# GUJARAT ELECTRICITY REGULATORY COMMISSION

## Tariff Order

Truing up for FY 2017-18,

Mid-Term Review of FY 2019-20 & FY 2020-21 and

Determination of Tariff for FY 2019-20

**For**

## Torrent Power Limited - Distribution

## Surat

## Case No. 1765 of 2018

## $24^{th}$ April, 2019

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सत्यमेव जयते

# GUJARAT ELECTRICITY REGULATORY COMMISSION

# (GERC)

## GANDHINAGAR

## Tariff Order

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**For**

**Torrent Power Limited-Distribution**

**Surat**

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# ABBREVIATIONS

| | |
|---|---|
| A&G | Administrative and General Expenses |
| ARR | Aggregate Revenue Requirement |
| CAPEX | Capital Expenditure |
| CERC | Central Electricity Regulatory Commission |
| DISCOM | Distribution Company |
| EA | Electricity Act, 2003 |
| FPPPA | Fuel and Power Purchase Price Adjustment |
| FY | Financial Year |
| GERC | Gujarat Electricity Regulatory Commission |
| GFA | Gross Fixed Asset |
| GoG | Government of Gujarat |
| HT | High Tension |
| kV | Kilo Volt |
| kVA | Kilo Volt Ampere |
| kVAh | Kilo Volt Ampere Hour |
| kWh | Kilo Watt Hour |
| LT | Low Tension |
| MTR | Mid-Term Review |
| MUs | Million Units |
| MW | Mega Watt |
| MYT | Multi-Year Tariff |
| O&M | Operations and Maintenance |
| p.a. | Per Annum |
| PPA | Power Purchase Agreement |
| R&M | Repairs and Maintenance |
| SBI | State Bank of India |
| SLDC | State Load Despatch Centre |
| TPL-D (A) | Torrent Power Limited – Distribution (Ahmedabad) |

# Before the Gujarat Electricity Regulatory Commission at Gandhinagar

**Case No. 1765 of 2018**

**Date of Order: 24th April, 2019**

**CORAM**

Shri Anand Kumar, Chairman
Shri K. M. Shringarpure, Member
Shri P.J. Thakkar, Member

**ORDER**

# 1 Background and Brief History

## 1.1 Background

Torrent Power Limited – Distribution (Surat) (hereinafter referred to as TPL-D (S) or the Petitioner) has filed the present Petition under Section 62 of the Electricity Act, 2003, read in conjunction with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016 (hereinafter referred to as the GERC (MYT) Regulations, 2016), for the True up of FY 2017-18, Mid-Term Review of FY 2019-20 and FY 2020-21 and determination of tariff for FY 2019-20 for its distribution business at Surat on 30th November, 2018.

Gujarat Electricity Regulatory Commission (hereinafter referred to as GERC or the Commission) notified the GERC (MYT) Regulations, 2016 on 29th March, 2016, which is applicable for determination of tariff in all cases covered under the Regulations from 1st April, 2016 onwards. Regulation 17.2 (c) of the GERC (MYT) Regulations, 2016 provides for submission of detailed application comprising truing up for FY 2017-18, modification of Aggregate Revenue Requirement (hereinafter referred to as ARR) for the remaining years of the Control Period, i.e., FY 2019-20 and FY 2020-21, with adequate justification, revenue from sale of power at existing tariffs and charges for the ensuing year, i.e., FY 2019-20, Revenue Gap or Revenue Surplus for the ensuing year for determination of tariff for FY 2019-20, to be carried out under the GERC (MYT) Regulations, 2016 and amendment thereof from time to time.

The Petition was registered on 4th December 2018 after technical validation and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this Tariff Order.

## 1.2 Torrent Power Limited

Torrent Power Limited (TPL), a Company incorporated under the Companies Act, 1956, is carrying the business of Generation and Distribution of electricity in the cities of Ahmedabad, Gandhinagar and Surat. The present Petition has been filed by TPL-Distribution (Surat) [TPL-D (S)] for its distribution business in Surat.

TPL had assumed the business, consequent upon the amalgamation of Torrent Power Ahmedabad Limited (TPAL), Torrent Power Surat Limited (TPSL) and Torrent Power Generation Limited (TPGL) with Torrent Power Limited. Besides, TPL is also engaged in other businesses, which do not come under the regulatory purview of the Commission.

## 1.3 Commission's Order for Approval of final ARR for FY 2016-17 and Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21

The Petitioner filed its petition for Truing up for FY 2015-16, Approval of Final ARR for 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of tariff for 2017-18 on 30th November, 2016. The Petition was registered on 3rd December, 2016 (under Case No. 1628 of 2016).

The Commission vide Order dated 9th June, 2017 (hereinafter referred to as MYT Order) approved the Truing up for 2015-16, Final ARR for FY 2016-17, Multi-Year ARR for FY 2016-17 to FY 2020-21 and determined the tariff for FY 2017-18.

## 1.4 Commission's Order for approval of True up of FY 2016-17 and Determination of tariff for FY 2018-19

The Petitioner filed its Petition for Truing up for FY 2016-17 and Determination of tariff for FY 2018-19 on 30th December, 2017. The Petition was registered on 3rd January, 2018 (under Case No. 1697 of 2018). The Commission vide Order dated 31st March 2018 approved the Truing up for FY 2016-17 and determined the tariff for FY 2018-19.

## 1.5 Background of the present Petition

Regulation 16.2 (iii) of the GERC (MYT) Regulations, 2016 provides for the truing up of previous year's expenses and revenue based on audited accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors).

Regulation 16.2 (vi) of the GERC (MYT) Regulations, 2016 provides for annual determination tariff for the generating Company, Transmission Licensee, SLDC, Distribution Wire Business and Retail Supply Business, for each financial year within the Control Period, based on the approved forecast and result of the truing up exercise.

Further, Regulation 16.2 (i) of the GERC (MYT) Regulations, 2016 provides for truing up of 2nd year of the Control Period and tariff determination of 4th year of the Control Period as follows:

> *"…*
>
> *Provided further that a Mid-term Review of the Aggregate Revenue Requirement shall be undertaken for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee on an application that shall be filed by the utilities along with the Petition for truing-up for the second year of the Control Period and tariff determination for the fourth year of the Control Period;…".*

## 1.6. Registration of the Current Petition and Public Hearing Process

TPL-D (S) has submitted the current Petition for truing up of FY 2017-18, Mid-Term Review of FY 2019-20 and FY 2020-21 and determination of tariff for FY 2019-20 on 30th November, 2018. The Petition was registered on 4th December, 2018 (Case No. 1765 of 2018) and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this Tariff Order.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed TPL-D (A) to publish its application in the newspapers to ensure due public participation.

The Public Notice, inviting objections / suggestions from the stakeholders on the Petition filed by it, was published in the following newspapers:

**Table 1.1: List of Newspapers in which Public Notice was published**

| Sl. No. | Name of Newspaper | Language | Date of Publication |
|---|---|---|---|
| 1 | Times of India | English | 11.12.2018 |
| 2 | Divya Bhaskar | Gujarati | 11.12.2018 |

The Petitioner also placed the Public Notice and the Petition on its website (www.torrentpower.com) 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 10th January, 2019.

The Commission also placed the Petition and additional details received from the Petitioner on its website (www.gercin.org) for information and study of all the stakeholders.

The Commission also issued a notice for Public Hearing in the following newspapers in order to solicit wider participation by the stakeholders:

**Table 1.2: List of Newspapers in which Public Notice for Hearing was published**

| Sr. No. | Name of the Newspaper | Language | Date of publication |
|---|---|---|---|
| 1 | DNA | English | 01.02.2019 |
| 2 | Gujarat Samachar | Gujarati | 01.02.2019 |
| 3 | Sandesh | Gujarati | 01.02.2019 |

The Commission received objections/suggestions from consumers/consumer organizations as shown in the Table below. The Commission examined the objections/suggestions received from the stakeholders and fixed the Public Hearing on the Petition on 5th February, 2019 at the Commission's Office, 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 status of stakeholders who submitted their written suggestion / objections, those who remained present in Public Hearing, those who could not attend the Public Hearings, and those who made oral submissions is given in the Table below:

**Table 1.3: List of Stakeholders**

| Sr. No. | Name of Stakeholders | Written Submission | Oral Submission | Present on 05.02.2019 |
|---|---|---|---|---|
| 1. | Surat Citizen's Council Trust | Yes | No | No |
| 2. | Akhil Gujarat Grahak Sewa Kendra | Yes | No | No |
| 3. | Vishnubahi B Desai | Yes | Yes | Yes |
| 4. | Kirtikumar Nagindas Shah, Surat | Yes | Yes | Yes |
| 5. | Federation of Solar Manufacturers and Intermediaries | Yes | Yes | Yes |
| 6. | Bharatiya Samyawadi Paksh | Yes | Yes | Yes |
| 7. | Jigneshkumar Virani | Yes | No | No |
| 8. | Surat Municipal Corporation | Yes | No | No |
| 9. | K K Bajaj | Yes | Yes | Yes |
| 10. | Laghu Udyog Bharati (LUB) | Yes | Yes | Yes |
| 11. | Gujarat Chamber of Commerce & Industry (GCCI) | Yes | Yes | Yes |
| 12. | Utility Users Welfare Association (UUWA) | Yes | Yes | Yes |
| 13. | Users Welfare Association (UWA) | Yes | Yes | Yes |
| 14. | R.G. Tillan | No | Yes | Yes |
| 15. | Gujarat Dyestuff Manufacturers Association (GDMA) | Yes | Yes | Yes |
| 16. | Chetan Jain | No | Yes | Yes |

The issues raised by the objectors in the submissions with respect to the Petition along with the response of TPL-D (S) and the Commission's views on the response are given in Chapter 3 of this order.

## 1.7. Contents of this Order

The Order is divided into **ten Chapters** as detailed under: -

1. The **first Chapter** provides a brief background regarding the Petitioner, the Petition on hand and details of the Public Hearing process and approach adopted in this Order.
2. The **second Chapter** outlines the summary of TPL-D(S)'s Petition.
3. The **third Chapter** deals with the Public Hearing process, including the objections raised by various stakeholders, TPL-D(S)'s response and Commission's views on the response.
4. The **fourth Chapter** focuses on the details of truing up for FY 2017-18.
5. The **fifth Chapter** deals with the determination of revised ARR for FY 2019-20 and FY 2020-21.
6. The **sixth Chapter** deals with the determination of tariff for FY 2019-20
7. The **seventh Chapter** deals with compliance of directives and issue of fresh directives.
8. The **eighth Chapter** deals with FPPPA charges
9. The **ninth Chapter** outlines the Wheeling Charges and Cross-Subsidy Surcharge
10. The **tenth Chapter** deals with tariff philosophy and tariff proposals.

## 1.8. Approach of this Order

The GERC (MYT) Regulations, 2016, provides for Truing up of the previous year and determination of tariff for the ensuing year. The Commission has approved ARR for five years of the Control Period from FY 2016-17 to FY 2021-22 vide the MYT Order dated 9th June, 2017.

The GERC (MYT) Regulations, 2016, also provides for modification of the ARR for the remaining years of the Control Period, at the time of Mid-Term Review (MTR).

TPL-D (S) has approached the Commission with the present Petition for Truing up of FY 2017-18, MTR of FY 2019-20 and FY 2020-21 and determination of tariff for FY 2019-20.

The Commission has undertaken Truing up for FY 2017-18, based on the submissions of the Petitioner. The Commission has undertaken the computation of gains and losses for FY 2017-18, based on the audited annual accounts and final ARR for FY 2017-18 approved vide Order dated 9th June, 2017.

While truing up for FY 2017-18 the Commission has been primarily guided by the following principles:

- Controllable parameters have been considered at the level approved as per the MYT Order, unless the Commission considers that there are valid reasons for revision of the same.
- Uncontrollable parameters have been revised, based on the actual performance observed.
- The Truing up for the FY 2017-18 has been considered based on the GERC (MYT) Regulations, 2016.

For the Mid-Term Review of ARR for FY 2019-20 and FY 2020-21, the Commission has considered the GERC (MYT) Regulations, 2016 and its amendments thereof as the base.

TPL-D(S) has sought the modification of the ARR for FY 2019-20 and FY 2020-21 based on the revised estimates of various ARR elements along with justifications in this Petition. The Commission while reviewing the said proposal for modification of the ARR, has finalized the approved ARR for the remaining years of Control Period.

Determination of Tariff for FY 2019-20 has been considered as per the GERC (MYT) Regulations, 2016 and amendments thereof as the base.

# 2. Summary of TPL's Petition

## 2.1. Introduction

TPL-D (S) submitted the current Petition, seeking approval of True-up for ARR for FY 2017-18 and Mid-Term Review of ARR for FY 2019-20 and FY 2020-21. The Petitioner has also submitted the tariff proposal for FY 2019-20, based on the Revenue Gap for FY 2017-18 and revised ARR for FY 2019-20.

## 2.2. Actuals for FY 2017-18 submitted by TPL-D(S)

The details of expenses under heads of ARR are given in tables below:

**Table 2.1: Actual Claimed by TPL-D(S) for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual as per TPL-D(S) |
|---|---|---|
| Power Purchase Cost | 1663.12 | 1735.72 |
| O&M Expenses | 119.28 | 122.78 |
| Interest on Loans | 27.71 | 24.87 |
| Interest on Security Deposit | 18.50 | 17.10 |
| Interest on Working Capital | - | - |
| Depreciation | 52.78 | 52.09 |
| Bad Debts written off | 0.33 | 0.39 |
| Contingency Reserve | 0.40 | 0.40 |
| Return on Equity | 82.39 | 81.81 |
| Income Tax | 42.24 | 39.68 |
| Less: Non-Tariff Income | 35.18 | 24.96 |
| **Annual Revenue Requirement** | **1971.58** | **2049.88** |

## 2.3. Sharing of Gains and Losses for FY 2017-18

The sharing of gains and losses as projected by TPL-D (S) is depicted below:

**Table 2.2: Summary of sharing of Gains and Losses (in Rs. Crore)**

| Particulars | Approved in MYT Order | Actual as per TPL-D(S) | Over/(Under) Recovery | Controllable | Uncontrollable |
|---|---|---|---|---|---|
| Power Purchase Cost | 1663.12 | 1735.72 | (72.60) | 2.38 | (74.97) |
| O&M Expenses | 119.28 | 122.78 | (3.50) | (3.50) | - |
| Interest on Loans | 52.78 | 52.09 | 0.69 | - | 0.69 |
| Interest on Security Deposit | 27.71 | 24.87 | 2.85 | 0.79 | 2.06 |
| Interest on Working Capital | 18.50 | 17.10 | 1.40 | - | 1.40 |
| Depreciation | - | - | - | - | - |
| Bad Debts written off | 82.39 | 81.81 | 0.58 | - | 0.58 |
| Contingency Reserve | 0.33 | 0.39 | (0.06) | (0.06) | - |
| Return on Equity | 0.40 | 0.40 | - | - | - |
| Income Tax | 42.24 | 39.68 | 2.56 | - | 2.56 |
| Less: Non-Tariff Income | 35.18 | 24.96 | 10.22 | - | 10.22 |
| Annual Revenue Requirement | **1971.58** | **2049.88** | **(78.30)** | **(0.40)** | **(77.90)** |

## 2.4. Mid-Term Review of ARR for FY 2019-20 and FY 2020-21

TPL-D (S), in its Petition, has furnished the revised ARR for FY 2019-20 and FY 2020-21 as shown below:

**Table 2.3: Summary of ARR for FY 2019-20 and FY 2020-21 as projected by TPL-D (S) (in Rs. Crore)**

| Particulars | FY 2019-20 | | FY 2020-21 | |
|---|---|---|---|---|
| | Approved in the MYT | Revised Estimate | Approved in the MYT | Revised Estimate |
| Power Purchase Cost | 1,733.32 | 2,036.47 | 1,777.70 | 2,048.39 |
| O&M Expenses | 133.31 | 140.20 | 140.94 | 148.22 |
| Interest on Loans | 30.08 | 36.47 | 27.60 | 45.68 |
| Interest on Security Deposit | 20.42 | 18.57 | 21.37 | 19.34 |

| Particulars | FY 2019-20 | | FY 2020-21 | |
|---|---|---|---|---|
| | Approved in the MYT | Revised Estimate | Approved in the MYT | Revised Estimate |
| Interest on Working Capital | - | - | - | - |
| Depreciation | 62.43 | 69.00 | 65.01 | 82.40 |
| Bad Debts written off | 0.33 | 0.33 | 0.33 | 0.33 |
| Contingency Reserve | 0.40 | 0.40 | 0.40 | 0.40 |
| Return on Equity | 90.70 | 96.98 | 92.96 | 107.88 |
| Income Tax | 42.24 | 39.68 | 42.24 | 39.68 |
| Less: Non-Tariff Income | 37.47 | 21.92 | 38.86 | 23.85 |
| **Annual Revenue Requirement** | **2,075.75** | **2,416.19** | **2,129.69** | **2,468.47** |

## 2.5. Summary of ARR, Revenue at Existing Tariff and Proposed Revenue Gap

The Table below summarises the proposed ARR claimed by TPL-D (S) for Truing up, revenue from sale of power from existing tariff and the revenue gap estimated for FY 2017-18.

