JUSNL has considered opening balance of equity as Nil due to formation of new company. The equity additions during the year is considered as Rs. 972.29 Crores which is as per the final transfer scheme notification by the State Government.
- 3.9.3. JUSNL has worked out average equity balance based on the opening and the equity addition during the year. The applicable return on equity has been considered on average equity balance of JUSNL.

Table 7: Return on Equity Expense for FY 2013-2014*

Particulars	Approved	Actual
Opening Equity	148.93	NIL
Equity Additions during the year	0.00	972.29
Closing Equity	148.93	972.29
Rate of Return on Equity	15.50%	15.50%
Return on Equity	5.38	17.55
Return on Equity	5.38	17.55

* From 6th January 2014 to 31st March 2014

- 3.9.4. Hence JUSNL requests the Hon'ble Commission to approve the return of equity of Rs. 17.55 Crores for 2013-14 (from 6th January 2013 to March 2014).

3.10. Non-Tariff Income

- 3.10.1. The following are the provisions for the computation of the Non-Tariff Income for the transmission Utility as notified by the Hon'ble JSERC in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 that briefs about the Non-tariff Income.

"7.38 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, miscellaneous receipts from the Beneficiaries and income to Licensed business from the Other

Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee....”

- 3.10.2. In line with the above Regulations JUSNL has claimed Non-Tariff Income of Rs. 1.98 Crores as against the approved value of Rs. 1.04 Crores in last tariff Order

Table 8: Non-Tariff Income Expense for FY 2013-2014*

Particulars	Approved	Actual
Non-Tariff Income	1.04	1.98

* From 6th January 2014 to 31st March 2014

- 3.10.3. Hence JUSNL requests the Hon'ble Commission to approve the actual non-tariff income of Rs. 1.98 Crores for FY 2013-14 (from 6th January 2013 to March 2014)

3.11. Aggregate Revenue Requirement

- 3.11.1. This section details out the comparison of the different components of the Aggregate Revenue Requirement as approved by the Hon'ble Commission in its order dated 14th Dec'15 vis-à-vis the audited accounts for the FY 2013-2014 (from 6th January 2013 to March 2014).
- 3.11.2. The following table shows the summary of expenses that are discussed in the above sections of this chapter.

Table 9: Average Revenue Requirement Expense for FY 2013-2014*

Particulars	FY 2013-2014*	
	Approved	Actual
Employee Cost	7.34	12.33
Administrative and General Cost	1.62	1.48
Repairs and Maintenance Cost	2.69	20.12
Total Operations and Maintenance Cost	11.65	33.93

Interest and Finance Charges	4.95	0.27
Interest on Working Capital	1.1	2.47
Depreciation	7.5	6.15
Total Cost	25.2	42.82
Add: Return on Equity	5.38	17.55
Less: Non-Tariff income	1.04	1.98
Aggregate Revenue Requirement	29.54	58.39

* From 6th January 2014 to 31st March 2014

3.11.3. Hon'ble JSERC is therefore requested to approve actual expenses for FY 2013-14 (from 6th January 2013 to March 2014) which stand at Rs. 58.39 Crores as against Rs. 29.54 Crores approved in last tariff order.

3.12. Revenue from Existing Tariff

3.12.1. The following table shows the comparison of approved revenue for FY 2013-14 against the actual revenue earned during FY 2013-14 as per audited annual accounts.

Table 10: Revenue at Existing Tariff for FY 2013-2014 (Rs. Crores)*

Particulars	Approved	Actual
Revenue at Existing Tariff	32.91	31.40

3.12.2. The Hon'ble Commission is therefore requested to approve the revenue of Rs. 31.40 Crores as against Rs. 32.91 Crores approved in last tariff Order for FY 2013-14 (from 6th January 2013 to March 2014).

3.13. Sharing of Gains and Losses for FY 2013-14

3.13.1. Regulation 6.16, 6.17 and 6.18 provides for sharing of gains and losses on account of approved and actual expenses for each year of the Control Period. The relevant extracts are as given below.

"6.16 The true up across various controllable parameters shall be conducted as per principles stated below: ...

-6.17 For controllable parameters,

(a) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(b) at the end of the control period -

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.

