GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2014-15,

Approval of Provisional ARR for FY 2016-17 and

Determination of Tariff for FY 2016-17

For

Madhya Gujarat Vij Company Limited (MGVCL)

Case No. 1549 of 2015

31st March, 2016

6th Floor, GIFT ONE, Road 5C, GIFT CITY
Gandhinagar-382 335 (Gujarat), INDIA
Phone: +91-79-23602000 Fax: +91-79-23602054/55
E-mail: gerc@gercin.org : Website www.gercin.org

सत्यमेव जयते

GUJARAT ELECTRICITY REGULATORY COMMISSION (GERC)

GANDHINAGAR

Tariff Order

Truing up for FY 2014-15,

Approval of Provisional ARR for FY 2016-17 and

Determination of Tariff for FY 2016-17

For

Madhya Gujarat Vij Company Limited (MGVCL)

Case No. 1549 of 2015

31st March, 2016

CONTENTS

LIST OF TABLES

ABBREVIATIONS

A&G	Administration and General Expenses
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
Control Period	FY 2011-12 to FY 2016-17
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
EA	Electricity Act, 2003
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension Power
MGVCL	Madhya Gujarat Vij Company Limited
MTR	Mid-term Review
MUs	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi-Year Tariff
O&M	Operations and Maintenance
p.a.	Per Annum
PF	Power Factor
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
R&M	Repairs and Maintenance
RLDC	Regional Load Despatch Centre
SBI	State Bank of India
SLDC	State Load Despatch Centre
UGVCL	Uttar Gujarat Vij Company Limited
WRLDC	Western Regional Load Despatch Centre

Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1549 of 2015

Date of the Order: 31/03/2016

CORAM

Shri K. M. Shringarpure, Member

Shri P. J. Thakkar, Member

ORDER

1. Background and Brief History

1.1 Background

Pursuant to the Commission's Order dated 2nd December, 2015 in the Suo Motu Petition No. 1534 of 2015, Madhya Gujarat Vij Company Limited (hereinafter referred to as MGVCL, or Petitioner) filed its petition on 8th December, 2015 under Section 62 of the Electricity Act, 2003, read in conjunction with the applicable Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011, for True-up of FY 2014-15, and determination of Tariff for FY 2016-17.

The Commission admitted the petition on 17th December, 2015 as Case No. 1549/2015.

1.2 Madhya Gujarat Vij Company Limited (MGVCL)

Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies. The seven successor companies are listed below

Generation Gujarat State Electricity Corporation Limited (GSECL)

Transmission Gujarat Energy Transmission Corporation Limited (GETCO)

Distribution Companies:

Sl. No	Name of Company
1	Dakshin Gujarat Vij Company Limited (DGVCL)
2	Madhya Gujarat Vij Company Limited (MGVCL)
3	Uttar Gujarat Vij Company Limited (UGVCL)
4	Paschim Gujarat Vij Company Limited (PGVCL)

Gujarat Urja Vikas Nigam Limited (GUVNL), a holding company of the above named 6 subsidiary companies responsible for purchase of electricity from various sources and supply to Distribution Companies and also other activities including trading of electricity.

Government of Gujarat, vide Notification dated 3rd October, 2006, notified the final opening balance sheets of the transferee companies as on 1st April, 2005. The value of assets and liabilities, which stand transferred from the erstwhile Gujarat Electricity Board to the transferee companies, include Madhya Gujarat Vij Company Limited (MGVCL). Assets and liabilities (gross block, loans and equity), as on the date mentioned in the Notification, have been considered by the Commission, in line with the Financial Restructuring Plan (FRP), as approved by Government of Gujarat.

1.3 Commission’s Orders for the second Control period

MGVCL filed its petition under the Multi-Year Tariff Framework for the control period FY 2011-12 to FY 2015-16 on 12th May, 2011, in accordance with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011.

The Commission, in exercise of the powers vested in it under Sections 61, 62 and 64 of the Electricity Act, 2003, and all other powers enabling it in that behalf, and after taking into consideration the submissions made by MGVCL, the objections by various stakeholders, response of MGVCL, issues raised during public hearing and all other relevant material, issued the Multi-Year Tariff Order on 6th September, 2011 for the control period from FY 2011-12 to FY 2015-16, based on the GERC (MYT) Regulations, 2011.

The Commission issued the orders for truing up for FY 2010-11 and determination of Tariff for FY 2012-13 on 2nd June, 2012.

The Commission issued the order for truing up for FY 2011-12 and determination for Tariff for FY 2013-14 on 16th April 2013.

1.4 Commission's Orders for Mid-term Review of Business plan for MGVCL

MGVCL filed its petition for Mid-term Review of Business Plan and revision of ARR for balance years i.e. FY 2014-15 and FY 2015-16 of the control period in terms of Regulation 16.2 (i) of GERC (MYT) Regulations, 2011.

The Commission in exercise of the powers vested in it under Sections 61, 62 and 64 of the Electricity Act, 2003 and all other powers enabling it in that behalf and after taking into consideration the submissions made by MGVCL, the objections raised by various stakeholders, response of MGVCL, issues raised during public hearing and all other relevant material, approved the revised ARR for FY 2014-15 and FY 2015-16 in the Mid-term Review of Business Plan for MGVCL on 29th April, 2014.

The Commission issued the order for truing up for FY 2012-13 and determination of Tariff for FY 2014-15 on 29th April, 2014.

The Commission issued the order for truing up for FY 2013-14 and Tariff for FY 2015-16 on 31st March, 2015.

1.5 Back ground for the present Petition

The Commission in its order dated 2nd December, 2015, in the Suo Motu Petition No. 1534/2015 decided that the approved ARR of FY 2015-16 of the licensees /

generating companies concerned be considered as provisional ARR of the licensees / generating companies for FY 2016-17.

The Commission also decided that the licensees / generating companies shall file the ARR for FY 2016-17 based on the MYT Regulations for FY 2016-17 to FY 2020-21 and the true up for the same shall also be governed as per the new MYT Regulations. It is also decided that the licensees / generating companies shall file the petition for determination of ARR and tariff for FY 2016-17 and true up for FY 2014-15 within 3 weeks from the date of issuance of this order for Commission's consideration and decision.

MGVCL has accordingly filed a petition for True Up for FY 2014-15 and approval of provisional Tariff for FY 2016-17 with the Commission for approval.

1.6 Admission of the Current Petition and Public Hearing Process

MGVCL submitted the current petition for 'Truing up' of FY 2014-15 and determination of tariff for FY 2016-17 on 8th December, 2015. The Commission admitted the petition (Case No. 1549/2015) on 17th December, 2015.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed MGVCL to publish its application in the abridged form to ensure public participation. The public notice, inviting objections / suggestions from its stakeholders on the petition, was published in the following newspapers on 23rd December, 2015.

Sl. No.	Name of the Newspaper	Language	Date of Publication
1	The Indian Express	English	23/12/2015
2	Sandesh	Gujarati	23/12/2015

The Petitioner has also placed the public notice and the petition on its website for inviting objections and suggestions on the petition.

The interested parties / stakeholders were asked to file their objections / suggestions on the petition on or before 22nd January, 2016.

The Commission received objections / suggestions from 8 consumers / consumer organizations. The Commission examined the objections / suggestions received and scheduled a public hearing for MGVCL on 12th February, 2016 at the Commission's Office at Gandhinagar and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The public hearing was conducted in Commission's Office in Gandhinagar on the above date.

The names of the stakeholders who filed their objections and the objectors who participated in the public hearing for presenting their objections are given below:

Sl. No.	Name of Stakeholders	Participated in the Public Hearing
1.	Western Railways	Yes
2.	Shri Vijay Patel	No
3.	Shri H.J. Patel	No
4.	Consumer Education and Research Society (CERS)	Yes
5.	Indus Towers	Yes
6.	Laghu Udyog Bharati - Gujarat	Yes
7.	Utility Users' Welfare Association (UUWA)	Yes
8.	Gujarat Chamber of Commerce & Industry	Yes

Apart from above, Shri Amarsinh Chavda was also present during the hearing and submitted his objections / suggestions.

Main issues raised by the objectors in the submissions with respect to the petition along with the response of MGVCL and the Commission's views on the response are given in Chapter 3.

1.7 Contents of this Order

The order is divided into nine chapters:

1. The **first** chapter provides a brief background regarding the Petitioner, the petition on hand and details of the public hearing process and the approach adopted in this Order.
2. The **second** chapter outlines a summary of MGVCL's submission.
3. The **third** chapter deals with the public hearing process, including the objections raised by various stakeholders, MGVCL's response and the Commission's views on the response.
4. The **fourth** chapter focuses on the details of truing up for FY 2014-15.
5. The **fifth** chapter deals with the determination of tariff for FY 2016-17.
6. The **sixth** chapter deals with the FPPPA charges.
7. The **seventh** chapter deals with wheeling charges and cross-subsidy surcharge.

8. The **eighth** chapter deals with compliance of directives and issue of fresh directives.
9. The **ninth** chapter deals with the tariff philosophy and tariff proposals for FY 2016-17.

1.8 Approach of this Order

MGVCL has approached the Commission with the present petition for 'truing up' for the FY 2014-15 and determination of tariff for the FY 2016-17.

The Commission has undertaken truing up for the FY 2014-15, including computation of gains and losses for the FY 2014-15, based on the submissions of the petitioner and the audited annual accounts of the petitioner.

While truing up of FY 2014-15, the Commission has been primarily guided by the following principles:

1. Controllable parameters have been considered at the level of approval under the MTR order, unless the Commission considers that there are valid reasons for revision of the same

2. Un-controllable parameters have been revised, based on the actual performance observed.

The truing up for the FY 2014-15 has been considered, based on the GERC (MYT) Regulations, 2011. For the determination of the ARR for FY 2016-17, the Commission has considered the ARR approved for FY 2015-16, as approved in the Mid-term Review order dated 29th April, 2014, as provisional ARR for FY 2016-17, in line with the Commission's Order dated 2nd December 2015 in the Suo Motu Petition No. 1534/2015.

2. A Summary of MGVCL's Petition

Madhya Gujarat Vij Company Limited (MGVCL) submitted the details of True-up for FY 2014-15 and revenue estimates for FY 2016-17 on 8th December, 2015.

2.1 Actuals for FY 2014-15 Submitted by MGVCL

The details of expenses under various components of ARR for FY 2014-15 are given in Table 2.1 below:

Table 2.1: Actuals Submitted by MGVCL for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved in MTR Order	Claimed in truing up
1	Cost of Power Purchase	3,796.61	4,207.82
2	Operations and Maintenance Expenses	341.22	419.66
2.1	Employee Cost	306.42	320.71
2.2	Repairs and Maintenance Expenses	45.09	51.53
2.3	Administration and General Expenses	62.71	60.13
2.4	Other Debits	-	73.12
2.5	Extraordinary Items	-	-
2.6	Net Prior Period Expenses / (Income)	-	0.02
2.7	Other Expenses Capitalised	(73.00)	(85.84)
3	Depreciation	165.82	180.21
4	Interest & Finance Charges	80.54	69.29
5	Interest on Working Capital	-	-
6	Provision for Bad Debts	-	4.14
7	**Sub-Total [1 to 6]**	**4,384.19**	**4,881.13**
8	Return on Equity	87.55	96.58
9	Provision for Tax / Tax Paid	2.11	8.25
10	**Total Expenditure (7 to 9)**	**4,473.85**	**4,985.95**
11	Less: Non-Tariff Income	144.79	149.48
12	**Aggregate Revenue Requirement (10 - 11)**	**4,329.06**	**4,836.47**

2.2 Summary of Projected Revenue Gap for FY 2016-17

Table below summarises the Aggregate Revenue Requirement projected in Mid-term Review of the Business Plan, the total revenue with the existing tariff and the proposed gap for FY 2016-17.

Table 2.2: ARR, Revenue and Gap for FY 2016-17

(Rs. Crore)

Sl. No.	Particulars	FY 2016-17 (Projected)
1	Aggregate Revenue Requirement	4,625.80
2	Revenue Gap from True up of FY 2014-15	20.77
3	Recovery of past year True-Up gap/(surplus) for FY 2009-10	47.00
4	Recovery of past year True-Up gap/(surplus) for FY 2010-11	32.06
5	DSM Programme Expenditure	25.00
6	**Total Aggregate Revenue Requirement (1 to 5)**	**4,750.63**

Sl. No.	Particulars	FY 2016-17 (Projected)
7	Revenue with Existing Tariff	3,665.35
8	FPPPA Charges @ 120 paisa/kWh	960.12
9	Other Income (Consumer related)	82.00
10	Agriculture Subsidy	82.00
11	**Total Revenue including subsidy (7 to 10)**	**4,789.47**
12	**Gap / (Surplus) (6 - 11)**	**(38.84)**

Considering the methodology adopted by the Commission to consider the current revenue gap/(surplus) as provisional and a fresh ARR for FY 2016-17 need to be submitted after the notification of new MYT Regulations, no tariff revision is provisionally proposed for FY 2016-17.

2.3 MGVCL's request to the Commission:

1. To admit this petition seeking True up of FY 2014-15 & Determination of Provisional ARR and Tariff for FY 2016-17.
2. To approve the True up for FY 2014-15 and allow sharing of gains/losses with the Consumers as per sharing mechanism prescribed in the MYT Regulations, 2011.
3. To consider approved True-Up parameters & ARR of GSECL, GETCO and SLDC while finalizing Tariff of the Petitioner.
4. Pass suitable orders for implementation of Tariff Proposal for FY 2016-17 for making it applicable from 1st April, 2016 onwards.
5. To approve the terms and conditions of Tariff and various other matters as proposed in this petition and proposed changes therein.
6. To allow further submissions, addition and alteration to this Petition as may be necessary from time to time.
7. To grant any other relief as the Commission may consider appropriate.
8. Pass any other Order as the Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.

3. Brief outline of objections raised, response from MGVCL and the Commission's View

3.0 Stakeholders' suggestions / objections, Petitioner's Response and Commission's observation

In response to the public notice, inviting objections / suggestions of the stakeholders on the petitions filed by DISCOMs for truing up of FY 2014-15 and determination of tariff for FY 2016-17, a number of consumers / consumer organisations filed their objections / suggestions. Some of these objectors participated in the public hearing also. Some of the objections are general in nature and some are specific to the proposals submitted by the petitioner for approval of True-up for FY 2014-15 and ARR and Tariff revision for FY 2016-17. It is also noted that many of the objections/ suggestions are common to all the four DISCOMs and some are specific to the concerned DISCOM. The objections / suggestions are segregated into two groups viz. common to all DISCOMs and specific to concerned DISCOM. The Commission has, therefore, addressed the objections / suggestions issue-wise rather than objector- wise.

3.1 Suggestions/Objections Common to all DISCOMs

Issue 1: Bi-monthly reading for residential consumers of all DISCOMs

Shri Vijay Patel has stated that GERC gives tariff schedule as per monthly usage of electric units. GERC gives unit slab price per monthly usage. DISCOMs take reading at every two months and makes bill every two months. So consumers get wrong energy charges. He requested to give order for two months' slab for residential consumers so that they can easily calculate the electricity bill.

Response of DISCOMs

The Commission specifies the tariff of various consumer categories on monthly basis. Distribution Licensee bills to the consumers either on monthly basis or bi-monthly basis. In case of the consumers being billed on monthly basis, tariff rates as decided by the Commission are applied and in case of the consumers being billed on bi-monthly basis, tariff rates specified on monthly basis are adjusted accordingly. For instance, energy charge determined for the consumption slab up to 50 units of consumption, in case of consumers being billed on bi-monthly basis the same energy charge as determined for consumption up to 50 units is applied for 100 units of consumption.

Commission's Observation

The Commission has given Tariff schedule for billing on monthly basis. If any DISCOM bills on bio-monthly basis the billing is adjusted for monthly billing as explained by DISCOM. It may not make any difference in billing as per approved Tariff.

Issue 2: Streamlining of LTMD Tariff in all DISCOMs

Shri H J Patel has stated that in all DISCOMs of Gujarat, Clause 5.0 Rate: LTMD of tariff schedule is applicable to the services for the premises having aggregate load above 40 KW and up to 100 KW. Whereas in Torrent Power Ltd., Surat it is applicable to the premises having connected load above 15 KW & up to 100 KVA and TPL, Ahmadabad connected load above 15 KW & up to 100 KW.

Moreover, in Torrent Power Ltd., Surat the billing demand is considered as KVA instead of KW in case of LTMD category. Billing Demand in KVA is helpful in P.F. management. If consumer fails to maintain P.F. he has to pay more demand charges as KVA will be recorded more at lower P.F. It is requested that the Commission may streamline the LTMD tariff in all DISCOMs and TPL, Ahmedabad at par with Torrent Power Ltd., Surat, as far as fixed charge & billing demand range/slab are concerned for better P.F. management and avoid the above discrepancy in LTMD tariff within the same state of Gujarat in next tariff order.

Response of DISCOMs

The respondent represented to shift the base for recovery of "Demand Charges" for LTMD tariff category from "KW" to "KVA" and accordingly Company has proposed in the present petition to shift the base for computation of "Demand Charges" with no change in the rates as no change in tariff for any of the consumer category is proposed.

Commission's Observation

The suggestion of the stakeholder will be examined and appropriate decision will be taken.

Issue 3: Recovery of actual infrastructure cost instead of fixed kW based charges

Shri H J Patel has requested the Commission to allow the DISCOMs to recover actual infrastructure cost instead of KW based fixed Charges along with normal Service Connections Charges as per prevailing cost data to avoid tariff burden on existing consumer. This will help to avoid injustice to all the existing consumers and new incoming consumers as they will pay as per work involved to cater the power supply and to restrict the hike in tariff rate to some extent.

Response of DISCOMs

As regards to recovery of charges from LT & HT consumers, it is to submit that the company recovers the charges from LT category applicants / consumers as approved by the Commission and from HT category applicants / consumers as per the relevant provisions of regulations notified by the Commission.

Commission's observation

The issue raised by the objector is not the subject matter of the present petition.

Issue 4: Separate Tariff for each DISCOM

M/s Consumer Education and Research Society (CERS) has stated that it has been demanding separate tariff for each Distribution Company of Gujarat based on its performance. It is strange that four State Owned DISCOMs have single tariff in Gujarat while two private Distribution Companies have separate tariff for each DISCOM at Ahmedabad and Surat. The Respondent objects to cross subsidizing of finance among four DISCOMs and benefits of good performing DISCOMs are not transferred to its consumers. The other disadvantage being poor performing DISCOMs are not ready to improve their performance since they are allowed to purchase power at cheaper rates.

DGVCL with best performance has to purchase power at highest rate compared to PGVCL whose performance is poorest in purchasing power at cheaper rate.

The Respondent requested the Commission to have common yardstick for Government owned DISCOMs and private DISCOMs in the interest of consumers.

Moreover, separate tariff for each DISCOM will generate competition in distribution sector of Gujarat and consumers will be benefited.

Response of DISCOMs

Uniform retail supply tariff for all four DISCOMs (Unbundled entities of erstwhile GEB) has been envisaged so that consumers in the similar categories in the State could have similar tariff and there may not be any discrimination between the consumers, which is also the objective of EA 2003.

The four Distribution Companies are incorporated on the basis of zonal configuration. It is submitted that since 80% - 90% of the total cost incurred by DISCOMs is for Power Purchase, the same plays a major role in determining the ARR as well as Gap / (Surplus) for the DISCOM for a particular year. Since, the consumer profile and consumption profiles are different in the four Distribution Companies; the revenue earning capabilities of each of the DISCOMs differs resulting in different Annual Revenue Requirement. Therefore, it is necessary to build a mechanism in the projections to bring them to a level playing field. This is proposed to be achieved by differential Bulk Supply Tariff (BST) to each of the DISCOMs which is approved by the Commission. In this way, it becomes possible to ensure uniform retail consumer tariffs in the four DISCOMs.

Moreover, performance of all the Distribution Companies is monitored by the Commission and accordingly Distributions Loss is approved by the Commission.

Commission's observation

Response of DISCOMs explains the circumstances under which the uniform tariffs are adopted for all four DISCOMs.

Issue 5: Un-metered Agricultural Consumption

M/s Consumer Education and Research Society (CERS) has stated that even after a period of eight years the distribution companies have failed to install meters for agriculture sector where more than 50% consumption is still un-metered. The Commission has also failed to implement Section 55(1) of Electricity Act which states that no electricity consumption should be un-metered after 31.12.2007. Hardly 30% agricultural consumption is through meters.

The respondent requested the Commission to direct all four Petitioners to install meters in agriculture sector within one year or before 31.03.2017.

Response of DISCOMs

Since 2001, no new connection is released without meter. Moreover, following the provisions of CEA Regulations, only Static meters are procured and provided now, DISCOMs replace the old electromechanical meter with the Electronic / Static meter and thus, DISCOMs take effective steps for increasing the metering efficiency. As on date 45171 (DGVCL), 25909 (MGVCL) 1.54 Lakh (UGVCL) and 2.59 Lakh (PGVCL) nos. of Agriculture consumers are billed as un-metered, however at many of the locations meters are installed. Providing meter at un-metered Agriculture consumer is very difficult task as besides the stiff resistance from farmers which may lead to social un-rest like condition. Further, at many of the places neither appropriate room nor place is available for meter installation.

Commission's observation

As mentioned by DISCOMs, no new connection is released without meter. DISCOMs may complete the task by educating the unmetered consumers to accept the metering of their connections. The Consumer organisation may also take a lead in this regard and convince the unmetered Ag. Consumers to accept the metering of their connections.

Issue 6: Distribution Loss

M/s Consumer Education and Research Society (CERS) has stated that as per GERC (MYT) Regulations, 2011, distribution losses are controllable factor and within the reach of petitioners. It is regretted that in spite of target set by the Commission, MGVCL & PGVCL are not able to control distribution losses.

UGVCL with more than 50% agricultural connections has reduced distribution losses drastically compared to increase in losses of PGVCL who has comparatively less agricultural connections.

MGVCL & PGVCL have repeatedly failed to reduce distribution losses as they find it easier to get it approved from the Commission and transfer this burden on consumers, which is only due to their inefficiency and lethargic approach.

The respondent requested the Commission not to transfer any burden of this controllable factor on consumers of Gujarat but should be put on MGVCL & PGVCL with a warning to improve their performance.

Response of DISCOMs

Company takes various steps for reduction of Distribution loss. Company makes all efforts for reduction of Distribution losses to ensure that loss reduction trajectory as approved by the Commission is not only followed but at the end of the control period the approved Distribution loss level is achieved.

Company has achieved a significant reduction in distribution losses, during recent years. These efforts shall continue and will be enhanced. However, loss reduction is a slow process and becomes increasingly difficult as the loss levels goes down. There is overall reduction in Distribution loss of all category of feeders. Distribution loss of Agriculture category is highly influenced by the amount and spells of rainfall etc. particularly during monsoon season. However, with the continuous efforts and expeditious release of new connections, the loss of Agriculture category has also reduced. Distribution loss is a controllable factor and treatment for the deviation is given accordingly while computing the revenue gap for FY 2014-15.

Commission's observation

The DISCOMs have achieved distribution loss reduction over the years. However, this being a continuous activity, DISCOMs shall put in sustained and concerted efforts to reduce the losses to target level. The DISCOMs are directed to reduce the losses to target level.

Issue 7: Operations & Maintenance Expense

M/s Consumer Education and Research Society (CERS) has stated that the respondent every year opposes steep increase in O&M expenses which includes Employees' Cost, R&M Cost and A&G Costs. The Respondent is surprised at inclusion of other parameters which have no relevance with these expenses.

Petitioners have overspent huge amount under O&M expense which should not be approved by the Commission as it is a controllable factor.

Response of DISCOMs

Employee expenses comprise of salaries, dearness allowance, bonus, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses etc. Expense incurred under this head by the Company is mainly due to following the guidelines issued by Competent Authority like State Government.

A&G expenses mainly comprise of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, etc.

R&M expenses are incurred towards the day to day upkeep of the distribution network and form an integral part of the efforts towards reliable and quality power supply as also in the reduction of losses in the distribution system.

Hence the entire expenditure incurred is legitimate and any variation is purely beyond its control.

Commission's observation

The O&M expenses are controllable and are limited to the norms approved by the Commission.

Issue 8: Bad debts

M/s Consumer Education and Research Society (CERS) has stated that they object to demand of four DISCOMs to write-off bad debts which are in excess of approved amount by the Commission as they have made no efforts to collect these bad debts/arrears from defaulters and burdened other honest consumers.

DISCOMs have demanded approval of nearly 19 times higher amount to be written off as bad debts. The respondent requested the Commission to direct all four Petitioners to provide details of defaulters whose amount has been written off without approval from the Commission. If State Government has played any role in this, then the requisite amount should be recovered from Government of Gujarat.

Response of DISCOMs

Company takes various steps like disconnection, recovery through civil suits & arranging Lok Adalats etc., for recovery of arrears.

After disconnection, if consumer does not turn up for payment, the connection is treated as Permanently Disconnected Connection (PDC).

Arrears of such PDC consumers are transferred to bad debts. Every year certain amount of some consumers, which seems to be non-recoverable is waived and is charged in P&L of the Company under the head of other debits for the respective year. Accordingly, provisions are made by the Company in FY 2014-15 and same is proposed for recovery in True-up petition as controllable in line with MYT Regulations, 2011.

Generally, amount settled through Lok Adalat, Order received from any of the judicial fora etc. or amount which is otherwise not recovered even after completing process / efforts, the same is written- off. This is the practice followed in all businesses.

Commission's observation

The bad debts written off is a controllable expense as per GERC (MYT) Regulations, 2011. The Commission has given appropriate treatment to the variation in bad debts written off.

Issue 9: Rationalization of Telecom Towers' Tariff

M/s Indus Towers has stated that the connected load of a typical telecom tower in the state varies from 5 kW to 25 kW, with more than 85% of the towers having connected load less than or equal to 20 kW. The connected load of each tower varies based on the number of operators supported by the tower and the use of air conditioning for the same.