**Table 2.4: True-up ARR claimed by TPL-D(S) for FY 2017-18 (in Rs. Crore)**

| **Particulars** | | **FY 2017-18** |
|---|---|---|
| ARR as per the MYT Order | (a) | 1,971.58 |
| Gain/(Loss) due to Uncontrollable Factors | (b) | (77.90) |
| Gain/(Loss) due to Controllable Factors | (c) | (0.40) |
| Pass through as tariff | d= -(1/3rd of c+ b) | 78.04 |
| **Trued -up ARR** | **e=a+d** | **2,049.62** |

The Table below summarises the Revenue Gap/(Surplus) for TPL-D (S) for FY 2017-18:

**Table 2.5: Revenue Gap/ (Surplus) for Surat Supply Area for FY 2017-18 (in Rs. Crore)**

| Particulars | Actual |
|---|---|
| **Trued-up ARR** | 2,049.61 |
| Revenue from Sale of Energy | 2,186.11 |
| Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus) | 166.85 |
| **Balance Revenue** | 2,019.26 |
| **Gap/ (Surplus)** | **30.35** |

## 2.6. ARR, Revenue at existing tariff, Revenue Gap and Tariff Proposal for FY 2019-20

**Table 2.6: Revenue Gap/ (Surplus) of Surat Supply Area for FY 2019-20 (in Rs. Crore)**

| Particulars | Claimed by TPL-D(S) |
|---|---|
| **ARR** | 2,416.19 |
| Less: | |
| Revenue from sale of power at existing tariff rates including FPPPA revenue @Rs. 2.09 per unit | 2,456.78 |
| Revenue from Open Access Charges | - |
| **Gap/ (Surplus)** | **(40.58)** |

TPL-D (S) has claimed the cumulative Revenue Gap/(Surplus) for FY 2019-20 as detailed in the Table below:

**Table 2.7: Cumulative Revenue Gap/(Surplus) for determination of tariff of Surat Supply Area for FY 2019-20 (in Rs. Crore)**

| Particulars | Claimed by TPL-D(S) |
|---|---|
| Gap/ (Surplus) of FY 2017-18 | 30.15 |
| Carrying Cost | 57.16 |
| DSM | 0.16 |

| Particulars | Claimed by TPL-D(S) |
|---|---|
| Gap/ (Surplus) of FY 2019-20 | (40.58) |
| **Cumulative Gap/ (Surplus) to be recovered through tariff** | **47.08** |

## 2.7. TPL-D (S)'s Prayers to the Commission

1. Admit the Petition for truing up of FY 2017-18, Mid-term Review of FY 2019-20 and FY 2020-21, and determination of tariff for FY 2019-20.
2. Approve the trued up Gap/ (Surplus) of FY 2017-18.
3. Approve the sharing of gains/ losses as proposed by the Petitioner for FY 2017-18.
4. Approve the revised ARR for FY 2019-20 and FY 2020-21 based on Mid-term Review.
5. Approve the cumulative Gap/ (Surplus).
6. Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April, 2019.
7. Approve the recovery through retail tariff and/or Additional Charge as prayed for.
8. Allow recovery of the costs as per the Judgments of the Hon'ble Appellate Tribunal in the Appeals filed by the Petitioner.
9. Allow additions/ alterations/ changes/ modifications to the Petition at a future date.
10. Permit the Petitioner to file all necessary pleading and documents in the proceeding and documents from time to time for effective consideration of the proceeding.
11. Allow any other relief, order or direction which the Commission deems fit to be issued.
12. Condone any inadvertent omissions/ errors/ rounding off difference/ shortcomings.

# 3. Brief outline of Objections raised, Response from TPL-D(S) and the Commission's View

## 3.1 Stakeholder's suggestions/objections, Petitioner's response and the Commission's view

In response to the public notice inviting objections/suggestions from stakeholders on the Petition filed by TPL-D for Truing up of FY 2017-18 and Mid-Term Review of FY 2019-20 and FY 2020-21 under the GERC (MYT) Regulations, 2016, a number of consumers/ organisations filed their objections/ suggestions in writing. Some of these objectors participated in the public hearing also.

The issue-wise summary of the objections/ suggestions by the consumers/ consumer organisations related to current tariff filling, the response from the Petitioner and the views of the Commission are given below:

### 3.1.1. Issue: Preliminary Legal Objection

The Commission as constituted presently, which is not having a person of law as a Member, does not have the jurisdiction to entertain, hear and decide the present Petition filed under Sections 62 and 64 of the EA, 2003 read with the GERC (MYT) Regulations in light of the Hon'ble Supreme Court Judgment dated 12.04.2018 in the matter of State of Gujarat & Ors. vs. Utility Users' Welfare Association & Ors. reported in (2018) 6 SCC 21 read with the Judgment of Hon'ble Supreme Court dated 10.09.2018 in MA No. 2217/2018. The objector submitted that the preliminary issue raised is an exception as stipulated in Order XIV Rule 2(2)(a) of the CPC.

The Commission must first decide on the preliminary legal issue of jurisdiction before proceeding further on merits.

Another objector drew attention to the petition filed by UUWA being petition No. WP/PIL/172 of 2014 in the High Court of Gujarat because the rights of the public which has been enshrined in the Constitution of India is violated and crippled of getting its right of justice from the bench having the knowledge of law of the land and knowledge of legal proceedings of the quasi-judicial statutory body prevailing in the courts. The verdict of High Court of

Gujarat is State Electricity Regulatory Commission who exercises the civil court's power of the state must be comprising of judicial member. The verdict was challenged in Supreme Court of India. The Apex court has upheld the verdict of High Court of Gujarat that there must be judicial member in the bench which is the outcome of efforts of UUWA. (Judgement of Supreme Court in Case No. C.A. 14697 of 2015: State of Gujarat & Ors. Vs Utility Users' Welfare Association & Ors. Reported in 2018 (6) SCC 21).

**Response of TPL**

The Petition has been filed in line with the GERC (MYT) Regulations, 2016 under the provisions of the Electricity Act, 2003. The proceedings are to be conducted under the statutory provisions of the EA 2003, and the applicable GERC (MYT) Regulations, 2016 with respect to price fixation of electricity. Further, the Petitioner has dealt with and replied to the objections and requested the Commission to consider only those aspects that are relevant to the matter of this Petition and fall within the scope and ambit of Part VII of the EA, 2003.

The preliminary issue raised by the objectors completely disregard the nature of the tariff proceedings (Petition no. 1765 of 2018) which is essentially a Regulatory proceeding. There is no lis between TPL as a Distribution Licensee and its consumers, when the suggestions and objections of the Public are heard under Section 64(3), for tariff determination. The present tariff proceeding is therefore not a contentious proceeding. The statutory provisions do not in any manner contemplate and provide for filing of preliminary issue, as sought to be advanced by the objector.

It is a settled position of law that price fixation does not attract the principles of natural justice. However, the only exception is where such a right is conferred by the statute.

Section 64(3) of the EA, 2003 cannot be widened to permit indiscriminate Public Hearings in terms of the nature of the tariff determination process, duration of process and treating the same as dispute resolution. The power exercised by the Commission is under Section 86(1)(a) and other applicable provisions and not under Section 86(1)(f) of the said Act. The right of hearing suggestions and objections is undoubtedly vested in the consumers, though the manner of exercise of such right can be regulated by the Commission. This regulated proceeding cannot be coloured with the essence of adjudicatory process involving preliminary issues and other aspects. In fact, the Commission is required to pass tariff orders in a time bound manner. Therefore, the statute does not permit reliance on Order XIV Rule 2(2)(a) of the Code of Civil Procedure, 1908 for proceeding under Section 64(3) of the Act, as sought to be advanced by the objector.

As regards the objection on absence of Member with legal background, the Petitioner relied upon the Judgment of the Hon'ble Supreme Court in the matter of "State of Gujarat Vs UUWA (supra)" and the decision dated 10.09.2018 in the Miscellaneous Application No. 2217 of 2018 filed by Mr. K. R. Tamizhmani in the Hon'ble Supreme Court, for their true meaning and effect.

The Petitioner stated that the Commission has jurisdiction and authority in law, to entertain, hear and decide the present Tariff Petition as well as other Petitions. The Petitioner submitted that the plea of the objector alleging lack of jurisdiction in this Commission due to absence of a Member with legal background has been negated by the Hon'ble Supreme Court not only in the Judgment dated 12.04.2018 itself, but also in its order dated 10.09.2018 in Miscellaneous Application No. 2217 of 2018.

At the Public Hearing on 05.02.2019, Torrent Power Limited (TPL) elaborated on the submissions filed by it in writing in response to the objections. TPL submitted that the decision dated 12.04.2018 clearly provided for continuation of the Commission and that the Judgment applied prospectively. Further, the Judgment of the Supreme Court clearly provided that in case, there is no Member from law as a Member of the Commission, the next vacancy shall be filled in by Member from legal field. TPL also relied on the decision of the Hon'ble Supreme Court in 1990 (3) SCC 223 – Shri Sitaram Sugar Co. Ltd. Vs. Union of India and the Hon'ble APTEL in 2011 SC Online APTEL 72 - M.P. Power Generation Co. Ltd. Vs. M.P.E.R.C to point out that price fixation is a legislative function and under the EA 2003, it comes within the quasi-legislative function and is regulatory in nature.

In Paragraph 81 of the Judgment dated 12.04.2018, the Hon'ble Supreme Court clearly held that determination of tariff is regulatory in character rather than adjudicatory. In Paragraph 90 of the said Judgment, the Hon'ble Supreme Court held that in order to appreciate any requirement for a person from the legal field to be a Member of the Commission it becomes necessary to turn to the nature of the functions performed by the State Commission.

In Paragraph 95 and thereafter, after considering the "concept of trappings of Court", the Hon'ble Supreme Court held as under:

> *"105. ………………………………………. Once it has the 'trappings of the Court' and performs judicial functions, albeit limited ones in the context of the overall functioning of the Commission, still while performing such judicial functions which may be of far reaching effect, the presence of a member having knowledge of law would become necessary. The absence of a member having knowledge of law would make the composition of the State Commission such as would make it incapable of performing the functions under **Section 86(1)(f) of the said Act**."*

In Paragraph 107, in respect of qualification and experience the Hon'ble Supreme Court held as under:

> *"107. We are, thus, of the view that it is mandatory to have a person of law, as a member of the State Commission. When we say so, it does not imply that any person from the field of law can be picked up. It has to be a person, who is, or has been holding a judicial office or is a person possessing professional qualifications with substantial experience in the practice of law, who has the requisite qualifications to have been appointed as a Judge of the High Court or a District Judge."*

Thereafter, in Paragraph 110 of the Judgment, the Hon'ble Supreme court clearly stated that for all adjudicatory functions, the Bench must necessarily have at least one Member from the legal field, as under:

> *"110. We are, thus, of the unequivocal view that for all adjudicatory functions, the Bench must necessarily have at least one member, who is or has been holding a judicial office or is a person possessing professional qualifications with substantial experience in the practice of law and who has the requisite qualifications to have been appointed as a Judge of the High Court or a District Judge."*

In the same Judgment, the Hon'ble Supreme Court not only rejected the challenge to the appointment of the Chairman and Member of the Tamil Nadu State Electricity Regulatory

Commission but also rejected the challenge to the Tariff Order passed by the said Commission, which did not have a Member from legal field in its composition.

In light of this, there is no doubt that the Judgment applies prospectively and Commissions who did not have a Member from the legal field prior to passing of the Judgment do not have to be reconstituted to include a Member with legal background till the next vacancy arises.

Further, in respect of the Order dated 10.09.2018, the Hon'ble Supreme Court dismissed the Application by holding that there is no ambiguity in the Judgement dated 12.04.2018. Therefore, the Commission has jurisdiction to decide the cases.

On the issue of the plea of the Objectors that the issue of jurisdiction ought to be decided as a Preliminary Issue under Order XIV Rule 2(2)(a) of the Code of Civil Procedure, 1908, the Commission would note that proceedings are quasi-judicial and regulatory in nature and involve price fixation by way of Tariff Determination for electricity. These regulatory proceedings are governed by the GERC (MYT) Regulations, 2016. Regulation 28 lays down the procedure. The present Hearing is under Section 64 (3) of the Act, conducted for considering the suggestions and objections from the public on the tariff proposal filed by the Distribution Licensee. Therefore, the Petitioner disagrees with the contention of the Objectors that any preliminary issue ought to be adjudicated as contemplated under Order XIV Rule 2(2)(a).

Further, the interpretation by the objector is erroneous as the objector has ignored the following contents of the Para 114 of the Judgment and Order dated 12th April, 2018 passed by the Hon'ble Supreme Court, namely,

> "*114…………………………………………..*
>
> *v Our judgment will apply prospectively and would not affect the orders already passed by the Commission from time to time*
> *vi In case there is no member from law as a member of the Commission as required aforesaid in para 2 of our conclusion, the next vacancy arising in every State Commission shall be filled in by a Member of law in terms of clause (ii) above."*
> (relevant extract)

The Petitioner further denied that Section 64(3) contemplates indiscriminate hearing in relation to preliminary objections, further objections and thereafter objections on merits, etc. Every objector is required to file his or her objections as stipulated in the Statutory Provisions and there cannot be any conditional objections.

The Petitioner has submitted that the objections raised are extraneous to the current proceedings and therefore, ought to be quashed and rejected.

**Commission's View**

The objections are ill-founded and misconceived for the following reasons:

a) The Hon'ble Supreme Court's decision in Utility User's case applies to "the next vacancy arising in the State Commission" and not to the existing Coram/constitution. The Hon'ble Supreme Court's decision will apply prospectively.

b) In the Clarificatory Order dated 10-9-2018, the Hon'ble Supreme Court held that "…till such time a reconstitution of the Tribunal does not take place arising from a retirement of a member from the legal field, the **existing Tribunal** will decide all the cases." Moreover, the Clarificatory Application culminating into the above-said Clarificatory Order dated 10-9-2018 had nothing to do with tariff fixation as in the present case. The Applicant in the Clarificatory Application was aggrieved as his dispute was not being adjudicated by TNERC. The Clarificatory Order dated 10-9-2018 has been misread and mis-interpreted by the Objector.

c) Hon'ble Supreme Court's decision in Utility User's case applies to "adjudicatory function" and not to a tariff proceeding. The Hon'ble Supreme Court held as under:

> ***"110.** We are, thus, of the unequivocal view that **for all adjudicatory functions, the Bench must necessarily have at least one member**, who is or has been holding a judicial office or is a person possessing professional qualifications with substantial experience in the practice of law and who has the requisite qualifications to have been appointed as a Judge of the High Court or a District Judge."*

In view of above, there being no bar on carrying out the functions in the absence of a member from law background, the Commission has proceeded with the present Petition.

### 3.1.2. Issue: Admittance of Petition

The scrutiny of Petitions received from Licensees has not been carried out and the comments/suggestions/objections invited on such incomplete Petition is a violation of various provisions of the Regulations, and the EA, 2003. Other Commissions (like Delhi Electricity Regulatory Commission, Karnataka Electricity Regulatory Commission, Maharashtra Electricity Regulatory Commission) conduct the validation session of Tariff Petitions, calling for incomplete data, scheduling admission hearing, passing admission order and then comments/suggestions from the stakeholders are invited by public notice. The GERC (MYT) Regulations, 2016 (clause 25.1) and the GERC (CoB) Regulations, 2004 (clause 38), 39 and 40), read together, necessitates the process to be followed by the Commission before admission of petition.

Moreover, the details/documents/information which was called for from the Petitioners after the Petitions are registered and heard, on which the Commission relies upon is neither provided to the stakeholders not made available in the public domain and it is a breach of transparency.

The Petitioner has attempted to suppress the revenue and exaggerate the expenses to justify the ARR.

Another objector submitted during the hearing that the Commission should verify that the Petition is complete before publishing for comments. The objector further submitted that Clause 38 of the GERC (Conduct of Business) Regulations mandates that the Petition should be put up for preliminary hearing, while Clause 39 mandates issuance of notice to hear the Petition for admission. Inference could be preliminary hearing without notice of hearing. The objector therefore suggested that preliminary hearing be conducted with the help of consumer groups who have good expertise in the subject domain.

**Response of TPL**

The present proceedings are a part of Tariff Proceedings. The GERC (Conduct of Business) Regulations, 2004 have been framed under Section 181 of the EA 2003 read with Section 12 of the Gujarat Electricity Industry (Reorganisation and Regulation) Act, 2003 (hereinafter referred to as GEIR&R Act, 2003). The GEIR&R Act, 2003 deals with the proceedings before the Commission. The other Regulations namely, GERC (MYT) Regulations, 2016 are framed under Sections 181, 61, 62 and provisions of the EA, 2003 and Section 32 of the GEIR&R Act, 2003. Section 32 of GEIR&R Act, 2003 specifically deals with tariff.

Therefore, it can be concluded that the Regulations contemplated in Section 64 (1) of the Act are the GERC (MYT) Regulations, 2016. The GERC (MYT) Regulations are special Regulations and it is pertinent to note that Sub-section (zh) of Section 181 devolves power on the Commissions to frame Regulations in respect of issuance of Tariff Orders. The Special Regulations would therefore, prevail over general Regulations. The Objector has failed to appreciate the true and correct nature of the proceedings under Section 64 (3) of the Act.

Admission of a proceeding is a stage in the procedural aspect concerning litigation. Stricto Sensu, the admission of a proceeding is between the Petitioner and the adjudicating Authority. It is in this light, that power has been conferred on the Commission to admit a Petition for hearing, without requiring the attendance of the party. This is specifically pointed out as the Objector is relying on the provisions of the GERC (Conduct of Business) Regulations, 2004, to the exclusion of the special Regulations namely GERC (MYT) Regulations, 2016.

**Commission's View**

Determination of Tariff is a long-drawn process and in order to complete exercise in time-bound manner, it is required to initiate the process of Tariff Determination in accordance with the relevant Regulations in this regard. The petition for Determination of Tariff is registered by the office of the Commission accordingly.

Further, during the course of analysis of submission for tariff determination, it is required to get additional details, clarifications from the Petitioners. This year, the additional details and clarification submitted by the Petitioners are also placed on the Commission's as well as Utilities websites for information of all the stakeholders.