6.18 Notwithstanding anything contained in these Regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.

3.13.2. Based on the above provisions, JUSNL has carried out sharing of gains and losses on account of controllable/uncontrollable parameters for arriving at True Up amount of FY 2013-14.

Table 11: Sharing of Gains and Losses for FY 2013-14 (Rs. Crores)*

Particulars	FY 2013-2014*			
	Approved	Actual	Gains	Losses
Employee Cost	7.34	12.33		4.99
Administrative and General Cost	1.62	1.48	0.14	
Repairs and Maintenance Cost	2.69	20.12		17.43

Interest and Finance Charges	4.95	0.27	4.68	
Interest on Working Capital	1.1	2.47		1.37
Depreciation	7.5	6.15	1.35	
Return on Equity	5.38	17.55		12.17
Non-Tariff income	1.04	1.98	0.94	
ARR	29.54	58.39		28.85
Revenue at Existing Tariff	32.91	31.40		1.51
Gap (surplus)	(3.37)	26.99		30.36

- 3.13.3. As seen from the above table, the overall gap for FY 2013-14 is arrived at Rs. 26.99 Crores against surplus of Rs. 3.37 Crores. JUSNL therefore is in a deficit of Rs. 30.36 Crores
- 3.13.4. The Hon'ble Commission is therefore requested to approve revenue gap of Rs. 30.36 Crores for FY 2014-14 (from 6th January 2013 to March 2014) on account of final true up.

4. Section D : True-Up OF ARR FOR THE FY 2014-15

4.1. Preamble

- 4.1.1. This section outlines the performance of the JUSNL for the FY 2014-15
- 4.1.2. In line with the provisions of the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010, JUSNL hereby submits the True-up petition comparing the actual performance during FY 2014-2015 with the forecast approved by the Hon'ble Commission vide Multi Year Tariff Order case no. 03 of 2015 dated 14th December 2015.

4.2. True up of Aggregate Revenue Requirement of FY 2014-15

- 4.2.1. JUSNL submits that the final transfer scheme was notified on 20th November 2015 vide Government of Jharkhand notification no. 2917 wherein separate balance sheet was notified by the Government of Jharkhand for all the four entities namely JBVNL, JUSNL, JUUNL and JUVNL
- 4.2.2. The final transfer scheme with Gazette notification is attached as Annexure A. The opening balances for the period FY 2013-14 (from 6th January 2013 to March 2014) is based on the final transfer scheme notification as mentioned above and the transactions that are recorded in the period from 6th January 2014 to 31st March 2014.
- 4.2.3. The closing balances of FY 2013-14 (from 6th January 2013 to March 2014) have become the opening balances for FY 2014-15. JUSNL has considered the audited annual accounts for FY 2014-15 for Truing up of expenses.
- 4.2.4. The Hon'ble Commission has approved Tariff Order dated 14th December 2015 wherein it has approved provisional numbers for FY 2014-15 for a period of 1st April 2014 to 31st March 2015. JUSNL has trued up expenses for FY 2014-15 in comparison with these approved numbers.
- 4.2.5. The audited annual account for FY 2014-15 is attached as Annexure C.

4.3. Capital expenditure and Capitalization

4.3.1. JUSNL has considered the actual capital expenditure and capitalization that has incurred in the books of accounts for truing up of expenses for FY 2014-15.

4.3.2. The following are the provision of JSERC Tariff Regulations 2010 for truing up of capital expenditure and capitalization.

"6.17 (b) at the end of the control period -

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;.....

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission..."

4.3.3. As per the above provisions the Hon'ble Commission shall review the actual capitalization for truing up vis-à-vis approved and accordingly provide for expenses such as depreciation interest and return on equity.

4.3.4. The following table shows the capital expenditure and capitalization that has incurred during the year against the approved capital expenditure and capitalization.

Table 12: CWIP Capital Expenditure and Capitalization (Rs. Crores)

Particulars	Approved	Actual
Opening CWIP	472.28	484.55
Capital Expenditure during the year	346.74	389.74
Less: Asset Capitalized	289.42	557.17
Closing CWIP	529.60	3228.58

4.3.5. The Commission in its Tariff Order had provisionally approved opening balance of CWIP at Rs. 472.28 Crores for FY 2014-15. The Opening balance was based on the closing balances for FY 2013-14 approved in the last tariff Order. The Commission

had approved such opening balance in the absence of final transfer scheme notification.