Currently, the energy input for these telecom tower sites is availed from Low Tension (LT) supply and these towers are categorized as commercial consumers (under Non-RGP) by Gujarat utilities. The telecom towers continuously consume power all the day and thereby maintain a high load factor through a high sale by connected load ratio. Around 86% of the tower's electricity consumption is fairly constant over a 24 hours period. Due to this telecom towers don't contribute significantly to the peak hour consumption of the DISCOMs and are a part of the base load of the distribution utility. Such a load profile doesn't give pressure on the distribution utility to buy additional short term power at higher prices thereby leading to overall lower 'cost to serve' for such consumers.

Further, telecom towers with stable energy consumption 24 hours a day allow the utility to schedule demand in advance and hence the need to buy expensive short term power is significantly reduced for these consumers. This in turn leads to reduced cost to supply for these consumers. Other states and utilities are offering tariff/ unit lower than the current tariff offered by Gujarat distribution utilities. Many states are levying much lower or even no fixed charges for supply of power. Keeping in view the surplus financial position of the distribution companies in the state, the Commission may consider preferential tariff for essential last-mile connectivity services, like telecom towers.

Response of DISCOMs

When most of the public serving utilities are working with the principle of subsidising some part of the consumers, it is not possible for the utility to bill a particular category on the basis of cost to serve without changing the tariff of the other categories of consumer. Further, to ensure uniform tariff rates for all four state owned Distribution Companies, differential bulk supply tariff mechanism is in place.

Realisation from almost all consumer categories is within the band +/ 20%. Any further rationalization to NRGP category within which respondent falls may lead to burdening the other categories which may distort the present Tariff Structure.

Commission’s observation

This issue of tariffs for Telecom towers has been examined and the Commission does not think it appropriate to reduce or introduce new tariff structure for Telecom towers.

Issue 10: New Sub-category for Telecom Towers within Commercial category

M/s Indus Towers has stated that States such as Madhya Pradesh, Jharkhand and Uttarakhand have introduced sub-categories targeting consumers based on type of activity within non-domestic/commercial category. Creation of a special sub-category under the commercial category should be considered for all telecom towers due to following reasons:

1. To consider classifying telecom towers under a separate sub-category within the existing Commercial Category taking a cue from the Section 62 (3) of the Electricity Act 2003, given the socially favourable nature of telecom industry and the nearly flat load profile which leads to a lower cost of serve for such consumers. Taking into account the high commercial tariffs applicable to such consumers currently, a suitable relaxation in the tariff applicable to such a sub-category should be strongly considered.

2. Essential services like Telecom Towers are required to provide an uninterrupted service and hence form the backbone for many other essential services like medical emergencies, law and order response, weather emergencies etc. These essential services depend on efficient functioning of telecom and in turn telecom services depend on efficient supply of electricity at tower sites. Hence such services like telecom towers should be provided relief by formation of a sub category for the industry under commercial, tariffs for which should be reflective of actual cost to serve for the consumer.

   Telecom services are like a lifeline to all businesses and has been notified as essential services by the Department of Telecommunication, which are at par with defence, national security and other emergency services like medical emergencies, fire services etc. and in fact permeates each & every section of society and generates huge revenue for the State & Central exchequer.

3. The consumption / load profile of a telecom tower is unique amongst general commercial consumers given the high load factor and nearly flat load profile of such connections.

4. Power consumed by load of the telecom towers is fairly constant and predictable (with 84% load being constant throughout) and need continuous electric supply for 24 hour period. Since the current supply is not reliable and is deficient, the petitioner is forced to use DG sets with battery back up on all BTS towers. This usage of costly power generated by DG sets forces

companies such as Indus Towers Limited to incur additional capital expenditure and operational costs for maintaining reliability of supply. This pushes the net electricity charges of the telecom companies.

5. Worldwide the telecom sector has been recognized as large productivity generator and multiple studies have shown its spread has contributed to rise of economic activity and incomes of societies. Telecom industry directly and indirectly employs 10,000 approx. State based talent across wide spectrum of technical and managerial roles have seen their aspirations fulfilled through continuing growth of the sector. They are helping in driving the local economy and on an aggregate level, providing as many employment opportunities as other industrial consumers.

Response of DISCOMs

As per the representation by the respondent before the Commission, during the Tariff Petition proceedings, to consider their connection as Industrial category connection instead of Commercial category, even though the nature of their load was non-motive power, the Commission has by Tariff Order dated 6th Sept., 2011 merged the earlier Commercial (LFD-II) and Industrial (LTP-I) tariff categories and have decided Load based tariff categories as Non-RGP (up to 40 KW) and LTMD (Demand based tariff for more than 40 KW up to 100 KW). Further Option is also there for NRGP Consumers of 15 KW and above contract demand to choose LTMD tariff category. Therefore, no further differentiation is required for limited class of consumers.

Commission's observation

Response of DISCOMs is self-explanatory.

Issue 11: Inclusion of Telecom tower in ToD category

M/s Indus Towers has stated that the relationship between TOD tariff and improving the load factor is very clear. By charging different tariff at peak & off-peak periods, customers are incentivized to shift their loads to off-peak hours, thereby reducing the overall system peak demand and improving the system load factor. It can be concluded that telecom towers are an ideal candidate for inclusion in TOD tariff regime prevailing in the State.

Response of DISCOMs

Present tariff structure provides for ToD tariffs for High Tension Category consumers. It is fact that in the longer run the "Real time tariff" or "ToD Tariff" would be inevitable as an approach to Demand Side Management, however, it is too early to introduce for NRGP kind of category covering large number of small capacity consumers.

Commission's observation

No change in the Tariff for Telecom towers is considered by the Commission.

Issue 12: Consolidated billing and installation of AMR meters

M/s Indus Towers has requested the Commission to consider the proposal of compulsory installation of AMR meters and roll out of consolidated billing for large consumers with multiple connections.

The AMR system provides the utility with much more functionality than simply reducing meter reading cost. The objective of AMR technology is not only to reduce the losses but to bring up a system where energy is accountable and the network can be managed without human intervention.

AMR systems would be a milestone achievement for both the utilities as well as consumers. It is requested that appropriate directives be issued to the distribution utilities in order to consider such implementation on high priority. Indus Towers extends its full support for such initiative and is ready to help and work with the utilities for a successful implementation. In this regard a proposal has also been submitted to DISCOMs for consideration. We request the Commission to consider issuing a directive to the utility for taking the matter on an urgent basis.

Response of DISCOMs

DISCOMs provide AMR facility to "High Tension" Consumers and "High Valued" LT Consumers and AMRs are not provided to small LT consumers. AMR meter can be installed on each connection if respondent is willing to bear the cost of installation, cost incidental to AMR and O&M expenses.

Telecom Towers are spread over within jurisdiction of DISCOM; it is not possible to give treatment as single consumer. Further, the entire jurisdiction of each division is sub divided into different Sub-Divisions. Sub-division offices are responsible for consumer billing and accounting of the consumers within their jurisdiction. Additionally, billing periodicity and billing dates of different consumers are different within the sub-division and among the sub-divisions. Therefore, it is difficult to prepare consolidated billing and also to maintain track of payment.

DISCOMs provide the facility for “Centralized Payment”, thereby, respondent can avail facility of payment of energy bills of all his connections within the DISCOM’s jurisdiction at one location i.e. at Corporate Office of the DISCOM. Alternatively, DISCOMs can accept advance payment as per provision of Security Deposit Regulations.

Moreover, there are many modes of e-payments available like payment through consumer portal, “Quick Payment, ECS (for selected towns), on line payment, ATP, ATMs of HDFC and ICICI etc. where consumers can pay their energy bills.

Commission’s observation

As explained by DISCOMs, it is difficult to provide AMR facility for Telecom towers and to issue a consolidated single bill for all the telecom tower connections in the distribution company. The consumers can utilize various modes of payment made available by the DISCOMs.

Issue 13: Unit costing and Agriculture category unit costing / subsidy

M/s Laghu Udyog Bharati – Gujarat (LUB) has stated that the data for Agriculture category unit sales amount receipt given in the annual financial report and other places for having received amount at the rate of Rs. 2.64/unit is not correct. The data given in Table 7 of ARR are direct adjustment by way of loot of poor people.

The respondent is asking since many years that where the FPPPA charges subsidy payment of Agriculture category goes if it is paid by Government.

Response of DISCOMs

The National Tariff Policy mentions the need to have a rationalization of tariff to various consumer categories such that it is more aligned to the cost of supply and in a band of ± 20% to the average cost of supply. However, while implementing the above, ground realities of the sector has to be kept in view.

One of the primary beneficiaries of the State's efforts to supply good quality, uninterrupted power is the Industries and commercial entities in the state. On the other hand, agriculture category is being supplied only limited power per day of about 8 hours. Further, mostly this power is supplied to them during off peak hours and during night time, when the average cost of power purchase from various generating stations is much lower due to the merit order stacking mechanism for power off take. In effect, the cost of supply to agriculture category would be much lower than the other categories enjoying power during peak hours also. Thus, it is natural that the tariff rates for agriculture are significantly lower than other consumer categories.

While, in the long run it would be desirable to have some rationalization of tariff across consumer categories, the socio-economic situation of power consumers cannot be neglected as supplying power at affordable rates to all classes of consumers is a primary responsibility of a power utility.

It is not possible for the utility to bill a particular category on the basis of cost to serve without changing the tariff of the other categories of consumer. Further, to ensure uniform tariff rates for all four DISCOMs, differential bulk supply tariff mechanism is in place.

Average realization from almost all categories for FY 2014-15 is within the ± 20 % to the average cost of supply. During FY 2014-15 many of the High Tension Consumers did not draw energy from the DISCOMs corresponding to their contract demand and preferred to draw from other sources. Similar phenomena have affected the projections for FY 2015-16 and considered for FY 2016-17 which has resulted in artificial increase in average realization for FY 2016-17, otherwise average realization from almost all categories is within ± 20 %.

As regards the "FPPPA" charges compensated by State Government for Agriculture category it is to state that the same is considered under "Revenue from sale of Power" for respective category.

Commission's observation

Agriculture category comes under special category in view of restricted hours of supply that too during off peak hours. As such the Tariff shall be different and it cannot be compared with those who avail unrestricted power supply throughout the day. The Tariff, to some extent, is subsidized by the State Government.

Issue 14: Delay in payment of charges by Gram Panchayats

M/s Laghu Udyog Bharati – Gujarat (LUB) has stated that the amount outstanding from Gram panchayats, Nagarpalikas and other public bodies for long time and DISCOMs are getting payment late. The relief in delayed payment charges is given to local bodies by allowing credit. The cost of this delayed payments charges is borne by other section of consumers mainly NRGP and LTMD customers and not by defaulters. Actually this sum is payable by Government. Since last 10 years LUB is representing this issue, though ARR is approved and the bad debts finalization is enhanced. LUB request the Commission to give instructions to Gujarat Government to pay these delay payment charges to DISCOMs.

Response of DISCOMs

DISCOMs have waived off delay payment charges as per direction issued by Government of Gujarat to waive the delayed payment charges debited up to 31.03.2014 to weaker Nagar Palikas under One Time Settlement of their dues through Gujarat Municipal Finance Board. Delayed Payment Charges are considered as an income in earlier year for Tariff determination purpose and ARR were reduced in previous years. Since DPC was accounted on accrual basis, the same is now need to be debited to other debits and are categorized as uncontrollable as per MYT Regulations, 2011.

Commission's observation

The Commission has not allowed the burden of DPC waiver to borne by the other consumers. However, DISCOMs may ensure timely recovery of their dues from Nagar Palikas to avoid waiver of the DPC in the future.

Issue 15: Payment of high cost per unit by poor and small consumers than others

M/s Laghu Udyog Bharati – Gujarat (LUB) has requested the Commission to help poor NRGP consumers by 50% overall reduction of Fixed Charges in NRGP category. To prevent small people from paying high cost to the DISCOM, DISCOMs are required to give the actual picture of dues in agriculture and Public bodies category and action plan for not adjusting NRGP small consumers' money to make up for Agriculture category and public bodies shortfall revenue.

Response of DISCOMs

The revenue from any of consumer category is recognized once the assessment is made and bill is raised. If the consumer did not pay the bill amount within the prescribed time limit, it is an arrear and it is a balance sheet item. Therefore, it is not that dues of any consumer or consumer category are adjusted in the tariff of other consumers.

Commission's observation

The response of DISCOMs is self-explanatory.

Issue 16: Enhancement of expenses a key to create ARR Gap

M/s Laghu Udyog Bharati – Gujarat (LUB) has stated that the expenses are enhanced and true-up is asked after one and half year. The money collected is disbursed to several heads lavishly.

Response of DISCOMs

All the activities in the DISCOMs necessitate corresponding increase in employee and A&G expenses. Employee expenses comprise of salaries, dearness allowance, bonus, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses etc. Expense incurred under this is mainly by following the guidelines issued by Competent Authority like State Government. Administration & General expenses mainly comprise of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, etc.

R&M expenses are incurred towards the day to day upkeep of the distribution network and form an integral part of the efforts towards reliable and quality power supply as also in the reduction of losses in the distribution system. Hence the entire expenditure incurred is legitimate and any variation is purely beyond its control.

Besides Miscellaneous Losses and Write-offs, DISCOMs have waived off delayed payment charges as per the G.R. No: NPL/452014/UOR-40/M dated 06.01.2015 issued by Government of Gujarat. Delayed Payment Charges are considered as an income for Tariff determination purpose. Therefore, the waived amount is debited to other debits and are categorized as uncontrollable as per MYT Regulations, 2011.

After disconnection, if consumer does not turn up for payment, the consumer is treated as Permanently disconnected Consumer (PDC). Arrears of such PDC consumers are transferred to bad debts. Every year certain amount of some consumers, which seems to be non-recoverable, is waived and is charged in P&L of the Company under the head of other debits for the respective year. Accordingly, provisions are made by the Company in FY 2014-15 and same is proposed for recovery in True-up petition as controllable in line with MYT Regulations, 2011.

DISCOMs take various steps like disconnection, recovery through civil suits & arranging Lok Adalats etc., for recovery of arrears. Generally, amount settled through Lok Adalat, Order received from any of the judicial fora etc. or amount which otherwise is not recovered even after completing process / efforts, the same is written- off. This is the practice followed in all businesses.

Commission's observation

The Commission approves the petition after detail scrutiny and prudence check as per the norms specified in the GERC (MYT) Regulations, 2011.

Issue 17: Power Purchase Cost

M/s Laghu Udyog Bharati – Gujarat (LUB) has stated that

1. A power purchase cost is fixed for imaginary no. of units not shown any where
2. Units sold to GUVNL and amount much less than power purchase cost are shown in annual financial report not accounted in Energy Balance statement.,
3. UI Units sold and amount much less than power purchase cost are shown in annual financial report not accounted in Energy Balance statement

4. UI Units purchased and amount much higher than UI sale cost are shown in annual financial report not accounted in Energy Balance statement.

Response of DISCOMs

Power purchase is undertaken by GUVNL on the basis of requirement of each DISCOM. For the reference of respondent, the units of power purchase done for each DISCOM is available in (TABLE 9: ENERGY REQUIREMENT AND ENERGY BALANCE) in the petition of each distribution company. The Commission, through its MYT order dated 6.9.2011, has approved the concept of Bulk Supply Tariff (BST) for the control period FY 2011-12 to 2015-16 for allocation of power purchase cost by GUVNL to DISCOMs. As per approved BST concept, the power purchase cost is allocated to DISCOMs based on their consumer mix and load profile. The Commission has approved the BST concept after carrying out detailed hearings and submissions in order to keep the retail tariff uniform across the State. For the purpose of sale of surplus power marginal cost is only considered by GUVNL and not the fixed element as fixed cost is paid to generator based on availability. Unscheduled Interchange (UI) units purchase / sale is towards deviation from the Schedule and the additional surplus units are sold by GUVNL and proceeds from the sale are passed on to DISCOMs. The power purchase cost consists of power purchased from GUVNL, solar, wind, UI etc. Netting of income from sale of power to GUVNL and Unscheduled Interchange is done to arrive at the net power purchase cost.

Commission's observation

Power is purchased based on estimated demand of DISCOMs at the rates approved by CERC / SERC. Surplus power available after honouring the bilateral trading arrangement is sold at the market determined price. The UI sales and UI purchase is governed by the frequency of the system.

Issue 18: Showing less revenue in ARR than Annual report

M/s Laghu Udyog Bharati – Gujarat (LUB) has stated that the DISCOMs are showing less revenue in the summary of ARR than that exhibited in the Annual Accounts.

Response of DISCOMs

Revenue in annual accounts includes revenue from sale of power to GUVNL and DSM charges, besides revenue from sale to different consumer categories as per

Accounting practice whereas in the ARR net power purchase cost is shown after reducing revenue of surplus power as per requirement of ARR. Netting of the same heads i.e. revenue from sale of power to GUVNL and DSM Charges have been done and they have been reduced from total power purchase cost so the amount of revenue from annual accounts and shown in petition are not same. Also the head “Other Income” is classified under the head of Non-Tariff income in the petition and the same has been reduced from total ARR rather than including it in the revenue. So there is no error in the petition but presentation is different as per Accounting Practice and requirement as per MYT Regulations and the same is compared with annual accounts.

Commission’s observation

The response of DISCOMs is self-explanatory.

Issue 19: Treatment of Reserve and surplus consumer contribution and Government grant for Capital works

M/s Laghu Udyog Bharati – Gujarat (LUB) has stated that,

1. Detailed accounting of reserve and surplus are not furnished.
2. The treatment of reserve and surplus amount has not been indicated
3. The treatment of consumer contribution and Government grant and subsidies has not been indicated.

Response of DISCOMs

Tariff petition is prepared on the basis of principles laid down in GERC (MYT) Regulations, 2011. Consumer contribution and capital grants are prudently written back every year a certain percentage of total amount outstanding and is considered as Non-Tariff income in the tariff petition. Thus, treatment for consumer contribution and capital grant is appropriately done in the petition year on year basis. Tariff petition is prepared on the basis of principles laid down in GERC (MYT) Regulations, 2011 and the same does not provide for adjusting true-up against reserve and surplus. So the treatment by DISCOM is in line with the prevailing regulations.

As regards to treatment to Consumer Contribution and Government Grant, it is to submit that every year, Company writes back certain part of consumers’ contribution and grant. Therefore, the appropriate effect to the consumers' contribution and grant is given and company charges depreciation on gross value of asset.

Commission's observation

The response of DISCOMs is self-explanatory.

Issue 20: Power purchase, T & D Losses etc.

M/s Utility Users' Welfare Association (UUWA) has stated that

1. The Commission should not approve any tariff for FY 2016-17 and direct them to carry out the business independently and separately including power purchase and all other activities, otherwise the Commission may advise GoG to make only one company instead of seven different companies so that the overhead expenses of other six can be saved which will also help to reduce the tariff up to that extent.

2. Till today the average T&D losses of DISCOMs is 24.75% which is very high and consumers should not be burdened by indiscriminate T&D loss of the DISCOMs. The cost of this T&D losses if calculated at the average cost of supply is Rs. 5.49/Unit, it amounts to Rs. 8182.97 Crore which is more than ARR of UGVCL.

   The Apex Court's judgment, on the question of Transmission and Distribution Losses, makes it very clear that after enactment of 1998 Act and Gujarat Reforms Act, the burden of indiscriminate losses can no more be transferred on to the consumers.

   GERC shall therefore need to avail the services of experts to identify the quantum of losses that can be allowed for determination of the tariff.

3. It is the duty of the Distribution licensee to procure power at the competitive price from the generators. Here GUVNL whose status is as per GERC is Deemed Trading Licensee as per order in petition no. 1076/2011 dated 30/01/2012 in case of GUVNL vs. PTC. Whereas Hon. APTEL has not considered GUVNL as granted licensee or Deemed Licensee, but held that GUVNL is the holding company of all other six subsidiary companies and is

making trading for the procurement and sale of power in bulk on behalf of its six subsidiary companies.

4. GUVNL determines the sale price of power for its DISCOMs in a way that the ultimate tariff for the consumers remain equal in the State. It means the consumers of the DISCOMs whose performance and efficiency is good has to subsidize the consumers of the DISCOMs whose efficiency and performance is worst. (MGVCL, DGVCL, UGVCL consumers are subsidizing the consumers of PGVCL). This is not justified because the honest consumers and efficient DISCOMs instead of rewarding are being penalized and the consumers who are dishonest and the performance of DISCOM is poor are being rewarded. This is against the principle of natural justice, principle of MYT Regulations made under the provision of tariff section of E.A. 2003.

5. DISCOMs have not mentioned at what price with quantum the surplus power is sold to GUVNL as well as at what price the power is procured from various sources with quantum by the DISCOMs. DISCOMs and GUVNL are requested to provide the details of the power quantum along with cost.

Response of DISCOMs

1. GUVNL has been incorporated as a successor entity to the erstwhile Gujarat Electricity Board (GEB) pursuant to a transfer scheme notification issued under the provisions of the Gujarat Electricity Industry (Reorganisation and Regulation) Act, 2003 and as per the Electricity Act, 2003.

   Section 28 of the Gujarat Electricity Industry Act provides that the State Government may from time to time by notification in the official Gazette, publish schemes to reorganise the Government Electricity Industry. The above is also consistent with Section 131 of the Electricity Act, 2003 which provides that the State government shall issue a transfer scheme for transfer and vesting of the property, interest in property, rights and liabilities of the erstwhile State Electricity Board. Accordingly, the State Government through notification dated 24.10.2003 issued the first Transfer scheme under which the generation, transmission and distribution undertakings of the erstwhile Gujarat Electricity Board were vested in separate companies. As per the

Schedule G of the said notification functions related to bulk purchase of power from the generating companies within/outside of the State of Gujarat and supply in bulk to the DISCOMs, any other residual liabilities, proceedings and functions etc. were not transferred to any of undertakings and retained by the Gujarat Electricity Board for the time being. Subsequently, the State Government issued a notification dated 10.12.2004 to incorporate GUVNL for the purposes of transferring the assets, liabilities and proceedings mentioned in Schedule G of the erstwhile GEB including trading in electricity. Further, State Government through Notification dated 31.3.2005 finalized transfer of functions and activities w.e.f. 1.4.2005. Accordingly, GUVNL has been entrusted with functions of bulk purchase of power from the generating companies within/outside of the State of Gujarat and supply in bulk to the DISCOMs, any other residual liabilities, proceedings and functions, trading activities etc. Accordingly, the function of Bulk Power Purchase and Bulk Supply to Four Distribution Companies has been undertaken by GUVNL. GUVNL is co-petitioner in present petition too.

2. T&D Loss is an inherent phenomenon in the Electricity Business. It can be reduced gradually but cannot be eliminated at all.
   For the Distribution Company, Distribution loss is a controllable factor and treatment for the deviation is given accordingly while computing the revenue gap for FY 2014-15.

   Actual T&D Loss for FY 2014-15 for the Company was 16.87% (MGVCL) / 28.68% (PGVCL) / 14.77% (UGVCL) and not 20.61% (MGVCL) / 40.17% (PGVCL) / 16.55% (UGVCL) as mentioned by the respondent. Respondent has taken a base of units sold for the purpose of computation of T&D loss whereas factually base should be total units fed (units sent) in the system.

   The Company takes various steps for reduction of Distribution Loss. Company makes all efforts for reduction of Distribution losses to ensure that not only the loss reduction trajectory as approved by the Commission is followed but at the end of the control period at least the approved Distribution loss level is achieved.

DISCOMs have achieved a significant reduction in distribution losses, during recent years. These efforts shall not only be continued but shall be enhanced. However, loss reduction is a slow process and becomes increasingly difficult as the loss levels go down. There is overall reduction in Distribution loss of all categories of feeders. Distribution loss of Agriculture category is highly influenced by the amount and spells of rainfall etc. particularly during monsoon season. However, with the continuous efforts and expeditious release of new connections, the loss of Agriculture category has also reduced.

The Commission has approved Distribution loss trajectory for each financial year of the second control period. Distribution loss is a controllable factor and treatment for the deviation is given accordingly while computing the revenue gap for FY 2014-15.

3. GUVNL has tied up power on long term basis to fulfil the requirement of its four subsidiary DISCOMs. Further, Intra-Stat ABT has been implemented in the State w.e.f. 5.4.2010. In accordance with the provision of Intra-State ABT Order of the Commission, power is procured on real time basis following the principle of Merit Order irrespective of ownership of generators whereby cheaper power is scheduled first till the demand of DISCOMs is met.

   Further, GUVNL trades the eventual surplus power and proceeds through trading of surplus power are being passed on to the Consumers of its subsidiary Distribution Companies.

4. Consumer mix and load profile of consumers in different companies are different and it will vary from hour to hour. Accordingly, GERC through MYT order dated 6th September 2011 has approved the concept of Bulk Supply Tariff (BST) for the Control Period from FY 2011-12 to 2015-16 for allocation of power purchase cost by GUVNL to its subsidiary DISCOMs. As per the concept of BST as approved by the Commission, the power purchase cost is allocated to DISCOMs based on their consumer mix. The concept of BST was approved by the commission after carrying out detailed hearing and submissions in order to keep the retail tariff uniform across the State.

5. The details of power purchase by GUVNL for FY 2014-15 are provided in the audited accounts of GUVNL, which is also available on their website.

Commission's observation

The DISCOMs have clarified various issues raised by the stakeholder on Power Purchase, distribution loss etc. The DISCOMs have achieved distribution loss reduction over the years. However, this being a continuous activity, DISCOMs shall put in sustained and concerted efforts to reduce the losses to target level. The DISCOMs are directed to reduce the losses to target level.

Issue 21: Loss reduction

M/s Gujarat Chamber of Commerce & Industry (GCCI) has stated that

1. In FY 2014-15, overall losses were very low. Though overall losses are reduced, it is difficult to judge the performance of the petitioner for want of category wise loss reduction data. One of the motives of the Electricity Act - 2003 (EA-03) is to make power sector efficient.
2. Details of actions taken to reduce losses, particularly vigilance activities, have not been furnished.
3. To make result explicit, it is requested to segregate approved losses for FY 16-17 and thereafter for Ag and non-Ag category separately. In non-Ag also, category wise losses may be approved. This would enable improve efficiency of petitioner in right spirit of EA-03.
4. HT connections are normally catered through HT express or industrial category feeders. Average losses of these categories of feeders are @ 2.5%. As per data submitted by petitioner in previous tariff petitions, non-AG losses (which include JGY feeders also having aggregate losses more than 20%) are 9.56%, 9.28% and 8.75% in FY 10-11, 11-12 and 12-13 respectively i.e. less than 10% for said three years. Distribution losses for OA consumers approved at present are 10% for 11, 22 and 33 KV consumers. To make it rationale, it is requested to approve distribution losses @ 3%.
5. In case of CTU and STU, actual losses are applicable. For distribution losses, to simplify, GERC apply average losses of HT express feeder of all four DISCOMs.