### 3.1.3. Issue: Multi-Year-Tariff Framework

The Commission has adopted the Rate of Return (ROR) approach for determining the revenue requirement of Generating Companies and Licensees with performance trajectory for certain variables with the objective of improving the performance and reducing the cost during the Control Period in a phased manner. The process of tariff determination in the

State of Gujarat followed by the Commission in the past is an annual exercise that is based on cost-plus principles, subjected to efficiency parameters. According to this system of tariff determination, the generating company or licensee is required to submit an annual filing of expected revenues from various charges, and the Commission either approves the tariff proposed by the licensee or approves a different tariff. It has often been discussed by policy makers and regulators that the present system of annual tariff is too unpredictable. Accordingly, an incentive based Multi-Year-Tariff (MYT) determination process has been designed with the intention to make the tariff setting exercise more predictable and imparts greater regulatory certainty to the process of tariff determination.

The concept of MYT gives an element of certainty to all the stakeholders. The basic premise is that tariffs would not fluctuate beyond a certain bandwidth unless there are force majeure conditions. This MYT framework is expected to bring reduction in regulatory effort, reduction in regulatory uncertainty and provision of a transparent and stable system of incentives and disincentives. This is because of the absence of any “claw-back” or sharing of gains over the pre-specified efficiency norms within the Control Period. The MYT principles provide clarity on the rules of Regulation, provides incentive for efficiency improvement for a reasonably long period of time and help licensees mitigate risks in electricity supply.

Since the Commission could not frame the MYT Regulations, the provisional tariff for FY 2016-17 was determined by the Commission vide its Tariff Order in Case No. 1552 of 2015 dated 31st March, 2016 wherein ARR was determined for FY 2016-17, the first year of the 3rd Control Period. The Commission again approved the ARR of FY 2016-17 vide Tariff Order dated 9th June, 2017 in Case No. 1627 of 2016 and also approved ARR for FY 2016-17 to FY 2020-21. The utilities were forced to submit projection and forecast of data of tariff elements after the end of the year i.e. 31st March, 2017 for FY 2016-17. Hence, there are 2 ARRs approved under the MYT Regulations, having huge deviation in the projected data, making mockery of the MYT framework and principle contemplated in Section 61 of the Electricity Act, 2003. Further, Mid-term review is proposed for FY 2019-20 and FY 2020-21 and ARR tariff determination for FY 2019-20. Therefore, there is no Mid Term Review in real sense, but it is a facility given to Licensees to modify their projection that too on higher side than that approved in the MYT Order. The MYT Regulations and its principle do not permit such practice, which will lead to higher revenue gap at the time of truing up compared to the Mid-Term Review of FY 2019-20, which was projected on higher side.

**Response of TPL**

The issue related to the ARR of FY 2016-17 is extraneous to the present proceedings. Regarding matter of Mid-Term Review, it is submitted that same is in line with the GERC (MYT) Regulations, 2016.

**Commission's View**

The Commission has undertaken the Mid-term Review for FY 2019-20 and FY 2020-21 in accordance with Regulation 16.2 (i) of the GERC (MYT) Regulations, 2016, which provides for truing up of 2$^{nd}$ year of the Control Period and tariff determination of 4$^{th}$ year of the Control Period as follows:

*"…*

*Provided further that a Mid-term Review of the Aggregate Revenue Requirement shall be undertaken for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee on an application that shall be filed by the utilities along with the Petition for truing-up for the second year of the Control Period and tariff determination for the fourth year of the Control Period;…".*

The Commission has determined the tariff for FY 2019-20 in accordance with Regulation 16.2 (vi) of the GERC (MYT) Regulations, 2016, as reproduced below:

*"(vi) Annual determination of tariff for the Generating Company, Transmission Licensee, SLDC, Distribution Wires Business and Retail Supply Business, for each financial year within the Control Period, based on the approved forecast and results of the truing up exercise…"*

### 3.1.4. Issue: Uniform Tariff for GLP category

There are two consumption slabs in the energy tariff of TPL-D(A) for GLP category, whereas other Licensees like TPL-D (S), DGVCL, MGVCL, PGVCL and UGVCL are having only single tariff. TPL-D (A) charges at par with other Licensees for the first 200 units per month, whereas balance units are charged at higher rates. There should not be any discrimination between consumers in line with the objective of the EA, 2003 and as envisaged by the State Government for uniform retail tariff in all DISCOMs, so that consumers in similar categories in the State could have similar tariff. The entire units consumed per month by GLP category (under low and medium voltage tariff) be charged at 533 paise per unit.

Another objector submitted during the hearing that energy charges of GLP is higher than that of NRGP category and hence, should be reduced.

**Response of TPL**

The objector's suggestion for specifying uniform energy charge slabs/ range for GLP category is not legally tenable as the enactment namely the EA, 2003 itself contemplates consumer categorisation on the basis of various factors as enumerated in the statutory provision. In the tariff determination process for a particular distribution licensee, the principles as contemplated under Section 61 read with the statutory provisions under Section 62, 86(1) and the policies framed under Section 3 of the Act are taken into consideration. The Commission determines the tariff categorisation in accordance with the provisions specified in Section 62(3) of the Electricity Act, 2003. Further, the tariff slab categorisation is done based on various factors enumerated in the statute.

Regarding fixed cost, the connection charges for up to 99 kW are low and only Rs. 30 per kW.

**Commission's View**

Looking to the nature of the GLP Category, fixed charges are kept very low and also on per installation basis.

### 3.1.5. Issue: Implementation of Solar Rooftop projects

The Petitioner should submit Average Power Purchase Cost (APPC) for FY 2017-18 applicable to solar projects commissioned in FY 2018-19 with detailed calculation. Further, 100% of capacity for rooftop solar projects should be allowed with reference to Contract Demand for HT consumers, and out of total generation, 25 to 35% may be retained by DISCOM to meet its RPO target at Preferential tariff or as may be decided by the Commission. Further, the Commission should allow Renewable Energy Service Company (RESCO) model for implementing solar rooftop projects.

The objector filed rejoinder on 19th February, 2019 stating that the submission of the Petitioner during the hearing is misguided. The objector reproduced the ruling in Petition No. 1363 of 2013 (filed by Renew Wind Energy (Rajkot) Private Limited (along with Indian Wind Power Association) versus Gujarat Urja Vikas Nigam Limited) dated 1/7/2013 as follows:

"7.30. *Before the parting with the judgment/order, we observe that in the present case, the Wind Energy Association is a co-petitioner and have prayed for similar reliefs for all the similarly placed the Wind Power Generators. The aforesaid prayers are generic in nature. We, therefore, decide that the decision pronounced in the present petition shall be applicable to all similarly placed wind generators.*

….

*8.0(a). (a)The petitioner is entitled to receive payment for energy supplied to the respondents at the APPC, as decided by the Commission on year to year basis."*

Further, the APTEL vide order dated 6th December, 2018 dismissed the appeal of GUVNL and upheld the impugned order dated 1/7/2015 passed by the Commission.

**Response of TPL**

The issue of determination of APPC for the distribution licensees of the State is already sub judice vide Petition No. 1557 of 2016. The Petitioner submitted that it would rely on the said proceedings and the pleadings therein. Further, the present proceeding is under Section 86(1) (a) and other applicable provisions of the Act, 2003.

**Commission's View**

The present regulatory process is being undertaken on the Petition filed by TPL for true-up of the ARR for FY 2017-18, Mid-Term Review (MTR) of the ARR for FY 2019-20 and FY 2020-21, and determination of tariff for FY 2019-20, in accordance with the GERC (MYT) Regulations, 2016. The issue raised by the objector does not fall within the scope of the present regulatory process.

### 3.1.6. Issue: Compliance with RPO

The Petitioner should be directed to submit detailed source-wise planning to purchase power from renewable energy sources to comply with Regulation 4.1 of the GERC

(Procurement of Energy from Renewable Energy Sources) Regulations, 2010, which specifies the Renewable Power Purchase Obligation (RPPO), and the GERC (Procurement of Energy from Renewable Sources) (Second Amendment) Regulations, 2018.

The objector added that Gujarat is lagging and is far from the target of 3200 MW capacity of solar rooftop by 2022. The Commission should determine the tariff for PV solar projects of lower than 5 MW capacity, as it will help to achieve the target of solar capacity addition in the State as well as the country, and facilitate investment in solar power by small and medium entrepreneurs, with the added benefit of faster commissioning and no need of Extra High Voltage long-distance transmission lines.

The Commission should direct TPL to come up with some innovative ideas in the national interest to protect the environment as well as for the benefit of consumers. The objector suggested that solar EPC companies should install rooftop solar at client's premises on lease basis and DISCOM could collect EMI to reimburse to EPC company with certain service charge. The Commission should issue guidelines for the same, wherein the scheme is similar to National LED programme- Unnat Jyoti by Affordable LEDs for all (UJALA).

**Response of TPL**

The Petitioner has furnished the relevant details regarding power purchase in its petition in line with the GERC (MYT) Regulation, 2016. Further, the Petitioner has already initiated competitive bidding for procurement of solar power to fulfil its solar RPO.

Regarding other objections, the Petitioner has submitted that the objections which are extraneous to the current proceedings ought not to be considered. The present proceedings are tariff proceedings distinct from the framing of sub-ordinate legislation.

**Commission's View**

The present regulatory process is being undertaken on the Petition filed by TPL for true-up of the ARR for FY 2017-18, Mid-Term Review (MTR) of the ARR for FY 2019-20 and FY 2020-21, and determination of tariff for FY 2019-20, in accordance with the GERC (MYT) Regulations, 2016. The issue raised by the objector does not fall within the scope of the present regulatory process.

### 3.1.7. Issue: Opposition to Tariff Hike proposed by TPL

The Petitioner has proposed tariff increase of Rs. 1.23/ kWh, which is based on misrepresentation of the accounts and manipulations. The Distribution losses are lower, and the tariff is already higher than that of Government DISCOMs. The Commission should allow UGVCL/DGVCL to supply power in Ahmedabad, Gandhinagar and Surat licence area at competitive rates by promoting competition in such areas. The Commission should quash the proposed tariff hike of Rs. 1.23 per unit.

The proposed hike in tariff is illegal and unconstitutional, particularly for small shops and residential consumers as they cannot afford the tariff increase. Further, the consumption limit for BPL consumers should be increased from 30 units/month to 100 units/month. TPL should not be allowed to hike tariff in FY 2019-20.

Due to mismanagement at the top level, TPL-D (A) is proposing tariff hike of Rs. 0.28 per kWh to recover its old dues. By proposing so, TPL wants to pass the whole financial burden on to the consumers, which is not proper. The consumption limit of BPL consumers should be increased from 0-30 unit to 0-50 units. There should not be any fixed cost and uniform tariff for all categories be introduced.

The tariff of TPL, being private licensees and being efficient, should be lower than Government distribution companies, on the contrary it is higher, which should not be allowed. TPL’s tariff should be in parity with other DISCOMs as per claim by GUVNL/ DISCOMs to keep uniform tariff in the State.

The power intensive industries like Foundry casting of ferrous, textile, diamond, chemicals, plastic, printing, engineering etc. are not able to plan their contracts with OEM in view of the fact that the MYT framework and principle which contemplates that the variation in the tariff during the MYT Control Period of 5 years was not within a certain bandwidth which the industries could afford and enable them to compete in international market.

While on one hand, Hon’ble Prime Minister and Hon’ble Chief Minister are arranging Gujarat Vibrant Summit to bring new investment in the State to create employment, on the other hand many textile industries are shifting to neighbouring states like Maharashtra. The Commission should reduce tariff by Rs. 3.00 per kWh by applying strict provisions of Regulations in the interest of industry, commerce and common people of Gujarat.

It is injustice to the new consumers who are paying the unrecovered amount of FPPPA and unrecovered revenue gap, which implies that it is necessary to introspect the overall interest of stakeholders. The fixed charge should be abolished.

**Response of TPL**

The Petitioner is entrusted with the obligation of supplying electricity in its areas of supply. The State and Central Commission's Regulations specified under the Electricity Act, 2003 provide for long term arrangement between the generator and distribution licensee for supply of electricity at regulated tariff irrespective of market fluctuations. Accordingly, the Petitioner has long term arrangements for sourcing the power to cater to the demand of its consumers. The Petitioner would further like to submit that it is making all efforts to source power at competitive rate but the cost of power purchase depends upon various factors including quantum, period and market conditions. The variations in the fuel and power purchase cost are beyond the control of the licensee. Further, comparison with the power purchase cost of GUVNL Discoms is not appropriate as the power purchase arrangements have evolved over the years in accordance with the prevailing regulatory framework.

Regarding BPL category consumers, the category is applicable to only those consumers who are categorised as BPL by the concerned authority by issuing BPL card. The applicability of concessional tariff for consumption of 30 units per month is in accordance with the provisions of the Tariff Policy issued by the Central Government. The balance units are charged at the regular rate applicable to residential consumers as per the Tariff schedule. The objective is to supply electricity up to specified level to such consumers at concessional tariff in line with the provisions of the Tariff Policy.

The present petition is filed for approval of tariff in line with the provisions of the Act, National Tariff Policy and GERC Regulations. The Petitioner maintains the accounts in accordance with the Accounting Standards issued by Institute of Chartered Accountants of India. Further, the Accounting Statement is prepared in line with the Companies Act and duly verified by the Statutory Auditors of the Company.

Further, the comparison made between TPL and GUVNL DISCOMs is incorrect since the type of network, the power purchase arrangements, and the consumer mix/profile of TPL and GUVNL are different and distinct. Further, in case of GUVNL Discoms, the network upto 11 kV is being laid by GETCO and in turn recovered from all open access customers including TPL.

**Commission's View**

The tariff increase proposed by TPL-D (A) is through levy of Additional Charges of Rs. 0.14 /kWh for all categories, and not Rs. 1.23/kWh as stated by the objectors.

The issue of permitting competition in supply of electricity by allowing UGVCL/DGVCL to supply power in Ahmedabad, Gandhinagar and Surat licence area is related to licencing of electricity distribution and supply and does not fall within the scope of the present regulatory process, being undertaken on the Petition filed by TPL for true-up of the ARR for FY 2017-18, Mid-Term Review (MTR) of the ARR for FY 2019-20 and FY 2020-21, and determination of tariff for FY 2019-20, in accordance with the GERC (MYT) Regulations, 2016.

As regards the issue of determining the fixed charges on per kW basis for LTMD and HTMD categories as done for TPL(A), it may be noted that the practice of levy of demand charges on per kVA basis for Surat consumers continued in line with the same practice in State Owned Discoms.

### 3.1.8. Issue: Uniform Tariff for Residential Category

The Commission should introduce a separate slab for consumption above 400 units per month for residential consumers of Gujarat. The Tariff Policy states that tariff should be based on paying capacity of consumers. Accordingly, the consumers with monthly consumption of less than 200 units should pay less and those with monthly consumption above 400 units should pay more. The objector proposed consumption slabs of 0-50 units, 51-200 units, 201-400 units, and above 400 units per month and also proposed tariffs for each slab.

The Commission should convert the residential tariff into four slabs as proposed without any financial loss/gain to DISCOMs. Ideally, the difference in tariff between two slabs should range between 60-80 paise per unit and the slabs should be based on the number of consumers falling in each slab as submitted by the DISCOMs. The above slab-wise tariff should be implemented from 01.04.2019 onwards in new tariff to be determined for FY 2019-20.

The Commission should implement uniform tariff slabs for the Government and Private DISCOMs and that tariff is uniform for all four Government DISCOMs, while TPL has different tariff for its DISCOMs.

Another objector submitted during the hearing that the minimum slab for RGP consumers should be raised from 0- 50 units to 0-100 units, so that the small consumers could benefit. The objector also demanded that the tariff for slab of 200 to 400 units should be reduced from Rs. 4.80 per unit to Rs. 4.50 per unit. The objector also requested to minimise the fixed cost as DISCOMs do not accept applications upto 3 kW and insists for minimum 5 kW.

Another objector submitted that 80% of residential consumers consume 20% of the unit of residential consumer consumption. To have proper balance of intra class subsidy, high end units be equitably priced, say 20% more than last slab.

**Response of TPL**

The proposed tariff structure for residential category is based on certain widely recognised best practices and in accordance with the legal framework. Some of the key factors considered by the Petitioner for tariff design are the varied factors contemplated under the Act, adhering to the band of cross subsidy prescribed by the Tariff Policy, incentivising energy conservation, through telescopic tariff and promotion of efficient use of electricity. However, the Commission may take appropriate view in this regard since the Petitioner as distribution licensee, is revenue neutral.

**Commission's View**

The tariff slabs for the Government DISCOMs and TPL-D (S) are same, while the tariff slabs for TPL-D (A) have been historically different to some extent.

Accordingly, the Commission decides to reduce number of slabs for Residential Consumers from five slabs to four slabs, the details for the same is covered in the Chapter of Tariff Schedule.

### 3.1.9. Issue: Merger of FPPPA

The objector has proposed to merge FPPPA of Rs. 1.20 per unit instead of Rs. 1.23 per unit in basic slabs proposed by TPL for all categories of consumers, as this has created odd figures. This will enable not only recovery of FPPPA but will also make new tariff slabs uniform. Further, the objector, during the hearing submitted that FPPPA is increasing every year and it is higher than the basic tariff.

Another objector submitted that Regulation 94.1 of the GERC (MYT) Regulations, 2016 speaks of tariff components, however, FPPPA is not mentioned as one of the tariff components, and hence, the merger of part of FPPPA of Rs. 1.23 per kWh out of Rs. 2.09 per kWh proposed by TPL cannot be allowed by the Commission.

Another objector contended that TPL has been increasing FPPPA from Rs. 0.80 per kWh in August, 2016 to Rs. 2.09 per kWh in October, 2018. Therefore, there is an increase of Rs. 1.29 per kWh in 26 months. By increasing FPPPA, the tariff has increased by Rs. 0.55 per kWh from March, 2018 to September, 2018, which should not be allowed.

The objector submitted during the hearing that FPPPA is not shown on the website and there is double recovery.

Another objector submitted that FPPPA true up is not given, and demanded proper auditing of FPPPA.