4.3.6. However after notification of final transfer scheme the details of actual capital expenditure and capitalization is now available in the books of accounts of JUSNL.

4.3.7. In accordance with the same, it is submitted that JUSNL has incurred actual capital expenditure of Rs. 389.74 Crores and actual capitalization of Rs. 557.17 Crores for the period FY 2014-15.

4.3.8. The Hon'ble Commission is therefore requested to kindly approve Rs. 389.74 Crores as capital expenditure and Rs. 557.17 Crores as capitalization for FY 2014-15 in line with the audited annual accounts of JUSNL.

4.4. Gross Fixed Asset

4.4.1. The Commission in its last tariff Order has determined the opening balance of GFA for FY 2014-15 based on the closing balance approved for FY 2013-14 in last Tariff Order.

4.4.2. JUSNL has now claimed opening GFA as per the audited annual accounts for FY 2014-15 which is in line with the balance sheet for FY 2014-15 which is after consideration of final transfer scheme. The following table shows the opening and closing balance of GFA as per audited annual accounts and that approved by JSERC in last tariff Order.

Table 13: GFA for FY 2014-15 (Rs. Crores)

Particulars	Approved	Actual
Opening Gross Fixed Assets (GFA)	496.42	509.16
Addition in GFA	289.42	557.17
Closing GFA	785.84	1066.33
Less Accumulated Depreciation	241.75	342.83
Net Fixed Assets (NFA)	544.09	723.50

4.4.3. The opening GFA claimed by JUSNL in this Petition is based on the audited annual accounts prepared on the basis of final transfer scheme notification.

4.4.4. The Commission is therefore requested to approve closing GFA of Rs. 1066.33 Crores for FY 2014-15 as given the table above.

4.5. Operations and Maintenance expenses

4.5.1. The Operation and Maintenance (O&M) costs of the licensee include the following;

- Employee Expenses (EE)
- Administration and General Expenses (A&G)
- Repair and Maintenance expenses (R&M)

4.5.2. The O&M costs are mainly driven by the length of lines and number of Sub Stations. Employee costs constitute a major portion of the O&M expenses and the expenses include salaries of the staff, payments related to surrender leave, various medical allowances, leave travel allowances and other allowances.

4.5.3. The JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 define O&M expenses as follows.

“2.1 (47) Operation and Maintenance expenses” or “O&M expenses” means the expenditure incurred on operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads;

4.5.4. The Commission in its last tariff Order has considered the inflation factor by taking weighted average of the WPI and CPI for FY 2011-12 in the ratio 45:55, in accordance with the Transmission Tariff Regulations, 2010.

4.5.5. In case of employee and A&G cost, the Hon'ble Commission has taking into account the inflation factor derived on the basis of weighted average of the WPI and CPI and applied on approved O&M expenses for FY 2013-14.

4.5.6. For R&M expenses, the Commission has adopted the methodology as specified in the Tariff Regulations. The Commission considered k-Factor of 2.33% which was arrived using the ration of R&M expenses to Opening GFA for FY 2011-12. The same k-Factor was applied on the opening GFA for FY 2014-15 for arriving at R&M expenses.

4.5.7. As per the prescribed Regulations O&M cost consist of the following parameters

“7.33 Operation and Maintenance (O&M) expenses shall comprise of the following:

- (a) Salaries, wages, pension contribution and other employee costs;
(b) Administrative and General costs;
(c) Repairs and maintenance expenses; and
(d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax)....”

4.5.8. JUSNL now submits that the actual expenses for employee, A&G and R&M incurred during the year for claiming truing up of O&M expense for FY 2014-15.

4.5.9. The following table shows the approved O&M expenses vis-à-vis actual O&M expenses as per audited annual accounts for FY 2014-15.

Table 14: Operation and Maintenance Expense for FY 2014-2015 (Rs. Crores)

Particulars	Approved	Actual
Employee Cost	33.92	38.01
Administrative and General Cost	7.54	5.58
Repairs and Maintenance Cost	11.57	28.35
Total Operations and Maintenance Cost	53.03	71.94

4.5.10. Employee Expenses: There was increase in employee cost mainly on account of increase in number of employees again in FY 2014-15 due to transfer from holding Company.