Response of DISCOMs

Company takes various steps for reduction of Distribution loss. Company makes all efforts for reduction of Distribution losses to ensure that not only the loss reduction trajectory as approved by the Commission is followed but at the end of the control period at least the approved Distribution loss level is achieved.

As regards to suggestion for determination of category wise losses by the Commission it is to submit that entire exercise of tariff determination is on average cost plus basis. Moreover, distribution loss being controllable factor the treatment for the deviation from the approved values is given accordingly. Therefore, it is not desirable that the Commission determines “Category wise” Distribution loss.

Commission’s observation

The Commission considers the distribution losses of the entire distribution system to estimate the energy requirement and power to be purchased.

Issue 22: Wheeling Charges and Losses

M/s Gujarat Chamber of Commerce & Industry (GCCI) has stated that Consumer of voltage level below 66 KV, who purchases power from OA has to bear CTU loss, STU loss and distribution loss. Wheeling charges are payable by such consumer. Logically, wheeling charges should be applied on energy received by such OA consumers net-off CTU, STU and distribution losses. At present DISCOMs are recovering wheeling charges on scheduled energy net-off CTU losses. It is requested to clarify that it is applicable on net-off distribution losses.

Response of DISCOMs

Charging a wheeling loss is a matter of Energy Accounting. Wheeling losses are worked out on the basis of overall Distribution loss level approved by the Commission. The Commission determines different wheeling losses for the consumers connected at different voltage level.

Wheeling charges are recovered as per provisions of Open Access Regulations.

Commission’s observation

The response of DISCOMs is self-explanatory.

Issue 23: Cross subsidies

M/s Gujarat Chamber of Commerce & Industry (GCCI) has stated that in the tariff order in petition no. 1464/2014, GERC has pronounced tariff for FY 15-16 and increased cross subsidy surcharge from Rs. 0.39 per kWh to Rs. 0.59 per kWh. From tariff charges for domestic, agriculture and HT industrial consumer, it can be seen that there is no rise in tariff for residential and agriculture consumers whereas in case of HT consumers there is a huge rise.

In Gujarat OA is allowed to HT consumers having contract demand of 1200 KVA or more. For such consumer there is a huge increase of 21.43% in demand charge.

Thus for HTP-I tariff rate consumers having contract demand of more than 1200 KVA (i.e. eligible for OA) there is huge rise of @ 33 Ps./unit with no rise for domestic and agriculture consumers. Thus it can be revealed that GERC has increased tariff in such a way which increases cross subsidization and therefore cross subsidy surcharge is increased.

Since cross subsidization is increased and there is a no road map for its gradual reduction in consonance with Section 61(g) of the Act of 2003 and the National Tariff Policy, the determination of tariff by the Commission for FY 2015-16 on account of increase of cross subsidy in the tariff can be adjudged as flawed and therefore increase in cross subsidy w.e.f. 01/04/2015 should be withdrawn with immediate effect.

To reduce cross-subsidization it is prayed to reduce demand and energy charges of consumers of HTP-1 category.

Response of DISCOMs

No change is proposed for any of the Tariff categories in the present petition.

Average realization from almost all categories is within the ± 20 % to the average cost of supply, as envisaged in the National Tariff Policy. Further, many of the High Tension Consumers don’t draw energy from the DISCOMs corresponding to their contract demand and preferred to draw from other sources. Similar phenomena had affected the projections for FY 2015-16 and considered for FY 2016-17 which has resulted in artificial increase in average realization for FY 2016-17, otherwise average realization from almost all the categories is within ± 20 %.

The primary beneficiaries of the State's efforts to supply good quality, uninterrupted power are the Industries and commercial entities in the state. On the other hand, agriculture category is being supplied only limited power per day of about 8 hours. Further, mostly this power is supplied to them during off peak hours and during night time, when the average cost of power purchase from various generating stations is much lower due to the merit order stacking mechanism for power off take. In effect, the cost of supply to agriculture category would be much lower than the other categories enjoying power during peak hours also. Thus, it is natural that the tariff rates for agriculture should be lower than other consumer categories.

While, in the long run it would be desirable to have some rationalization of tariff across consumer categories, the socio-economic situation of power consumers cannot be neglected as supplying power at affordable rates to all classes of consumers is a primary responsibility of a power utility.

When most of the public serving utilities are working with the principle of subsidising some part of the consumers, it is not possible for the utility to bill a particular category on the basis of cost to serve without changing the tariff of the other categories of consumer.

Commission's observation

The Commission has always endeavoured to reduce the cross subsidy as provided under the Electricity Act, 2003 and the Tariff Policy.

Issue 24: Night Charge Benefit on entire Consumption

M/s Gujarat Chamber of Commerce & Industry (GCCI) has stated that at present night hours concession of 75 paisa per unit is given only to the consumption in night hours exceeding 1/3rd of the total consumption. Therefore, the consumer who is sure that he can't consume more than 1/3rd in night hours is never motivated to consume more in night hours. If this benefit is extended to entire consumption during night hours, consumer will try to maximize consumption during night hours though not able to go beyond 1/3rd of the total consumption. Thus it may be extended to night hour concession to all units consumed during night hours. Though total amount payable by DISCOM remain unchanged, concession for use of electricity during night hours be allowed to all units consumed during night hours at appropriate rate. In Punjab night hour benefit is given for all units consumed during night hours.

Response of DISCOMs

There is a special category for the high tension consumers for utilization of power exclusively during night hours having reduced energy charge.

The objective of giving night benefit to the consumer is to shift their demand to off peak hours and thereby to help the grid as well as to flatten the demand curve of the utility. But the consumers who are otherwise of continuous nature or as a part of their process they consume power during night hours cannot be considered to have made additional efforts to shift the load from peak hrs. Therefore, the night hours concession is given on the energy consumption during night hours in excess of one third of the total energy consumption of particular month.

Commission's observation

The Commission has taken an appropriate view and accordingly considered the same.

Issue 25: Change in base from KW to KVA for LTMD Consumers

M/s Gujarat Chamber of Commerce & Industry (GCCI) has stated that DISCOMs have proposed to change the demand charges for "LTMD" category of consumers from "per kW per month" basis to "per kVA per month" basis considering unity power factor.

As per supply code the kW shall be computed by multiplying kVA with the power factor of 0.90. Therefore, if the proposal is to be approved, it should be approved by considering power factor of 0.90. Otherwise there will be an increase of demand charges of about 11% per month for said category.

If proposal is approved, below stated issues will also arise;

a) Higher slab of fix charges will be applicable.

b) Considering standard power factor of 0.90, actual demand in kVA will increase for consumers. For example, actual demand of 40 kW will become 44.5 kVA, actual demand of 90 kW will become 100 kVA etc. Therefore, slab of demand charges should be revised accordingly to nullify effect of rise in tariff.

c) Consumers having actual demand more than 90 kW to 100 kW would be compelled to convert to HT connection increasing their fixed and recurring cost at the time of such a severe recession.

d) Since demand in KVA will increase, consumers would be compelled to seek additional load and issues about payment of an estimate, security deposit etc. will arise.

Therefore, the Commission is requested to consider these aspects and not to approve the changes proposed by DISCOM.

Response of DISCOMs

"KVA" is a ratio of "KW" to "Power Factor". "Unity" power factor is the best power factor. Thus, at Unity Power Factor, KVA is equal to KW. Power factor of the system is governed by the nature of Load. Generally low power factor is caused by the highly inductive load on the system. Due to low power factor actual working component of the power gets reduced leading the system to overloading, higher line losses, voltage dips. Power factor can be corrected and maintained by Power Factor correction equipment like "Shunt Capacitor" etc.

By changing the demand charges for "LTMD" category of consumers from "per kW per month" basis to "per kVA per month" basis, the company expects that this category of consumers shall improve their "Power Factor" and thus the overall power factor of the system will be improved & due to this, the system will be more reliable, will have less maintenance due to breakdown, overall increase in system capacity, lesser voltage drop and reduction in T&D losses.

Calculation of demand charges, while shifting "Per KW per Month" to "per KVA per Month", considering power factor as 0.9 instead of "Unity" as proposed, it is to submit that for the purpose of "Demand Charges" maximum of average "KW"/ "KVA" supplied during consecutive 30/15 minutes time block is considered as "Maximum

Demand". It may be that actual value of power factor would be different during the time block when the "Maximum Demand" has been recorded. Therefore, it is not desirable to consider power factor as 0.9 while determining the "Demand Charges".

Commission's observation

The suggestion of the stakeholder will be examined and appropriate decision will be taken.

Issue 26: Installation of meters on distribution transformers

M/s Gujarat Chamber of Commerce & Industry (GCCI) has stated that meters have been installed on 94.4% distribution transformers. It is appreciable work but petitioner has not submitted actual gain on this account. Petitioner shall be directed to submit DTC wise loss analysis for FY 15-16 (till date) and henceforth to submit detailed analysis in all ensuing tariff petitions.

Response of DISCOMs

Status of providing meters on Distribution Transformer has been submitted as a part of "Compliance of Directives". Objective of installation of meter on "Distribution Transformer" is to have "Energy Audit" and to find out the point of leakages to curb the theft of electricity. Since, this is one of the tools for "Distribution Loss" reduction activities, submission of "Distribution Transformer wise Loss" report as a part of petition is not required and possible.

Commission's observation

The DISCOMs are directed to conduct energy audit and submit a sample energy audit report for transformers having different consumer mix along with action taken, if any, for reducing the losses.

Issue 27: FCA Charges calculations to be made public

M/s Gujarat Chamber of Commerce & Industry (GCCI) has stated that fuel surcharge is having considerable impact in total tariff. Fuel prices reduced drastically in last few months but fuel surcharge is not reduced accordingly.

Therefore, it is requested to make fuel surcharge calculation public. It will also bring transparency.

Response of DISCOMs

FPPPA/PPPA is ‘adjustment’ related to power purchase cost i.e. passing on the increase or decrease, compared with the base power purchase cost approved by the Commission as the case may be. The PPPA charge is being levied on the consumer categories on account of the change in the cost of power purchase in comparison with the approved power purchase cost, which comprises almost 80 to 90% of the Distribution Licensee’s ARR. Any expense pertaining to the regulated business of the Distribution Licensee has to be recovered from all consumers in some manner; therefore, the PPPA charges are recovered in the form of an incremental energy charge (Rs/kWh) as per formula approved by the Commission.

It is apt to mention that calculation of “FPPPA” for the relevant quarter is available on the GUVNL website.

Commission’s observation

Variation in fuel price is reflected in FPPPA charges and benefit is being passed on to the consumers. FPPPA calculations submitted by the utilities are examined and after detail scrutiny the same is approved with or without reduction. Such calculations are hosted on the websites of the utilities.

Issue 28: Relaxation in HTP-IV Category

M/s. L&T Special Steels and Heavy Forgings Pvt Ltd., Gujarat Granito Manufacturer’s Association, Bhavnagar Induction Furnace Development Association and Sihor Steel Rerolling Mills Association have sought relaxation in the HTP-IV Tariff and requested to remove the conditionality imposed for the "HTP-IV" consumers, which restrict the usage of power during day time for only the purpose of maintenance.

The consumer should be allowed to use the power for operations-as well as maintenance as there are many process / product cycles which required peak power (high power) during short period varying between 1 to 3 hrs and then power requirement drops drastically to 20 to 25% for rest 10 to 16 hrs. Such consumers can comfortably plan their operation such that the peak load is scheduled during night hrs and only such consumers can comfortably operate under HTP-IV tariff and thereby also helping DISCOM in "Demand Side Management".

Response of DISCOMs

Regarding suggestion for removal of condition for the consumption beyond prescribed night hours it is to state that basic objective of HTP-IV category is to incentivize the HT consumers to shift their consumption to night hours. Any further relaxation for the consumption beyond prescribed night hours shall defeat the sheer objective of the HTP–IV category. Therefore, no further relaxation is required in the limit prescribed for the energy consumption beyond prescribed night hours.

Condition mentioned under the HTP–IV category for availing 10% of total units consumed or 15% of the contract demand beyond the prescribed hours for the purpose of maintenance is highly essential to keep the consumers in discipline which ultimately impacts on “Load Curve” of the Distribution Companies. Therefore, consumers of HTP-IV category who are otherwise incentivize, have to observe every month regarding their energy consumption as well as their “Demand” beyond the prescribed hours and breach in any of the components leads to billing such consumer at HTP-I tariff rate for relevant billing period.

As regards to suggestion to create new sub-category, HTP–IV (A), it is to submit that presently there are very few consumers under HTP–IV category, any further sub-categorization would be a backward move to tariff rationalization.

Commission’s observation

The Commission has examined the issue and taken appropriate decision.

3.2 Issues Pertaining to MGVCL

3.2.1 The western Railways has raised the following issues:

Issue 1: Railway traction tariff to be reduced

It is submitted that Railway traction tariff has been increased last year, though Railway had prayed to reduce the same. The fixed charges were increased from Rs. 160 per KVA to Rs. 180 per KVA and unit charges increased from Rs. 4.90/- per unit to Rs. 5.00/- per unit. This has reflected in the 0.76% hike in the Railways traction energy bill in the period April, 2015 to December, 2015. Such increase in the tariff is a big burden over Railway and is discouraging the electrification. Recently, there have been considerable increase in the installed capacity of power plants. The cost of fuel i.e. coal and petroleum has reduced. Govt. of India has supported installation of renewable energy power plants particularly solar and wind. A number of solar and wind parks are being installed and cost of renewable energy is coming down with the help of latest technical development in the field.

Looking to all above facts, it is prayed that Railway traction tariff should be reduced drastically.

Gujarat traction tariff is comparatively higher than the states like MP, Orissa, Jharkhand, Bihar, Punjab, Chhattisgarh, Rajasthan, Karnataka and Kerala. There should be no reason to charge more than so many other states.

Response of DISCOMs

There is no tariff change proposed for FY 2016-17.

Compared to the other States, the Coal being transported from the Coal mines located at Orissa, Chhattisgarh, Andhra Pradesh, Jharkhand are farthest from Gujarat. The Cost of transport of Coal charged by Railways is much higher compared to the cost of coal itself.

Further, in the recent past the Railway has increased the tariff of coal transport. Under the “Cost Plus” approach of tariff determination, any increase in the cost of inputs will lead to increase in overall tariff of consumers.

As far as Railway Traction Tariff is concerned and as per the tariff schedules approved by the Commission in various tariff orders, it can be seen from past tariff orders that there is marginal revision of the energy charges of the Railways after seven years even though there has been substantial increase in the cost of operations and service for the utility and the rate of inflation. Moreover, the freight costs charged by the Railways for transportation of fuel have been increased substantially in the last years.

Effective tariff to Railways is lower than HT consumers, even though better facilities are being extended. Further the harmful effects on our power system due to the Railways Traction load actually warrants payment of higher charges by Railways.

Supply on two phases is given, which induces imbalance in the system. Excess Demand reflects due to bunching of trains are charged at Normal Tariff, no penalty is levied. No load shedding, no power cuts. Traction load transmits fluctuations and harmonics, which are harmful to system and generators, resulting reduction in life of equipment and generators. These are absorbed by our system and no extra charge is levied for these deterrent injections by the traction load of Railway.

It is to further mention that at least in Maharashtra (R-Infra, Tata & MSEDCL), Delhi (Tata & BYPL) and Tamil Nadu, average realization from Railways is more than that in Gujarat.

As regards to prayer for reduction in tariff it is further to state that the actual ARR for FY 2014-15 is higher than the current provisional ARR for FY 2016-17 and final ARR for FY 2016-17 is expected to be quite higher than the current provisional ARR for FY 2016-17 due to increase in overall expenses. As per the directive of the Commission to consider the current revenue gap/(surplus) as provisional and a fresh ARR for FY 2016-17 is required to be submitted after the notification of new MYT Regulations, no tariff revision is provisionally proposed for FY 2016-17.

Commission's Observation

The Commission has examined the issue and taken appropriate decisions.

Issue 2: FCA Charges

Gujarat DISCOMs have considered FCA of Rs. 1.20 per Unit, but at present coal prices / fuel prices have come down very steeply. Fuel prices have come down internationally. Still Gujarat DISCOMs have charged FCA between Paise 110 to 165 per unit in 2014-15 and between Paise 142 to 165 per unit in 2015-16 till Nov. 15. Now, for 2016-17, FCA should be reduced as per international trend and Railway should get the benefit in the form of lower FCA.

Response of DISCOMs

Basic nature of FPPPA / PPPA is "adjustment" related to power purchase cost i.e. passing on the increase or decrease over the basis cost considered for tariff determination, as the case may be. The PPPA charge is being levied on the consumers on account of the change in the cost of power purchase over the basis cost considered by GERC at the time of tariff determination, which comprises almost 80 to 90% of the Distribution Licensee's ARR. Any expense pertaining to the regulated business of the Distribution Licensee has to be recovered from all consumers in some manner. Therefore, the PPPA charges are recovered in the form of an incremental energy charge (Rs/kWh) recovered as per formulae approved by the Commission.

Commission's Observations

Any increase or reduction in fuel price is reflected in FPPPA adjustment and passed on to the consumers.

Issue 3: Railway as deemed licensee – Exemption from paying cross subsidy

The issue of granting deemed licensee status to Railways under the Electricity Act 2003 has been examined by the Ministry of Power in consultation with the Department of Legal Affairs, Ministry of Law and Justice. And then it has been clarified that Railway is a deemed Licensee under the third proviso to Section 14 of the Electricity Act 2003. It is also submitted that in the petition No. 197/MP/2015, Hon'ble CERC, in the Para 52 (b) dated 05.11.15, has ruled that Railway is a deemed distribution licensee.

In view of the above, Railway shall be exempted from paying the cross subsidy and accordingly Railway traction tariff may be reduced substantially.

Response of DISCOM

1. As per the Hon'ble CERC order dated 5.11.2015, Indian Railway has been granted the status of deemed distribution licensee under third proviso to Section 14 of the Electricity Act, 2003. Accordingly, Indian Railway is entitled to arrange its power requirement on its own from various sources. As such, Indian Railway has surrendered its contract demand with DISCOMs and commenced sourcing power requirement from the sources of its choice by entering into contract at the mutually agreed terms and conditions between them and became pool member of UI/DSM accounts of SLDC-Gujarat. Since, Indian Railway presently not being

a consumer of DISCOMs, the issues raised on the tariff proposal / structure for FY 2016-17 is not subsisting at all.

2. **Cross Subsidy:**

   The National Tariff Policy mentions the need to have a rationalization of tariff to various consumer categories such that it is more aligned to the cost of supply and in a band of ± 20 % to the average cost of supply. However, while implementing the above, ground realities of the sector has to be kept in view.

One of the primary beneficiaries of the State's efforts to supply good quality, uninterrupted power is the Industries and commercial entities in the state. On the other hand, agriculture category is being supplied only limited power per day of about 8 hours. Further, mostly this power is supplied to them during off peak hours and during night time, when the average cost of power purchase from various generating stations is much lower due to the merit order stacking mechanism for power off take. In effect, the cost of supply to agriculture category would be much lower than to other categories enjoying power during peak hours also. Thus, it is natural that the tariff rates for agriculture should be lower than other consumer categories.

While, in the long run it would be desirable to have some rationalization of tariff across consumer categories, the socio-economic situation of power consumers cannot be neglected as supplying power at affordable rates to all classes of consumers is a primary responsibility of a power utility.

In the era when most of the public serving utilities are working with the principle of subsidising some part of the consumers, it is not possible for the utility to bill a particular category on the basis of cost to serve without changing the tariff of the other categories of consumer. Further, to ensure uniform tariff rates for all four state owned Distribution Companies, differential bulk supply tariff mechanism is in place.

Average realization from the Railway has been within the limit of +20%.

Commission's Observations

The response of the DISCOMs is self-explanatory. As regards, the Commission has always endeavoured to reduce the cross subsidy as provided under the Electricity Act, 2003 and the Tariff Policy.

Issue 4: Increasing incentive for Power factor improvement

Despite financial constraints, Railway has taken all best efforts to ensure near unity power factor at nearly all traction substations in Gujarat state by incurring capital expenditure to ensure better quality of electricity in State. To incentivize & motivate the HT category clients who have taken initiatives for improving PF, it is proposed that power factor rebate should be enhanced to rates as existing in Madhya Pradesh, which is 1.5% of energy charge for PF from 0.95 to 0.96,2% for 0.96 to 0.97,3% for 0.97 to 0.98, 5% for 0.98 to 0.99 & 7% for PF above 0.99.

Example: MP State. (up to 7% for PF above 0.99)

Response of DISCOMs

The power factor incentive rate of 0.5% is fixed by the Commission in Review Petition no 1, 2 & 3 of 2007 filed by Western Railway after a lot of discussion & deliberation from both the sides.

Commission's Observations

No change in rate of incentive is considered for the power factor improvement.

Issue 5: Increase in EHV rebate for railways

At present Gujarat DISCOMs give 0.5 and 1.0% rebate on Energy charges for consumers drawing power at 66 KV and 132 KV & above. Railway proposes that on the pattern of MSEDCL, which gives 3% as EHV rebate, in Gujarat also, it should be increased to 3% so as to promote user going for higher voltages thereby reducing T&D losses in the distribution system.

Response of DISCOMs

Rebate to the consumers utilizing power supply at higher voltage level should commensurate with the reduction in the losses from the normal voltage level for which the tariff has been determined. It is difficult to quantify the exact savings in energy loss due to power supply at higher voltage class.

Commission's Observations

No change in the rebate is considered for EHV consumers.

Issue 6: Simultaneous maximum demand

Railway traction load which is a moving load, registers demand at all substations, through which the train passes. Nature of Railway traction load, being a moving load keeps shifting from one substation to another. While one substation may have excess MD, the other is proportionately under loaded. The overall loading on STU network remains almost fixed It is, therefore requested that demand charges should be based on simultaneous maximum demand for various traction sub-stations.

Example: The Rajasthan DISCOMs and TATA in Maharashtra have already implemented the scheme wherein MD of individual TSS is not considered and sum total of all TSS is considered for the purpose of billing.

Response of DISCOMs

For motive power consumer's two-part tariff is universally accepted i.e. Fixed/Demand charges & Energy charges. As such, the company incurs substantial "fixed costs" in maintaining the power supply to consumers apart from the energy/ variable charges it pays for the energy bought by it. These fixed costs include fixed charges paid to power plants, recurring costs of capital expenditure such as interest costs, depreciation and other O&M expenses etc. In respect of above, it is submitted that the Appellant's request that the Demand Charges be based on the Maximum Demand recorded at all the Railway Traction Sub-Station [TSS] of the DISCOM's is not reasonable due to the fact that the distribution network has to service to the maximum local demands and hence, investments are triggered by the local (in other words, non-coincident/separate) peaks in demand.

In the era of ABT mechanism the demand forecasting done by the utilities is dependent on the contracted demand of the consumers and their consumption pattern. The DISCOMs are to pay higher Unscheduled Interchange [UI] charges in the event of the increase in demand from the schedule. The DISCOMs have to pass on cost because of the increase in demand schedules to the consumers responsible for the same. In such a scenario, working with undue preference for a particular consumer is not possible for the utility. Even the Electricity Act, 2003 states that there shall not be any undue preference to a particular consumer in a service area. Hence the present system of levying demand charges at individual TSS is the most appropriate basis for the recovery of Demand Charges as each TSS is an individual consumer.

In the era of moving from Inter State ABT to Intra-State ABT reactive energy drawls / injection during unfavourable conditions disturbs the grid discipline and the charges proposed are only to build a disincentive to the consumers causing the disturbances to the grid voltage.

Further there is no difference between load / demand of Railways at various locations and load / demand of other industries having multiple locations / factories in the DISCOM, who may also claim simultaneous maximum demand. Further, if simultaneous maximum demand is allowed, it means sum of the demand of various locations can be drawn at a single location which may have catastrophic consequences as electrical infrastructure on DISCOM side is not designed / provided for entire load of all locations at a particular location.

Therefore, it is not possible to accept simultaneous maximum demand.

Commission's Observations

The response of the petitioner is self-explanatory.

3.2.2 Other stakeholders have raised the following issues:

Issue 1: NRGP Tariff and D-4 Forms

M/s Laghu Udyog Bharati has stated that the D-4 Forms for NRGP Category show no details. The details of large no. of consumers are left away. Higher no. of poor consumers, artisans, chaiwallas, self-employed in small villages and towns and cities are paying per unit cost higher than counter parts in other tariff categories. This true-up petition is anti-poor.

For NRGP category Small Consumers, the per unit cost of electricity recovered is Rs. 8.14/unit average. The PUC purchase is Rs. 5.15 /unit (DGVCL), Rs. 4.66/unit (MGVCL), Rs. 2.98/unit (PGVCL) & Rs. 4.03/unit (UGVCL) as per Annual financial report. The Commission is requested for self-validation by calling such bills from DISCOMs.

Response of MGVCL

D-4 forms for NRGP Category have been submitted along with the ARR petition filed for FY 2016-17. These D-4 forms show all required details including slab wise physical data and sales revenue per unit. As indicated in this D-4 forms, the sales revenue per unit under NRGP Category works out to Rs. 6.45 per unit average and not Rs. 8.14 /unit average as mentioned by Respondent.

Commission's view

The response of the Petitioner is self- explanatory.

4. Truing up for FY 2014-15

MGVCL, in its submission for True-up for FY 2014-15, has furnished the actual energy sales, expenditure and revenue for FY 2014-15, based on the audited annual accounts for FY 2014-15. The licensee has stated that the truing up for FY 2014-15 is based on the comparison of the actual performance of the FY 2014-15 with the approved aggregate revenue requirement for FY 2014-15 in the Mid-term Review Order dated 29th April, 2014, to arrive at the gains / losses, as per the GERC (MYT) Regulations, 2011.