The objector has stated that the response of TPL is not satisfactory to the query whether the fixed cost is still being recovered by FPPPA. The objector stated that the process of FPPPA be made transparent. It requested that all petitions, FPPPA calculations and sanction letter should be published on its website for the MYT period of 5 years. This practice is similar to the requirement of SEBI of keeping annual accounts and other statutory data and disclosure on website of past years. A person should be nominated as a point of contact along with Email ID and phone number.

**Response of TPL**

The Petitioner refuted the allegation of the Objector and submitted that FPPPA is a mechanism for recovery of variation in fuel price and power purchase cost. The recovery from FPPPA is a part of the Revenue of FY 2017-18 and details of same are provided at Form no. 10 of the petitions.

The contention of the objectors is baseless. The provisions of the Act and Tariff Policy provide for fuel and power surcharge formula as may be specified by the Commission. The Commission has approved the Fuel Price and Power Purchase Adjustment Formula for claiming the variation in fuel and power purchase costs of the distribution licensee. The Petitioner recovers FPPPA charges in accordance with the approval and such recovery is subject to truing up by the Commission. The Petitioner further pointed out that the base power purchase cost is the cost part whereas fuel and power purchase adjustment is the revenue part. Thus, the suggestion of the objector to allow one of the two is erroneous.

The Petitioner has submitted that it has filed the present petition for approval of tariff in line with the provisions of the Act, National Tariff Policy and GERC Regulations.

Further, the Petitioner has clarified that it has proposed merger of existing Rs. 1.23 per unit in the energy charge. However, the Petitioner requested the Commission to take appropriate view in this regard while ensuring the distribution licensee remains revenue neutral.

The Petitioner has strongly refuted all the allegations and has submitted that it has sought the approval of the trued up ARR and its adjustment in accordance with the provisions of the law.

**Commission's View**

FPPPA is a part of the tariff, and the same is levied in accordance with the FPPPA formula approved by the Commission. The reference to Regulation 94.1 of the GERC (MYT) Regulations, 2016 to disallow merger of FPPPA with the base tariff is incorrect, as Regulation 94.1 lists the various cost components to be considered, while determining the ARR of Distribution Licensees, which includes cost of own power generation and power purchase expenses, and FPPPA is intended to pass through the variation between the approved and actual fuel and power purchase price. It is also clarified that the Commission verifies the FPPPA computations on a quarterly basis and only after exercising the prudence checks validates the cost incurred and FPPPA levied.

As regards the suggestion that FPPPA of Rs. 1.20 per unit should be merged instead of Rs. 1.23 per unit as proposed by TPL, the same has been dealt with in Chapter 10 of this Order, while elaborating the tariff philosophy adopted by the Commission while determining tariff for FY 2019-20.

### 3.1.10. Issue: Revenue Gap for FY 2019-20

TPL has submitted details of revenue gap for FY 2019-20 and demanded additional charge for TPL-D (A). The Commission had previously approved such form of recovery by way of Regulatory Charge for limited period instead of increase in tariff, which will be of permanent nature. The Commission should ensure that such charges are discontinued after recovery of past gaps.

Another objector submitted that in objections raised previously in respect of FY 2016-17, the cumulative gap as stated by TPL for FY 2017-18 and FY 2019-20 were non-existent. Such cumulative gap is the result of conversion of surplus of Rs 62.07 Crore into deficit of Rs. 161.4 Crore by wrongfully deducting Rs. 223.11 Crore in the name of recovery of earlier years' approved gap of the same amount. The Commission has taken care of the consolidated revenue gap of FY 2012-13, FY 2013-14 and FY 2014-15 in the respective Tariff Orders. The claim of carrying cost is untenable because it has been calculated on the alleged cumulative gap, which is non-existent as explained above. Moreover, the previous years' accumulated gap, which is the genesis of the cumulative gap of Rs. 223.11 crore, is not recoverable because it is pertaining to the previous two Control Periods.

The same objector submitted that if the non-existent deductions in the name of past recoveries from revenue are ignored, then the resultant is always a surplus. The objector submitted that after FY 2015-16 up to FY 2019-20, the tariffs should have been actually reduced and the consumers deserve refunds since tariff was not reduced despite the surplus, which has not been done. The Commission had allowed set off the said surplus against the past recoveries of cumulative gap. The objector submitted that every year including FY 2019-20, the Petitioner converts the surplus into deficit by increasing the estimated power purchase cost, as done in the Mid-Term Review Petition by over Rs. 300 Crore. Thus, the proposal for allowing recovery of gap by the way of Additional Charge at the rate of Rs 0.14 per unit with effect from 01.04.2019 during FY 2019-20 is not tenable. The Petitioner should be allowed to recover either the FPPPA or the increased estimated purchase cost but not both.

Another objector has requested the Commission to verify TPL's claim of old dues.

The objectors submitted that the Petitioner has come with huge revenue gap which is not valid. The objector further submitted that major gap is due to under recovery of power purchase cost of Rs. 289.95 Crores. The amount is due to variation in fuel cost and power purchase cost which is being recovered under FPPPA in the tariff for sharing of gains/ loss on account of uncontrollable factor. The objector submitted that this is not permissible as per Clause 23.3 of the GERC (MYT) Regulations. The basic power purchase cost approved is Rs. 4.65 per kWh including base FPPPA of Rs. 1.23 per kWh and any deviation in power purchase cost required to be approved by the Commission. Hence, if its not approved, the expense is not legitimate expenditure.

The objector submitted that recovery of previous years' revenue gap is not legitimate. The objector referred to the Hon'ble Supreme Court ruling in "UPPCL Vs NTPC Limited in (2009) 6 SCC 235, that, additional costs shall not be passed on to the new tariff since some persons who are consumers during the tariff year in question may not continue to be consumers and some new consumers might have added to the system and there is no reason why they should bear the brunt. Hence, it is clear that timely filing of truing up of accounts is compulsory in a regulatory regime." The objector submitted that any variation in the fuel price and power purchase price than the approved MYT order price is recovered through FPPPA mechanism immediately and such cost cannot be carried forward to next years because new consumers of next years should not pay such cost as they have not utilized the electricity.

Another objector during the hearing submitted that Petitioner is having surplus but claiming revenue gap due to past recoveries.

**Response of TPL**

The Petitioner has proposed the additional charge mainly to recover the gap arising on account of past years under recovery. The levy of additional charge proposed will be discontinued upon completion of recovery of such past under recoveries.

The present petition is filed under Section 62 and 64 of the EA 2003 read with the GERC (MYT) Regulations, 2016 for truing up of FY 2017-18, Mid-Term Review of FY 2019-20 and FY 2020-21 and determination of tariff for its distribution business of supply area. The Petitioner has stated that Regulation 16 of the GERC (MYT) Regulations, 2016 contemplates filing of the Mid Term Review petition consisting of Truing up of the previous year along with the revised forecast of the balance Control Period and determination of tariff for the ensuing year. Hence, the present petition is in line with the Regulations notified by the Commission.

The Petitioner has claimed additional charge to recover the part of cumulative gap, mainly on account of past years under recovery. The Commission in tariff order dated 10th June, 2017 has approved tariff for FY 2017-18 to recover the cumulative gap which included amongst other things the then previous years' gaps as well. Hence, at the time of truing up, the revenue recovered in FY 2017-18 is required to be compared with the components against which it was approved for. Further, those components of gap have also been revised due to various applicable orders by the Hon'ble Tribunal as well as the Commission. The overall result is thus working out to be a Revenue Gap needed to be recovered by the Petitioner. The same has been proposed to be recovered by way of energy charge as well as additional charge to be levied in FY 2019-20.

The Petitioner denied that the cumulative gap for FY 2016-17 was non-existent as alleged by the objector. In respect of figures, additions and subtractions including and relying on the previous objections filed by the objector as pleaded and argued, the Petitioner submitted that the objector cannot unilaterally pick-up figures from a particular order and compare that with another order to draw some imaginary conclusions. The said permutation and combination relied upon by the objector belie any known methodology of truing up or tariff determination.

With regard to recovery by way of additional charge, the Petitioner has submitted that it has computed the cumulative gap to be recovered in FY 2019-20 in line with the provisions of the GERC (MYT) Regulations, 2016. The Petitioner has submitted that the proposal for recovery of gap is for consideration of the Commission.

Further, the power purchase cost is an uncontrollable item. The objector has erred in interpretation of the GERC (MYT) Regulations, 2016. TPL has considered total power purchase cost to compute the ARR and deducted the total revenue (including revenue earned through FPPPA) to arrive at the Gap,

**Commission's View**

The Commission's detailed head-wise analysis of true-up of expenses and revenue for FY 2017-18 and revised figures for FY 2019-20 have been elaborated in Chapter 4 and Chapter 5 of this Order.

As regards the objection that the Petitioner should be allowed to recover either the FPPPA or the increased estimated power purchase cost but not both, it is clarified that the Commission has approved the power purchase cost for FY 2019-20 based on the energy requirement and latest available source-wise rates, whereas FPPPA is intended to pass through the variation between the approved and actual fuel and power purchase price. Thus, additional FPPPA (positive or negative) over base FPPPA will be recovered only to the extent of variation between actual effective per unit rate of power purchase and the per unit rate of power purchase approved by the Commission in the present Order.

As regards the suggestion that the Additional Charge should be levied for limited period, the same has been dealt with in Chapter 10 of this Order, while elaborating the tariff philosophy adopted by the Commission while determining tariff for FY 2019-20

### 3.1.11. Issue: Carrying Cost

TPL has demanded carrying cost of Rs. 166 Crore, which could have been avoided if TPL would have recovered dues on time. The objector is aware about the balance to be made between tariff shock and recovery of expenses. The Commission should clear all past dues of TPL as soon as possible to reduce unnecessary burden of carrying cost on the consumers, while ensuring against tariff shock to the consumers.

Another objector submitted that when recovery of previous years' revenue gap is not legitimate, carrying cost is also not legitimate and there is no Regulation framed by the Commission and hence, not to be allowed.

**Response of TPL**

The carrying cost is the legitimate claim of the Petitioner to recoup the financial loss incurred due to deferment in recovery of gap. The recovery of carrying cost is a settled position of law.

**Commission's View**

The Commission always endeavours to pass through the approved Revenue Gap/(Surplus) through the tariff at the earliest, while ensuring that the consumers are not subjected to a tariff shock. Further, in this Order, the Commission has not considered any carrying cost on the approved Revenue Gap/(Surplus) after true-up for FY 2017-18, as the issue of carrying cost is sub-judice before the Hon'ble APTEL.

### 3.1.12. Issue: Electricity Duty

The objector has been representing before Government of Gujarat for rationalising Electricity Duty, which is the highest for Gujarat for few categories. The objector has already requested the Government of Gujarat to reduce Electricity Duty for residential and commercial consumers by 5% each. The objector has also requested for reduction of Electricity Duty by 2.5% for HT consumers. Moreover, Electricity Duty is ad valorem, which includes total amount of electricity bill including fixed charges, energy charges, FPPPA, Regulatory Charges, and any penalty levied by DISCOMs. The objector understands that this issue is not under the jurisdiction of the Commission but has requested the Commission to recommend to Government of Gujarat to reduce Electricity Duty to reduce the burden of consumers.

Another objector has submitted during the hearing that Electricity Duty should not be applicable on FPPA.

Another objector submitted during the hearing that Electricity Duty is highest in Gujarat.

**Response of TPL**

The Electricity Duty is levied as per the Electricity Duty Act and the same is within the jurisdiction of the Government.

**Commission's View**

The issue of levy of Electricity Duty by the Government of Gujarat is not within the Commission's jurisdiction.

### 3.1.13. Issue: Incomplete Accounting Statements

The Commission should direct Petitioners to comply with mandatory requirement of Accounting Statement. The objector requested the Commission to send the Audited Accounts submitted by TPL to Institute of Chartered Accountants of India for verifying whether it is in accordance with Regulation 17.3 of the GERC (MYT) Regulations, 2016 read with Sections 41 and 51 of the EA 2003. The objector submitted that segment-wise reporting of Accounts is necessary as TPL operates in different supply areas of the country like Bhiwandi in Maharashtra, Agra in U.P., Surat, and Ahmedabad/Gandhinagar. Further, since, Torrent Group has amalgamated Torrent Cables, Torrent Energy Ltd, and its gas-based generation facilities like D-Gen, Uno-Sugen, etc., there is a possibility of loading of expenditure of other unregulated business on the regulated business of Ahmedabad/Gandhinagar and Surat.

Many Objectors submitted that TPL is not following the AS-17 standard which is segment wise reporting particularly for vertically integrated companies doing regulated and non-regulated business and such companies are loading their non-regulated business expenditure in the regulated business.

Further, many objectors pointed out that the Commission is yet to frame Regulatory Accounts Regulations as mentioned in the GERC (MYT) Regulations, 2016. Objector requested the Commission to direct the Petitioner to comply with the mandatory requirement of accounting statement and send it to Institute of Chartered Accountants of India for verification of its sanctity as to it confirms to Section 41 and 51 of the EA 2003, Clause 17.3 of the GERC (MYT) Regulations, 2016 and Clause 40 of the GERC (Distribution Licensee) Regulations, 2005. The objectors further submitted that no cost records were submitted in tariff petition or in the accounting statement duly certified by the cost accountant/ auditor as prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 and as contemplated in Clause 17.3 of the GERC (MYT) Regulations, 2016. The objectors requested the Commission to verify the off-loading of expenditure of unregulated business on Ahmedabad, Gandhinagar and Surat consumers. The objectors also raised the doubt that fixed cost of UNO-SUGEN and D-GEN may be loaded on the consumers, which required to be investigated.

Another objector has submitted during the hearing that combined accounting statement should be provided.

Another objector stated that the accounts submitted in petitions are cherry picked for regulatory purpose. No trust neither on certificate or on deposition of Petitioner be placed but the Commission must conduct Regulatory audit like the one by CBI in ICICI Bank case or audit done by Serious Fraud Investigative units of corporate affairs of Government of India.

Section 51 of the Electricity Act 2003 permits a licensee to engage in other business. It is subject to stipulation of a part transfer of revenue derived from such business to main business. Petition does not mention any transfer of any revenue to Gujarat jurisdiction. The

Commission may scrutinise the violation and order retrospect transfer of revenue from such business.

Employee stock options for key management position and sales commission on regulated business is contrary to regulation principles and not ethical.

The objector pointed out on page 70 of Annual Report 2017-18 under cable business, states cable sales of Rs. 401 Crores, while at page 211 the report states manufactured goods Rs. 286.82 Crores as balance could not be termed as inventory. The Commission may ask for the use of captive and outside sales.

The salary/perks/cost to company of family members are stratospheric and bear no relationship with their competence or qualifications. The Commission may carry out Regulatory Audit of competence of high value package earners, their proportion in regulatory business be scrutinised in regulatory way. On page 89 of Annual Accounts FY 2017-18, the Commission should evaluate independence of independent directors.

**Response of TPL**

The Petitioner responded that separate account is maintained and no allocation of expenditure of unregulated business is made under regulated business. The Petitioner has furnished all the details of cost data as part of the petition. Further, the Petitioner has prepared and maintained the accounts as per the Accounting Standards specified in accordance with the Companies Act, 2013. The segregated Financial Statements for the FY 2017-18, duly certified by the Statutory Auditors of the Company, have been made available along with the Petition. It is emphatically stated that the TPL has been filing separate financial statements for each of its business along with the petition before the Commission. It is denied that TPL has infringed any provisions of the Electricity Act, 2003 or the Regulations framed thereunder.

The Petitioner submitted that all the requisite information of ARR computation is already provided in accordance with the GERC (MYT) Regulations, 2016.

Further, the Petitioner denied the allegations that it is not maintaining separate accounts.

**Commission's View**

The Petitioner has submitted the separate Accounts for each licenced entity, duly certified by the Statutory Auditors of the Company in accordance with the EA 2003 and the GERC (MYT) Regulations, 2016, which have been considered by the Commission for truing up the expenses and revenue for FY 2017-18.

### 3.1.14. Issue: Incomplete Tariff Filing Forms

Many objectors submitted that the Tariff filing Forms 10 and 10 A have not been filled up as contemplated under the GERC (MYT) Regulations, 2016. The FPPPA revenue collected per unit is not mentioned in Form 10 and 10A for truing up year to reconcile the revenue with the revenue shown in truing up petitions. There is no amount of FPPPA shown separately as revenue in the petitions as well as in the tariff filing forms.

Another objector submitted that it is mandatory to provide details of category wise and slab wise sale of energy with its tariff for truing up year of FY 2017-18 for verification of revenue in Form 10. Further, FPPPA and recovery of regulatory charge details are not given and hence, annual revenue earned cannot be verified. Similarly, form 10A is incomplete.

**Response of TPL**

The Petitioner refuted the baseless observations and submitted that it has provided the requisite details in accordance with the provisions of the GERC (MYT) Regulations, 2016 and the forms prescribed thereunder.

**Commission's View**

The Commission has verified that the Petitioner has submitted the duly filled in Forms 10 and 10 A, as part of the Petition submitted to the Commission, which has been published for inviting comments from the stakeholders.

### 3.1.15. Issue: Capital Investment

The objectors submitted that the Petitioner has not mentioned any benefit to consumers for such high capital investment.

Other objectors requested that prudence check to be conducted on capitalisation as per the Regulations, through details like invoice of contractor, tender invited, details of payment and TDS. The Petitioner has not described any cost benefit for such high capital investment.

Another objector submitted during the hearing that despite high capital investment there is power failure. The objector submitted that safety measures in context with lives of the human/ consumers and property (lack of earthing at the installation) are not checked, resulting into electrocution and fire in the building. Further, the Petitioner has not submitted the details of energy saving by sale of LED bulbs in the licensed area. Another objector made objection regarding the poor quality of material and low quality work carried out by contractors of the Petitioner and stated that this has resulted in compromise of Safety leading to accidents.