4.5.11. Also the cascading effect of DA that was increased in FY 2013-14 by 10% and then further there was an increase again in FY 2014-15 by 10% which has resulted into a deviation of employee cost from the approved expenses.

4.5.12. The Hon'ble Commission is requested to kindly approve employee expenses of Rs. 38.01 Crores for FY 2014-15.

4.5.13. Administrative and General Expenses: The administrative and general expenses incurred during FY 2014-15 are very much in line with the expenses approved in last tariff order.

4.5.14. The Commission is therefore requested to kindly approve Rs. 5.58 Crores for administration and general expenses for FY 2014-15.

- 4.5.15. Repairs and Maintenance: JUSNL has submitted that Rs. 28.35 Crores is actual expenses incurred by JUSNL against that approved by Commission of Rs. 11.57 Crores.
- 4.5.16. JUSNL submits that the repairs and maintenance expenses include procurement expenses as well along with labour charges for repairs. The actual expenses are slightly higher than approved.
- 4.5.17. The Commission is therefore requested to kindly approve Rs. 28.35 Crores as repairs and maintenance expenses for FY 2014-15.
- 4.5.18. The Commission is therefore requested to kindly approve Rs. 71.94 Crores as O&M expenses against Rs. 53.03 Crores approved by Commission in last tariff order.

4.6. Depreciation

- 4.6.1. The Hon'ble Commission has determined asset-wise depreciation with additions in asset during the year considered as per the approved capitalisation for the year. The depreciation rates for the various asset classes have been considered as per the Transmission Tariff Regulations, 2010.
- 4.6.2. The existing Provisions for the calculation of depreciation of the GFA in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 provides the method for calculation of the Depreciation of GFA and it given as;

"7.24 Depreciation shall be calculated for each year of the Tariff period, on the amount of Capital Cost of the assets admitted by the Commission; Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant:

7.25 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

- 4.6.3. JUSNL has calculated depreciation in annual accounts based on the above mentioned provisions. Moreover the depreciation expenses are very much in line with the approved by the Hon'ble Commission in last tariff Order.
- 4.6.4. The following table shows the depreciation claimed by JUSNL against that approved by the Hon'ble Commission in last tariff order.

Table 15: Depreciation Expense for FY 2014-2015

Particulars	Approved	Actual
Depreciation	41.58	55.18

- 4.6.5. The depreciation expenses is increased on account of capitalization incurred during FY 2014-15. The Commission had approved capitalization of Rs. 289.42 Crores and in accordance with that approved depreciation of Rs. 41.58 Crores.
- 4.6.6. However the actual capitalization that has incurred during FY 2014-15 is Rs. 557.17 Crores which has resulted into increase in depreciation as compared to approved. The depreciation has been calculated in accordance with the methodology specified in the Regulations and as per rates notified.
- 4.6.7. JUSNL therefore requests the Hon'ble Commission to kindly approve the actual expense of Rs. 55.18 Crores which is borne in terms of depreciation expense for FY 2014-15.

4.7. Interest and Loan capital

- 4.7.1. The Commission in its previous Tariff Order had computed the interest on normative loan as per the appropriate Regulations specified in Transmission Tariff Regulations, 2010.
- 4.7.2. The opening balance of normative loan for FY 2014-15, the Commission has considered the closing balance of normative loan for FY 2013-14 approved in last Tariff Order.
- 4.7.3. The repayments for the year were considered equal to depreciation and weighted average interest rate considered for FY 2014-15 is 13%
- 4.7.4. The provisions for the calculations of the Interest on Loan capital in the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 provides the details and description of the calculation of the interest on loan capital
- 4.7.5. JUSNL had claimed interest on loan of Rs. 0.27 Crores against that approved amount of Rs. 4.95 Crores. JUSNL submit that as per the final transfer scheme

all the liabilities were taken over by the State Government and clean balance sheet were notified to individual Companies.

4.7.6. JUSNL had started its operations separately since 6th January 2014 with zero loan balance and therefore the interest claimed for FY 2014-15 is based on the outstanding loan for 85 days of FY 2013-14 and entire year of FY 2014-15. The Hon'ble Commission however has approved interest based on annual accounts of erstwhile JSEB for FY 2012-13 and addition of normative loan based on capitalization

4.7.7. Therefore there is a reduction of interest expenses for FY 2014-15 as compared to approved in last tariff Order. The following table shows the interest on loan claimed by JUSNL against that approved in last tariff order.