The Commission has analysed the components of the actual energy sales, expenses, revenue and computed gains / losses in the process of truing up for FY 2014-15.

4.1 Energy sales

Licensee's Submission

The licensee has submitted the category-wise actual energy sales for FY 2014-15, as given in the Table below:

Table 4.1: Category–wise Actual Sales for FY 2014-15

Sl. No.	Particulars	Sales (MUs)	
		FY 2014-15 (Approved in MTR Order)	FY 2014-15 (Submitted in truing up)
A	**LT Consumers**		
1	RGP	2137.00	2129.92
2	GLP	52.00	52.14
3	Non-RGP & LTMD	1267.00	1250.13
4	Public Water Works	197.00	199.34
5	Agriculture - Unmetered	474.00	472.90
6	Agriculture - metered	630.00	578.71
7	Public Lighting	63.00	59.79
	LT Total (A)	**4820.00**	**4742.93**
B	**HT Consumers**		
8	Industrial HT	2467.00	3160.76
9	Railway Traction	372.00	391.11
	HT Total (A)	**2839.00**	**3551.87**
	Grand Total (A + B)	**7659.00**	**8294.80**

Commission's Analysis

The Commission, in the Tariff order dated 29th April, 2014 had approved the energy sales of 7659.00 MUs for FY 2014-15. As against the above, MGVCL has submitted the actual sales of 8294.80 MUs for FY 2014-15.

It can be seen from the Table given above, that the sales for Industrial HT and Railway Traction are higher than approved. For other categories the sales are as approved in the Commission with marginal variations.

The Commission approves the energy sales of 8294.80 MUs for FY 2014-15, as detailed in the Table below:

Table 4.2: Energy sales approved in the truing up for FY 2014-15

Sl. No.	Particulars	Sales (MUs)		
		FY 2014-15 (Approved in MTR Order)	FY 2014-15 (Submitted in truing up	FY 2014-15 (Approved in truing up)
A	**LT Consumers**			
1	RGP	2137	2129.92	2129.92
2	GLP	52	52.14	52.14
3	Non-RGP & LTMD	1267	1250.13	1250.13
4	Public Water Works	197	199.34	199.34
5	Agriculture - Unmetered	474	472.90	472.90
6	Agriculture - metered	630	578.71	578.71
7	Public Lighting	63	59.79	59.79
	LT Total (A)	**4820**	**4742.93**	**4742.93**
B	**HT Consumers**			
8	Industrial HT	2467	3160.76	3160.76
9	Railway Traction	372	391.11	391.11
	HT Total (A)	**2839**	**3551.87**	**3551.87**
	Grand Total (A + B)	**7659**	**8294.80**	**8294.80**

4.2 Distribution losses

Licensee's Submission

The licensee has submitted that the actual distribution losses for FY 2014-15 were 12.27%, as against the approved level of 12.00% for FY 2014-15. The licensee has submitted that as per GERC (MYT) Regulations, 2011, the distribution losses need to be treated as controllable and any gains or losses have to be dealt with accordingly, as per provisions of GERC (MYT) Regulations, 2011.

Commission's Analysis

MGVCL has submitted that the actual distribution loss for FY 2014-15 was 12.27%, which is marginally higher than the distribution loss level of 12.00% approved by the Commission in the MTR Order dated 29th April, 2014.

The Commission considers the distribution losses as controllable as per GERC (MYT) Regulations, 2011. Accordingly, the Commission considers the losses of 12.00% as approved in MTR Order for the truing up of FY 2014-15 as shown in the Table below for computation of gains/(losses) due to variance of distribution losses.

Table 4.3: Distribution Losses considered for truing up for FY 2014-15

(%)

Particulars	FY 2014-15 (Approved in MTR Order)	FY 2014-15 (Actual)	FY 2014-15 (Considered in True-up)
Distribution Losses	12.00%	12.27%	12.00%

4.3 Energy Requirement

Licensee's Submission

MGVCL has submitted the energy requirement for FY 2014-15, based on the actual energy sales and the actual distribution losses for FY 2014-15. The following Table summarises the energy requirement of MGVCL for FY 2014-15.

Table 4.4: Energy Requirement and Energy Balance as Submitted by MGVCL for FY 2014-15

Sl. No.	Particulars	Unit	FY 2014-15 (Approved in MTR Order)	FY 2014-15 (Submitted in truing up)
1	Energy Sales	MUs	7659.00	8294.80
2	Distribution Losses	MUs	1044.41	1160.15
		%	12.00%	12.27%
3	Energy Requirement	MUs	8703.41	9454.95
4	Transmission Losses	MUs	374.00	367.50
5	Total Energy to be input to the Transmission System	MUs	9077.41	9822.46
6	Pooled losses in PGCIL system	MUs	245.00	181.71
7	**Total Energy Requirement**	**MUs**	**9322.41**	**10004.17**

Commission's Analysis

MGVCL has computed the energy requirement, based on the actual distribution losses of 12.27%, actual energy sales of 8294.80 MUs and considered transmission losses of 367.50 MUs.

To arrive at energy requirement, the Commission has considered distribution loss as 12.27% as submitted by MGVCL and transmission loss at 3.76% as per SLDC for FY 2014-15.

It can be seen from the Table 4.4 above that the distribution losses are higher than those approved in the MTR Order. The transmission losses are lower than those considered in the MTR Order.

Accordingly, the Commission has computed the energy requirement of MGVCL for FY 2014-15, as shown in the Table below:

Table 4.5: Energy Required / Procured Approved by the Commission for truing up for FY 2014-15

Sl. No.	Particulars	Unit	FY 2014-15 (Approved in MTR Order)	FY 2014-15 (Actuals submitted in the petition)	FY 2014-15 (considered for truing up for the purpose of energy requirement)
1	Energy Sales	MUs	7659.00	8294.80	8294.80
2	Distribution Losses	MUs	1044.41	1160.15	1160.12
		%	12.00%	12.27%	12.27%
3	Energy Required / Procured	MUs	8703.41	9454.95	9454.92
4	Transmission Losses	MUs	374.00	367.50	369.39
		%	4.12%	-	3.76%
5	Total energy to be input to transmission system	MUs	9077.41	9822.46	9824.31
6	Pooled losses in PGCIL system	MUs	245.00	181.71	181.71
7	**Total Energy Required / Procured**	**MUs**	**9322.41**	**10004.17**	**10006.02**

4.4 Power purchase cost

Licensee's Submission

The licensee has submitted that the company has been allotted share of generation capacities, as per the scheme worked out by GUVNL.

During the year, based on the requirement of power, the generation capacities have been allocated to MGVCL. In order to minimise power purchase cost GUVNL adopts the merit order dispatch principles for despatching power from the generating stations based on the demand and accordingly power gets allocated to MGVCL. The actual power purchase from GUVNL is different from allocation because the demand from MGVCL is not constant and varies from time to time.

The total power purchase cost of MGVCL for FY 2014-15 consists of the basic power purchase cost, transmission charges payable to GETCO and PGCIL, SLDC charges and the DISCOM's share of GUVNL cost. Based on the same, comparison of the approved and actual power purchase cost, is as shown below:

Table 4.6: Net Power Purchase Cost for FY 2014-15

(Rs. Crore)

Particulars	Approved in MTR Order	Actual submitted
Total Power Purchase Cost	3796.61	4207.82

Power Purchase Cost given above is the net power purchase cost, after considering the net UI Charges Payable/Receivable and the revenue from sale of power to GUVNL. MGVCL has submitted the actual power purchase cost during FY 2014-15, as shown in Table below:

Table 4.7: Power Purchase Cost Submitted by MGVCL for FY 2014-15

(Rs. Crore)

Particulars	FY 2014-15 (Approved)	FY 2014-15 (Actual)
Cost		
Power Purchased from GUVNL		4,197.44
Power Purchased from CPP / Wind Farms/Solar		16.88
State Load Dispatch Centre Charges		1.46
UI Charges		30.54
Cost Total		**4,246.32**
Income		
Sale of Power to GUVNL		17.64
Unscheduled Interchange		20.86
Net Power Purchase Cost	**3,796.61**	**4,207.82**

It is submitted by MGVCL that the variation in the power purchase cost approved by the Commission and the actual power purchase cost incurred is due to various reasons. These include change in the power purchase cost, change in quantum of power purchased, consequent changes in the transmission charges payable and GUVNL cost allocation.

However, the increase or reduction in quantum of power purchase and power purchase expense due to variation in distribution loss is a controllable factor, which would result in gain or loss under GERC (MYT) Regulations, 2011 and is dealt with accordingly.

As per the MYT regulations, the Commission has categorised the variation in the price of fuel and/or price of power purchase according to the FPPPA formula approved by the Commission as an uncontrollable factor. Further, the Commission has also identified the variation in the number or mix of consumers or quantity of electricity sold to consumers as an uncontrollable factor. Thus the variation in the above factors affects the power purchase expenses and results into either a loss or gain. Accordingly, any gain or loss on this account is to be entirely passed on to the consumers as per the methodology approved by the Commission.

Commission's Analysis

The Commission has examined the actual quantum of power purchased and the power purchase cost incurred during the FY 2014-15, based on the actual energy sales and the distribution losses submitted by MGVCL. It is observed that GUVNL cost allocated to the DISCOMs is less than 4 paise/unit allowed in the MTR Order dated 29th April, 2014. Hence, the Commission allows the same. The sales and the quantum of power purchase and the power purchase cost are as per the audited annual accounts for the FY 2014-15. The power purchase cost, as per the audited annual accounts for FY 2014-15, is Rs. 4207.82 Crore, as shown in the Table below:

Table 4.8: Power purchase cost as per the audited accounts for FY 2014-15

(Rs. Crore)

Sl. No.	Particulates	Amount
1	Power Purchase from GUVNL	4197.44
2	Power Purchase from others (Wind/Solar/CPP)	16.88
3	State Load Despatch Centre charges	1.46
4	UI Import (Charges) / DSM Charges	30.54
5	Total Power Purchase	4246.32
6	Power sold to GUVNL	17.64
7	UI Export / DSM Charges (Income)	20.86
8	**Net Power Purchase Cost (5-6-7)**	**4207.82**

The Commission, accordingly, approves the power purchase cost of Rs. 4207.82 Crore in the truing up for FY 2014-15.

Table 4.9: Power Purchase Cost Approved by the Commission for truing up for FY 2014-15

(Rs. Crore)

Particulars	FY 2014-15 (Approved in MTR Order)	FY 2014-15 (Submitted in truing up)	FY 2014-15 (Approved in True-up)
Total Power Purchase Cost	3796.61	4207.82	4207.82

4.4.1 Gains / losses due to distribution losses

Licensee's Submission

MGVCL has submitted that there is loss of Rs. 11.82 Crore in the power purchase cost due to higher distribution loss as compared to approved distribution loss in the MTR Order. The loss is considered as controllable variation. The calculation of loss on account of higher distribution loss as submitted by MGVCL is shown in the table below:

Table 4.10 (a): Gains/ (Losses) on account of distribution losses for FY 2014-15 as submitted by MGVCL

Sl. No.	Particulars	Unit	FY 2014-15 (with Approved Distribution Losses)	FY 2014-15 (with Actual Distribution Losses)
1	Energy Sales	MUs	8294.80	8294.80
2	Distribution Losses	MUs	1131.11	1160.15
		%	12.00%	12.27%
3	Energy Requirement	MUs	9425.91	9454.95
4	Loss due to Distribution Losses	MUs		(29.04)
5	Average Cost of Power Purchase	Rs. / kWh		**4.07**
6	Gains/(Losses) Due to Distribution Losses	Rs. Crore		**(11.82)**

Commission's Analysis

The Commission had approved the distribution loss at 12.00% in the MTR Order, against which the actual distribution loss of MGVCL is 12.27% for FY 2014-15.

The total losses, on account of higher distribution losses, are computed in the Table below:

Table 4.10 (b): Gains/ (Losses) on Account of Distribution Losses for FY 2014-15

Sl. No.	Particulars	Unit	Actuals submitted for FY 2014-15	Considered for computation of Gains/(Losses) for FY 2014-15
1	Energy Sales	MUs	8294.80	8294.80
2	Distribution Losses	MUs	1160.15	1131.11
		%	12.27%	12.00%
3	Energy Requirement	MUs	9454.95	9425.91
4	Gains/(losses) due to Distribution Losses	MUs	(29.04)	(29.04)
5	Average cost of Power Purchase	Rs./kWh	**4.07**	**4.07**
6	Gains/(losses) due to Distribution Losses	Rs. Crore	**(11.82)**	**(11.82)**

The total loss on account of higher distribution losses, as submitted by MGVCL, is Rs. 11.82 Crore and as computed by the Commission also is Rs. 11.82 Crore. MGVCL has considered Wt. Avg. rate of power purchase as approved by the Commission in MTR Order for arriving at the loss.

The Commission considered the change in power purchase cost, as uncontrollable, attributable to the variation in cost and quantum of power due to variations in sales and transmission losses, while variations in quantum of power, due to distribution losses, is considered as controllable. Accordingly, gains/losses computed on account of power purchase is shown in the Table below.

Table 4.11: Approved Gains / (losses) – Power Purchase Expenses for truing up for FY 2014-15

(Rs. Crore)

Particulars	FY 2014-15 (Approved in MTR Order)	FY 2014-15 (Approved in True-up)	Deviation + / (-)	Gains/(losses) due to controllable factors	Gains/(losses) due to uncontrollable factors
Total Power Purchase Cost	3796.61	4207.82	(411.21)	(11.82)	(399.39)

4.5 Fixed Charges

4.5.1 Operations and Maintenance (O&M) expenses for FY 2014-15

MGVCL has submitted Rs. 419.66 Crore towards actual O&M expenses in the truing up for FY 2014-15, as against Rs. 341.22 Crore approved for FY 2014-15 in the MTR Order dated 29th April, 2014, as detailed in the Table below:

Table 4.12: O&M Expenses Submitted in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2014-15 in the MTR Order	Claimed in truing up for FY 2014-15	Deviation + / (-)
1	Employee Cost	306.42	320.71	(14.29)
2	Repairs and Maintenance	45.09	51.53	(6.44)
3	Administration and General Expenses	62.71	60.13	2.58
4	Other Debits	-	73.12	(73.12)
5	Extraordinary Items	-	-	-
6	Net Prior Period Expenses/ (Income)	-	0.02	(0.02)
7	Other Expenses Capitalised	(73.00)	(85.84)	12.84
8	**Total O&M Expenses**	**341.22**	**419.66**	**(78.44)**

Licensee's Submission

MGVCL has submitted that the O&M expenses consist of the following elements:

- Employee Expenses
- Repairs and Maintenance Expenses
- Administration and General Expenses
- Other Debits
- Extraordinary Items
- Net Prior Period Expense/ (Income)
- Other Expenses Capitalized

MGVCL has compared the O&M expenses actually incurred during FY 2014-15 with the expenses approved by the Commission for the year in the MTR Order for FY 2014-15 and arrived at a loss of Rs. 18.14 Crore (on account of controllable factors) and loss of Rs. 60.30 Crore (on account of uncontrollable factors), as detailed in the Table below:

Table 4.13: O&M Expenses and Gains/ (losses) Submitted in the truing up for FY 2014-15

(Rs. Crore)

Sl. No	Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Gains/(losses) due to controllable factors	Gains/(losses) due to uncontrollable factors
1	Employee Cost	306.42	320.71	(14.29)	-
2	Repairs and Maintenance	45.09	51.53	(6.44)	-
3	Administration and General expenses	62.71	60.13	2.58	-
4	Other Debits	-	73.12	-	(73.12)
5	Extraordinary Items	-	-	-	-
6	Net Prior Period Expenses/ (Income)	-	0.02	-	(0.02)
7	Other Expenses capitalised	(73.00)	(85.84)	-	12.84
8	**Total O&M Expenses**	**341.22**	**419.66**	**(18.14)**	**(60.30)**

The O&M expenses are discussed component-wise in the following paragraphs.

4.5.2 Employee Cost

MGVCL has submitted Rs. 320.71 Crore towards actual employee cost in the truing up for FY 2014-15, as against Rs. 306.42 Crore approved in the MTR Order. The employee cost approved for FY 2014-15 in MTR Order of 29th April, 2014, and submitted by MGVCL in the truing up are as given in the Table below:

Table 4.14: Employee cost submitted by MGVCL in the truing up for FY 2014-15
(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Employee cost	306.42	320.71

Licensee's Submission

MGVCL has submitted that the actual employee cost for FY 2014-15 was Rs. 320.71 Crore. The employee cost incurred by the company is purely on the basis of the guidelines issued by competent authorities like the state government. Hence, the entire expenditure estimated by the company is a legitimate expenditure and any variation is purely beyond its control. Accordingly, MGVCL has worked out a loss of Rs. 14.29 Crore on account of controllable employee cost.

Commission's Analysis

MGVCL has compared the actual employee cost of Rs. 320.71 Crore incurred during FY 2014-15 with Rs. 306.42 Crore approved in the MTR Order for FY 2014-15. The actual employee cost, as per the audited annual accounts for FY 2014-15, is Rs. 320.71 Crore.

The Commission, accordingly, approves the employee cost at Rs. 320.71 Crore in the truing up for FY 2014-15, as per the audited annual accounts.

The Commission considers the employee cost as a controllable expense, in accordance with the provisions under Regulation 23.2 of the GERC (MYT) Regulations, 2011. Hence, the loss of Rs. 14.29 Crore is considered as controllable.

4.5.3 Repairs and Maintenance (R&M) Expenses

MGVCL has submitted Rs. 51.53 Crore towards R&M expenses in the truing up for FY 2014-15, as against Rs. 45.09 Crore approved for FY 2014-15 in the MTR Order. The R&M expenses approved for FY 2014-15 in the MTR Order of 29th April, 2014, and submitted by MGVCL in the truing up are as given in the Table below:

Table 4.15: R&M expenses submitted by MGVCL for the truing up for FY 2014-15
(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Repairs and Maintenance expenses	45.09	51.53

Licensee's Submission

MGVCL has submitted that the assets of MGVCL are old and require regular maintenance to ensure uninterrupted operations. It has been further submitted that MGVCL has been trying its best to ensure uninterrupted operations of the system by undertaking R&M activities.

MGVCL has estimated a loss of Rs. 6.44 Crore, due to controllable factors.

Commission's Analysis

The actual R&M expenses incurred during FY 2014-15 are Rs. 51.53 Crore, as per the audited annual accounts.

The Commission, accordingly, approves the R&M expenses at Rs. 51.53 Crore in the truing up for FY 2014-15, as per the Audited Annual accounts.

The R&M expenses is a controllable item of expenditure under the GERC (MYT) Regulations, 2011. Hence, the loss of Rs. 6.44 Crore is considered as controllable.

4.5.4 Administration and General (A&G) Expenses

MGVCL has submitted Rs. 60.13 Crore towards A&G expenses in the truing up for FY 2014-15, as against Rs. 62.71 Crore approved in the MTR Order. The A&G expenses approved for FY 2014-15 in the MTR Order of 29th April, 2014 and submitted by MGVCL in the truing up are as given in the Table below:

Table 4.16: A&G expenses submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
A&G expenses	62.71	60.13

Licensee's Submission

MGVCL has submitted that the A&G expenses are categorised as controllable expenses in the GERC (MYT) Regulations, 2011, and the actual A&G expenses, when compared with the approved value, resulted in a gain of Rs. 2.58 Crore for FY 2014-15.

Commission's Analysis

The actual A&G expenses, as per the audited annual accounts for FY 2014-15, are Rs. 60.13 Crore for FY 2014-15.

The Commission accordingly, approves the A&G expenses at Rs. 60.13 Crore in the truing up for FY 2014-15.

The parameters impacting A&G expenses are controllable in nature, as specified in the GERC (MYT) Regulations, 2011. The Commission, accordingly, considers the gain of Rs. 2.58 Crore under A&G expenses as controllable.

4.5.5 Other Debits

Licensee's Submission

MGVCL has submitted the actual other debits at Rs. 73.12 Crore in the truing up, as against Nil provision approved in the MTR Order dated 29th April, 2014 for FY 2014-15.

MGVCL has further submitted as per the G.R. No: NPL/452014/UOR-40/M dated 06.01.2015 issued by Government of Gujarat to waive the delayed payment charges debited up to 31.03.2014 to weak Nagar Palikas under One Time Settlement of their dues through Gujarat Municipal Finance Board, MGVCL had waived off delay payment charges amounting to Rs. 73.12 Crore in its audited accounts for FY 2014-15. As per the provisions of the MYT Regulations, 2011, Other debits are categorised as uncontrollable expenses and accordingly, the comparison of value approved by the Commission with the actual other debits of MGVCL shows a loss of Rs. 73.12 Crore.

Commission's Analysis

MGVCL has submitted that the Company had waived off Rs. 73.12 Crore towards delayed payment charges relating to weak nagar palikas under one-time settlement, in its audited accounts for FY 2014-15 in accordance with the orders issued by Government of Gujarat vide Ref: G.R. No. UPL/45 2014/UOR–40/RS dated 06.01.2015. The waiver is as per the decision of GoG and theses charges cannot be saddled on the other consumers.

Hence, the other debits approved in Truing Up of FY 2014-15 by the Commission are NIL.

4.5.6 Extraordinary Items

MGVCL has not submitted anything under extraordinary items expenditure in the truing up for FY 2014-15, as against provision of Nil approved in the Tariff Order for FY 2014-15.

Commission's Analysis

The actual extraordinary items expenditure is Nil, as per the audited annual accounts for FY 2014-15.

The Commission approves the extraordinary items expenditure as Nil in the truing up for FY 2014-15.

4.5.7 Net Prior Period Expenses / (Income)

MGVCL has submitted Rs. 0.02 Crore towards net prior period expenses in the truing up for FY 2014-15.

MGVCL had been charging depreciation on fixed assets of the Company, on the useful life of the assets at rates prescribed under Schedule XIV to the Companies Act, 1956. The Company being engaged in electricity distribution business is covered under the Electricity Act, 2003 and provisions of the Electricity Act supersede the provisions of the Companies Act, 2013. Accordingly, the Company has charged depreciation on fixed assets of the Company at the rates prescribed in MYT Regulations, 2011 with effect from 1st day of April, 2011. This being an error or omission, the differential depreciation amounting to Rs 42.46 Crore was considered as prior period depreciation expense in the audited accounts for FY 2014-15.

However, MGVCL has not considered this prior period depreciation expense while truing up for FY 2014-15 as the Commission has already approved the depreciation expenses in the past years as per the MYT Regulations, 2011.

Commission's Analysis

MGVCL did not estimate the prior period expenses in the MTR petition for FY 2014-15. These net prior period expenses are recognised, through a directive in the MYT order dated 6th September, 2011. The actual net prior period expenditure other than the differential depreciation of Rs. 42.46 Crore accounted for in the audited annual accounts is Rs. 0.02 Crore.

The Commission, accordingly, approves the net prior period expenditure of Rs. 0.02 Crore in the truing up for FY 2014-15.

The Commission considers net prior period expenses as uncontrollable item because it is not within the control of licensee. Hence, the loss of Rs. 0.02 Crore is considered as uncontrollable.

4.5.8 Other expenses capitalised

MGVCL has submitted the actual expenses capitalised at Rs. 85.84 Crore in the truing up for FY 2014-15, as against Rs. 73.00 Crore approved in the MTR Order for the FY 2014-15.

Commission's Analysis

The Commission has observed that the other expenses capitalised represent the capitalisation of employees cost, A&G expenses and interest charges, etc., as seen from Note 28 to the Annual Accounts for FY 2014-15. The actual other expenses capitalised are Rs. 91.89 Crore, as per the audited annual accounts for FY 2014-15. These other expenses capitalised include Rs. 6.05 Crore towards capitalisation of interest charges. The interest charges capitalised are excluded from this figure, since the interest charges are allowed on normative basis, against the actual capitalisation of CAPEX.

The Commission, accordingly, approves the other expenses capitalised at Rs. 85.84 (91.89-6.05) Crore, excluding the interest charges capitalised, in the truing up for FY 2014-15.

The Commission considers other expenses capitalised as uncontrollable item because it is not within the control of licensee. Hence, the gain of Rs. 12.84 Crore is considered as uncontrollable.

The total O&M expenses approved in the truing up for FY 2014-15 and the gains / (losses) considered due to controllable and uncontrollable factors are detailed in the Table below:

Table 4.17: Approved O&M expenses and Gains/ (losses) in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2014-15 in MTR Order	Approved in truing up for FY 2014-15	Deviation +/(-)	Gains/ (Losses) due to controllable factors	Gains/ (Losses) due to uncontrollable factors
1	Employee Cost	306.42	320.71	(14.29)	(14.29)	
2	Repairs and Maintenance	45.09	51.53	(6.44)	(6.44)	
3	Administration and General Expenses	62.71	60.13	2.58	2.58	
4	Other Debits	0.00	0.00	0.00		0.00
5	Extraordinary Items	0.00	0.00	0.00		0.00
6	Net Prior Period Expenses/(Income)	0.00	0.02	(0.02)		(0.02)
7	Other Expenses Capitalised	(73.00)	(85.84)	12.84		12.84
8	Total O&M Expenses	**341.22**	**346.55**	**(5.33)**	**(18.15)**	**12.82**

4.5.9 Capital expenditure, Capitalization and Funding of CAPEX

MGVCL has furnished the capital expenditure at Rs. 515.17 Crore in the truing up for FY 2014-15, as against Rs. 366.00 approved in the ARR for FY 2014-15 in the MTR Order. The details are as given in the Table below:

Table 4.18: Capital Expenditure Submitted by MGVCL for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved in the MTR Order for FY 2014-15	Claimed in truing up for FY 2014-15
1	Distribution Schemes	74.58	74.11
2	Rural Electrification Schemes	192.36	275.14
3	Non Plan Schemes	41.30	88.53
4	NEF Schemes	28.19	56.79
5	Other New Schemes	27.37	19.05
6	Other	2.20	1.55
7	**Total Capital Expenditure**	**366.00**	**515.17**

Licensee's Submission

MGVCL has submitted that the actual capital expenditure incurred during FY 2014-15 was Rs. 515.17 Crore, which is higher than what was approved for FY 2014-15 in the MTR Order dated 29th April, 2014 by Rs. 149.17 Crore. MGVCL has provided justification for scheme wise deviation in capital expenditure as detailed below.