**Response of TPL**

The Petitioner refuted the allegation of the Objector and submitted that it has furnished all the details regarding the actual and proposed investment in the petition in line with the Regulatory Framework.

The Petitioner refuted the baseless allegations of the Objector and submitted that it ensures quality in all its materials and works and due diligence is carried out in order to ascertain quality. Further, majority of the accidents take place at the consumer's premises and mainly due to poor quality of material and wiring.

**Commission's View**

The Commission has approved the capital expenditure after due prudence check and based on the cost-benefit analysis of the capital expenditure schemes proposed by the Petitioner. The Commission ensures that only those capital expenditure schemes which will benefit the consumers either in terms of quantity or quality/reliability of supply, are approved.

### 3.1.16. Issue: Irregularity in Non-Tariff Income

The objector pointed out that Non-Tariff Income for TPL-D (A) is shown as Rs. 97.78 Crore in the Petition, whereas it is shown as Rs. 130.78 Crore as per Audited Accounts.

**Response of TPL**

The Petitioner refuted the allegations and submitted that it has provided the requisite details at Form no. 9 of the petition.

**Commission's View**

The Commission's detailed head-wise analysis of true-up of expenses and revenue for FY 2017-18 have been elaborated in Chapter 4 of this Order.

### 3.1.17. Issue: Irregularity in Energy Requirement

The objector pointed that the transmission losses have not been reduced from sale of surplus power, in order to manipulate the power purchase figures. Further, there is no distribution of this surplus power between TPL-D (A) and TPL-D (S). The Audited Accounts also do not show revenue from sale of surplus power. Further, the Commission may enquire the Petitioner about the beneficiary of unutilised units by open access consumers and how they are accounted in energy balance.

**Response of TPL**

The Petitioner submitted that it has provided all the requisite details at Table no. 9 and Form no. 2 of its petitions.

**Commission's View**

The Commission's detailed analysis of the Energy Balance and energy requirement for sale within the licence area and surplus sale for FY 2017-18 have been elaborated in Chapter 4 of this Order.

### 3.1.18. Issue: Mid-Term Review

The objector submitted that in the light of several irregularities in the submissions of TPL, Mid-Term Review Petition of TPL should not be accepted, and determining revised tariffs when the MYT Order is in force is against the spirit of the GERC (MYT) Regulations, and only true-up is required to be done.

Some other objectors submitted that no justification with evidence has been submitted for the deviation in the MTR figures and figures approved in the MYT Order, as specified in Regulation 19 of the GERC (MYT) Regulations, 2016.

Another objector submitted that TPL should not be allowed to recover any Regulatory Charge in FY 2019-20, and the MTR Petition filed by TPL should be dismissed.

The objectors contended that TPL has not mentioned the reasons and not submitted any evidence for deviation in the Mid-term Review figures and the MYT approved as provided in Clause 19 of the GERC (MYT) Regulations, 2016. The Petition is incomplete and are not in compliance with the provisions of the EA 2003 and the GERC (MYT) Regulations, 2016 and hence, the objectors requested to direct the Petitioner that missing/ concealed details in the petition should be completed.

**Response of TPL**

The Petitioner refuted the baseless allegations of the Objector and submitted that it has furnished all the information in line with the GERC (MYT) Regulations. Further, all details submitted to the Commission in the present petition is hosted on the website of the Petitioner. The Petitioner submitted that all the requisite information regarding major variation in the MYT approved expenditures is already provided in the Petition.

**Commission's View**

The MTR Petition has been filed by the Petitioner under Regulation 16.1 of the GERC (MYT) Regulations, 2016, which specifies the MYT Framework, the relevant part of which is reproduced below:

*"…Provided further that a Mid-term Review of the Aggregate Revenue Requirement shall be undertaken for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee on an application that shall be filed by the utilities along with the Petition for truing-up for the second year of the Control Period and tariff determination for the fourth year of the Control Period;…"*

The Commission has sought and obtained the necessary justification for the revised figures for FY 2019-20 and FY 2020-21 in the MTR Petition, and has approved the revised ARR for FY 2019-20 after due prudence check of the same.

### 3.1.19. Issue: Power Purchase

Many objectors submitted that the source-wise quantum and price of power purchase is not provided in the Petitions. Further, TPL has not mentioned the reasons for deviation from the sources of power procurement approved by the Commission in the MYT Order, and is silent about the approval of the Commission for such deviation.

The objectors submitted that Ahmedabad / Gandhinagar consumers subsidies Surat consumers by loading higher cost of purchase from SUGEN. The bifurcation should be 25% of SUGEN to Ahmedabad and 50% to Surat and requested that the Commission should examine the details of power received by TPL-D(Ahmedabad) and TPL-D(Surat) for correct allocation of power purchase cost.

Another objector submitted that TPL is procuring power from gas-based stations like SUGEN. The prices of gas have reduced in the international market, so the power purchase cost should have been reduced and therefore, TPL should reduce tariff.

The objector stated that the Commission had asked TPL to purchase additional requirement of power from renewable sources only. However, TPL has been purchasing costlier power from sources other than RE to supply to its consumers, which has led to increase in power purchase cost. In the past, the Commission had initiated a suo-motu Petition to verify the above issue. The objector requested the Commission to make the additional power purchase from RE sources mandatory for TPL so that consumers get cheaper power.

The objectors submitted that the Petitioner has not procured from approved sources of power in MYT order. Petitioner has procured from high cost of power from its own SUGEN power plant to gain the windfall profit. The actual power purchase cost is Rs. 5.03 per unit against the approved power purchase cost of Rs. 4.64 per unit. If permission is not granted by the Commission to change the quantum, the power purchase cost is not legitimate and should be disallowed. Further, there is no binding on the Petitioner to procure from Torrent Power Generation in the absence of PPA.

Further, the objectors submitted that the actual expenditure incurred for net sales of 2,438.63 MUs is Rs. 1,070.72 against the ARR approved for TPL-G in MYT order of Rs. 1,094.44 Crores. As per TPL-G(APP) petition, the net generation for sale to TPL-D(A) is Rs. 2,406.44 MUs. There is a difference of 32.19 MUs.

The objectors submitted that the fuel cost which is being recovered under FPPPA in the tariff is considered for sharing of gain/loss on account of uncontrollable factor. Accordingly, the objectors requested the Commission to direct TPL-G(APP) to recalculate the sharing of gains/ loss.

Many objectors sought explanation from SLDC for allowing to schedule power to TPL-D from SUGEN more than approved in the PPA. The objectors further requested the Commission to provide explanation from TPL and PTC on why SUGEN has not supplied 25% of its power generated to PTC as per terms of PPA.

The objectors alleged that the Petitioner has reduced bilateral purchase quantum from 1,724 MU to 165.86 MU (at Rs. 3.08 per unit), so that it can purchase from its own generating company without approval. Hence, they requested that the power purchase cost should be reduced to that extent. The objectors requested that the Petitioner should reconcile the power purchase cost of TPL of Rs. 3,584 Crores (as per Annual Report of FY 2017-18) with cost for TPL-D- Ahmedabad, Surat (Rs. 5,759.97 Crores) & Dahej (Rs. 109.58 Crores) and cost for Bhiwandi & Agra. The objectors submitted that the total fuel purchased as per Annual Report is Rs. 3,237.36 Crores and TPL-G(APP) has purchased fuel of Rs. 771.23 Crores. The objectors drew conclusion that the fuel purchased for SUGEN is Rs, 2,466.13 Crores and the variable cost of SUGEN is Rs, 3.86 per unit. The objector further requested the Commission to verify the fixed cost of SUGEN.

The objectors also requested the Commission to initiate Suo Motu action against TPL for noncompliance of PPA order No.813/814 dated 5th December, 2005 between SUGEN an TPL-Distribution division. Further, it is requested not to adopt the tariff of UNO-SUGEN proposed by TPL-D in Petition No. 1322 of 2013 as there is no LNG fuel supply agreement.

The objectors submitted that wind power is available at Rs. 2.65 per kWh and solar power at Rs. 2.45 per unit as discovered by SECI. The Petitioner should be directed to procure Renewables only through competitive bids to save consumers from paying higher power purchase costs by way of increased tariff.

Another objector requested the Commission to verify the deviation made by the licensee in the power purchase cost and to disallow the recovery of extra cost from the consumers under the MYT regime. Further, there is no information about quantum of power/ energy received in terms of MU from various generators/ sources in the Annual Reports-Accounting Statement by the Statutory Auditor and in Form-2 and hence, the correctness of truing up figures cannot be verified. Further, there is no quantitative information about sale of energy and procurement of energy, fixed cost and variable cost for verification of FPPPA cost and power purchase cost in the petition or in Accounting statement for FY 2017-18. The objector also submitted that the details of source of power procurement with quantum and price for Ahmedabad and Surat supply area is incomplete in Form 2. The objector submitted that sharing of gains/losses on account of power purchase is not permissible, because it is recovered under the head of FPPPA.

The objector submitted during the hearing that the total generation capacity available is only 1200 MW whereas the summer demand goes to 1800 to 2000 MW. So, power purchase cost should be lowered and coal based capacity should be increased. He further suggested that, Gujarat has surplus power, so TPL should sign short term PPA or tie up with GUVNL so that consumers would benefit.

Another Objector has alleged that the Petitioner has not entered into fuel supply arrangement for SUGEN and hence recovery of fixed cost is illegal. The Objector has suggested to the Commission to cancel the power purchase agreement with SUGEN and direct the Petitioner to procure power through competitive bidding. The objector submitted during the hearing that short term power could be procured from exchange where the average price during FY 2017-18 was Rs. 3.27 per unit and less than Rs. 3.90 to Rs. 4.00 per unit till date (FY 2018-19). The objector also submitted that power could be procured at even lower than the rate offered in the DEEP portal through week ahead bidding.

Another objector further submitted during the hearing that SUGEN power plant is under the CERC jurisdiction is forum shopping and all contracts negotiation are not under competitive bidding.

Another objector has stated that the explanation offered by Petitioner that it does not stack in merit order consideration is not convincing. The objector further asserted that tariff is uncompetitive by competitive bidding and if application is being made to adopt the tariff, the utility should buy from those who are offering competitive tariff. If the tariff determined by the CERC has some serious lacuna before adopting, the issue needs to be scrutinised by the Commission.

**Response of TPL**

The Petitioner submitted that it has furnished all the requisite details in accordance with the provisions of the GERC (MYT) Regulations, 2016. Petitioner has submitted that all power purchase source wise details are submitted in Form 2.

The Petitioner is pooling the power purchased and allocating the cost of such power purchased at the same rate on per unit basis, in the ratio of offtake of Ahmedabad and Surat, respectively. Hence, there is no question of any cross-subsidisation. The Petitioner has submitted that power purchase is done on collective basis in order to optimise power purchase cost, save transmission cost. The cost has been allocated uniformly to both Ahmadabad and Surat licensee areas.

The Petitioner submitted that TPL-G (APP) is the embedded generation and is the approved source of power purchase. The variation in the power purchase cost from TPL-G (APP) is attributable to uncontrollable factors such as fuel and transportation cost. The purchase of power from TPL-G (APP) is at the regulated tariff. Further, the GERC (MYT) Regulations, 2016 specifies power purchase cost as the legitimate item of expenditure.

Further, the Petitioner submitted that being a distribution licensee, it has long term arrangement for procurement of power from approved sources including TPL-G(APP). Further, the TPL-G(APP) is an embedded generation whose scheduling is being carried out by SLDC. Hence, the Petitioner is required to recover the cost of power purchased from TPL-G(APP).

Regarding, the objection of double recovery by referring to AMGEN ARR of Rs. 1,094.44, the Petitioner submitted that the trued up ARR of TPL-G(APP) is Rs. 1,093.48 Crores and same is arrived at in line with the GERC (MYT) Regulations, 2016. The computation of same has been furnished in the petition.

The Petitioner submitted that there is an under- recovery of the variation in power purchase cost since the Petitioner is not allowed to recover entire variation during a quarter. Consequently, this under-recovery gets reflected in the truing up exercise of the respective financial year.

Regarding the query on SLDC’s permission to SUGEN to schedule power more than the approved PPA, the Petitioner submitted that it has scheduled power from SUGEN up to approved quantum to cater to the demand of its consumers of Ahmedabad/Gandhinagar, and Surat.

For purchasing power from renewable energy sources, the Petitioner has refuted such baseless allegations and has submitted that it procures power from only approved sources. Further, the Commission is vested with the necessary powers to grant approvals for power purchase arrangement in accordance with the provisions of the EA, 2003. The Petitioner has further submitted that cost of power purchase depends on various factors including quantum, period and market conditions.

Further, the Petitioner responded that 300 MW of solar power purchase through bidding process is on.

The Petitioner denied the objection that it has not entered into Fuel Supply Agreement for SUGEN. The Petitioner submitted that SUGEN has made necessary gas supply arrangements in accordance with the prevailing policy. Further, the fuel supply arrangements are being governed as per the GoI policy for allocation of gas. The Petitioner also submitted that it is entrusted with the obligation of supplying electricity in its area of supply, i.e., Ahmedabad/Gandhinagar and Surat. The State and Central Commission's Regulations specified under the EA, 2003 provides for long term arrangement of 25 years between the generator and distribution licensee for supply of electricity at regulated tariff irrespective of market fluctuations. Accordingly, the Petitioner has entered into the long term agreements for sourcing the power to cater to the demand of its consumers. The Petitioner would further like to submit that it is making all efforts to source power at competitive rate but the cost of power purchase depends upon various factors including quantum, period and market conditions. The petitioner further stated that the variation in the fuel and power purchase cost are beyond the control of the licensee.

The Petitioner submitted that being a distribution licensee, it has long term arrangement for procurement of power from approved sources including SUGEN. The Commission had approved the quantum of procurement of power from SUGEN based on the then prevailing trend of power procurement which in turn was based on the status of availability of gas in the market. Subsequently, the Petitioner has undertaken bidding to procure gas from international markets. Accordingly, based on the higher availability of gas, the Petitioner has procured power from SUGEN to fulfil the requirement of its consumers.

Also, the Petitioner submitted that the variation in gas cost is due to variation in crude prices, which reflects in its power purchase cost. Hence any such variation in gas cost gets passed on to consumers through variation in FPPPA rate.

Regarding forum shopping aspect, the Petitioner responded that jurisdiction is determined by the statutory provisions.

To meet the shortage of power, the Petitioner submitted that it tried to purchase under short term power purchase route only and not from medium term power purchase route. Since, there is large deviation between base load and peak load, the Petitioner has procured through Indian Energy Exchange (IEX) and bidding.

Further, the Petitioner submitted that it has carried out procurement of short term power from bilateral sources by following the bidding process to meet the shortfall after exhausting the long term sources.

Further, the Petitioner submitted that the matter of adoption of tariff of UNOSUGEN is sub judice before the Commission in Case No. 1322/2013.

**Commission's View**

The Commission's detailed analysis of the source-wise quantum and cost of power purchase for FY 2017-18 have been elaborated in the Chapter 4 of this Order.

The Commission has sought and obtained the necessary justification for the revised figures of source-wise quantum and price of power purchase for FY 2019-20 and FY 2020-21 in the MTR Petition, and has approved the revised figures for FY 2019-20 after due prudence check.

### 3.1.20. Issue: Voltage-wise Cost of supply (VCOS)

The objector submitted that TPL has not submitted the voltage-wise cost of supply (VCoS) in the Tariff Petitions.

Another objector requested to abolish cross subsidy and implement VCoS as per Regulations.

**Response of TPL**

The Petitioner submitted that it has provided the necessary details in line with the provisions of the GERC (MYT) Regulations, 2016 and the forms prescribed thereunder. The average cost of supply has been provided at Form no.14 of the petition.

**Commission's View**

As provided in the GERC (MYT) Regulations, 2016, the Commission endeavours to gradually reduce the cross-subsidy between consumer categories with respect to the average Cost of Supply.

### 3.1.21. Issue: Reconciliation of Annual Revenue Requirement (ARR) and Annual Financial Reports (AFR)

The objector has submitted that the income and expenditure submitted by the Petitioner are not matching with the income and expenditure of the Accounting statements.

**Response of TPL**

The Petitioner stated that the petition has been filed in line with the GERC (MYT) Regulations, 2016 under the provisions of the Electricity Act, 2003 whereas the Accounting Statements submitted by the Petitioner is prepared as per provisions of the Companies Act and in accordance with Accounting Standards duly verified by Statutory Auditors of the Company. Thus, both are prepared under different statute and are not directly comparable. The Petitioner further submitted that all the requisite information for the present proceedings is furnished in the petition in accordance with the GERC (MYT) Regulations.

**Commission's View**

The Commission's detailed head-wise analysis of true-up of expenses and revenue for FY 2017-18 have been elaborated in Chapter 4 of this Order.

### 3.1.22. Issue: Fixed Charges for LTMD

The objector submitted that both LTMD 1 and LTMD 2 categories are paying exorbitantly high Fixed Charges, which is a major obstacle for small consumers wanting to opt for LTMD category. Because of higher Fixed Charges, small consumers have no option but to face the fear of harassment by DISCOM officials for excess load cases booked under Section 126. The objector requested to consider LTMD tariff option for RGP, GLP and other categories for load above 6 KW, under the respective Tariff schedule. The objector suggested that there should be separate Fixed Charges for small consumers who opt for LTMD Tariff having demand between 6-10 KW. Further, the Objector has suggested to reduce the Demand Charges for consumers having upto 10 kW demand on the ground of alleged harassment to the consumers for addition of load without extension.

**Response of TPL**

The Petitioner strongly denied the accusations regarding harassment. The Petitioner stated that demand-based categorization for 15 kW and above load, is being done for valid and verified reasons. The Petitioner submitted that tariff structure gives option to NRGP Category consumers (having connected load less than 15 kW) to opt for demand-based tariff. Regarding giving option of contract demand-based tariff for RGP Category, the Petitioner would like to submit that demand-based tariff was implemented for Residential consumers in past. However, same was withdrawn based on representations received from the consumers. Small consumers may find it difficult to adopt tariff based on contract demand.