Table 16: Interest on Loan capital Expense for FY 2014-2015

Particulars	Approved	Actual
Interest on Loan	29.62	17.10

4.7.8. Hence JUSNL requests the Commission to approve the actual expense of Rs. 17.10 Crores in terms of total interest on loan expense for FY 2014-15.

4.8. Interest on Working Capital

4.8.1. The Commission had worked out interest on working capital based on the provisions of Tariff Regulations in last tariff order. The following extract shows the methodology for determination of interest on working capital.

"7.30 The Commission shall determine the Working Capital requirement containing the following components:

Maintenance spares @ 15% of the O&M expenses specified in clauses 7.33-7.36 of these Regulations;

Receivables equivalent to two months of transmission charges calculated on Target Availability Level; and

Operation and Maintenance expenses for one month...."

Interest on Working Capital

7.31 Rate of interest on working capital during Transition period shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on (i) April 1, 2011 or April 1 of the year in which the Transmission System is declared under commercial operation, whichever is later for FY2011-12 and (ii) April 1, 2012 or April 1 of the year in which the Transmission System is declared under commercial operation, whichever is later for FY2012-13.

During Control Period rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on April 1, 2013 or April 1 of the year in which the Transmission System, is declared under commercial operation.

7.32 The interest on working capital shall be payable on normative basis notwithstanding that the Transmission Licensee has not taken working capital loan from any outside agency....”

4.8.2. JUSNL has calculated interest on working capital based on the provisions prescribed as above in Tariff Regulations, 2010. JUSNL has taken maintenance spares at 15% of actual O&M expenses as claimed in this Petition for FY 2014-15.

4.8.3. Further O&M expenses of one month is considered and receivables equivalent to ARR for FY 2014-15 has been considered. The interest rate considered is the SBI PLR rate as on April 1 for the respective year.

4.8.4. The following table shows the calculation of interest on working capital for FY 2014-15 vis-a-vis approved by the Hon'ble Commission in last tariff order.

Table 17: Interest on Working Capital Expense for FY 2014-2015

Particulars	Approved	Actual
O&M expenses for one month	4.42	6.00
Maintenance Spares (15% of O&M Expense)	7.95	10.79
Receivables equivalent to 2 months of transmission charges	25.81	43.47
Total Working Capital Requirement	38.19	60.27
Interest Rate	14.75%	14.75%
Interest on Working Capital	5.64	8.89

4.8.5. Hence JUSNL requests the Commission to approve the normative expenses of Rs. 8.89 Crores on account of interest on working capital as per the notified Tariff Regulations of JSERC.

4.9. Return on Equity

4.9.1. Hon'ble Commission in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 briefs about the calculations of the Return on Equity, which goes in the following manner

"7.12 Return on equity shall be computed on pre-tax basis at the base rate of 15.50% to be grossed up as per clause 7.13 of these Regulations.

The rate of return on equity shall be computed by grossing up the base rate with the normal tax rate applicable to the Transmission Licensee as per details shown as under

(i) Transition period: Base rate to be grossed by the applicable tax rate for the Year 2010-11 for filing of ARR in FY2011-12 and applicable tax rate for the Year 2011-12 for filing of ARR in FY2012-13.

(ii) MYT period: Base rate to be grossed by the applicable tax rate for the Year 2012-13.

Provided that return on equity with respect to the actual tax rate applicable to the Transmission Licensee, in line with the provisions of the relevant Finance Acts of the respective year during the Control period shall be trued up separately for each year of the Control period along with the tariff petition filed for the next Control period.

7.14 Rate of return on equity shall be rounded off to three decimal points and be computed as per the formula given below:

$$\text{Rate of pre-tax return on equity} = \text{Base rate} / (1-t)$$

Where 't' is the applicable tax rate....."

4.9.2. JUSNL has computed Return on Equity based on the provisions prescribed above in the JSERC Tariff Regulations, 2010. JUSNL has considered opening balance of equity as Rs. 972.29 Crores which was the closing balance of FY 2013-14. There were no equity additions during the year and therefore return on equity is calculated on the same amount.