MGVCL has submitted scheme wise deviation in capital expenditure as under:

Normal Development: Under the head Normal Development Scheme, generally expenses incurred to meet the Supply Obligation are considered. MGVCL had to incur Rs. 57.87 Crore against approved Rs. 66.33 Crore.

Electrification of Hutments: In Electrification of Hutments (Gen.) Rural Scheme total works carried out for 7634 Nos lighting connections during the year at cost of Rs. 14.30 Crore against approved Rs. 5.50 Crore.

RE Scheme: In TASP-Wells & Petaparas Scheme total works carried out for 7367 Nos of Agriculture connections and 11 Nos. of Petaparas during the year at a cost of Rs. 150.64 Crore against approved Rs. 130.10 Crore.

In REC Normal Wells scheme (SPA + Dark Zone + Tatkal + Lift irrigation) total works carried out for 6988 Nos Agriculture connections during the year at a cost of Rs.124.16 Crore against approved Rs. 62.04 Crore. Out of this, MGVCL released 399 Agriculture connections under Tatkal scheme during FY 2014-15 at a cost of Rs. 6.98 Crore and 1649 Nos Agriculture connections under dark zone scheme at the cost of Rs. 29.55 Crore which was not envisaged in MYT petition.

R- APDRP: R-APDRP (Restructured Accelerated Power Development & Reforms Programme) is the Central Government Scheme. Government of India has appointed Power Finance Corporation (PFC) as the Nodal Agency.

Part-A includes:

Establishment of baseline data and adoption of IT applications for meter reading, billing & collection; energy accounting & auditing; MIS; redressal of consumer grievances; establishment of IT enabled consumer service centres etc. R-APDRP Part-A is completed and 'Go live' is also performed. Actual project assets are also capitalized during FY 2014-15.

Part-B includes:

Renovation, modernization and strengthening of 11 kV level substations, transformers / transformer centres, re-conductoring of lines at 11 kV level and below, load bifurcation, feeder separation, load balancing, HVDS (11 kV), Aerial Bunched Conductors in dense areas, replacement of electromagnetic energy meters with tamper proof electronics meters, installation of capacitor banks and mobile service centres etc. This scheme is to be implemented as per the guidelines issued by PFC from time to time.

NEF/System Improvement: Under the head System Improvement, expenditure incurred for carrying out renovation/replacement of old distribution lines, bifurcation of feeders, Installation/augmentation of distribution transformers etc. are considered. System Improvement is carried out as envisaged in the NEF scheme with the objective to improve reliability of power supply and also to reduce distribution loss. MGVCL incurred Rs. 51.42 Crore against approved Rs. 6.16 Crore during FY 2014-15. As the NEF scheme is introduced by GoI after MYT Order hence expenditure was not envisaged in the Order.

High Voltage Distribution System (HVDS): MGVCL has large nos. of Low Tension category consumers. To eliminate low voltage distribution and to have better voltage profile as well as for reduction of technical loss and associated commercial loss, MGVCL has proposed to shift over in phased manner to High Voltage Distribution by erecting small capacity transformers matching with the connected load of individual consumer or very small group of consumers. MGVCL incurred Rs. 5.77 Crore against approved Rs. 4.73 Crore.

Commission's Analysis

The actual capital expenditure reported for FY 2014-15 is Rs. 515.17 Crore against Rs. 366 Crore submitted in the Mid-term Review Petition. The actual expenditure incurred is higher by Rs. 149.17 Crore than what was approved in Mid-term Review Petition. The actual capitalisation is Rs. 548.34 Crore, as per the audited accounts for FY 2014-15. MGVCL has received grant of Rs. 23.45 Crore and consumer contribution of Rs. 133.84 Crore during FY 2014-15 which are as per the audited annual accounts. MGVCL has explained the reasons for increase in expenditure under various heads. The consumer contribution and subsidies and grants have been verified from the audited annual accounts.

The Commission, accordingly, approves the Capex at Rs. 515.17 Crore and capitalisation at Rs. 548.34 Crore in the truing up for FY 2014-15.

The CAPEX, capitalisation and funding submitted by MGVCL and approved by the Commission are as given in the Table below:

Table 4.19: Approved Capitalisation and Source of Funding in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved in the MTR Order for FY 2014-15	Claimed in truing up for FY 2014-15	Approved in truing up for FY 2014-15
1	Capital Expenditure	366.00	515.17	515.17
2	Capitalisation	366.00	548.34	548.34
3	Less: Consumer Contribution	94.46	133.84	133.84
4	Less: Subsidies and Grants	111.67	23.45	23.45
5	**Balance Capitalisation**	159.87	391.04	391.05
6	Debt (70%)	111.91	273.73	273.74
7	Equity (30%)	47.96	117.31	117.32

4.5.10 Depreciation

MGVCL has submitted Rs. 180.21 Crore towards depreciation in the truing up for FY 2014-15. The depreciation charges approved in the MTR Order of 29th April, 2014 and submitted by MGVCL in the truing up for FY 2014-15 are as given in the Table below:

Table 4.20: Depreciation submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Depreciation	165.82	180.21

Licensee's Submission

MGVCL had been charging depreciation on fixed assets of the Company, on the useful life of the assets at rates prescribed under Schedule XIV to the Companies Act, 1956. The Company being engaged in electricity distribution business is covered under the Electricity Act, 2003 and provisions of the Electricity Act supersede the provisions of the Companies Act, 2013. Accordingly, the Company has charged depreciation on fixed assets of the Company at the rates prescribed in MYT Regulations, 2011 for FY 2014-15.

MGVCL has submitted the actual depreciation for FY 2014-15 as detailed in the Table below:

Table 4.21: Fixed Assets and Depreciation Computed by MGVCL for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Deviation + / (-)
1	Gross Block at the Beginning of the Year	2,993.57	3,132.71	

Sl. No.	Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Deviation + / (-)
2	Additions During the Year	366.00	548.34	
3	Depreciation for the Year	**165.82**	**180.21**	**(14.39)**
4	Average Rate of Depreciation	**5.22%**	**5.29%**	

MGVCL has further submitted that the actual depreciation for FY 2014-15, as against the value approved in the Tariff order, resulted in a net uncontrollable loss of Rs. 14.39 Crore as detailed in the Table below:

Table 4.22: Gains/ (Losses) due to Depreciation Submitted in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Gains/(losses) due to controllable factors	Gains/(losses) due to uncontrollable factors
Depreciation	165.82	180.21	0	(14.39)

Commission's Analysis

The opening balance of GFA, the net addition during the year and the closing balance of GFA have been verified with the audited annual accounts for FY 2014-15. MGVCL has, in their petition, shown the opening balance of GFA at Rs. 3132.71 Crore and the depreciation of Rs. 180.21 Crore. While the opening GFA tallies with the Audited Accounts for FY 2014-15, the depreciation as per P&L Account for FY 2014-15 is Rs. 176.40 Crore. The Commission has considered depreciation of Rs. 176.40 Crore rather than Rs. 180.21 Crore as claimed by MGVCL as per Form D-2 reason being MGVCL has switched over to the depreciation rates as prescribed under GERC (MYT) Regulations, 2011 from the rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956, as stated in Note 12 (a) of the Audited Accounts of FY 2014-15.

The Commission approves the depreciation at Rs. 176.40 Crore in the truing up for FY 2014-15, as detailed in the Table below:

Table 4.23: Approved depreciation in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Claimed in truing up for FY 2014-15	Approved for FY 2014-15 in truing up
1	Gross block at the beginning of the year	3132.71	3132.71
2	Additions during the year	548.34	548.34
3	Depreciation for the year	180.21	176.40
4	Average rate of depreciation	5.29%	5.18%

With regard to the computation of Gains / Losses, Regulation 23.2 considers the variation in capitalisation on account of time and/or cost overruns / efficiencies in the implementation of capital expenditure project, not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. While approving the True-up for FY 2011-12, the Commission had considered the variation in the Capitalisation and the resultant change in depreciation, Interest on borrowings and Return on Equity as uncontrollable.

The Commission, accordingly, approves the Gains/losses on account of depreciation in the truing up for FY 2014-15, as detailed in the Table below:

Table 4.24: Gains/ (Losses) due to Depreciation Approved in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Approved in truing up for FY 2014-15	Gains/(losses) due to controllable factors	Gains/(losses) due to uncontrollable factors
Depreciation	165.82	176.40	0	(10.58)

4.5.11 Interest and Finance charges

MGVCL has submitted Rs. 69.29 Crore towards interest and finance charges in the truing up for FY 2014-15, as against Rs. 80.54 Crore approved in the MTR order for FY 2014-15, as detailed in the Table below:

Table 4.25: Interest and Finance charges submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Interest and Finance Charges	80.54	69.29

Licensee's Submission

MGVCL has submitted that it has considered the closing balance of loan approved in the truing up for FY 2013-14 in the Tariff Order dated 31st March, 2015 as the opening balance of loan for FY 2014-15. The loan addition has been computed at Rs. 273.73 Crore towards loan for funding the CAPEX for FY 2014-15. MGVCL has considered the weighted average rate of interest of 8.51%, as against 10.16% approved in MTR Order for FY 2014-15. In addition, MGVCL has considered the guarantee charges payable on legacy loan from the erstwhile GEB and interest on security deposits. The details of interest and finance charges submitted by MGVCL are as given in the Table below.

Table 4.26: Interest and Finance Charges Submitted in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
1	Opening Loans	179.12	239.72
2	New Loans During the Year	111.91	273.73
3	Repayment During the Year	165.82	180.21
4	Closing Loans	125.21	333.24
5	Average Loans	**152.17**	**286.48**
6	Interest on Loans	15.46	24.38
7	Interest on Security Deposit	59.76	43.42
8	Guarantee Charges and Other Finance Charges	5.32	1.49
9	Total Interest and Finance Charges	**80.54**	**69.29**
10	Weighted Average Rate of Interest	**10.16%**	**8.51%**

MGVCL has further submitted that interest and finance charges are categorised as uncontrollable, as per the GERC (MYT) Regulations, 2011, and accordingly, worked out deviation in the actuals, vis-à-vis the approved expenses under uncontrollable factors. These are, as given in the Table below:

Table 4.27: Gains/ (Losses) Submitted due to Interest & Finance Charges for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Gains/(losses) due to controllable factors	Gains/(losses) due to uncontrollable factors
Interest and Finance charges	80.54	69.29	-	11.25

Commission's Analysis

The Commission analysed the loans for capital expenditure and approved the opening balance of loans towards capital expenditure at Rs. 239.72 Crore as the closing balance of loans, approved in the truing up for FY 2013-14 as per Tariff order dated 31st March, 2015. This is taken as the opening balance of loans in the truing up for FY 2014-15. The normative addition of loans during FY 2014-15 has been considered at Rs. 273.74 Crore as approved in Table 4.19 based on the actual capitalisation as per the audited annual accounts. MGVCL has submitted the actual interest on security deposit at Rs. 43.42 Crore as per audited annual accounts.

The repayment of loan is considered at Rs. 176.40 Crore in the truing up for FY 2014-15, which is equivalent to the depreciation. The guarantee charges and other finance charges as per audited accounts for FY 2014-15 are Rs. 1.49 Crore. MGVCL has submitted vide e-mail dated 17.02.2016 details of the actual opening balance as on 1st April 2014 for each loan portfolio and the rate of interest applicable for each loan portfolio for FY 2014-15. Based on these details, the weighted average rate of interest in accordance with the Clause 39 of GERC (MYT) Regulations, 2011, works out to 10.11%. Taking all these factors into consideration, the interest charges have been computed as detailed in the Table below:

Table 4.28: Interest & Finance Charges Approved by the Commission in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Claimed in Truing up for FY 2014-15	Approved in truing up for FY 2014-15
1	Opening Loans	239.72	239.72
2	New Loans During the Year	273.73	273.74
3	Repayment During the Year	180.21	176.40
4	Closing Loans	333.24	337.06
5	Average Loans	286.48	288.39
6	Weighted Average Rate of Interest	8.51%	10.11%
7	Interest on Loans	24.38	29.16
8	Interest on Security Deposit	43.42	43.42
9	Guarantee and Other Finance Charges	1.49	1.49
10	**Total Interest & Finance charges**	**69.29**	**74.07**

The Commission approves the interest and finance charges at Rs. 74.07 Crore in the truing for FY 2014-15.

As noted in Para 4.5.10 above, the Commission is of the view that the parameters which impact interest and finance charges should be treated as uncontrollable.

The Commission, accordingly, approves the Gains/ (losses) on account of interest and finance charges in the truing up for FY 2014-15, as detailed in the Table below:

Table 4.29: Gains/ (losses) approved in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Approved in truing up for FY 2014-15	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
Interest and Finance Charges	80.54	74.07	-	6.47

4.5.12 Interest on Working Capital

MGVCL has not submitted any claim towards interest on working capital in the truing up for FY 2014-15, against Nil provision approved in the MTR Order for FY 2014-15, which are as detailed in the Table below:

Table 4.30: Interest on Working Capital Submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Interest on Working Capital	Nil	Nil

Licensee's Submission

The licensee has submitted that the interest on working capital has been calculated based on the GERC (MYT) Regulations, 2011, at an interest rate of 14.75%, being the SBAR of SBI, as on 1st April 2014.

The detailed computation of interest on working capital is as given in the Table below:

Table 4.31: Interest on Working Capital Submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
1	O&M Expenses (one month)	31.00	34.97
2	Maintenance Spares (1% of Opening GFA)	36.00	31.33
3	Receivables	379.00	401.57
4	Less: Security Deposits from Consumers	665.00	(585.25)
5	Total Working Capital	(218.00)	**(117.39)**
6	Rate of Interest on Working Capital	14.45%	14.75%
7	Interest on Working Capital	-	-

Commission's Analysis

The Commission has examined the computation of normative working capital and interest thereon under GERC (MYT) Regulations, 2011. Regulation 41.2 (b) specifies that interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the Financial Year in which the petition is filed. While truing up for FY 2011-12, the Commission had decided to consider the interest rate as SBAR prevailing as on 1st April of the Financial Year for which truing up is being done, instead of 1st April of the Financial Year, in which petition is filed. The SBAR, as on

1st April 2014, was 14.75%. The Commission, accordingly, takes into consideration the SBAR of 14.75% in computation of Interest in Working Capital for FY 2014-15.

The Commission has computed the Working Capital and interest thereon, as detailed in Table below:

Table 4.32: Interest on Working Capital Approved in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Claimed in truing up for FY 2014-15	Approved for FY 2014-15 in truing up
1	O&M Expenses (One Month)	34.97	28.88
2	Maintenance Spares (1% of Opening GFA)	31.33	31.33
3	Receivables (1 month of Sales)	401.57	394.43
4	Less: Security Deposit From Consumers (Average)	(585.25)	(585.25)
5	**Total Working Capital**	**(117.39)**	**(130.61)**
6	Rate of Interest on Working Capital	14.75%	14.75%
7	Interest on Working Capital	Nil	Nil

The Commission, accordingly, approves the interest on working capital at Nil in the truing up for FY 2014-15.

4.5.13 Provision for bad debts

MGVCL has submitted Rs. 4.14 Crore towards bad debts written off in the truing up for FY 2014-15, as against Nil amount approved in the Tariff order for FY 2014-15. The details are as given in the Table below:

Table 4.33: Provision for Bad Debts Submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Provision for Bad Debts	Nil	4.14

Licensee's Submission

MGVCL has submitted that the actual value of bad debts, when compared with the approved value, resulted in a loss of Rs. 4.14 Crore, on account of controllable factors, which are as shown in the Table below:

Table 4.34: Provision for Bad Debts for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Gains/(losses) due to controllable factors	Gains/(losses) due to uncontrollable factors
Provision for Bad Debts	Nil	4.14	(4.14)	-

Commission's Analysis

MGVCL has claimed Rs. 4.14 Crore towards Bad & Doubtful Debts Written Off / Provided for during FY 2014-15 as per audited accounts. As verified from the audited annual accounts the bad debts written off / provided for in FY 2014-15 are Rs. 4.14 Crore Regulation 98.8.1 specified that the Commission may allow bad debts written off as a pass through in the Aggregate Revenue Requirement subject to prudence check. MGVCL has submitted the actual bad debts written off as Rs. 0.10 Crore.

The Commission accordingly approves the bad debts written off at Rs. 0.10 Crore in the truing up for FY 2014-15.

The deviation on account of bad debts written off is Rs. 0.10 Crore and the Commission considers the same as loss due to controllable factors, as detailed in the Table below:

Table 4.35: Gains/ (Losses) due to Bad Debts Approved in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Approved in truing up for FY 2014-15	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
Provision for Bad Debts	Nil	0.10	(0.10)	-

4.5.14 Return on equity

MGVCL has submitted Rs. 96.58 Crore towards return on equity in the truing up for FY 2014-15, as against Rs. 87.55 Crore approved in the MTR Order dated 29th April, 2014 for FY 2014-15 which are as given in the Table below:

Table 4.36: Return on Equity Submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Return on Equity	87.55	96.58

Licensee's Submission

MGVCL has submitted that return on equity is computed considering a rate of 14% on the average of opening and closing equity, taking into account the additions during the FY 2014-15.

The details of computation of return on equity are as given in the Table below:

Table 4.37: Return on equity submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
1	Opening Equity	601.38	631.17
2	Additional Equity During the year	47.96	117.31
3	Closing Equity	649.34	748.48
4	Average Equity	625.36	689.82
5	Rate of Return on Equity	14%	14.00%
6	Return on Equity	**87.55**	**96.58**

Commission's Analysis

MGVCL has furnished the opening equity of Rs. 631.17 Crore for FY 2014-15 and has submitted an equity addition of Rs. 117.31 Crore during the FY 2014-15. The opening equity, as on 01/04/2014, was Rs. 631.17 Crore, being the closing balance of equity approved in the True-up for FY 2013-14. The Commission has approved the normative equity addition at Rs. 117.31 Crore, as given in Table 4.19.

The Commission has computed return on equity in the truing up for FY 2014-15, as detailed in the Table below:

Table 4.38: Return on equity approved for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Claimed in truing up for FY 2014-15	Approved in truing Up for FY 2014-15
1	Opening Equity	631.17	631.17
2	Additional Equity During the Year	117.31	117.31
3	Closing Equity	748.48	748.48
4	Average Equity	689.82	689.83
5	Rate of Return on Equity	14%	14%
6	Return on Equity	**96.58**	**96.58**

The Commission approves return on equity at Rs. 96.58 Crore in the truing up for FY 2014-15.

As noted in Para 4.5.10 above, the factors impacting Return on Equity are considered uncontrollable.

The Commission, accordingly, approves the gains/(losses) on account of return on equity in the truing up for FY 2014-15, as detailed in the Table below:

Table 4.39: Approved Gains/(Losses) due to Return on Equity in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Approved in truing up for FY 2014-15	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
Return on Equity	87.55	96.58	0	(9.03)

4.5.15 Taxes

MGVCL has submitted Rs. 8.25 Crore towards income tax in the truing up for FY 2014-15, as against Rs. 2.11 Crore approved in MTR Order for FY 2014-15, as given in the Table below:

Table 4.40: Taxes Submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Provision for Tax	2.11	8.25

Licensee's Submission

The licensee has submitted that the actual tax worked out to Rs. 8.25 Crore, as against Rs. 2.11 Crore approved in the MTR Order for FY 2014-15. MGVCL has further mentioned that tax is a statutory expense and this should be allowed, without any deduction. MGVCL has submitted a loss of Rs. 6.14 Crore, on account of tax, as given in the Table below:

Table 4.41: Gains/ (Losses) Submitted due to Provision for tax for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Gains/(losses) due to controllable factors	Gains/(losses) due to uncontrollable factors
Provision for Tax	2.11	8.25	0	(6.14)

Commission's Analysis

The Commission has obtained the copies of tax payer's counterfoil and found that the licensee has paid income tax of Rs. 8.25 Crore for FY 2014-15.

The Commission approves the tax paid at Rs. 8.25 Crore in the truing up for FY 2014-15.

With regard to the computation of gains/(losses), Regulation 23.1 considers variation in taxes on income as uncontrollable.

The Commission, accordingly, approves the gains/(losses) on account of tax on income in the truing up for FY 2014-15 which are as detailed in the Table below:

Table 4.42: Approved Gains/(Losses) due to Tax in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Approved in truing up for FY 2014-15	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
Provision for Tax	2.11	8.25	0	(6.14)

4.5.16 Non-Tariff Income

MGVCL has furnished the actual Non-Tariff income at Rs. 149.48 Crore in the truing up for FY 2014-15, as against Rs. 144.79 Crore approved in the MTR Order dated 29th April, 2014 for FY 2014-15, which are as detailed in the Table below:

Table 4.43: Non-Tariff Income Submitted by MGVCL in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15
Non-Tariff Income	144.79	149.48

Licensee's Submission

The licensee has submitted that the actual Non-Tariff income is Rs. 149.48 Crore, as against Rs. 144.79 Crore approved in the MTR Order for FY 2014-15 and this resulted in an uncontrollable gain of Rs. 4.69 Crore, which is as detailed in the Table below:

Table 4.44: Gains/(Losses) Submitted Due to Non-Tariff Income for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
Non-Tariff income	144.79	149.48	0	4.69

Commission's Analysis

The Commission has verified and found that the actual 'other income' is Rs. 149.48 Crore, including DPC of Rs. 16.99 Crore, as per the audited annual accounts for FY 2014-15. The deviation is Rs. 4.69 Crore, which is a gain.

The Commission, accordingly, approves the Non-Tariff income at Rs. 149.48 Crore in the truing up for FY 2014-15.

Table 4.45: Approved Gains/(Losses) due to Non-Tariff Income in the truing up for FY 2014-15

(Rs. Crore)

Particulars	Approved for FY 2014-15 in MTR Order	Approved in truing up for FY 2014-15	Deviation +/(-)	Gains/ (losses) due to controllable factors	Gains/ (losses) due to uncontrollable factors
Non-Tariff Income	144.79	149.48	(4.69)	0	(4.69)

4.6 Revenue from sale of power

MGVCL has furnished the total revenue at Rs. 4818.81 Crore in the truing up for FY 2014-15, as against Rs. 4512.00 Crore considered in the MTR order dated 29th April, 2014 for FY 2014-15, as detailed in the Table below:

Table 4.46: Revenue Submitted in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2014-15 in Tariff Order	Claimed in truing up for FY 2014-15
1	Revenue from Sale of Power	4348.00	4662.62
2	Other Income (Consumer Related)	82.00	85.60
3	Total Revenue Excluding Subsidy (1+2)	4430.00	4748.22
4	Agriculture Subsidy	82.00	70.59
5	Total Revenue Including Subsidy (3+4+5)	**4512.00**	**4818.81**

Commission's Analysis

The Commission has verified the total revenue for FY 2014-15 from the audited accounts. The actual revenue from sales, as per audited accounts, is Rs. 4662.62 Crore. The revenue shown by the licensee from sale of power to GUVNL is Rs. 17.64 Crore and UI charges receivable is Rs. 20.85 Crore for FY 2014-15 and the same has been adjusted by the Commission against the power purchase cost for the FY 2014-15, as shown in Table 4.8. The revenue approved for FY 2014-15 is given in the Table below.

Table 4.47: Revenue Approved in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Claimed in truing up for FY 2014-15	Approved for FY 2014-15 in truing up
1	Revenue from Sale of Power	4662.62	4662.62
2	Other income (Consumer Related)	85.60	85.60
3	Total Revenue Excluding Subsidy (1+2)	4748.22	4748.22
4	Agriculture Subsidy	70.59	70.59
5	**Total Revenue Including Subsidy (3+4+5)**	**4818.81**	**4818.81**

The Commission, accordingly, approves the total revenue of Rs. 4818.81 Crore, including consumer related income, at Rs. 85.60 Crore and agriculture subsidy at Rs. 70.59 Crore in the truing up for FY 2014-15.

4.7 ARR Approved in the truing up

The Commission reviewed the performance of MGVCL under Regulation 22 of the GERC (MYT) Regulations, 2011, with reference to the audited accounts for FY 2014-15. The Commission computed the gains/(losses) for FY 2014-15, based on the truing up for each of the components discussed in the above paragraphs.

The Aggregate Revenue Requirement (ARR) approved in the Tariff Order dated 29th April, 2014, actual submitted in truing up and approved for truing up and gains/(losses) computed, in accordance with GERC (MYT) Regulations, 2011, are as given in the Table below:

Table 4.48: ARR Approved in truing up for FY 2014-15

(Rs. Crore)

Sl. No	Annual Revenue Requirement	Approved for FY 2014-15 in MTR Order	Claimed in truing up for FY 2014-15	Approved in truing up for FY 2014-15	Deviation +/(-)	Gains/ (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable Factors
1	2	3	4	5	6=(3-5)	7	8
1	Cost of Power Purchase	3796.61	4207.82	4207.82	(411.21)	(11.82)	(399.39)
2	Operations and Maintenance Expenses	**341.22**	**419.67**	**346.55**	**(5.33)**		
2.1	Employee Cost	306.42	320.71	320.71	(14.29)	(14.29)	0.00
2.2	Repairs and Maintenance	45.09	51.53	51.53	(6.44)	(6.44)	0.00
2.3	Administration and General expenses	62.71	60.13	60.13	2.58	2.58	0.00
2.4	Other Debits	0.00	73.12	0.00	0.00		0.00
2.5	Extraordinary Items	0.00	0.00	0.00	0.00		0.00
2.6	Net Prior Period Expenses/(Income)	0.00	0.02	0.02	(0.02)		(0.02)
2.7	other Expenses Capitalised	(73.00)	(85.84)	(85.84)	12.84		12.84
3	Depreciation	165.82	180.21	176.40	(10.58)		(10.58)
4	Interest and Finance Charges	80.54	69.29	74.07	6.47		6.47
5	Interest On Working Capital	0.00	0.00	0.00	0.00		0.00
6	Provision for Bad Debts	0.00	4.14	0.10	(0.10)	(0.10)	0.00
7	Return on Equity	87.55	96.58	96.58	(9.03)		(9.03)
8	Provision for Tax / Tax Paid	2.11	8.25	8.25	(6.14)		(6.14)
9	**Total Expenditure**	**4473.85**	**4985.96**	**4909.76**	**(435.91)**	**(30.06)**	**(405.84)**
10	Less: Non-Tariff Income	144.79	149.48	149.48	(4.69)		(4.69)
11	**Aggregate Revenue Requirement**	**4329.06**	**4836.48**	**4760.28**	**(431.22)**	**(30.06)**	**(401.15)**

4.8 Sharing of Gains / (losses) for FY 2014-15

The Commission has analysed the gains / (losses), on account of controllable and Uncontrollable factors.