The Petitioner submitted that as per the provisions of the GERC (Supply Code) Regulations 2O15, the consumer is required to approach the licensee for regularization of load as unauthorized extension of load could compromise the safety in addition to quality and reliability of network. Therefore, it is necessary to regularize in case of load extension. Further, provision like Section 126 of the Act, is a distinct provision in the Act enacted by the Parliament and cannot be used to contend support for Tariff categorization. The Petitioner requested the Commission to ensure that any change in the tariff structure does not result into the new level of cross subsidization.

**Commission's View**

The issue regarding Fixed Charges for LTMD categories has been dealt with in Chapter 10 of this Order, along with the tariff philosophy adopted by the Commission while determining tariff for FY 2019-20.

### 3.1.23. Issue: O&M Expenses

Many objectors submitted that TPL is engaging contractors for its day to day work and is showing its regular employees in the O&M expenses, and requested the Commission to call for the details of contractors and their payments.

**Response of TPL**

The Petitioner refuted all the baseless allegations of the Objector. The Petitioner submitted that it accounts for all the expenditure in accordance with the applicable accounting standards and claims the O&M expenses in line with the provisions of the GERC (MYT) Regulations, 2016.

**Commission's View**

Out-sourcing of certain activities by the Distribution Licensee is a standard and accepted practice across the country. The cost of outsourcing is booked under A&G expenses, while the cost of regular employees is booked under employee expenses. The Commission allows O&M expenses on normative basis in accordance with the GERC (MYT) Regulations, 2016, and 1/3$^{rd}$ of the variation between actual and normative expenses is passed through to the consumers as share of efficiency gain/loss, in accordance with the GERC (MYT) Regulations, 2016.

### 3.1.24. Issue: Return on Equity

The objectors submitted that against the Return on Equity of Rs. 80.29 Crore and Rs. 82.39 Crore approved by the Commission for FY 2016-17 and FY 2017-18, respectively, the Petitioner has earned net profit of Rs. 195.81 Crore and Rs. 188.95 Crore, respectively, as shown in the Profit & Loss Statement.

Another objector alleged that electricity generators and Licensees are getting guaranteed return of 14% on the hypothecated valuation of their assets, plus Income Tax on RoE, even if they do not generate electricity, or reduce T&D losses or do not conduct business on economical commercial principles, which in turn has led to non-performance of standards. It requested the Commission to introspect and requested to conduct its business as per provisions of EA 2003.

Another objector referred to the reduction in the interest rates of banks and suggested to reduce the return on equity and delay payment interest

**Response of TPL**

The petitioner submitted that the Licensees are entitled to earn Return on Equity in line with the provisions of the GERC (MYT) Regulations, 2016. Regarding the request to reduce the rate of delay payment interest (DPI), the Petitioner submitted that DPI is a penal provision to create deterrence. Hence, no reduction in interest rate is required.

The Petitioner clarified that the existing Petition and the profits shown are under different statutes. The financial statements are prepared as per the provisions of Companies Act in accordance with the Accounting Standards and are duly audited by Statutory Auditors of the Company. The Tariff Petition is made in accordance with the various Regulations specified by the Commission from time to time. Annual Accounts pertains to Petitioner's entire business including regulated and non-regulated business of the Petitioner. Therefore, the Petitioner has furnished the separate financial statements along with the Petition. Thus, its incorrect to directly compare the financials of the Company and the data submitted in the Petition.

**Commission's View**

It is clarified that the Return on Equity is allowed on normative basis in accordance with the GERC (MYT) Regulations, 2016, irrespective of the actual profit or loss earned/incurred by the Distribution Licensee, which is computed in accordance with the principles laid down under the Companies Act, 2013, and in accordance with the Accounting Standards notified by the Institute of Chartered Accountants of India (ICAI).

### 3.1.25. Issue: Irregularity in interest and finance cost

The objector submitted that Interest and Finance cost of Rs 94.95 Crore for TPL-D (A) should not be allowed.

**Response of TPL**

It is submitted that all the requisite information of ARR computation is provided in accordance with the GERC (MYT) Regulations,2016.

**Commission's View**

The Interest and Finance Cost is allowed on normative basis in accordance with the GERC (MYT) Regulations, 2016, irrespective of the actual interest expenses incurred by the Distribution Licensee. The actual interest rate on actual loans is considered to compute the allowable interest on normative loans, which is computed based on the normative debt:equity ratio and considering depreciation equal to repayment, in accordance with the GERC (MYT) Regulations, 2016.

### 3.1.26. Issue: Treatment of security deposit amount

The objector submitted that TPL collects the security deposit from consumers equivalent to 1.5 to 2 months' cost of energy, which is permanent in nature. TPL is also recovering the cost of distribution network from consumers and such distribution network is their property, which is a model not prevalent in any business. The objector alleged that the security deposit collected from consumers is not transferred as base capital for financial activities, and demanded explanation from the auditor in this regard. The objector added that the auditors have not certified that the use of security deposit as base capital for financial activities is in accordance with GERC (MYT) Regulations, 2016.

**Response of TPL**

The Petitioner strongly refuted the allegations made by the objector and submitted that the security deposit amount is being collected by TPL-D from its retail consumers as per the provisions of the GERC (Security Deposit) Regulations, 2005. Further, the same is being accounted for in the ARR of the Distribution business, in line with the provisions of the GERC (MYT) Regulations, 2016. Therefore, the contention of the Objector is contrary to the provisions of the applicable GERC Regulations.

**Commission's View**

The treatment of security deposit and amount collected for capital expenditure from the consumers is in accordance with the EA 2003 and the GERC (MYT) Regulations, 2016.

### 3.1.27. Issue: Interest on Working Capital

The objector submitted during the hearing that though Interest on Working Capital (IoWC) includes 2 months receivables but payable is not deducted.

**Response of TPL**

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**Commission's View**

The objector is under wrong impression about the receivables. As per the GERC (MYT) Regulations, receivables to the extent of 1 month only are considered in arriving at the Working Capital Requirement.

### 3.1.28. Issue: Income Tax

The objector submitted that the income tax claimed by the Petitioner is not supported by any documentary evidence or certificate of the Chartered Accountant.

**Response of TPL**

The Petitioner submitted that it has made the payment of income tax and same gets reflected in the Company's Financial Statement duly certified by the Statutory Auditor. The copy of payment challan towards income tax is submitted to the Commission.

**Commission's View**

Income Tax, being a statutory levy, the Petitioner has no other option but to pay the same as accounted for in the books of accounts. The Commission has verified the documentary evidence submitted by Petitioner. The Commission has allowed the Income Tax in accordance with the GERC (MYT) Regulations, 2016.

### 3.1.29. Issue: Misuse of Section 126 of EA 2003

The objector submitted that TPL is unjustifiably applying Section 126 of the EA 2003, and levying Rs. 75 per kW for very low power consumption in community halls, marriage halls, auditoriums, etc.

Another objector submitted that TPL incorrectly applies various provisions of Section 126 of the EA, 2003 implicating consumers and looting consumers by issuing two-fold bills. Therefore, the Commission should undertake regular scrutiny of electricity load to curb such unlawful attempts by TPL, in the interest of the consumers.

**Response of TPL**

The Petitioner refuted the baseless allegations and submitted that it follows the provisions of the GERC (Supply Code) Regulations in case of Section 126 and unauthorised use of electricity is extraneous to the present proceedings.

**Commission's View**

The issue raised by the objector does not fall within the scope of the present regulatory process.

### 3.1.30. Issue: Audit of Accounts

The objector submitted that the last five years' annual accounts of TPL should be audited by a special auditor like CAG. Further, the continuity of annual audited accounts submitted by TPL should be examined by experts.

**Response of TPL**

The Petitioner maintains the accounts in accordance with the Accounting Standards issued by Institute of Chartered Accountants of India. Further, the Accounting Statement is prepared in line with the Companies Act and duly verified by the Statutory Auditor of the Company.

**Commission's View**

The response of the Petitioner is self-explanatory.

### 3.1.31. Issue: Billing

The objector submitted that TPL issues bi-monthly electricity bills. As per the GERC and Government Rules, consumers should get monthly bills. Therefore, TPL is violating the provisions, which has led to losses for consumers. The Commission should direct TPL to issue monthly bills.

Further, the objector submitted that TPL issues one single bill for electricity being consumed for commercial / industrial purpose and electricity being used for office, levying LTMD tariff. Instead, TPL should be directed to issue two separate bills, one for Non-RGP purposes and second for industrial purposes.

**Response of TPL**

The tariff is determined by the Commission on monthly basis. However, distribution licensee can opt for monthly or bi-monthly billing period as per provision of the Supply Code. The perception of any loss to the consumer on account of bi-monthly billing is baseless and unfounded as the Petitioner gives necessary adjustment in slab size due to bimonthly billing period.

Regarding separate billing for non-RGP purpose and industrial purpose, the Petitioner has clarified that the Commission has determined the same tariff rate for commercial and industrial purpose i.e. NRGP for supply of electricity to premises up to and including 15 kW of connected load and LTMD-2 for supply of electricity to premises having above 15 kW of connected load. Hence, there is no requirement of two separate bills. The Petitioner further submitted that necessary amendment was done in tariff categorisation based on representation received from consumers and to avoid operational issues.

**Commission's View**

Commission's Regulations (Electricity Supply Code) provides that billing period shall not be less than one calendar month and more than two calendar months.

### 3.1.32. Issue: Smart meters

The objector submitted that as per the Central Government norms, all new consumers should get supply through smart meters only from April, 2019 onwards. It should be made mandatory to issue new connections with smart meter only as consumers bear electricity losses in connections with old meters.

**Response of TPL**

The Ministry of Power (MoP) has recently published the draft amendments to the Tariff Policy, 2016 and proposed amendment provides for installation of prepaid meters instead of smart meters. Accordingly, the issue requires further deliberations. However, as part of its preparations, the Petitioner has proposed to implement pilot projects of smart meters during FY 2019-20 & FY 2020-21. The Petitioner would take necessary action as per the provisions of regulatory framework in due course of time.

**Commission's View**

The present regulatory process is being undertaken on the Petition filed by TPL for true-up of the ARR for FY 2017-18, Mid-Term Review (MTR) of the ARR for FY 2019-20 and FY 2020-21, and determination of tariff for FY 2019-20, in accordance with the GERC (MYT) Regulations, 2016. The issue raised by the objector and response of the Petitioner is noted.

### 3.1.33. Issue: Revenue Realisation and sale of power

The objectors submitted that the realisation ratio of Ahmedabad, Surat and Dahej in context with revenue and sale comes to Rs. 6.70 per kWh, whereas for Bhiwandi and Agra it comes to Rs. 7.24 per kWh. The objector requested that the power purchase cost from MSEDCL for Bhiwandi and UP Distribution Company for Agra should be examined.

Another objector (LUB) during the hearing questioned the rate for DoE of Rs. 10 /kWh.

**Response of TPL**

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**Commission's View**

The revenue realised from sale of power for FY 2017-18 has been dealt in Chapter 4 on truing up of ARR.

### 3.1.34. Issue: Tariff Categorisation

The objector submitted that construction power should not be categorised under temporary category.

**Response of TPL**

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**Commission's View**

The categorisation of tariff and applicable tariff is elaborated in the Tariff schedule section.

# 4. Truing up for FY 2017-18

## 4.1 Introduction

This Chapter deals with the truing up of FY 2017-18.

The Commission has studied and analysed each component of the ARR for FY 2017-18 in the following paragraphs.

## 4.2 Energy Sales to the Consumers

**Petitioner's Submission:**

TPL-D (S) has submitted the category-wise actual energy sales for Surat area for FY 2017-18 along with the sales approved by the Commission in the MYT Order dated 9th June, 2017 in Case No.1628 of 2016 as given in the Table below:

**Table 4.1: Energy Sales for FY 2017-18 for Surat Supply Area (MUs)**

| Category | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| RGP | 832.90 | 815.56 |
| NRGP | 1261.45 | 1218.53 |
| LTMD | 962.91 | 917.96 |
| HT | 321.26 | 321.30 |
| Others | 29.16 | 26.46 |
| DoE Units | - | 1.07 |
| **Total Sales** | **3407.68** | **3300.89** |

The actual sales are 3300.89 MUs for Surat area for FY 2017-18 as against 3407.68 MUs approved in the MYT Order.

The Petitioner submitted that the actual sales in FY 2017-18 were lower than the sales approved in the MYT Order mainly due to a combined effect of the Goods & Service Tax (GST) implementation, slowdown in industry and lower temperature. However, there is a year on year growth of 2.81% in the sales of FY 2017-18 over the actual sales in FY 2016-17.

The major reasons for deviation in sales are enumerated hereunder:

a) The actual sales of RGP category is lower than the sales approved in the MYT Order, primarily due to lower temperature registered during FY 2017-18.
b) Sales in Non RGP and LTMD category arise mainly from industrial and non-industrial services. The industrial services comprise textile, diamond and embroidery segments whereas non-industrial services comprise shops, showrooms and offices. During FY 2017-18, the actual sales for Non RGP and LTMD category is lower than the approved sales. This is mainly due to impact of GST implementation and slowdown of industries (mainly textiles and its allied industries).
c) In HT category, the consumption is mainly attributed to the Textile, Diamond Industries and Commercial establishments in HTMD-1 category and Water Works and Pumping Stations run by Surat Municipal Corporation covered in HTMD-2 category. During FY 2017-18, the actual sales in HT category were at par with the approved sales.
d) In Others category the actual sales are marginally lower than approved. This is attributable to installation of energy efficient streetlights by the Local Authority.

The GERC (MYT) Regulations, 2016 specifies that the variation in quantities of electricity supplied to the consumers as an uncontrollable factor.

**Commission's Analysis**

The actual energy sales in Surat area was 3300.89 MUs as against 3407.68 MUs approved in the MYT Order dated 9th June, 2017 i.e. lower by 106.79 MUs.

The sales as submitted by the Petitioner has been verified, compared and confirmed with the sale of energy furnished in the monthly return under Form A specified in Rule 6(1) (A) filed by the Petitioner with Chief Electrical Inspector and Collector of Electricity Duty vide additional details submitted on 22nd January, 2019. The sales have also been verified and confirmed from the financial statement submitted by Petitioner along with the Petition.

The Commission approves the energy sales as mentioned in Table 4.1 for TPL-D (S) totalling to 3300.89 MUs for truing up of FY 2017-18.

## 4.3 Distribution Losses

### Petitioner's Submission

TPL-D (S) has submitted that it has made consistent efforts to contain the distribution losses and has outperformed the distribution losses approved by the Commission. The achievement/deviation from the approved values is shown in the Table below:

**Table 4.2: Distribution Losses for FY 2017-18 as submitted by TPL-D (S)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Distribution Losses | 3.74% | 3.59% |

TPL-D (S) has requested the Commission to consider the variation in the distribution losses compared to the approved value as controllable.

### Commission's Analysis

The reduction in distribution losses in the licensed area has taken place due to upgrading/uprating of the distribution network, augmentation of the old assets, etc.

A substantial capitalisation of assets amounting to Rs. 77.45 Crore has been done by TPL-D(S) during FY 2017-18, which has resulted in reduction in transformation losses as well as line losses and ultimately overall Distribution Losses. The Commission accepts TPL-D(S)'s submission and approves the actual Distribution Losses of 3.59% for FY 2017-18.

## 4.4 Energy Requirement

### Petitioner's Submission

TPL-D (S) has submitted that the actual energy requirement for Surat Supply area is based on actual energy sales, the Transmission Losses and Distribution Losses. The total energy requirement was met through various sources as described in the subsequent section.

**Table 4.3: Energy Requirement for FY 2017-18 for TPL-D(S) (MUs)**

| S. No | Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|---|
| 1 | Energy Sales | 3407.68 | 3300.89 |
| 2 | Distribution Losses | 3.74% | 3.59% |
| 3 | Distribution Losses | 132.40 | 122.75 |
| 4 | Energy input at Distribution Level | 3540.08 | 3423.64 |
| 5 | Transmission Losses | 39.74 | 27.37 |
| **6** | **Energy Requirement (MUs)** | **3579.82** | **3451.01** |

**Commission's Analysis**

The actual energy requirement submitted by the Petitioner for FY 2017-18 along with energy requirement as per the MYT Order dated 9th June, 2017 has been examined and verified by the Commission. The Commission observed that there is a reduction of 128.81 MUs in the energy requirement for TPL-D(S) against the quantum of 3579.82 MUs approved in the MYT Order.

The actual energy requirement is lower than that approved in the MYT Order dated 9th June, 2017 in Petition No. 1628 of 2016. The distribution losses approved in the MYT Order for FY 2017-18 was 3.74% and the actual distribution losses as reported by TPL-D(S) is 3.59%. Since the actual sales and distribution losses have been less than that approved in the MYT Order, there has been a decrease in energy requirement as compared to that approved in the MYT Order. The actual energy requirement being the sum of energy sales, Transmission Losses and Distribution Losses, works out to 3,451.01 MUs for FY 2017-18.