4.9.3. JUSNL has worked out average equity balance based on the opening and the equity addition during the year. The applicable return on equity has been considered on average equity balance of JUSNL.

Table 18: Return on Equity Expense for FY 2013-2014*

Particulars	Approved	Actual
Opening Equity	148.93	972.29
Equity Additions during the year	86.83	-
Closing Equity	235.75	972.29
Rate of Return on Equity	15.50%	15.50%

Return on Equity	29.81	150.70
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4.9.4. Hence JUSNL requests the Hon'ble Commission to approve the return of equity of Rs. 150.70 Crores for 2014-15.

4.10. Non-Tariff Income

4.10.1. The following are the provisions for the computation of the Non-Tariff Income for the transmission Utility is notified by the Hon'ble JSERC in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010 that briefs about the Non-tariff Income.

"7.38 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, miscellaneous receipts from the Beneficiaries and income to Licensed business from the Other Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee...."

4.10.2. In line with the above Regulations JUSNL has claimed Non-Tariff Income of Rs. 5.89 Crores as against approved number of Rs. 4.69 Crores in last tariff Order

Table 19: Non-Tariff Income Expense for FY 2014-2015

Particulars	Approved	Actual
Non-Tariff Income	4.69	5.89

4.10.3. Hence JUSNL requests the Hon'ble Commission to approve the actual non-tariff income of Rs. 5.89 Crores for FY 2014-15.

4.11. Prior Period Expenses

4.11.1. JUSNL submits that it has incurred prior period expenses of Rs. 6.63 Crores which has been recorded in the books of accounts of JUSNL.

4.11.2. The Hon'ble Commission is requested to kindly approve Rs. 6.63 Crores as an additional expense to ARR for FY 2014-15.

4.12. Aggregate Revenue Requirement

4.12.1. This section comprise of different components of the Aggregate Revenue Requirement as per the JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2010 and as audited accounts for the FY 2014-15.

4.12.2. The following table shows the summary of expenses that are discussed in the above sections of this chapter.

Table 20: Average Revenue Requirement Expense for FY 2014-2015

Particulars	FY 2014-2015	
	Approved	Actual
Employee Cost	33.92	38.01
Administrative and General Cost	7.54	5.58
Repairs and Maintenance Cost	11.57	28.35
Total Operations and Maintenance Cost	53.03	71.94
Interest and Finance Charges	29.62	17.10
Interest on Working Capital	5.64	8.89
Depreciation	41.58	55.18
Prior Period Expenses		6.63
Total Cost	129.87	159.74
Add: Return on Equity	29.81	150.7
Less: Non-Tariff income	4.69	5.89
Aggregate Revenue Requirement	154.99	304.55

4.12.3. Hon'ble JSERC is therefore requested to kindly approve ARR for FY 2014-15 at Rs. 304.55 Crores as against Rs. 154.99 Crores approved in last tariff order.

4.13. Revenue from Existing Tariff

4.13.1. The following table shows the comparison of approved revenue for FY 2014-15 against the actual revenue earned during FY 2014-15 as per audited annual accounts.

Table 21: Revenue at Existing Tariff for FY 2013-2014 (Rs. Crores)*

Particulars	Approved	Actual
Revenue at Existing Tariff	133.34	138.53

4.13.2. The Hon'ble Commission is therefore requested to kindly approve the revenue of Rs. 138.53 Crores as against Rs. 133.34 Crores approved in last tariff Order for FY 2014-15.

4.14. Sharing of Gains and Losses for FY 2014-15

4.14.1. Regulation 6.16, 6.17 and 6.18 provides for sharing of gains and losses on account of approved and actual expenses for each year of the Control Period. The relevant extracts are as given below.

"6.16 The true up across various controllable parameters shall be conducted as per principles stated below: ...

-6.17 For controllable parameters,

(a) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(b) at the end of the control period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

Provided that in case of any change to capital investment plan for the Control Period as per clause 6.12 of these Regulations, depreciation and financing cost shall be adjusted during the midterm review based on the actual capital expenditure, actual capitalisation and revised capital investment plan (capital expenditure and capitalisation schedule) approved by the Commission.