The relevant Regulations are extracted below

Regulation 24. Mechanism for pass-through of gains or losses on account of uncontrollable factors

24.1 The approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee, on account of uncontrollable factors, shall be passed through as an adjustment in the Tariff of the Generating Company, or Transmission Licensee, or Distribution Licensee over such period as may be specified in the Order of the Commission passed under these Regulations.

24.2 The Generating Company, or Transmission Licensee, or Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and figures approved by the Commission, in the prescribed format to the Commission, along with detailed computations and supporting documents, as may be required, for verification by the Commission.

24.3 Nothing contained in this Regulation 24 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.

Regulation 25. Mechanism for sharing of gains or losses on account of controllable factors

25.1 The approved aggregate gain to the Generating Company or Transmission Licensee or Distribution Licensee, on account of controllable factors, shall be dealt with in the following manner:

One-third of the amount of such gain shall be passed on as a rebate in Tariffs over such period as may be specified in the Order of the Commission under Regulation 22.6;

The balance amount, which will amount to two-thirds of such gain, may be utilised at the discretion of the Generating Company, or Transmission Licensee, or Distribution Licensee.

25.2 The approved aggregate loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

a. *One-third of the amount of such loss may be passed on as an additional charge in Tariffs over such period as may be specified in the Order of the Commission under Regulation 22.6; and*

b. *The balance amount, which will amount to two-thirds of such loss, shall be absorbed by the Generating Company, or Transmission Licensee, or Distribution Licensee."*

4.9 Revenue (Gap) / Surplus for FY 2014-15

As shown in the Table below, MGVCL has submitted a revenue gap of Rs. 20.77 Crore in the truing up after treatment of gains / (losses) due to controllable / uncontrollable factors, after comparing the performance with the Tariff Order for FY 2014-15.

Table 4.49: Projected Revenue (Gap)/Surplus FY 2014-15
(Rs. Crore)

Sl. No.	Particulars	FY 2014-15
1	Aggregate Revenue Requirement originally approved for FY 2014-15	4,329.06
2	Surplus/(Gap) of True-Up for FY 2012-13	(25.85)
3	Gain / (Loss) on account of Uncontrollable factor to be passed on to Consumer	(473.31)
4	Gain / (Loss) on account of Controllable factor to be passed on to Consumer (1/3rd of Total Gain/Loss)	(11.37)
5	**Revised ARR for FY 2014-15 (1 - 2 - 3 - 4)**	**4,839.59**
6	Revenue from Sale of Power	4,662.63
7	Other Income (Consumer related)	85.60
8	**Total Revenue excluding Subsidy (6 + 7)**	**4,748.22**
9	Agriculture Subsidy	70.59
10	**Total Revenue including Subsidy (8 + 9)**	**4,818.81**
11	**Revised Gap after treating gains/(losses) due to Controllable/ Uncontrollable factors (5 - 10)**	**20.77**

Commission's Analysis

The Commission compared the actual performance of MGVCL with the values approved in the MTR Order dated 29th April, 2014.

The Commission arrived at the revised ARR and revenue gap, based on the expenses and the gains / loss approved in the truing up for FY 2014-15. The revenue (gap) / surplus is approved by the Commission for FY 2014-15 as summarised in the Table below:

Table 4.50: Revenue (Gap) / Surplus Approved in the truing up for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15
1	Aggregate Revenue Requirement originally approved for FY 2014-15	4329.06
2	Surplus/(Gap) of True-Up for FY 2012-13	(25.85)
3	Gains / (Losses) on Account of Uncontrollable factors to be Passed on to the Consumers	(401.15)
4	Gains / (Losses) on Account of Controllable factors to be Passed on to the Consumers (1/3rd of total gain/loss)	(10.02)
5	**Revised ARR for FY 2014-15 (1-2-3-4)**	**4766.08**
6	Total Revenue from Sales	4662.62
7	Other Income (Consumer Related)	85.60
8	Agriculture Subsidy	70.59
9	Total Revenue, Including Subsidy (6+7+8)	4818.81
10	**Revised Surplus/(Gap) after treating Gains/(Losses) due to Controllable/Uncontrollable factors (9-5)**	**52.73**

4.10 Consolidated revenue Surplus/(Gap) of the DISCOMs for FY 2014-15

The consolidated revenue surplus / (gap) of the four DISCOMs viz. DGVCL, MGVCL, PGVCL and UGVCL, after truing up of FY 2014-15 is summarised below.

Table 4.51: Consolidated revenue (Gap) / Surplus of four DISCOMs for FY 2014-15

(Rs. Crore)

Sl. No.	DISCOMs	Surplus/(Gap)
1	DGVCL	(58.86)
2	MGVCL	52.73
3	PGVCL	20.00
4	UGVCL	21.98
	Total	**35.84**

While determining the ARR for FY 2014-15 in the MTR Order dated 29th April, 2014, the Commission has considered GUVNL cost of 4 paise per unit to be added to power purchase cost of each DISCOM. GUVNL is entrusted for purchase of power on behalf of DISCOMs and sale of surplus power, if any, thereby adjusting power purchase cost of the DISCOMs. The 4 paise / unit is allowed by the Commission to GUVNL for meeting their expenses to carry out the business entrusted to it. It is very clear that any profit earned by GUVNL out of its statutory activities should be distributed amongst DISCOMs as the entire cost of GUVNL is being borne by DISCOM. In view of the above, the Commission decides to adjust the amount of Rs. 79.71 Crore which is Profit After Tax in P&L Statement of the Annual Accounts of GUVNL for FY 2014-15 in proportion to the energy purchased from GUVNL by each DISCOMs, as reflected in the respective Audited Accounts and additional information called for by the Commission, as shown in the Table below:

Table 4.52: Net revenue (Gap) / Surplus approved for FY 2014-15

Sl. No.	Particulars	DGVCL	MGVCL	PGVCL	UGVCL	Total
1	Energy procured by four State Owned DISCOMs (in MUs)	20497	9950	30413	20265	81125
2	% share in procurement of energy	25.27%	12.26%	37.49%	24.98%	100.00%
3	Distribution of excess cost recovery by GUVNL as per % shown in (2) (in Rs. Crore)	20.14	9.78	29.88	19.91	79.71
4	Revenue (gap) / surplus after truing up of FY 2014-15 (in Rs. Crore)	(58.86)	52.73	20.00	21.98	35.84
5	**Net revenue (gap) / surplus of FY 2014-15 to be considered (4+3) (in Rs. Crore)**	(38.72)	62.50	49.88	41.89	115.55

5. Determination of Tariff for FY 2016-17

5.1 Introduction

This chapter deals with the determination of revenue Gap/Surplus, as well as consumer tariff for the FY 2016-17 for MGVCL. The Commission has considered the ARR approved in the Mid-term Review for FY 2015-16 as provisional ARR for FY 2016-17 and the adjustment on account of true-up for FY 2014-15, while determining the revenue Gap/Surplus for FY 2016-17.

5.2 Approved ARR for FY 2016-17

Based on the above approach, the Table below summarises the Annual Revenue Requirement, as approved for the FY 2016-17. Detailed analysis of each expense head has already been provided in the Mid-term Review.

Table 5.1: Approved provisional ARR for FY 2016-17

(Rs. Crore)

Sl. No.	Particulars	Approved Provisional ARR
1	Cost of Power Purchase	4048.89
2	Operations and Maintenance Expenses	360.92
2.1	Employee Cost	323.95
2.2	Repairs and Maintenance	47.67
2.3	Administration and General Expenses	66.30
2.4	Other Debits	-
2.5	Extraordinary Items	-
2.6	Net Prior Period Expenses / Income	-
2.7	Other Expenses Capitalised	(77.00)
3	Depreciation	185.47
4	Interest And Finance Charges	81.65
5	Interest on Working Capital	-
6	Provision for Bad Debts	-
7	Return on Equity	94.46
8	Provision For Tax / Tax Paid	2.11
9	**Total Expenditure (1 to 8)**	**4773.49**
10	Less: Non-Tariff Income	147.69
11	**Aggregate Revenue Requirement**	**4625.80**

5.3 Projected Revenue from existing tariff for FY 2016-17

MGVCL has projected the Revenue from sale of power at Rs. 4789.47 Crore in the for FY 2016-17 with existing Tariff, including FPPPA of Rs. 1.20 per kWh, other consumer related income and agriculture subsidy, as detailed in the Table below:

Table 5.2: Projected Revenue for FY 2016-17

(Rs. Crore)

Sl. No	Parameter	Projected in Mid-term Review
1	Revenue From Sale of Power @ existing tariff	3665.35
2	Revenue from FPPPA at Rs. 1.20 per kWh	960.12
3	Other Income (Consumer Related)	82.00
4	Agriculture Subsidy (Expected from Government)	82.00
5	**Total Revenue**	**4789.47**

The Category-wise estimated sales, number of consumers, connected load and sales revenue are as given in the Table below:

Table 5.3: Projected Sales and Category Wise Revenue for FY 2016-17

Sl. No	Particulars	Projected for FY 2016-17	
		Sales (MUs)	Revenue (Rs. Crore)
A	**LT Consumers**		
1	RGP	2,316.00	868.45
2	GLP	55.00	23.08
3	Non-RGP	752.22	394.60
4	LTMD	596.78	348.94
5	Public Water Works	211.00	76.10
6	Agriculture	1,161.00	126.53
7	Public Lighting	64.00	26.11
	Total (A)	**5,156.00**	**1,863.82**
B	**HT Consumers**		
1	Industrial HT	2,473.00	1,592.97
2	Railway Traction	372.00	208.56
	HT Total (B)	**2,845.00**	**1,801.53**
	Grand Total (A+B)	**8,001.00**	**3,665.35**

MGVCL has projected a revenue surplus of Rs. 38.84 Crore for FY 2016-17 with existing tariff, as detailed in the Table below:

Table 5.4: Projected Revenue Gap/(Surplus) for FY 2016-17 With Existing Tariff

(Rs. Crore)

Sl. No	Parameter	FY 2016-17 (Projected)
1	Aggregate Revenue Requirement	4,625.80
2	Revenue Gap from True up of FY 2014-15	20.77
3	Recovery of past year True-Up gap/(surplus) for FY 2009-10	47.00
4	Recovery of past year True-Up gap/(surplus) for FY 2010-11	32.06
5	DSM Programme Expenditure	25.00
6	**Total Aggregate Revenue Requirement (1 to 5)**	**4,750.63**
7	Revenue with Existing Tariff	3,665.35
8	FPPPA Charges @ 120 paisa/kWh	960.12
9	Other Income (Consumer related)	82.00
10	Agriculture Subsidy	82.00
11	**Total Revenue including subsidy (7 to 10)**	**4,789.47**
12	**Gap/(Surplus) (6 - 11)**	**(38.84)**

Licensee's Submission

MGVCL in the petition for True-up of FY 2011-12 and Tariff determination for FY 2013-14 had proposed to recover the revenue gap/(surplus) of FY 2009- 10 & FY 2010-11 amounting to Rs. 47.00 Crore and Rs. 32.06 Crore respectively. The Commission in the Order dated 16th April 2013 for True-up of FY 2011-12 and Tariff determination for FY 2013-14 had mentioned the following:

"…Further, it is to mention that MGVCL has considered net revenue gap/ surplus of FY 2009-10 and FY 2010-11 to arrive at consolidated gap till FY 2011-12. In this regard, it is to state that net revenue gap of Rs. 47.00 Crore for FY 2009-10 and gap of Rs. 32.06 Crore for FY 2010-11 have been considered by the Commission while determining the tariff for FY 2012-13. Thus, any gap / surplus due to past period (FY 2009-10 and FY 2010-11) shall be considered during true up of FY 2012-13..."

The Commission in Order dated 29th April 2014 did not consider the revenue gap/(surplus) of FY 2009-10 & FY 2010-11 while approving the True-up of FY 2012-13.

Accordingly, the past years revenue gap/(surplus) of FY 2009-10 & FY 2010- 11 of MGVCL amounting to Rs. 47.00 Crore and Rs. 32.06 Crore respectively which were not considered by the Commission during the Truing-up of FY 2012-13 is also proposed to be recovered in the provisional ARR of FY 2016-17.

The Commission had directed MGVCL to submit financial implication of DSM programme in the tariff petition for determination of tariff for FY 2015- 16. In line with the same, MGVCL had proposed expenditure of Rs. 25.00 Crore under DSM Programme for FY 2015-16. The Commission had approved the same in Order dated 31st March 2015. Accordingly, the Commission is requested to approve the DSM programme expenditure at Rs. 25.00 Crore for FY 2016-17 also.

On comparison of the Aggregate Revenue Requirement approved in the Mid-term Review of Business Plan, Revenue Gap from true up for FY 2014-15 Recovery of past year True-Up gap/(surplus) for FY 2009-10 & FY 2010-11 and DSM Programme expenditure with the total revenue projected with existing tariff, the provisional gap/(surplus) for FY 2016-17 is projected to be at Rs. (38.84) Crore.

Commission's Analysis

The Commission has reviewed the sales projected in the Mid-term Review and approved the sales at 8001 MUs for FY 2016-17. The Commission has recomputed the sales revenue, based on the sales approved in the Mid-term Review and applying FPPPA @ Rs. 1.20 per kWh, as detailed in the Table below:

The Revenue, as projected by MGVCL and approved by the Commission for FY 2016-17 is given in the Table below:

Table 5.5: Approved Sales and Category Wise Revenue for FY 2016-17

Sl. No	Particulars	Projected by MGVCL		Approved by Commission	
		MUs	(Rs. Crore)	MUs	(Rs. Crore)
A	**LT Consumers**				
1	RGP	2,316.00	868.45	2,316.00	868.45
2	GLP	55.00	23.08	55.00	23.08
3	Non-RGP	752.22	394.60	752.22	394.60
4	LTMD	596.78	348.94	596.78	348.94
5	Public Water Works	211.00	76.10	211.00	76.10
6	Agriculture	1,161.00	126.53	1,161.00	126.53
7	Public Lighting	64.00	26.11	64.00	26.11
	Total (A)	**5,156.00**	**1,863.82**	**5,156.00**	**1,863.82**
B	**HT Consumers**				
1	Industrial HT	2,473.00	1,592.97	2,473.00	1,592.97
2	Railway Traction	372.00	208.56	372.00	208.56
	HT Total (B)	**2,845.00**	**1,801.53**	**2,845.00**	**1,801.53**
	Grand Total (A+B)	**8,001.00**	**3,665.35**	**8,001.00**	**3,665.35**
10	FPPPA		960.12		960.12
11	Add: Other Income (Consumer Related)		82.00		82.00
12	**Total**		**4707.47**		**4707.47**
13	**Add: Agriculture subsidy**		82.00		82.00
14	**Total Revenue Including Agriculture Subsidy**		**4789.47**		**4789.47**

5.4 Target for FY 2016-17 for Reduction in Distribution Loss

MGVCL is directed to achieve distribution loss level at 11.75% for FY 2016-17. This targeted distribution loss level shall also be considered to work out final ARR for FY 2016-17 as per the new MYT Regulations. While truing up of FY 2016-17, gain/loss on account of variation in distribution loss shall be considered based on 11.75% distribution loss.

5.5 Estimated Revenue and Revenue (Gap) /Surplus for FY 2016-17

The Commission has considered the total category-wise sales, as approved in the provisional ARR for FY 2016-17 and has applied the existing tariff on the approved sales for each category of consumers. The total revenue from sale of power, computed by the Commission at existing tariff, is Rs. 4789.47 Crore including consumer related other income, FPPPA and Ag. subsidy. The FPPPA rate has been considered at Rs. 1.20 per unit. The estimated (gap)/surplus for FY 2016-17 is given in the Table below:

Table 5.6: Approved Revenue (Gap) /Surplus for FY 2016-17 with Existing Tariff

(Rs. Crore)

Sl. No.	Parameter	Provisional ARR for FY 2016-17
1	Aggregate Revenue Requirement	4625.80
2	Revenue (Gap)/Surplus from True up of FY 2014-15	62.50
3	Recovery of past year True-Up (Gap)/Surplus for FY 2009-10	(46.56)
4	Recovery of past year True-Up (Gap)/Surplus for FY 2010-11	(32.06)
5	DSM Programme Expenditure	25.00
6	**Total Aggregate Revenue Requirement (1 to 5)**	**4666.92**
7	Revenue with Existing Tariff	3665.35
8	FPPPA Charges @ 120 paisa/kWh	960.12
9	Other Income (Consumer related)	82.00
10	Agriculture Subsidy	82.00
11	**Total Revenue including subsidy (7 to 10)**	**4789.47**
12	**(Gap)/Surplus (11-6)**	**122.55**

Since the uniform tariff for State owned DISCOMs has been envisaged in the MYT Order dated 6th September, 2011, it is necessary to consider the consolidated (gap)/surplus of FY 2016-17 for all the State-owned DISCOMs, while determining the tariff for FY 2016-17. The consolidated (gap)/surplus computed for FY 2016-17 is shown in the Table below:

Table 5.7: Consolidated (Gap)/Surplus computed for FY 2016-17

(Rs. Crore)

Sl. No.	Particulars	DGVCL	MGVCL	PGVCL	UGVCL	Total
1	Total revenue (gap)/surplus for FY 2016-17 including truing up	320.13	122.55	201.30	12.57	656.55

6. Fuel and Power Purchase Price Adjustment

6.1 Fuel Price and Power Purchase Price Adjustment

The Commission its order in Case No. 1309/2013 and 1313/2013 vide dated 29.10.2013, has approved the formula as mentioned below:

6.2 Formula

FPPPA = [(PPCA-PPCB)]/[100-Loss in %]

Where,

PPCA	is the average power purchase cost per unit of delivered energy (including transmission cost), computed based on the operational parameters approved by the Commission or principles laid down in the Power Purchase Agreements in Rs./kWh for all the generation sources as approved by the Commission while determining ARR and who have supplied power in the given quarter and transmission charges as approved by the Commission for transmission network calculated as total power purchase cost billed in Rs. Million divided by the total quantum of power purchase in Million Units made during the quarter.
PPCB	is the approved average base power purchase cost per unit of delivered energy (including transmission cost) for all the generating stations considered by the Commission for supplying power to the company in Rs./kWh and transmission charges as approved by the Commission calculated as the total power purchase cost approved by the Commission in Rs. Million divided by the total quantum of power purchase in Million Units considered by the Commission.
Loss in %	is the weighted average of the approved level of Transmission and Distribution losses (%) for the four DISCOMs / GUVNL and TPL applicable for a particular quarter or actual weighted average in Transmission and Distribution losses (%) for four DISCOMs / GUVNL and TPL of the previous year for which true-up have been done by the Commission, whichever is lower.

6.3 Base Price of Power Purchase (PPCB)

The Commission has approved the total energy requirement and the total Power Purchase Cost for all the DISCOMs including fixed cost, variable cost, GETCO cost, PGCIL charges, SLDC charges for the FY 2016-17 from the various sources in the order of Mid-term Review of Business Plan as given in the Table below:

Year	Total Energy Requirement (MUs)	Fixed cost (Rs. Crore)	Variable costs (Rs. Crore)	GETCO costs (Rs. Crore)	GUVNL charges (Rs. Crore)	PGCIL charges (Rs. Crore)	SLDC charges (Rs. Crore)	Total Power Purchase cost (Rs. Crore)	Power Purchase cost per unit (Rs./kWh)
FY 2016-17	82798	11446	15779	2770	331	789	19	31134	3.76

As mentioned above the base Power Purchase cost for the DISCOMs is Rs. 3.76/kWh and the base FPPPA charge is Rs. 1.20/kWh.

GUVNL/DISCOMs may claim difference between actual power purchase cost and base power purchase cost approved in the table above as per the approved FPPPA formula mentioned in para 6.2 above.

Information regarding FPPPA recovery and the FPPPA calculations shall be kept on website of the Licensee / GUVNL.

For any increase in FPPPA, worked out on the basis of above formula, beyond ten (10) paise per kWh in a quarter, prior approval of the Commission shall be necessary and only on approval of such additional increase by the Commission, the FPPPA can be billed to consumers.

FPPPA calculations shall be submitted to the Commission within one month from end of the relevant quarter.

7. Wheeling charges and Cross Subsidy Surcharge

7.1 Allocation matrix

Regulation 88.1 of GERC (MYT) Regulations, 2011 of GERC stipulates that the Commission shall specify the wheeling charges of distribution wires business of the distribution licensees in its ARR and Tariff Order.

The allocation matrix for allocation of costs between wires business and retail supply business as adopted by the Commission in MYT order is shown in the Table below:

Table 7.1 Allocation matrix for segregation of wheeling and retail supply for MGVCL

Sl. No.	Allocation Matrix	Wires Business	Retail Supply Business
1	Power Purchase Expenses	0%	100%
2.1	Employee expenses	60%	40%
2.2	Repairs & Maintenance expenses	90%	10%
2.3	Administration & General Expenses	50%	50%
2.4	Other Debits	50%	50%
2.5	Extraordinary Items	50%	50%
2.6	Net Prior Period Expenses / (Income)	25%	75%
2.7	Other Expenses Capitalised	55%	45%
3	Depreciation	90%	10%
4	Interest & Finance charges	90%	10%
5	Interest on Working Capital & Security Deposit	10%	90%
6	Bad debts written off	0%	100%
7	Income tax	90%	10%
8	Return on Equity	90%	10%
9	Non-tariff income	10%	90%

The Commission has adopted the same allocation matrix and estimated segregated approved ARR for wires business and retail supply business for MGVCL for FY 2016-17 as given in Table 7.2.

Table 7.2: Allocation of ARR between wire and retail supply business for MGVCL for FY 2016-17

(Rs. Crore)

Sl. No.	Allocation Matrix	App ARR for FY 2016-17	Wires Business	Supply Business
1	Cost of Power Purchase	4048.89	0.00	4048.89
2	Operations & Maintenance Expenses	360.92	228.07	132.85
2.1	Employee Cost	323.95	194.37	129.58
2.2	Repairs & Maintenance	47.67	42.90	4.77
2.3	Administration & General Charges	66.30	33.15	33.15
2.4	Other Debits	0.00	0.00	0.00
2.5	Extraordinary Items	0.00	0.00	0.00
2.6	Net Prior Period Expenses / (Income)	0.00	0.00	0.00
2.7	Other Expenses Capitalised	77.00	42.35	34.65
3	Depreciation	185.47	166.92	18.55
4	Interest & Finance Charges	81.65	73.49	8.17
5	Interest on Working Capital	0.00	0.00	0.00
6	Provision for Bad Debts	0	0.00	0.00
7	**Sub-Total [1 to 6]**	**4676.93**	**468.48**	**4208.45**
8	Return on Equity	94.46	85.01	9.45
9	Provision for Tax / Tax Paid	2.11	1.90	0.21
10	**Total Expenditure (7 to 9)**	**4773.50**	**555.39**	**4218.11**
11	Less: Non-Tariff Income	147.69	14.77	132.92
12	**Aggregate Revenue Requirement (10 - 11)**	**4625.81**	**540.63**	**4085.19**

7.2 Wheeling charges

The wheeling charges for the four Distribution Companies, DGVCL, MGVCL, PGVCL and UGVCL for the FY 2016-17 as given below are applicable for use of the distribution system of a licensee by other licenses or generating companies or captive power plants or consumers / users who are permitted Open Access under Section 42 (2) of the Electricity Act, 2003.

Sl. No.	Particulars	Units	Amount
1	Distribution costs of the four DISCOMs	Rs. Crore	3219.06
2	Distribution cost of the four DISCOMs at 11 kV level (30% of total distribution cost)	Rs. Crore	965.72
3	Energy input at 11 kV	MUs	69965
4	Wheeling charges at 11 kV	Ps./kWh	14
5	Wheeling charges at 400 V (LT)	Ps./kWh	51

Detailed computation of wheeling charges is shown in the Annexure 7.1.

Distribution losses

Applicable distribution loss depending upon point of injection and delivery at 11 kV and 400 V during FY 2016-17 are given below:

Point of Injection	Point of energy delivered	
	11 kV	400 Volts
11 kV, 22 kV and 33 kV	10%	15.98%
400 Volts		9.55%

The losses in HT and LT network are 10% and 9.55% respectively, with respect to energy input to the segment of the system. In case injection at 11 kV levels and drawal at LT level involved use of both the networks i.e. 11 kV and LT, the combined loss works out to 15.98% of the energy injection at 11 kV network.

The above wheeling charges payable shall be uniform for all the four distribution companies viz. DGVCL, MGVCL, PGVCL and UGVCL.

7.3 Cross Subsidy Surcharge

Hon'ble APTEL in its judgement on the issue of formula for calculation of Cross-subsidy has endorsed the use of the formula depicted in the Tariff Policy. The Central Government has recently issued Tariff Policy, 2016. According to this policy the formula for Cross Subsidy Surcharge is as under;

$S = T – [C / (1 - L/100) + D + R]$

Where,

S is the surcharge

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level

R is the per unit cost of carrying regulatory assets.