**The Commission accordingly approves the energy requirement at 3451.01 MUs for truing up of FY 2017-18 as given in Table 4.3.**

## 4.5 Energy Availability

**Petitioner's Submission**

The Petitioner has submitted that the power is sourced collectively for Ahmedabad and Surat Licence area from TPL-G(APP), SUGEN, Renewable Source of Energy and other sources such as Bilateral and purchase through Power Exchange. The source-wise power purchased is given in the Table below:

**Table 4.4: Net Energy Availability for FY 2017-18 for Ahmedabad and Surat (MUs)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| TPL - G (APP) | 2,393.46 | 2,438.63 |
| SUGEN | 4,754.49 | 6,347.13 |
| Bilateral | 1,724.78 | 165.86 |
| Power Exchange | 1,427.40 | 1,517.65 |
| Renewables | 1,318.75 | 1,042.94 |
| **Sub-Total** | **11,618.87** | **11,512.21** |
| Add: Sale of Surplus Power/UI | - | (60.05) |
| **Total** | **11,618.87** | **11,452.15** |

During FY 2017-18, lower forced outage at TPL-G(APP) resulted in higher availability of Sabarmati plant. In reference to SUGEN, the variation in the quantum of procurement is due to higher off-take from tied up LNG. However, with respect to Renewable Energy sources, the variation is due to supply constraints.

The Petitioner has also procured power from Bilateral Sources and balance requirement has been fulfilled through procurement of top-up power from Power Exchange.

### 4.5.1. Renewable Power Purchase Obligation

**Petitioner's Submission**

Regulation 4.1 of the GERC (Procurement of Energy from Renewable Energy Sources) Regulations, 2010 specifies the Renewable Power Purchase Obligation (RPPO) for FY 2010-11, FY 2011-12 and FY 2012-13. Subsequently, the Commission notified the GERC (Procurement of Energy from Renewable Sources) (Second Amendment Regulations), 2018. TPL-D has made all efforts to fulfil its RPPO.

The Renewable Energy requirement and Renewable Energy sourced for FY 2017-18 for TPL-D(A) and TPL-D(S) combined, is as under:

**Table 4.5: RPPO submitted by TPL-D (S) for FY 2017-18**

| Particulars | MUs |
|---|---|
| **Energy Requirement** | 11,452.15 |
| **Obligation** | |
| Wind energy to be procured (@7.75%) | 887.54 |
| Solar energy to be procured (@1.75%) | 200.41 |
| Biomass/Bagasse/Others (@0.50%) | 57.26 |
| Total (10.00%) | 1,145.22 |
| | |
| **Compliance (Non-Solar)** | |
| Wind | 736.90 |
| Non-Solar-REC | 207.15 |
| Compliance | 944.05 |
| Compliance (as % of Energy Requirement) | 8.24% |
| | |
| **Compliance (Solar energy)** | |
| Solar | 296.96 |
| Solar-REC | - |
| Compliance | 296.96 |
| Compliance (as % of Energy Requirement) | 2.59% |
| | |
| **Total Shortfall/(Surplus) of FY 2017-18** | **(95.80)** |

The Petitioner has approached the Commission in the matter of minimum quantum of purchase (in %) from renewable energy sources for FY 2017-18 in accordance with the RPO Regulations vide its Petition No. 1754 of 2018.

**Commission's Analysis**

The sources of power approved by the Commission in the MYT Order dated 9th June, 2017 are AMGEN, SUGEN, Bilateral Sources, Power Exchange and Renewable Energy.

The Commission had approved the total quantum of power purchase at 11,618.87 MUs for TPL-D(A) and TPL-D(S) combined for FY 2017-18 in the MYT Order dated 9th June, 2017 against which the Petitioner has purchased 11,452.15 MUs during FY 2017-18.

The Commission had provided some flexibility to the Petitioner to procure power from the market to meet the demand for power from the consumers.

The Commission sought reconciliation of UI/Wind Set off submitted as -29.83 MUs as per Form F2. The Petitioner vide additional details dated 11th January, 2019 has submitted that the same corresponds to the adjustment for Unscheduled Interchange (UI), Open Access through Power Exchange, and Wind Set off, and furnished the following reconciliation:

| Sl. | Particulars | MUs |
|---|---|---|
| 1 | Unscheduled Interchange | (33.73) |
| 2 | Open Access through Power Exchange | (26.33) |
| 3 | Wind Set off | 30.22 |
| **4** | **Total** | **(29.83)** |

The Commission noted that TPL-D has procured the renewable energy from generators under preferential tariff besides procurement of RECs for compliance of RPO, which has resulted in overall excess quantum of RE purchase. The Petitioner has submitted that the Commission has specified the minimum RPO and excess energy gets factored in the power purchase of the Licensee. The Commission notes that TPL has filed a separate Petition for compliance of RPO, which is pending for adjudication before the Commission. Therefore, as far as the compliance of RPO is concerned, the Commission will decide it in separate proceedings.

**The Commission has considered the aforesaid aspects and accordingly determined the availability of energy during FY 2017-18 as shown in the Table 4.6 below:**

**Table 4.6: Approved Energy Availability for FY 2017-18 for TPL-D (A) and TPL-D (S) (MUs)**

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing up |
|---|---|---|---|
| TPL - G (APP) | 2,393.46 | 2,438.63 | 2,438.63 |
| SUGEN | 4,754.49 | 6,347.13 | 6,347.13 |
| Bilateral | 1,724.78 | 165.86 | 165.86 |

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing up |
|---|---|---|---|
| Power Exchange | 1,427.40 | 1,517.65 | 1,517.65 |
| Renewables | 1,318.75 | 1,042.94 | 1,042.94 |
| **Sub-Total** | **11,618.87** | **11,512.21** | **11,512.21** |
| Add: Sale of Surplus Power/UI | - | (60.05) | (60.05) |
| **Total** | **11,618.87** | **11,452.15** | **11,452.15** |

## 4.6 Power Purchase Cost

### Petitioner's Submission

TPL-D has submitted the actual and approved power purchase cost for FY 2017-18 as shown in the Table below:

**Table 4.7: Power Purchase Cost claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| TPL - G (APP) | 1,094.44 | 1,093.48 |
| SUGEN | 2,623.76 | 3,316.41 |
| Bilateral | 543.31 | 51.10 |
| Power Exchange | 445.35 | 687.67 |
| Renewables | 690.57 | 560.09 |
| REC | - | 23.20 |
| LTOA | - | 28.02 |
| **Total** | **5,397.43** | **5,759.97** |

TPL-D has submitted that the variation in the power purchase cost from that approved in the MYT Order is on account of variation in sales and distribution losses, variation in actual cost with respect to the base rate along with purchase of power from short-term sources to meet the shortfall during the year.

The variation in power purchase cost is uncontrollable except on account of variation in Distribution Losses and hence, the same needs to be allowed as per the Regulations in truing up exercise.

TPL-D has submitted that the power purchase for its Ahmedabad and Surat License areas has been carried out on collective basis and the total power purchase cost has been apportioned between Ahmedabad and Surat on the basis of usage of power. Accordingly, the allocated power purchase cost for Surat Supply area is Rs. 1,735.72 Crore for FY 2017-18.

**Commission's Analysis**

The Commission vide e-mail dated 18th December, 2018 sought justification for higher than approved quantum of purchase from costlier SUGEN plant and lower than approved quantum from cheaper bilateral sources in FY 2017-18.

In reply to the Commission's query, the Petitioner vide additional details dated 11th January, 2019 submitted that the higher quantum of procurement from SUGEN is due to higher off-take from LNG tied up through competitive bidding. The Petitioner further clarified that in the merit order process, it schedules the power from the long-term sources first at Technical Minimum level from TPL-G (APP) and SUGEN, and then balance power from TPL-G (APP) and SUGEN. The Renewable Energy power gets automatically scheduled as must-run. The Petitioner has procured power from Bilateral Sources to meet the shortfall of energy from tied-up sources and balance requirement from Power Exchange.

The Petitioner has confirmed that the bilateral power for the time duration of 09:00 hours to 21:00 hours has been purchased through competitive bidding, and approved by the Commission vide Order dated 18th April 2017 in Petition No. 1645 of 2017. The power was purchased from Adani Mundra at Rs. 2.92/kWh (day power) at GETCO periphery for the months of 1st April to 30th April, 2017 and 1st May to 30th June, 2017.

The energy requirement is evaluated based on sale of energy and losses in the transmission and distribution system of TPL-D(S) licence area. The energy requirement for TPL-D(S) licence area works out to 30.13% of total energy requirement and accordingly, 30.13% of the total power purchase cost has been considered for TPL-D(S) licence area.

The main reason for increase in power purchase cost in FY 2017-18 is increase in the quantum and variable cost of purchase from SUGEN power plant. TPL-D has purchased power from SUGEN at a variable cost of Rs. 3.98/kWh against Rs. 3.89/kWh approved by the Commission in the MYT Order dated 9th June, 2017.

The Petitioner has procured short-term power from Indian Energy Exchange (IEX) at the rate of Rs. 4.53 per kWh as submitted in Form F2. The Commission has noted the increasing trend of rates in the Power Exchange. The Petitioner has purchased power from bilateral sources at Rs. 3.08 per kWh as submitted in Form F2.

The Commission has specified the minimum RPO to be fulfilled by the Petitioner as per GERC RPO Regulations. The break-up of purchase from Wind and Solar RE sources is given in the Table below:

| Sl. | Particulars | Quantum (MUs) | Variable Cost (Rs/kWh) | Total Cost (Rs. Crore) |
|---|---|---|---|---|
| 1 | Wind | 728.82 | 4.216 | 307.30 |
| 2 | Solar | 283.92 | 8.904 | 252.79 |
| **3** | **Total Renewable** | **1012.74** | **5.53** | **560.09** |

The Commission has duly verified the annual accounts of TPL-D (A) and TPL-D (S) and the FPPPA approved for 4 (four) quarters of FY 2017-18.

The Commission has approved the generation cost of TPL-G (APP) at Rs. 1,091.54 Crore in the true up of FY 2017-18 and the same has been considered as cost of power purchase from TPL-G (APP) for FY 2017-18. The Commission has approved the power purchase cost for FY 2017-18 as given in the Table below:

**Table 4.8: Approved Power Purchase for TPL-D(A) and TPL-D(S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing up |
|---|---|---|---|
| TPL-G (APP) | 1,094.44 | 1,093.48 | 1,091.55 |
| SUGEN | 2,623.76 | 3,316.41 | 3,316.41 |

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing up |
|---|---|---|---|
| Bilateral | 543.31 | 51.10 | 51.10 |
| Power Exchange | 445.35 | 687.67 | 687.67 |
| Non-Solar | 397.77 | 560.09 | 307.27 |
| Solar | 292.80 | | 252.80 |
| REC | - | 23.20 | 23.20 |
| LTOA | - | 28.02 | 28.02 |
| **Total** | **5,397.43** | **5,759.97** | **5,758.02** |

Considering the approved power purchase cost of Rs. 5,758.02 Crore for the approved total energy procurement of 11,452.15 MUs, the per unit power purchase cost works out to Rs. 5.03/kWh, as shown in the Table below:

**Table 4.9: Approved Rate of Power Purchase for TPL-D(A) and TPL-D(S) for FY 2017-18 (Rs./kWh)**

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing up |
|---|---|---|---|
| TPL-G (APP) | 4.57 | 4.48 | 4.48 |
| SUGEN | 5.52 | 5.23 | 5.23 |
| Bilateral | 3.15 | 3.08 | 3.08 |
| Power Exchange | 3.12 | 4.53 | 4.53 |
| Non-Solar | 4.10 | 5.53 | 4.22 |
| Solar | 8.40 | | 8.90 |
| **Total** | **4.65** | **5.03** | **5.03** |

Since, the Commission has approved the energy requirement of TPL-D(S) licence area at 3451.01 MUs, i.e.,30.13% of the total power purchase quantum, the power purchase cost for TPL-D(S) licence area is computed at Rs. 1735.14 Crore. The Commission accordingly approves the power purchase cost of Rs.1735.14 Crore for TPL-D(S) licence area in the True Up for FY 2017-18.

## 4.7 Sharing of Gains/ Losses due to reduction in distribution loss

The Petitioner has considered the Distribution Losses approved by the Commission in Petition No. 1628 of 2016 vide Order dated 9th June, 2017 for the purpose of calculation of gains on account of reduction in Distribution Losses. The calculations submitted by the Petitioner are shown in the Table below:

**Table 4.10: Gains claimed by TPL-D(S) due to reduction in Distribution Losses for FY 2017-18**

| Particulars | UOM | Legend | Actual Claimed |
|---|---|---|---|
| Actual Energy Purchased at Distribution Level | MUs | (a) | 3,423.64 |
| Energy Sales | MUs | (b) | 3,300.89 |
| Wheeling Energy OA/RE | MUs | (c) | 47.75 |
| Total Wheeled Units | MUs | (d)=(b)+(c ) | 3,348.64 |
| Approved Distribution Losses | % | (e ) | 3.74% |
| Energy Required at Distribution level at Approved Losses | MUs | (f)=(d)/(1-(e)) | 3,478.75 |
| Difference | MUs | (g)=(f)-(a)-(c ) | 7.36 |
| Units Recovered as Losses | MUs | (h) | 2.63 |
| **Reduction in Energy Requirement** | MUs | (i)=(g)-(h) | 4.73 |
| Average Power Purchase Cost | Rs./kWh | (j) | 5.03 |
| **Savings** | **Rs. Crore** | **(k)=(i)*(j)/10** | **2.38** |

The Petitioner computed the gains due to reduction in Distribution Loss at Rs. 2.38 Crore.

**Commission's Analysis**

The Commission had approved Distribution Losses at 3.74% in the MYT Order dated 9th June, 2017. The Commission has approved the Distribution Losses at 3.59 % in the true-up for FY 2017-18. The Commission has computed the gains on account of reduction in Distribution Losses as shown in the Table below:

**Table 4.11: Approved Gains due to reduction in Distribution Losses for FY 2017-18**

| Particulars | UOM | Legend | Approved in Truing Up |
|---|---|---|---|
| Actual Energy Purchased at Distribution Level | MUs | (a) | 3,423.64 |
| Energy Sales | MUs | (b) | 3,300.89 |
| Wheeling Energy OA/RE | MUs | (c) | 47.75 |
| Total Wheeled Units | MUs | (d)=(b)+(c ) | 3,348.64 |
| Approved Distribution Losses | % | (e) | 3.74% |
| Energy Required at Distribution level at Approved Losses | MUs | (f)=(d)/(1-(e)) | 3478.75 |
| Difference | MUs | (g)=(f)-(a)-(c ) | 7.36 |
| Units Recovered as Losses | MUs | (h) | 2.63 |
| **Reduction in Energy Requirement** | MUs | (i)=(g)-(h) | 4.73 |
| Average Power Purchase Cost | Rs./kWh | (j) | 5.03 |
| **Savings** | **Rs. Crore** | **(k)=(i)*(j)/10** | **2.38** |

**The Commission, accordingly, approves the gain on account of reduction in Distribution Loss as Rs. 2.38 Crore in the truing up for FY 2017-18.**

## 4.8 Fixed Charges

### 4.8.1 Operation and Maintenance (O&M) Expenses

**Petitioner's Submission**

The Petitioner has submitted the actual O&M expenses vis-à-vis approved O&M expenses as given in the Table below:

**Table 4.12: O&M Expenses claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Operation & Maintenance Expenses | 119.28 | 122.78 |

The Petitioner submitted that the actual O&M expenses of TPL-D(S) licence area has exceeded the approved value mainly due to increase in Employee expenses.

The Petitioner submitted that the GERC (MYT) Regulations, 2016 provides that variation in O&M expenses is to be considered as controllable except the change in law and wage revision. Accordingly, the Petitioner has considered the variation in O&M expenses in FY 2017-18 as controllable for sharing of gains/losses in line with the Regulations.

**Commission's Analysis**

TPL-D(S) has submitted the actual O&M expenses at Rs. 122.78 Crore inclusive of negative impact of "Re-measurement of Defined Benefit Plans" of Rs. (3.64) Crore in the truing up for FY 2017-18.

The Commission observed that TPL in its Consolidated Accounts has shown Rs. 20.49 Crore towards "Remeasurement of defined Benefit Plans" while the total amount shown by TPL-G (APP), TPL-D(A), TPL-D(S) and TPL-D(D) is Rs. 16.85 Crore. The Commission asked TPL to submit the reconciliation of the amount of Rs. 20.49 Crore with the amount of Rs. 16.85 Crore shown by TPL in its Petitions for true-up for FY 2017-18. The Petitioner vide additional details dated 16th March, 2019 has submitted that the difference between the total amount claimed and that of consolidated financial statement is on account of other business units of TPL.

It is observed that as per Annual Accounts, the O&M expenses are Rs. 131.06 Crore, whereas TPL has claimed O&M expenses of Rs. 122.78 Crore. The head-wise analysis is as under:

(a) Employee Expenses: Employee expenses as per annual accounts are Rs. 58.42 Crore net of expenses capitalized of Rs. 21.07 Crore. The Petitioner has added commission to non-executive directors of Rs. 0.17 Crore (from A&G expense head) and expense towards Re-measurement of Defined Benefit Plans of Rs. 3.64 Crore. Accordingly, the employee expenses are Rs. 54.95 Crore.

(b) A&G Expenses: A&G expense as per annual accounts are Rs. 39.21 Crore net of expenses capitalized of Rs. 8.98 Crore. The Petitioner has claimed A&G expenses after reduction on account of Commission to Non-Executive Directors (Rs. 0.17 Crore), Donations (Rs. 2.29 crore), insurance claim receipt (Rs. 0.10 Crore), Leased Land depreciation (Rs. 0.18 Crore), DSM Expenses (Rs. 0.16 Crore), Corporate Social

Responsibility (Rs. 1.91 Crore). Since, the Commission has considered insurance claim receipt as a part of Non-Tariff Income, the same has not been reduced from A&G expenses. Accordingly, the Commission approves the A&G expense of Rs. 34.50 Crore.

(c) Repairs & Maintenance (R&M) Expenses: The Petitioner has claimed R&M expenses of Rs. 33.43 Crore as per annual accounts and the Commission approves the same.