6.18 Notwithstanding anything contained in these Regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.

4.14.2. Based on the above provisions, JUSNL has carried out sharing of gains and losses on account of controllable/uncontrollable parameters for arriving at True Up amount of FY 2014-15.

Table 22: Sharing of Gains and Losses for FY 2014-15 (Rs. Crores)*

Particulars	FY 2014-2015			
	Approved	Actual	Gains	Losses
Employee Cost	33.92	38.01		4.09
Administrative and General Cost	7.54	5.58	1.96	
Repairs and Maintenance Cost	11.57	28.35		16.78
Interest and Finance Charges	29.62	17.1	12.52	
Interest on Working Capital	5.64	8.89		3.25
Depreciation	41.58	55.18		13.6
Prior Period Expenses		6.63		6.63
Return on Equity	29.81	150.7		120.89
Non-Tariff income	4.69	5.89	1.20	
ARR	154.99	304.55		149.56
Revenue at Existing Tariff	133.34	138.53	5.19	
Gap (surplus)	34.70	166.02		131.32

4.14.3. As seen from the above table, the overall gap for FY 2014-15 is arrived at Rs. 166.02 Crores against gap of Rs. 34.70 Crores. JUSNL therefore is in a deficit of Rs. 131.32 Crores.

The Hon'ble Commission is therefore requested to kindly approved revenue gap of Rs. 131.32 Crores for FY 2014-15 on account of final true up for FY 2014-15.

4.15. Revenue Gap with carrying cost

4.15.1. The Commission is requested to allow revenue gap for FY 2013-14 and FY 2014-15 after truing up of expenses along with carrying cost considered as prescribed in the Regulations.

4.15.2. The relevant extract of JSERC MYT Regulations, 2010 is as follows

"6.20 Similarly, in case the Tariff already recovered is less than the Tariff determined after true up, the Transmission Licensee shall recover from the Long-term transmission Beneficiaries, the under recovered amount along with simple interest at the rate equal to short term prime lending rate of State Bank of India as on 1st April of the respective Year/ Years subject to adhering to the timelines specified by the Commission for filing of True-up Application. In case, it is found that the filing of True-up is delayed due to the reasons attributable to the Transmission Licensee, the under recovery shall not bear any interest.

4.15.3. In accordance with the above Regulations, the following table shows the Revenue gap which is to be passed on along with carrying cost in subsequent Tariff Order of JSERC

Table 23: Revenue Gap along with carrying cost (Rs. Crores)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Opening balance of Revenue Gap	0	32.55	178.36	204.67
Addition of Revenue Gap after truing up	30.36	131.32	0	0

Closing balance of Revenue Gap	30.36	163.87	178.36	204.67
SBI PLR Rate	14.45%	14.75%	14.75%	14.05%
Carrying Cost on Revenue Gap	2.19	14.49	26.31	28.75
Total Revenue Gap including carrying cost	32.55	178.36	204.67	233.42
Cumulative Revenue gap				233.42

4.15.4. The Hon'ble Commission is therefore requested to kindly allow cumulative gap of Rs. 233.42 Crores on truing up of FY 2013-14 and FY 2014-15 till the end of FY 2016-17 along with carrying cost as prescribed in the Regulations.

5. Section E : Prayers to the Commission

5.1. Prayers to the Commission

5.1.1. The following are the list of prayers that have been put forth by JUSNL in front of the Hon'ble Commission.

1. Admit this True-Up Petition for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 in accordance with the principles outlined in JSERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2010.
2. Grant an expeditious hearing of this Petition.
3. Approve the True-Up for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 to the extent claimed by the Petitioner in accordance with the submissions and rationale submitted in this Petition.
4. Approve cumulative revenue gap of Rs. 233.42 Crores for FY 2013-14 and FY 2014-15 along with carrying cost till date in the subsequent Tariff Order to be issued by the Commission for JUSNL.
5. Issue appropriate directives for making applicable the Tariff determined for past period.
6. Condone any inadvertent omissions/errors/rounding off differences/shortcomings/deficiencies in the Petition and permit the Petitioner to add/modify/alter this filing and make further submissions as may be required at a future date.
7. Pass such further and other Orders, as the Hon'ble Commission may deem fit and appropriate, keeping in view the facts and circumstances of the Case.