The cross subsidy surcharge based on the above formula is worked out as shown in the table below:

Table 7.3: Cross subsidy surcharge for FY 2016-17

Sl. No.	Particulars	HT Industry
1	T - Tariff for HT Category (Rs./kWh)	7.26
2	C - Wt. Avg. Power Purchase Cost (Rs./kWh)	3.76
3	D - Wheeling Charge (Rs./kWh)	0.14
4	L - Aggregate T&D Loss (%)	10%
5	R - per unit cost of carrying regulatory assets	0.00
6	S = Cross subsidy surcharge (Rs./kWh)	2.95

$$S = 7.26 - [3.76 / (1 - 10/100) + 0.14 + 0.00]$$
$$= 2.95 \text{ Rs./kWh}$$

Thus, Cross subsidy surcharge as per Tariff Policy, 2016 works out to Rs. 2.95 /kWh for the four State owned Distribution companies viz. DGVCL, MGVCL, PGVCL & UGVCL.

However, Tariff Policy, 2016 provides that the surcharge shall not exceed 20% of the tariff applicable to the category of the consumers seeking open access.

In view of above, the Commission decided to restrict the Cross Subsidy Surcharge leviable from the consumers of the four State Owned Distribution Companies, seeking Open Access, for FY 2016-17 at Rs. 1.45 /kWh.

Accordingly, Cross subsidy surcharge for HT Category = 1.45 Rs./kWh for FY 2016-17.

Annexure 7.1

Computation of Wheeling Charges

Sl. No	Particulars	Unit	DGVCL	MGVCL	PGVCL	UGVCL	TOTAL
1	Distribution		533.44	540.63	1396.54	748.45	3219.06
a	11 KV level (at 30%)	Rs. Crore	160.03	162.19	418.96	224.54	965.72
b	LT level (at 70%)	Rs. Crore	373.41	378.44	977.58	523.92	2253.34
2	Energy input at DISCOM periphery	MUs	15718	9092	26010	19145	69965
3	Wheeling charges at 11 kV (a/2)*1000	Ps. / kWh	10.18	17.84	16.11	11.73	13.80
4	11 kV losses (@10%)	MUs	1571.80	909.20	2601.00	1914.50	6996.50
5	Sales at 11 kV	MUs	6052.00	2845.00	5799.00	4483.00	19179.00
6	Energy input at LT (2 - (4+5))	MUs	8094.20	5337.80	17610.00	12747.50	43789.50
7	Wheeling charges at LT (1(b)/6)*1000	Ps. / kWh	46.13	70.90	55.51	41.10	51.46
8	Sales at LT level	MUs	7858.00	5156.00	14229.00	12365.00	39608.00
9	LT loss (6-8)	MUs	236.20	181.80	3381.00	382.50	4181.50
10	Total losses (4+9)	MUs	1808.00	1091.00	5982.00	2297.00	11178.00
		%	11.50%	12.00%	23.00%	12.00%	15.98%

8. Compliance of Directives

8.1 Compliance of Directives

The Commission, in its Tariff Orders dated 2nd June, 2012, 16th April 2013, 29th April, 2014 and 31st March, 2015 had issued various directives to MGVCL. MGVCL has submitted compliance report on the directives issued.

The Commission's comments on the status of compliance of the directives by MGVCL are given below. The Commission has also issued fresh directives to the licensee, wherever required.

Earlier Directives

Directive1: Category wise Cost to Serve Report

DISCOMs are directed to submit the cost to serve report every year along with Tariff Petition.

Compliance

The cost of supply report for FY 2014-15 is under preparation and shall be submitted to the Commission at the earliest.

Commission's Comments

Compliance is noted. However, DISCOMs are directed to ensure that the cost to serve report is invariably submitted every year along with tariff petition.

Directives issued with Tariff Order dated 16th April, 2013:

Directive 1: Meters on Distribution Transformers

MGVCL is directed to submit audit reports of all feeders to the Commission quarterly from August-2014 onwards. The installation of meters at the remaining distribution transformers feeding agriculture loads shall be expedited and quarterly progress report submitted from Sept-2014 onwards Energy audit should be conducted in the areas/divisions, where meters are installed at distribution transformers. Quarterly reports on the energy audit shall be submitted for each of the areas from Sept-2014 onwards.

Compliance:

Present Status of metering on Distribution Transformer is as under.

Sr. No.	Particulars	Nos. as on 30.09.2014	Meters installed as on 30.09.2014	%
1	Other Than Agriculture	38577	33923	87.94
2	Agriculture	56332	55025	97.68
3	Total	94909	88948	93.72

As regards to Energy Audit, it is to state that in the first phase it is required in the urban areas since power consumption is comparatively high and precision in identifying theft prone area / consumer is required. Therefore, all 17 towns of MGVCL area having population of more than 30,000 have been selected for energy audit under R-APRDRP Program.

More than 7435 Nos. of Distribution Transformers supplying power to consumers of selected 17 towns have been provided with the communicable type of meters. Company has set up for remote collection of data from such meters at Central Server.

Commission's Comments

Metering of balance transformers shall also be completed and a half yearly report on the same be submitted.

Compliance vide the present Petition

MGVCL has completed the metering of balance distribution transformers and the present status of metering is as follows:

Sr. No.	Particulars	No's as on Sep 2015	Meters installed as on 30 Sep 2015	%
1	Other Than Agriculture	40665	40665	100
2	Agriculture	65787	65787	100
3	**Total**	**106452**	**106452**	**100**

Commission's Comments

Compliance is noted. However, MGVCL is directed to conduct energy audit and submit a sample energy audit report for transformers having different consumer mix along with action taken, if any, for reducing the losses.

Directive 2: Losses on Jyoti Gram Yojna feeders

Commission's Comments

It is observed by the Commission that the Loss level of 34.12% (up to August,2014) is very high and MGVCL was directed to put in serious efforts to bring down the losses substantially.

Compliance vide the present Petition

The directive given by the Commission is noted. Focused actions in the direction of reducing the losses in JGY category are being implemented and the company is committed to reduce the losses.

Commission's Comments

The compliance of MGVCL is very vague and does not give the actual picture of the losses and the efforts put in to bring down the same. MGVCL is directed to be serious in compliance of the directives given by the Commission.

MGVCL is once again directed to put in serious and concerted efforts to bring down the losses substantially. They shall furnish action taken report at quarterly intervals.

8.2 New Directive issued vide Tariff Order dated 31st March, 2015

Directive

The Commission considers HT & LT voltage loss level historically as submitted by DISCOMs since long. There is significant change in HT-LT ratio of distribution network in last few years. Hence, it is required to revisit HT-LT losses to arrive at a reasonable wheeling charge. In view of the above, DISCOMs shall initiate a study on the segregation of HT & LT losses and submit a report by September, 2015.

Compliance

Energy losses in the system occur in the process of supplying electricity to consumers due to various reasons. The losses are due to energy dissipated in the conductors and equipment used for transmission, transformation, sub- transmission and distribution of power. These losses are inherent in a system and cannot be avoided but can be reduced to an optimum level. The losses can be further sub grouped depending upon the stage of power transformation & transmission system as Transmission Losses (400kV/220kV/132kV/66kV), as Sub transmission losses (33kV /11kV) and Distribution losses (11kV/0.4kV).

According to a study carried out by Electric Power Research Institute (EPRI) of the USA some time back, the level of losses in various elements of the T&D system usually are of the order as indicated below:

System elements	Power Losses (%)	
	Minimum	Maximum
Step-up transformers & EHV Transmission system	0.5	1.0
Transformation to intermediate voltage level, transmission system & step down to Sub-transmission voltage level	1.5	3.0
Sub-transmission system & step-down to distribution voltage level	2.0	4.5
Distribution lines and service connections	3.0	7.0
Total Losses	**7.0**	**15.5**

The losses in a given T&D system would, however, depend on the pattern of energy use, intensity of load demand, load density, and configuration of the distribution system that vary for various system elements. It is technically very difficult to have comprehensive study and to segregate the loss between HT & LT. Uptil now; the segregation of Distribution Loss was carried out on the basis of above study done by EPRI. It is worth to mention that Distribution Companies have adopted High Voltage Distribution System and over a period of time the ratio of HT to LT has improved significantly which can be observed from the below table.

It is to state that the absolute value of the Distribution losses reduces with the increase in High Tension Distribution system and decrease in low tension Distribution system. However, in terms HT/LT losses ratio, the same increases in line with the increase in High Voltage Distribution system as the energy transfer from High Voltage System to low voltage side gets reduced.

For illustration, a given Distribution System configuration was handling say 10,000 MUs prior to conversion to HVDS. Out of which, consumption at HT side was, say 5000 MUs and the balance 5000 MUs were transferred to Low Voltage for consumption at Low Tension side. Now, if the configuration of above distribution system is modified by converting LT system with HVDS in that case the amount of energy being transferred to Low Voltage Side will get reduced and more energy will be consumed on High Voltage Side, which will not only reduce overall Distribution loss of the system but the ratio of High Voltage Side losses to Low Voltage Side losses will increase. Since, DISCOMs have adopted HVDS concept, the HT/LT ratio in the distribution system have significantly improved over a period of time, which would have resulted in to higher value of HT/LT losses ratios.

Distribution Loss approved by the Commission includes the losses occurred in HT & LT network both. Therefore, it is proposed to segregate HT and LT Distribution Loss on the basis of HT/LT length ratios of previous year i.e. FY 2014-15. The historical details of HT/LT length ratio is as under:

Company	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
DGVCL	HT Lines (11KV+22KV) (CKM)	31573	33454	37474	39260	41044
	LT Lines (CKM)	42078	43444	45207	46340	47472
	HT to LT Ratio	0.7503	0.7701	0.8289	0.8472	0.8646
MGVCL	HT Lines (11KV+22KV) (CKM)	38048	39401	42275	47316	50512
	LT Lines (CKM)	55756	57452	58776	61035	63485
	HT to LT Ratio	0.6824	0.6858	0.7193	0.7752	0.7956
UGVCL	HT Lines (11KV+22KV) (CKM)	73390	75237	79095	84263	89640
	LT Lines (CKM)	64553	66816	67936	69123	70310
	HT to LT Ratio	1.1369	1.1260	1.1643	1.2190	1.2749
PGVCL	HT Lines (11KV+22KV) (CKM)	101501	110714	125426	137951	150768
	LT Lines (CKM)	125254	126254	127725	127877	128030
	HT to LT Ratio	0.8104	0.8769	0.9820	1.0788	1.1776
GUVNL	**HT Lines (11KV+22KV) (CKM)**	**244512**	**258806**	**284270**	**308790**	**331964**
	LT Lines (CKM)	**287641**	**293966**	**299644**	**304375**	**309297**
	HT to LT Ratio	**0.8501**	**0.8804**	**0.9487**	**1.0145**	**1.0733**

Commission's Comments

While the compliance is noted, MGVCL is directed to conduct energy audit and submit a sample energy audit report for transformers having different consumer mix along with action taken, if any, for reducing the losses.

The Commission hereby further directs the Utilities to conduct a fresh evaluation study to work out the exact losses in HT and LT side.

9. Tariff Philosophy and Tariff Proposals

9.1 Introduction

The Commission is guided by the provisions of the Electricity Act, 2003, the National Electricity Policy (NEP), the Tariff Policy, the Regulations on Terms and Conditions of Tariff issued by the Central Electricity Regulatory Commission (CERC) and GERC (MYT) Regulations, 2011 notified by the Commission.

Section 61 of the Act lays down the broad principles, and guidelines for determination of retail supply tariff. The basic principle is to ensure that the tariff should progressively reflect the cost of supply of electricity and reduce the cross subsidies amongst categories within a period to be specified by the Commission.

9.2 DISCOMs Tariff Proposal and Changes in Tariff Structure

GERC Order dated 2nd December, 2015 on the Petition No. 1534/2015 states the following:

"…We also decide that the licensees/generating companies shall file the ARR for FY 2016-17 based on the MYT Regulations for FY 2016-17 to FY 2020-21 and the true up for the same shall also be governed as per the new MYT Regulations. We also decide that the licensees/generating companies shall file the petition for determination of ARR and tariff for FY 2016-17 and true up for FY 2014-15 within 3 weeks from the date of issuance of this order for Commission's consideration and decision..."

The is requested to approve this ARR for FY 2016-17 as provisional. Further, it is requested that the Commission may take into account the facts that the actual ARR for FY 2014-15 is higher than the current provisional ARR for FY 2016-17 and final ARR for FY 2016-17 is expected to be quite higher than the current provisional ARR for FY 2016-17 due the increase in overall expenses as well as the impact of 7th Pay Commission implementation from 1st January 2016, during the tariff determination exercise for FY 2016-17.

Considering the above methodology adopted by the Commission to consider the current revenue gap/(surplus) as provisional and a fresh ARR for FY 2016-17 need to be submitted after the notification of new MYT Regulations, no tariff revision is provisionally proposed for FY 2016-17.

The company is proposing to change the demand charges for "LTMD" category of consumers from "per kW per month" basis to "per kVA per month" basis considering unity power factor. This change will also be applicable to "Non-RGP" category of consumers who opts to be charged under the "LTMD" category tariff in place of "Non-RGP" category tariff

Currently the LTMD category of consumers are billed demand charges on "per kW per month" basis. For maintaining power factor/reactive power management, the reactive energy charges at the rate of 10 paise per KVARH are recovered from this category of consumers.

Power factor of the system is governed by the nature of Load. Generally low power factor is caused by the highly inductive load on the system. Due to low power factor actual working component of the power gets reduced leading the system to overloading, higher line losses, voltage dips. With low power factor it becomes difficult for the company for economical operation of the system & maintenance due to more breakdowns, higher line losses, higher conductor size, installation cost of power factor correcting equipments, etc. So, it becomes very important that power factor is maintained near to unity for reliable & economical operation of the system

By changing the demand charges for "LTMD" category of consumers from "per kW per month" basis to "per kVA per month" basis considering unity power factor, the company expects that the overall power factor of the system will be improved & due to this, the system will be more reliable, will have less maintenance due to breakdown, overall increase in system capacity, lesser voltage drop and reduction in T&D losses. It will also inculcate better customer discipline in maintaining system parameters and consumers will be able to get more reliable supply due to system improvement.

Also private distribution companies in Gujarat already have this tariff structure for "LTMD" category of consumers.

Considering the above points, we request the Commission to approve the proposed changes in the tariff structure for FY 2016-17.

9.3 Commission's Analysis

The distribution companies in their proposal have submitted that no tariff revision is proposed for FY 2016-17.

However, DISCOMs have proposed to change the recovery of demand charge in LTMD category from "per kW per month" basis to "per KVA per month" basis. It is further submitted that this change is applicable to "Non-RGP category" of consumers also who opt to be charged under the "LTMD" category tariff in place of "Non-RGP" category tariff.

The Commission at present do not consider the suggestion of DISCOMs as just changing the nomenclature of recovery of demand charges from kW to kVA may cause some operational issues like the LT consumers who are on the threshold limit of applicability of HT tariff shall compulsorily be transferred to HT category. Further, the provision of recovery of reactive energy charge in the LTMD category takes care about power factor improvement. In view of this, it is not necessary to have recovery of fixed charge on "per kVA per month" basis for LTMD tariff category consumers.

Further, as mentioned in the earlier chapters, there is a consolidated surplus of Rs. 656.55 Crore for four DISCOMs. The Commission decided to pass on the benefit of the surplus to the consumers keeping in mind the laid down principles of tariff determination like;

A. Consumers' capacity to pay
B. Correct recovery of fixed charges, which is depictive of the fixed costs
C. Gradual reduction in the level of cross subsidization as provided in Tariff Policy
D. Incentivising energy conservation through telescopic tariff
E. Demand Side Management by shifting of consumption from peak hours to off-peak hours
F. Promotion of efficient use of electricity

The major changes incorporated by the Commission in the tariff schedule are as under.

1. **Tariff for residential consumers of the villages located in the geographical jurisdiction of the Urban Development Authority**

   The Residential consumers of the villages within the geographical jurisdiction of Urban Development Authority pay higher charges compared to Villages in Rural areas. The villages in Rural areas are charged under RGP-Rural tariff category which is 25 Ps/Unit lower than the Domestic consumers in the villages covered under Urban Development Authority.

   To remove this anomaly, the Commission decided to charge the consumers of villages which are under Urban Development Authority at par with the consumers of villages of Rural Areas.

2. **Energy charge for all the slabs of residential consumers reduced by 10 Paise/unit.**

3. **Changes in the conditions applicable to consumers using energy exclusively during night hours**

   The Tariff Policy provides for the promotion of time-of-use tariff. The existing tariff schedule stipulates tariff for exclusive night hours usage of electricity through tariff categories Non-RGP Night, LTMD Night and HTP-IV. Tariffs for night consumption has been kept at lower rate in order to incentivise energy consumption during night hours and thereby infusing efficiency and optimising usage of Generation, Transmission & Distribution assets. Night time consumption also facilitates the distribution licensees to optimise their power purchase cost which in turn benefits the consumers. Though these tariff categories are in vogue since last many years, the consumers didn’t get attracted to avail the benefit of this category because of some conditionalities built into the tariff. These conditionalities found to be preventing the consumers in switching over the night time category tariff. It has also come to the notice of the Commission that some litigations have also arisen related to interpretation and implementation of these limiting clauses.

In view of the above, and in order to incentivise and promote the night consumption with ample clarity to both the stakeholders i.e. licensees and consumers the Commission decided to relax these limiting conditions as shown in the tariff schedule attached with this Order.

4. Concession for use of electricity during night hours

The Consumers who are opting to operate during night hours i.e. 10:00 PM to 06:00 AM (next day) are being given some discount for the energy consumption during these hours. However, this discount is available for the consumption in excess of 1/3rd of the total energy consumed during the month. In order to promote night time usage and harnessing the benefit of such usage as stated in para 3 above, the Commission decided to remove the conditionally of 1/3rd usage. Now the entire night time consumption during 10:00 PM to 6:00 AM next morning shall be eligible for concessional energy charge. To keep this change revenue neutral for distribution licensees, the night time concession is changed from 85 Paise/unit to 40 Paise/unit.

5. Fixed charges in the tariff structure

The Tariff Policy and Electricity Act, 2003, provide for gradual reduction of cross subsidy in tariff structure. At present the LTMD and HTP-I category of the tariff schedule are substantially cross subsidizing the other categories.

Further, it is a laid down principle to have fixed cost recovery through fixed charges. However, historically, the tariff structure is skewed in such a manner that fixed charges recovered from the consumers are not compensating the fixed costs of utilities. At present, major portion of the fixed cost is being recovered through energy charges.

In order to address these issues to some extent, the fixed charges for the HT category & LTMD category of consumers are increased and energy charge for these categories are correspondingly reduced making the change revenue neutral for consumers as well as distribution licensees.

The energy charge of HTP-I and LTMD categories are further reduced to achieve reduction in the level of cross subsidization from the present level.

With this modification, rationalization in the tariff structure and revision in the tariff rates, there will be gross benefit of Rs. 414.03 Crore to the consumers of the State Owned DISCOMs. Since the ARR and projected revenue for FY 2016-17 are provisional and are likely to get changed due to notification of GERC (MYT) Regulations, 2016 effective from 1st April 2016, the Commission has not addressed the entire surplus of Rs. 656.55 Crore.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for MGVCL for FY 2016-17 as shown in the Table below:

Approved ARR for MGVCL for FY 2016-17

(Rs. Crore)

Sl. No.	Particulars	FY 2016-17
1	Cost of power purchase	4048.89
2	Operations & Maintenance expenses	360.92
2.1	Employee cost	323.95
2.2	Repairs and Maintenance	47.67
2.3	Administration and General expenses	66.30
2.4	Other debits	-
2.5	Extraordinary items	-
2.6	Net prior period expenses / income	-
2.7	Other expenses capitalised	(77.00)
3	Depreciation	185.47
4	Interest and finance charges	81.65
5	Interest on working capital	-
6	Provision for bad debts	-
7	Return on equity	94.46
8	Provision for tax / tax paid	2.11
9	**Total expenditure (1 to 8)**	**4773.49**
10	Less: Non-Tariff income	147.69
11	**Aggregate Revenue Requirement**	**4625.80**

The retail supply tariffs for MGVCL distribution area for FY 2016-17 determined by the Commission are annexed to this order.

This order shall come into force with effect from the 1st April, 2016. The revised rate shall be applicable for the electricity consumption from the 1st April, 2016 onwards.

Sd/-	Sd/-
P. J. THAKKAR	**K. M. SHRINGARPURE**
Member	Member

Place: Gandhinagar
Date: 31/03/2016

ANNEXURE: TARIFF SCHEDULE

TARIFF FOR SUPPLY OF ELECTRICITY AT LOW TENSION, HIGH TENSION, AND EXTRA HIGH TENSION

Effective from 1st April, 2016

GENERAL

1. The tariff figures indicated in this tariff schedule are the tariff rates payable by the consumers of unbundled Distribution Licensees of the erstwhile GEB viz. DGVCL, MGVCL, PGVCL and UGVCL.

2. These tariffs are exclusive of Electricity Duty, tax on sale of electricity, taxes and other charges levied by the Government or other competent authorities from time to time which are payable by the consumers, in addition to the charges levied as per the tariff.

3. All these tariffs for power supply are applicable to only one point of supply.

4. The charges specified are on monthly basis. Distribution Licensee may decide the period of billing and adjust the tariff rate accordingly.

5. Except in cases where the supply is used for purposes for which a lower tariff is provided in the tariff schedule, the power supplied to any consumer shall be utilized only for the purpose for which supply is taken and as provided for in the tariff.

6. Meter charges shall be applicable as prescribed under ‘GERC (Licensee’s Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005 as in force from time to time.

7. The various provisions of the GERC (licensee’s power to recover expenditure incurred in providing supply and other miscellaneous charges) Regulations will continue to apply.

8. Conversion of Ratings of electrical appliances and equipments from kilowatt to B.H.P. or vice versa will be done, when necessary, at the rate of 0.746 kilowatt equal to 1 B.H.P.

9. The billing of fixed charges based on contracted load or maximum demand shall be done in multiples of 0.5 (one half) Horse Power or kilo watt (HP or kW) as the case may be. The fraction of less than 0.5 shall be rounded to next 0.5. The billing of energy charges will be done on complete one kilo-watt-hour (kWh).

10. The Connected Load for the purpose of billing will be taken as the maximum load connected during the billing period.

11. The Fixed charges, minimum charges, demand charges, meter rent and the slabs of consumption of energy for energy charges mentioned shall not be subject to any adjustment on account of existence of any broken period within billing period arising from consumer supply being connected or disconnected any time within the duration of billing period for any reason.

12. Prompt payment discount on the total bill excluding all types of levies, duties or taxes levied by the Government or any other competent authorities and meter rent but including fixed charges, energy charges and minimum charge may be allowed at the 1% rate for all tariff categories provided that the payment is made within 7 days of presentation of bill and that no previous amount is outstanding as on the date of the bill.

13. Contract Demand shall mean the maximum kW / kVA for the supply of which licensee undertakes to provide facilities to the consumer from time to time.

14. Fuel Cost and Power Purchase Adjustment Charges shall be applicable in accordance with the Formula approved by the Gujarat Electricity Regulatory Commission from time to time.

15. Payment of penal charges for usage in excess of contract demand / load for any billing period does not entitle the consumer to draw in excess of contract demand / load as a matter of right.

16. The payment of power factor penalty does not exempt the consumer from taking steps to improve the power factor to the levels specified in the Regulations notified under the Electricity Act, 2003 and licensee shall be entitled to take any other action deemed necessary and authorized under the Act.

17. Delayed payment charges for all consumers:

    No delayed payment charges shall be levied if the bill is paid within ten days from the date of billing (excluding date of billing).

    Delayed payment charges will be levied at the rate of 15% per annum in case of all consumers except Agricultural category for the period from the due date till the date of payment if the bill is paid after due date. Delayed payment charges will be levied at the rate of 12% per annum for the consumer governed under Rate AG from the due date till the date of payment if the bill is paid after due date.

    For Government dues, the delayed payment charges will be levied at the rate provided under the relevant Electricity Duty Act.

PART - I

SCHEDULE OF TARIFF FOR SUPPLY OF ELECTRICITY AT LOW AND MEDIUM VOLTAGE

1.0 RATE: RGP

This tariff is applicable to all services in the residential premises which are not covered under 'Rate: RGP (Rural)' Category.

Single-phase supply- Aggregate load up to 6 kW

Three-phase supply- Aggregate load above 6 kW

1.1 FIXED CHARGES / MONTH:

Range of Connected Load: (Other than BPL Consumers)

(a)	Up to and including 2 kW	Rs. 15/- per month
(b)	Above 2 to 4 kW	Rs. 25/- per month
(c)	Above 4 to 6 kW	Rs. 45/- per month
(d)	Above 6 kW	Rs. 70/- per month

For BPL Household Consumers:

Fixed charges	Rs. 5/- per month

PLUS

1.2 ENERGY CHARGES: FOR THE TOTAL MONTHLY CONSUMPTION:

(OTHER THAN BPL CONSUMERS)

(a)	First 50 units	305 Paise per Unit
(b)	Next 50 units	350 Paise per Unit
(c)	Next 100 units	415 Paise per Unit
(d)	Next 50 units	425 Paise per Unit
(e)	Above 250 units	520 Paise per Unit

1.3 ENERGY CHARGES: FOR THE TOTAL MONTHLY CONSUMPTION:

FOR THE CONSUMER BELOW POVERTY LINE (BPL)**

(a)	First 30 units	150 Paise per Unit
(b)	For remaining units	Rate as per RGP

**The consumer who wants to avail the benefit of the above tariff has to produce a copy of the Card issued by the authority concerned at the sub-division office of the Distribution Licensee. The concessional tariff is only for 30 units per month.

1.4 MINIMUM BILL (EXCLUDING METER CHARGES)

Payment of fixed charges as specified in 1.1 above.

2.0 RATE: RGP (RURAL)

This tariff is applicable to all services for residential premises located in areas within Gram Panchayat as defined in the Gujarat Panchayats Act.

Single-phase supply- Aggregate load up to 6 kW

Three-phase supply- Aggregate load above 6 kW

2.1 FIXED CHARGES / MONTH:

Range of Connected Load: (Other than BPL Consumers)

(a)	Up to and including 2 kW	Rs. 15/- per month
(b)	Above 2 to 4 kW	Rs. 25/- per month
(c)	Above 4 to 6 kW	Rs. 45/- per month
(d)	Above 6 kW	Rs. 70/- per month

For BPL Household Consumers:

Fixed charges	Rs. 5/- per month

PLUS

2.2 ENERGY CHARGES: FOR THE TOTAL MONTHLY CONSUMPTION: (OTHER THAN BPL CONSUMERS)

(a)	First 50 units	265 Paise per Unit
(b)	Next 50 units	310 Paise per Unit
(c)	Next 100 units	375 Paise per Unit
(d)	Next 50 units	385 Paise per Unit
(e)	Above 250 units	490 Paise per Unit

2.3 ENERGY CHARGES: FOR THE TOTAL MONTHLY CONSUMPTION: FOR THE CONSUMER BELOW POVERTY LINE (BPL) **

(a)	First 30 units	150 Paise per Unit
(b)	For remaining units	Rate as per RGP (Rural)

**The consumer who wants to avail the benefit of the above tariff has to produce a copy of the Card issued by the authority concerned at the sub-division office of the Distribution Licensee. The concessional tariff is only for 30 units per month.

2.4 MINIMUM BILL (EXCLUDING METER CHARGES):

Payment of fixed charges as specified in 2.1 above.

Note: If the part of the residential premises is used for non-residential (commercial) purposes by the consumers located within 'Gram Panchayat' as defined in Gujarat Panchayat Act, entire consumption will be charged under *this tariff*.

3.0 RATE: GLP

This tariff is applicable to the educational institutes and other institutions registered with the Charity Commissioner and research and development laboratories.

(a)	Fixed charges	Rs. 70/- per month
(b)	Energy charges	390 Paise per Unit

4.0 RATE: NON-RGP

This tariff is applicable to the services for the premises those are not covered in any other tariff categories and having aggregate load up to and including 40 kW.

4.1 FIXED CHARGES PER MONTH:

(a) First 10 kW of connected load	Rs. 50/- per kW
(b) For next 30 kW of connected load	Rs. 85/- per kW

PLUS

4.2 ENERGY CHARGES:

(a)	For installation having contracted load up to and including 10 kW: for entire consumption during the month	435 Paise per Unit
(b)	For installation having contracted load exceeding 10 kW: for entire consumption during the month	465 Paise per Unit

4.3 MINIMUM BILL PER INSTALLATION FOR SEASONAL CONSUMERS

(a) "Seasonal Consumer", shall mean a consumer who takes and uses power supply for ice factory, ice candy machines, ginning and pressing factory, oil mill, rice mill, huller, salt industry, sugar factory, khandsari, cold storage plants (including such plants in fisheries industry), tapioca industries manufacturing starch, etc.

(b) Any consumer, who desires to be billed for the minimum charges on annual basis shall intimate to that effect in writing at least one month before commencement of billing period about the off-season during which energy consumption, if any, shall be mainly for overhauling of the plant and machinery. The off-season period at any time shall be a full calendar month/months. The total period of the off-season so declared and observed shall be not less than three calendar months in a calendar year.

(c) The total minimum amount under the head "Fixed and Energy Charges" payable by the seasonal consumer satisfying the eligibility criteria under sub-clause (a) above and complying with the provision stipulated under sub-clause (b) above shall be Rs. 1800 per annum per kW of the contracted load.

(d) The units consumed during the off-season period shall be charged for at a flat rate of 480 Paise per unit.

(e) The electricity bills related to the off-season period shall not be taken into account towards the amount payable against the annual minimum bill. The amount paid by the consumer towards the electricity bills related to the seasonal period only under the heads "Fixed Charges" and "Energy Charges", shall be taken into account while determining the amount of short-fall payable towards the annual minimum bill as specified under sub-clause (c) above.

5.0 RATE: LTMD

This tariff is applicable to the services for the premises those are not covered in any other tariff categories and having aggregate load above 40 kW and up to 100 kW.

This tariff shall also be applicable to consumer covered in category- 'Rate: Non-RGP' so opts to be charged in place of 'Rate: Non-RGP' tariff.

5.1 FIXED CHARGES:

(a)	For billing demand up to the contract demand	
	(i) For first 40 kW of billing demand	Rs. 90/- per kW per month
	(ii) Next 20 kW of billing demand	Rs. 130/- per kW per month
	(iii) Above 60 kW of billing demand	Rs. 195/- per kW per month
(b)	For billing demand in excess of the contract demand	Rs. 265/- per kW

PLUS

5.2 ENERGY CHARGES:

For the entire consumption during the month	460 Paise per Unit

PLUS

5.3 REACTIVE ENERGY CHARGES:

For all the reactive units (KVARH) drawn during the month	10 paise per KVARH

5.4 BILLING DEMAND

The billing demand shall be highest of the following:

(a) Eighty-five percent of the contract demand

(b) Actual maximum demand registered during the month

(c) 15 kW

5.5 MINIMUM BILL

Payment of demand charges every month based on the billing demand.

5.6 SEASONAL CONSUMERS TAKING LTMD SUPPLY:

5.6.1 The expression, “Seasonal Consumer”, shall mean a consumer who takes and uses power supply for ice factory, ice-candy machines, ginning and pressing factory, oil mill, rice mill, salt industry, sugar factory, khandsari, cold storage plants (including such plants in fishery industry), tapioca industries manufacturing starch, pumping load or irrigation, white coal manufacturers etc.

5.6.2 Any consumer, who desires to be billed for the minimum charges on annual basis shall intimate to that effect in writing at least one month before commencement of billing period about the off-season during which energy consumption, if any, shall be mainly for overhauling of the plant and machinery. The off-season period at any time shall be a full calendar month/months. The total period of the off-season so declared and observed shall be not less than three calendar months in a calendar year.

5.6.3 The total minimum amount under the head “Demand and Energy Charges” payable by a seasonal consumer satisfying the eligibility criteria under sub-clause 5.6.1 above and complying with provisions stipulated under sub-clause

5.6.2 above shall be Rs. 2970 per annum per kW of the billing demand.

5.6.4 The billing demand shall be the highest of the following:

(a) The highest of the actual maximum demand registered during the calendar year.

(b) Eighty-five percent of the arithmetic average of contract demand during the year.

(c) 15 kW.

5.6.5.1 Units consumed during the off-season period shall be charged for at the flat rate of 470 Paise per unit.

6.0 RATE: NON-RGP NIGHT

This tariff is applicable for aggregate load up to 40 kW and using electricity **exclusively during night hours** from 10:00 PM to 06:00 AM next day. (The supply hours shall be regulated through time switch to be provided by the consumer at his cost.)

6.1 FIXED CHARGES PER MONTH:

50% of the Fixed charges specified in Rate Non-RGP above.

PLUS

6.2 ENERGY CHARGES:

For entire consumption during the month	260 Paise per Unit

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 6.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 6.0 above.*
3. *In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per Non-RGP category demand charge rates given in para 4.1 of this schedule.*
4. *In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant*

billing month shall be billed as per Non-RGP category energy charge rates given in para 4.2 of this schedule.

5. *In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy consumption during the relevant billing month shall be billed as per Non-RGP category demand charge and energy charge rates given in para 4.1 and 4.2 respectively, of this schedule.*
6. *This tariff shall be applicable if the consumer so opts to be charged in place of Non-RGP tariff by using electricity exclusively during night hours as above.*
7. *The option can be exercised to switch over from Non-RGP tariff to Non-RGP Night tariff and vice versa twice in a calendar year by giving not less than one month's notice in writing.*

7.0 RATE: LTMD- NIGHT

This tariff is applicable for aggregate load above 40 kW and using electricity **exclusively during night hours** from 10.00 PM to 06.00 AM next day. (The supply hours shall be regulated through time switch to be provided by the consumer at his cost.)

7.1 FIXED CHARGES PER MONTH:

50% of the Fixed charges specified in Rate **LTMD** above.

PLUS

7.2 ENERGY CHARGES:

For entire consumption during the month	260 Paise per Unit

7.3 REACTIVE ENERGY CHARGES:

For all reactive units (KVARH) drawn during the month	10 Paise per KVARH

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 7.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 7.0 above.*

3. *In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per LTMD category demand charge rates given in para 5.1 of this schedule.*
4. *In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant billing month shall be billed as per LTMD category energy charge rates given in para 5.2 of this schedule.*
5. *In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy consumption during the relevant billing month shall be billed as per LTMD category demand charge and energy charge rates given in para 5.1 and 5.2 respectively, of this schedule.*
6. *This tariff shall be applicable if the consumer so opts to be charged in place of LTMD tariff by using electricity exclusively during night hours as above.*
7. *The option can be exercised to switch over from LTMD tariff to LTMD Night tariff and vice versa twice in a calendar year by giving not less than one month's notice in writing.*

8.0 RATE: LTP- LIFT IRRIGATION

Applicable for supply of electricity to Low Tension Agricultural consumers contracting load up to 125 HP requiring continuous (twenty-four hours) power supply for lifting water from surface water sources such as cannel, river, & dam and supplying water directly to the fields of farmers for agricultural irrigation only.

(a)	Fixed charges per month	Rs. 45/- per HP
PLUS		
(b)	Energy charges For entire consumption during the month	180 Paise per Unit

9.0 RATE: WWSP

This tariff shall be applicable to services used for water works and sewerage pumping purposes.

9.1 **Type I** – Water works and sewerage pumps operated by other than local authority:

(a)	Fixed charges per month	Rs. 25/- per HP
PLUS		
(b)	Energy charges per month: For entire consumption during the month	430 Paise per Unit

9.2 **Type II –** Water works and sewerage pumps operated by local authority such as Municipal Corporation. Gujarat Water Supply & Sewerage Board located outside Gram Panchayat Area will also attract this tariff:

(a)	Fixed charges per month	Rs. 20 per HP
PLUS		
(b)	Energy charges per month: For entire consumption during the month	410 Paise per Unit

9.2 **Type III** – Water works and sewerage pumps operated by Municipalities / Nagarpalikas and Gram Panchayats or Gujarat Water Supply & Sewerage Board for its installations located in Gram Panchayats:

Energy charges per month: For entire consumption during the month	320 ise/Unit

9.4 **TIME OF USE DISCOUNT:**

Applicable to all the water works consumers having connected load of 50 HP and above for the Energy consumption during the Off-Peak Load Hours of the Day.

For energy consumption during the off-peak period, viz., 1100 Hrs. to 1800 Hrs.	40 Paise per Unit
For energy consumption during night hours, viz., 2200 Hrs. to 0600 Hrs. next day	85 Paise per Unit

10.0 **<u>RATE: AG</u>**

This tariff is applicable to services used for irrigation purposes only excluding installations covered under LTP- Lift Irrigation category.

10.1 The rates for following group are as under:

10.1.1 HP BASED TARIFF:

For entire contracted load	Rs. 200 per HP per month

ALTERNATIVELY

10.1.2 METERED TARIFF:

Fixed Charges	Rs. 20 per HP per month
Energy Charges: For entire consumption	60 Paise per Unit per month

10.1.3 TATKAL SCHEME:

Fixed Charges	Rs. 20 per HP per month
Energy Charges: For entire consumption	80 Paise per Unit per month

NOTE: The consumers under Tatkal Scheme shall be eligible for normal metered tariff as above, on completion of five years period from the date of commencement of supply.

10.2 No machinery other than pump water for irrigation (and a single bulb or CFL up to 40 watts) will be permitted under this tariff. Any other machinery connected in the installation governed under this tariff shall be charged separately at appropriate tariff for which consumers shall have to take separate connection.

10.3 Agricultural consumers who desire to supply water to brick manufacturing units shall have to pay Rs. 100/HP per annum subject to minimum of Rs. 2000/- per year for each brick Mfg. Unit to which water is supplied in addition to existing rate of HP based / metered agricultural tariff.

10.4 Such Agricultural consumers shall have to pay the above charges for a full financial year irrespective of whether they supply water to the brick manufacturing unit for full or part of the Financial Year.

Agricultural consumers shall have to declare their intension for supply of the water to such brick manufacturing units in advance and pay charges accordingly before commencement of the financial year (i.e. in March every year).

11.0 <u>RATE: SL</u>

11.1 Tariff for Street Light for Local Authorities and Industrial Estates:

This tariff includes the provision of maintenance, operation and control of the street lighting system.

11.1.1 ENERGY CHARGES:

For all the units consumed during the month:	405 Paise per Unit

11.1.2 OPTIONAL KVAH CHARGES:

For all the kVAh units consumed during the month:	305 Paise per Unit

11.1.3 Renewal and Replacements of Lamps:

The consumer shall arrange for renewal, maintenance and replacement of lamp, associated Fixture, connecting wire, disconnecting device, switch including time switch etc. at his cost by person authorised by him in this behalf under Rule-3 of the Indian Electricity Rules, 1956 / Rules issued by CEA under the Electricity Act, 2003.

11.1.4 Maintenance other than Replacement of Lamps:

Maintenance of the street lighting conductor provided on pole to connect the street light shall be carried out by Distribution Licensee.

11.2 Tariff for power supply for street lighting purposes to consumers other than the local authorities and industrial estates:

11.2.1 FIXED CHARGES:

Rs. 30 per kW per month

11.2.2 ENERGY CHARGES:

For all units consumed during the month	405 Paise per kWh

11.2.3 Renewal and Replacement of Lamps:

The consumer shall arrange for renewal, maintenance and replacement of lamp, associated Fixture, connecting wire, disconnecting device, switch including time switch etc. at his cost by person authorised by him in this behalf under Rule-3 of the Indian Electricity Rules, 1956 / Rules issued by CEA under the Electricity Act, 2003.

11.2.4 Maintenance other than Replacement of Lamps:

Maintenance of the street lighting conductor provided on pole to connect the street light shall be carried out by Distribution Licensee.

12.0 RATE: TMP

This tariff is applicable to services of electricity supply for temporary period at the low voltage. A consumer not taking supply on regular basis under a proper agreement shall be deemed to be taking supply for temporary period.

12.1 FIXED CHARGE

Fixed Charge per Installation	Rs. 15 per kW per Day

12.2 ENERGY CHARGE

A flat rate of	465 Paise per Unit

Note: Payment of bills is to be made within seven days from the date of issue of the bill. Supply would be disconnected for non-payment of dues on 24 hours' notice.

PART - II

TARIFFS FOR SUPPLY OF ELECTRICITY AT HIGH TENSION (3.3 KV AND ABOVE, 3-PHASE 50 HERTZ), AND EXTRA HIGH TENSION

The following tariffs are available for supply at high tension for large power services for contract demand not less than 100 kVA

13.0 RATE: HTP-I

This tariff will be applicable for supply of electricity to HT consumers contracted for 100 kVA and above for regular power supply and requiring the power supply for the purposes not specified in any other HT Categories.

13.1 DEMAND CHARGES:

13.1.1 For billing demand up to contract demand

(a)	For first 500 kVA of billing demand	Rs. 150/- per kVA per month
(b)	For next 500 kVA of billing demand	Rs. 260/- per kVA per month
(c)	For billing demand in excess of 1000 kVA	Rs. 475/- per kVA per month

13.1.2 For Billing Demand in Excess of Contract Demand

For billing demand in excess over the contract demand	Rs. 555 per kVA per month

PLUS

13.2 ENERGY CHARGES

For entire consumption during the month		
(a)	Up to 500 kVA of billing demand	400 Paise per Unit
(b)	For billing demand above 500 kVA and up to 2500 kVA	420 Paise per Unit
(c)	For billing demand above 2500 kVA	430 Paise per Unit

PLUS

13.3 TIME OF USE CHARGES:

For energy consumption during the two peak periods, viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.		
(a)	For Billing Demand up to 500 kVA	45 Paise per Unit
(b)	For Billing Demand above 500 kVA	85 Paise per Unit

13.4 BILLING DEMAND:

The billing demand shall be the highest of the following:

(a) Actual maximum demand established during the month

(b) Eighty-five percent of the contract demand

(c) One hundred kVA

13.5 MINIMUM BILLS:

Payment of “demand charges” based on kVA of billing demand.

13.6 POWER FACTOR ADJUSTMENT CHARGES:

13.6.1 Penalty for poor Power Factor:

(a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head “Energy Charges”, arrived at using tariff as per para 13.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

(b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head “Energy Charges”, arrived at using tariff as per para 13.2 of this schedule, will be charged.

13.6.2 Power Factor Rebate:

If the power factor of the consumer’s installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head “Energy Charges”, arrived at using tariff as per para 13.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

13.7 MAXIMUM DEMAND AND ITS MEASUREMENT:

The maximum demand in kW or kVA, as the case may be, shall mean an average kW / kVA supplied during consecutive 30/15 minutes or if consumer is having parallel operation with the grid and has opted for 3 minutes, period of maximum use where such meter with the features of reading the maximum demand in KW/KVA directly, have been provided.

13.8 CONTRACT DEMAND:

The contract demand shall mean the maximum KW/KVA for the supply, of which the supplier undertakes to provide facilities from time to time.

13.9 REBATE FOR SUPPLY AT EHV:

On Energy charges:		**Rebate @**
(a)	If supply is availed at 33/66 kV	0.5%
(b)	If supply is availed at 132 kV and above	1.0%

13.10 CONCESSION FOR USE OF ELECTRICITY DURING NIGHT HOURS:

For the consumer eligible for using supply at any time during 24 hours, entire consumption shall be billed at the energy charges specified above. However, the energy consumed during night hours of 10.00 PM to 06.00 AM next morning shall be eligible for concession at the rate of 40 Paise per unit.

13.11 SEASONAL CONSUMERS TAKING HT SUPPLY:

13.11.1 The expression, “Seasonal Consumer”, shall mean a consumer who takes and uses power supply for ice factory, ice-candy machines, ginning and pressing factory, oil mill, rice mill, salt industry, sugar factory, khandsari, cold storage plants (including such plants in fishery industry), tapioca industries manufacturing starch, pumping load or irrigation, white coal manufacturers etc.

13.11.2 Any consumer, who desires to be billed for the minimum charges on annual basis shall intimate to that effect in writing at least one month before commencement of billing period about the off-season during which energy consumption, if any, shall be mainly for overhauling of the plant and machinery. The off-season period at any time shall be a full calendar month/months. The total period of the off-season so declared and observed shall be not less than three calendar months in a calendar year.

13.11.3 The total minimum amount under the head “Demand and Energy Charges” payable by a seasonal consumer satisfying the eligibility criteria under sub-clause 13.11.1 above and complying with provisions stipulated under sub-clause 13.11.2 above shall be Rs. 4550 per annum per kVA of the billing demand.

13.11.4 The billing demand shall be the highest of the following:

(a) The highest of the actual maximum demand registered during the calendar year.

(b) Eighty-five percent of the arithmetic average of contract demand during the year.

(c) One hundred kVA.

13.11.5 Units consumed during the off-season period shall be charged for at the flat rate of 430 Paise per unit.

13.11.6 Electricity bills paid during off-season period shall not be taken into account towards the amount payable against the annual minimum bill. The amount paid by the consumer towards the electricity bills for seasonal period only under the heads “Demand Charges” and “Energy Charges” shall be taken into account while determining the amount payable towards the annual minimum bill.

14.0 <u>RATE HTP-II</u>

Applicability: This tariff shall be applicable for supply of energy to HT consumers contracting for 100 kVA and above, requiring power supply for Water Works and Sewerage pumping stations run by Local Authorities and GW & SB. GIDC Water Works.

14.1 DEMAND CHARGES:

14.1.1 For billing demand up to contract demand

(a)	For first 500 kVA of billing demand	Rs. 115/- per kVA per month
(b)	For next 500 kVA of billing demand	Rs. 225/- per kVA per month
(c)	For billing demand in excess of 1000 kVA	Rs. 290/- per kVA per month

14.1.2 For billing demand in excess of contract demand

For billing demand in excess of contract demand	Rs. 360 per kVA per month

PLUS

14.2 ENERGY CHARGES:

For entire consumption during the month		
(b)	Up to 500 kVA of billing demand	435 Paise per Unit
(c)	For billing demand above 500 kVA and up to 2500 kVA	455 Paise per Unit
(d)	For billing demand above 2500 kVA	465 Paise per Unit

PLUS

14.3 TIME OF USE CHARGES:

For energy consumption during the two peak periods, viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.		
(a)	For Billing Demand up to 500 kVA	45 Paise per Unit
(b)	For Billing Demand above 500 kVA	85 Paise per Unit

14.4 Billing demand
14.5 Minimum bill
14.6 Maximum demand and its measurement
14.7 Contract Demand
14.8 Rebate for supply at EHV
14.9 Concession for use of electricity during night hours

Same as per HTP-I Tariff

14.10 POWER FACTOR ADJUSTMENT CHARGES:

14.10.1 Penalty for poor Power Factor:

(a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 14.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

(b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 14.2 of this schedule, will be charged.

14.10.2 Power Factor Rebate:

If the power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 14.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

15.0 RATE: HTP-III

This tariff shall be applicable to a consumer taking supply of electricity at high voltage, contracting for not less than 100 kVA for temporary period. A consumer not taking supply on regular basis under a proper agreement shall be deemed to be taking supply for temporary period.

15.1 DEMAND CHARGES:

For billing demand up to contract demand	Rs. 18/- per kVA per day
For billing demand in excess of contract demand	Rs. 20/- per kVA per day

PLUS

15.2 ENERGY CHARGES:

For all units consumed during the month	660 Paise/Unit

PLUS

15.3 TIME OF USE CHARGES:

Additional charge for energy consumption during two peak periods, viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.	85 Paise per Unit

15.4 Billing demand
15.5 Minimum bill
15.6 Maximum demand and its measurement
15.7 Contract Demand
15.8 Rebate for supply at EHV

} Same as per HTP-I Tariff

15.9 POWER FACTOR ADJUSTMENT CHARGES:

15.9.1 Penalty for poor Power Factor:

(a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head “Energy Charges”, arrived at using tariff as per para 15.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

(b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 15.2 of this schedule, will be charged.

15.9.2 Power Factor Rebate:

If the power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 15.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

16.0 <u>RATE: HTP-IV</u>

This tariff shall be applicable for supply of electricity to HT consumers opting to use electricity exclusively during night hours from 10.00 PM to 06.00 AM next day and contracted for regular power supply of 100 kVA and above.

16.1 DEMAND CHARGES:

1/3rd of the Fixed Charges specified in Rate HTP-I above.

PLUS

16.2 ENERGY CHARGES:

For all units consumed during the month	225 Paise per Unit

16.3	Billing demand	Same as per HTP-I Tariff
16.4	Minimum bill	
16.5	Maximum demand and its measurement	
16.6	Contract Demand	
16.7	Rebate for supply at EHV	

16.8 POWER FACTOR ADJUSTMENT CHARGES:

16.8.1 Penalty for poor Power Factor:

(a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy

Charges", arrived at using tariff as per para 16.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

(b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 16.2 of this schedule, will be charged.

16.8.2 Power Factor Rebate:

If the power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 16.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 16.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 16.0 above.*
3. *In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per HTP-I category demand charge rates given in para 13.1 of this schedule.*
4. *In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant billing month shall be billed as per HTP-I category energy charge rates given in para 13.2 of this schedule.*
5. *In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy consumption during the relevant billing month shall be billed as per HTP-I category demand charge and energy charge rates given in para 13.1 and 13.2 respectively, of this schedule.*

6. *This tariff shall be applicable if the consumer so opts to be charged in place of HTP-I tariff by using electricity exclusively during night hours as above.*
7. *The option can be exercised to switch over from HTP-I tariff to HTP-IV tariff and vice versa twice in a calendar year by giving not less than one month's notice in writing.*

17.0 RATE: HTP- V

HT - Agricultural (for HT Lift Irrigation scheme only)

This tariff shall be applicable for supply of electricity to High Tension Agricultural consumers contracting for 100 kVA and above, requiring power supply for lifting water from surface water sources such as canal, river and dam, and supplying water directly to the fields of farmers for agricultural irrigation only.

17.1 DEMAND CHARGES:

Demand Charges Rs. 50 per kVA per month

PLUS

17.2 ENERGY CHARGES:

For all units consumed during the month	180 Paise per Unit

17.3 Billing demand
17.4 Minimum bill
17.5 Maximum demand and its measurement
17.6 Contract Demand
17.7 Rebate for supply at EHV

} Same as per HTP-I Tariff

17.8 POWER FACTOR ADJUSTMENT CHARGES:

17.8.1 Penalty for poor Power Factor:

(c) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 17.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

(d) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 17.2 of this schedule, will be charged.

17.8.2 Power Factor Rebate:

If the power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 17.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

18.0 <u>RATE: RAILWAY TRACTION</u>

This tariff is applicable for power supply to Railway Traction at 132 kV/66 kV.

18.1 DEMAND CHARGES:

For billing demand up to the contract demand	Rs. 180 per kVA per month
For billing demand in excess of contract demand	Rs. 425 per kVA per month

NOTE: In case of the load transfer for traction supply due to non-availability of power supply at preceding or succeeding point of supply or maintenance at Discom's level, excess demand over the contract demand shall be charged at normal rate at appropriate point of supply.

Normal Demand Charges will also apply in case of bunching of trains. However, Discoms shall charge excess demand charges while raising the bills and Railways have to give convincing details and documentary proof of bunching of trains if they want to be charged at the normal demand charges. If satisfactory proof of bunching of trains is provided, Discom shall consider that occasion for normal demand charges, otherwise excess demand charges will be applicable specified as above at 18.1 (b).

PLUS

18.2 ENERGY CHARGES:

For all units consumed during the month	500 Paise per Unit

18.3	Billing demand	Same as per HTP-I Tariff
18.4	Minimum bill	
18.5	Maximum demand and its measurement	
18.6	Contract Demand	
18.7	Rebate for supply at EHV	

18.8 POWER FACTOR ADJUSTMENT CHARGES:

18.8.1 Penalty for poor Power Factor:

(a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head “Energy Charges”, arrived at using tariff as per para 18.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

(b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head “Energy Charges”, arrived at using tariff as per para 18.2 of this schedule, will be charged.

18.8.2 Power Factor Rebate:

If the power factor of the consumer’s installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head “Energy Charges”, arrived at using tariff as per para 18.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.