**The Commission, accordingly approves the O&M expenses of Rs. 122.88 Crore, for truing up of FY 2017-18.**

Further, as per the GERC (MYT) Regulations, 2016, the variation in O&M expenses is to be considered as controllable. Accordingly, as per the GERC (MYT) Regulations, 2016 Gains/(Losses) on account of O&M expenses in truing up of FY 2017-18 is approved by the Commission as given in the Table below:

**Table 4.13: O&M Expenses approved by the Commission for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT order | Approved in Truing up | Deviation | Gains/ (Losses) due to Controllable Factors |
|---|---|---|---|---|
| O&M Expenses | 119.28 | 122.88 | (3.60) | (3.60) |

### 4.8.2 Capital expenditure, Capitalisation and Sources of Funding

#### a) Capital Expenditure

**Petitioner's Submission**

The capital expenditure approved by the Commission in the MYT Order dated 9th June, 2017 for FY 2017-18 was Rs. 210.76 Crore.

The Petitioner has submitted that the actual capital expenditure incurred by TPL-D(S) in FY 2017-18 is Rs. 102.31 Crore, which is lower than the approved value. The details of capital expenditure are provided in the following Table:

**Table 4.14: Capital Expenditure claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in MYT Order | Actual Claimed |
|---|---|---|
| EHV Network | 148.77 | 42.02 |

| Particulars | Approved in MYT Order | Actual Claimed |
|---|---|---|
| HT Network | 27.20 | 21.76 |
| LT Network | 15.65 | 18.04 |
| Special Projects | 1.38 | 5.61 |
| Civil related work | 0.26 | 0.17 |
| 220 kV connectivity with GENSU | - | 1.23 |
| Metering | 11.32 | 9.63 |
| Customer Care | 1.25 | 0.28 |
| IT | 1.48 | 2.47 |
| Miscellaneous | 3.45 | 1.10 |
| **Total** | **210.76** | **102.31** |

The reasons for the major variances in the actual capital expenditure against the approved capital expenditure are given below:

I. EHV Network- The Commission had approved the capital expenditure of Rs. 148.77 Crore for EHV, whereas the Petitioner has incurred capital expenditure of Rs. 42.02 Crore. The major variation is on account of expenditure incurred towards following:

   i. New 220 kV EHV SS: The project for commissioning of 220 kV C-GIS along with 220 kV and 66 kV inter-connectivity was initiated in FY 2017-18. Due to technical constraints and delay in finalizing technology, the project has been rescheduled. The project has been carried forward to FY 2018-19.

   ii. Commissioning of new 66 kV EHV Substation

      a. The project of commissioning of new 66 kV Puna substation was completed in FY 2016-17. Capital Expenditure has been incurred in FY 2017-18 towards spares related to GIS and VCB.

      b. It was proposed to procure land to establish new 66 kV EHV substation near Katargam and Bhathena area. Due to scarcity of land and higher rates, the proposal is yet to be finalized and hence, the project has been carried forward to FY 2018-19.

iii. Augmentation / Replacement of Power Transformer & ICT:- A capital expenditure of Rs. 12.47 Crore was incurred under the head of Augmentation / Replacement of Power Transformer and ICT. The variation in the capital expenditure is on account of utilisation of spare VCB recovered from C station and lower cost of Power transformer and equipment.

iv. Technology Upgradation & Capacity enhancement of EHV SS – The project of 66 kV control room shifting at B station has been initiated in FY 2017-18 and will be completed in FY 2018-19.

v. Supporting Infrastructure: The deviation is mainly on account of deferment of capital expenditure towards ABT system upgradation to FY 2019-20 and lower cost incurred due to price variation of material procured.

vi. In addition to the above, the Petitioner has also incurred capital expenditure towards Replacement and Renovation in existing EHV substation. The variation is due to usage of spare SF6 breakers from C station.

II. HT- The Commission had approved capital expenditure of Rs. 27.20 Crore for HT network, against which, the Petitioner has incurred capital expenditure of Rs. 21.76 Crore. The major variation is on account of (i) Lower Road Reinstatement charges than estimated, (ii) Deferment of network shifting on SMC BRTS project route, (iii) Initiation of 11 kV feeder automation, (iv) Less cable requirement, (v) Higher number of HT connections released; and (vi) Higher number of distribution transformers required for upgradation/ replacement during FY 2017- 18 based on loading condition. TPL also stated that it has incurred capex towards projects carried forward from FY 2016-17.

III. LT- The Commission had approved the capital expenditure of Rs. 15.65 Crore for LT network, against which, the actual capital expenditure incurred is Rs. 18.04 Crore. The major variation is on account of development of new network for release of connections based on geographical locations like Ved, Dabholi, Katargam, and Athwalines and higher material and labour cost. Capital expenditure has also been incurred towards supporting infrastructure deferred from previous year.

IV. Metering -The Commission had approved capital expenditure of Rs. 11.32 Crore pertaining to Metering. The variation in actual capital expenditure was mainly due to (i) Lower quantum of meter replacement than estimated and (ii) Procurement of fully automatic testing bench and CT/PT testing kit, which was deferred from FY 2016-17.

V. Special Projects - The Commission had approved capital expenditure of Rs. 1.38 Crore pertaining to special projects

VI. 220 kV connectivity with GENSU: During FY 2017-18, the Petitioner has incurred an expenditure of Rs. 1.23 Crore towards capex related to spares of GIS and VCB, carried forward from FY 2016-17.

VII. Others: The Petitioner has incurred a capex of Rs. 2.47 Crore for hardware and SAP upgradation under the head of IT, whereas, it has incurred lower capex under the head of Civil Works, Customer Care and Admin related works during FY 2017-18 due to deferment of capex to FY 2018-19.

**Commission's Analysis**

The Commission has observed that the Petitioner has claimed capital expenditure of Rs. 102.31 Crore, as against Rs. 210.76 Crore approved by the Commission in the MYT Order dated 9th June, 2017. The Commission has verified from the annual accounts that the Petitioner has incurred capital expenditure Rs. 102.31 Crore during FY 2017-18.

TPL-D(S) has submitted the list of projects where Capex has been incurred in FY 2017-18, as summarised in the Table below:

**Table 4.15: Details of Capital Expenditure for each scheme for FY 2017-18 (Rs. Crore)**

| Description | As per MYT | FY 2017-18 |
|---|---|---|
| | | Actual |
| EHV Network | 148.77 | 42.02 |
| HT Network | 27.20 | 21.76 |
| LT Network | 15.65 | 18.04 |
| Special Projects | 1.38 | 5.61 |
| Civil related work | 0.26 | 0.17 |
| 220 kV connectivity with GENSU | - | 1.23 |
| Meter Management | 11.32 | 9.63 |
| Customer Care | 1.25 | 0.28 |
| IT | 1.48 | 2.47 |
| Miscellaneous | 3.45 | 1.10 |
| **Total** | **210.76** | **102.31** |

As can be seen from above, the actual capital expenditure is lower than the approved capital expenditure except for LT Network, 220 kV Connectivity with GENSU and IT, while expenditure on some of the schemes have been deferred to FY 2018-19, some schemes deferred from earlier years have been completed in FY 2017-18.

**The Commission, therefore, approves the capital expenditure of Rs. 102.31 Crore for FY 2017-18.**

### b) Capitalisation

#### Petitioner's Submission

The Petitioner has claimed capitalisation of Rs. 77.45 Crore as against the approved capitalisation of Rs. 115.20 Crore.

#### Commission's Analysis

The Commission sought the details of scheme-wise break-up of actual capitalisation of Rs. 77.45 Crore with details of opening CWIP as on 1 April, 2017 and Closing CWIP as on 31 March, 2018, which was furnished by TPL-D (S) vide additional details dated 11th January, 2019.

The Commission has observed that there is significant variation in the value of Opening GFA in the Annual Accounts and the Petition. TPL-D (S) clarified that the Fixed Asset Schedule in Annual Accounts is on NFA basis as per IndAS. However, TPL-D(S) has submitted fixed asset schedule in the Petition on GFA basis as per the GERC (MYT) Regulations, 2016 vide additional details dated 11th January, 2019.

The Petitioner has given the break-up of asset-wise capitalisation in Form 4.2 of this Petition, which is as shown in the Table below:

**Table 4.16: Break up of Capitalisation for FY 2017-18 (Rs. Crore)**

| Asset Classification | Actual Capitalisation |
|---|---|
| **EHV** | |
| New 220 kV EHS SS | - |
| New 66 kV EHV SS | 0.48 |
| Additional /Augmentation/Replacement of Power Transformer & ICT | 12.20 |
| Replacement & Renovation in existing EHV SS | 0.61 |
| Technology Up-gradation & Capacity enhancement of EHV SS | - - |
| Supporting Infrastructure-EHV | 0.52 |

| Asset Classification | Actual Capitalisation |
|---|---|
| **Total EHV** | **13.82** |
| **HT** | |
| 11 kV HT Network Development & Modification | 2.28 |
| Replacement/Shifting of HT Network | 1.28 |
| Distribution Substation automation | 0.60 |
| New Distribution Substation | 6.43 |
| New HT Consumers | 2.39 |
| Additional/Augmentation/Replacement of Dist. Transformer | 6.46 |
| Installation/Replacement of 11 kV S/Gear/LT Panel / Breaker and Acc. for safety | 0.39 |
| Reactive Power Compensation | 2.11 |
| Supporting Structures-HT | 0.18 |
| **Total HT** | **22.12** |
| **LT** | |
| New Connections/ Load Extensions | 13.43 |
| LT Network Development & Modification | 4.24 |
| Supporting Infrastructure-LT | 0.156 |
| **Total LT** | **17.83** |
| **Special Projects** | |
| Establishment of Central Store at E SS | 7.10 |
| Establishment of Sub Store | - |
| Implementation of Geo graphical Information system | 1.42 |
| **Total Special Projects** | **8.52** |
| **Civil** | 0.13 |
| **220 kV connectivity with GENSU** | 1.70 |
| **Meter Management** | 9.61 |
| **Customer Care** | 0.16 |
| **IT** | 2.47 |
| **Others** | 1.10 |
| **Grand Total** | **77.45** |

The Commission has noted the submissions of the Petitioner regarding the capital expenditure as well as capitalisation of assets. The Commission notes that TPL has commissioned new 66 kV EHV Sub station and carried out Augmentation / Replacement of Power Transformer and ICT. TPL has also incurred the expenditure towards Replacement and Renovation in existing EHV sub stations and supporting infrastructure.

The Commission has verified the energisation of EHV system during FY 2017-18 from the Certificate of energisation issued by the Chief Electrical Inspector, as submitted vide additional details dated 16th March, 2019, which substantiates that the assets created through CAPEX have been put to service.

Based on the above observations, the Commission approves the net capitalization of Rs 77.45 Crore for FY 2017-18.

Further, TPL-D(S) has decapitalised assets to the extent of Rs. 11.89 Crore during FY 2017-18, and reduced the capitalisation during the year by deletion of the said amount from the fixed assets to work out net capitalisation for debt and equity component as provided in Regulation 33 of the GERC (MYT) Regulations, 2016.

**c) Funding of CAPEX**

**Petitioner's Submission**

TPL –D (S) has submitted the capitalisation and funding of CAPEX, as detailed in the Table below:

**Table 4.17: Funding of Capitalisation claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Opening GFA | 1563.82 | 1582.89 |
| Addition to GFA | 115.20 | 77.45 |
| Deletion from GFA | - | 11.89 |
| Closing GFA | 1679.02 | 1648.45 |
| SLC Addition | 11.76 | 13.71 |
| Capitalization for Debt | 103.44 | 51.85 |
| Capitalization for Equity | 103.44 | 51.85 |
| Normative Debt @ 70% | 72.41 | 36.30 |
| Normative Equity @ 30% | 31.03 | 15.56 |

**Commission's Analysis**

The Commission sought the details of actual source of financing of capitalised works for FY 2017-18. The Petitioner vide additional details dated 11th January, 2019 has submitted that during FY 2017-18, actual loan availed towards capex is Rs. 99.40 Crore and the profit and cash generated for the year are Rs. 188.95 Crore and Rs. 368.85 Crore, respectively as per Annual Accounts. The normative debt-equity considered towards additional capitalisation are Rs. 36.30 Crore and Rs. 15.56 Crore, respectively. Therefore, the Commission verified the above details and approves the capitalisation and funding as shown in the Table below for the truing up of FY 2017-18:

**Table 4.18: Funding of Capitalisation approved for TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing Up |
|---|---|---|---|
| Opening GFA | 1402.19 | 1582.89 | 1582.89 |
| Addition to GFA | 115.20 | 77.45 | 77.45 |
| Deletion from GFA | - | 11.89 | 11.89 |
| Closing GFA | 1517.39 | 1648.45 | 1648.45 |
| SLC Addition | 11.76 | 13.71 | 13.71 |
| Capitalization for Debt | 103.44 | 51.85 | 51.85 |
| Capitalization for Equity | 103.44 | 51.85 | 51.85 |
| Normative Debt @ 70% | 72.41 | 36.30 | 36.30 |
| Normative Equity @ 30% | 31.03 | 15.56 | 15.56 |

## 4.8.3 Depreciation

**Petitioner's Submission**

The Petitioner has submitted that the depreciation rates as per the CERC (Terms and Conditions of Tariff) Regulations, 2004 have been applied on the opening GFA of FY 2009-10 and for addition of assets from 1st April, 2009 onwards, depreciation has been computed at the rates specified in the GERC Regulations.

TPL-D (S) has submitted the total depreciation as shown in the following Table:

**Table 4.19: Depreciation claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Depreciation | 52.78 | 52.09 |

The Petitioner has requested the Commission to approve the depreciation claimed in the Petition, and requested that the variation in depreciation amount as compared to that approved be treated as uncontrollable.

**Commission's Analysis**

The Commission has considered the opening balance of GFA for FY 2017-18 equal to the closing balance of GFA for FY 2016-17 approved by the Commission vide Order dated 31st March, 2018 in Petition No. 1697 of 2018.

The details of opening GFA as on 1st April, 2017, addition to and deduction from the Gross Block during FY 2017-18, and the asset classification-wise depreciation are given in the Petition.

The Commission has verified the depreciation from the annual accounts for FY 2017-18. It is observed that depreciation as per annual accounts is Rs. 59.97 Crore. The Petitioner has added leased land depreciation of Rs. 0.18 Crore by reducing it from A&G expenses and reduced the depreciation of Rs. 8.06 Crore on assets funded through service line contribution, and accordingly claimed depreciation of Rs. 52.09 Crore.

As per the Regulation 39.2(b) of the GERC (MYT) Regulations, 2016, depreciation of assets financed through consumer contribution, deposit works, and grants should be considered as per Audited Accounts. However, since deferred income on this account has not been claimed under Non-Tariff Income, the depreciation on assets financed through consumer contribution and grants has been deducted.

**The Commission, accordingly, approves the depreciation of Rs. 52.09 Crore in the truing up for FY 2017-18.**

The deviation of Rs. 0.69 Crore is considered as uncontrollable losses as the depreciation is dependent on capitalisation.

**The Commission, accordingly, approves the gains/(losses) on account of depreciation in the truing up for FY 2017-18, as detailed in the Table below:**

**Table 4.20: Depreciation and Gains/Losses approved by the Commission for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/(Losses) due to Uncontrollable Factors |
|---|---|---|---|---|
| Depreciation | 52.78 | 52.09 | 0.69 | 0.69 |

### 4.8.4 Interest Expenses

**Petitioner's Submission**

TPL-D (S) has submitted that the GERC (MYT) Regulations, 2016 provides for calculation of interest expenses on normative basis considering the amount of depreciation on assets as the amount of repayment. TPL-D (S) has considered the interest expenses by applying weighted average rate of interest of the actual loan portfolio of the Petitioner during the year on the loan component, while repayment has been considered equal to depreciation of assets.

The eligible interest expenses for FY 2017-18 are shown in the following Table:

**Table 4.21: Interest Expenses claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Addition to GFA | 115.20 | 77.45 |
| Less: Deletions from GFA | -- | 11.89 |
| Less: SLC additions | 11.76 | 13.71 |
| **Capitalisation for Debt** | **103.44** | **51.85** |
| Normative Debt @ 70% | 72.41 | 36.30 |
| Opening Balance of Loans | 281.92 | 293.21 |
| Loan Addition during the Year | 72.41 | 36.30 |
| Repayments | 52.78 | 52.09 |
| Closing Balance of Loans | 301.55 | 277.42 |

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Average Loans | 291.73 | 285.31 |
| **Interest Expense @ 9.50% & @8.54%** | **27.71** | **24.37** |
| Other Borrowing Cost | --- | 0.50 |
| **Interest Expenses** | **27.71** | **24.87** |

The Petitioner has requested the Commission to approve the above claimed interest expenses. The variation in interest expenses compared to the approved expenses is to be treated as uncontrollable, except the savings in interest expense due to refinancing of loans, as it depends on the quantum of actual capitalisation and the variation in interest rates.

**Commission's Analysis**

The Commission has considered the normative closing balance of loan as approved by the Commission vide Order dated 31st March, 2018 in Petition No. 1697 of 2018 as the normative opening balance of loan of FY 2017-18.

The net additional loan of Rs. 36.30 Crore, is in accordance with the requirements of capitalisation and source of funding as approved in Table 4.18 above. The repayment is considered equivalent to depreciation of Rs. 52.09 Crore as approved in the Table 4.20 above. The GERC (MYT) Regulations, 2016 provides for computation of interest on loan on normative basis on the opening balance of loan brought forward from the previous year's closing balance, capitalisation and funding approved during the year.

As per first proviso of Regulation 38.5 of the GERC (MYT) Regulations, 2016, at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the year applicable to the Distribution Licensee shall be considered as the rate of interest.

Accordingly, the Commission sought information such as the actual loan portfolio and computation of weighted average rate of interest, which the Petitioner submitted vide additional submissions dated 11th January, 2019. The Commission has verified the Rate of Interest of 8.54% claimed by the Petitioner for the actual loan portfolio submitted for FY 2017-18 and found it to be correct.

The Commission sought information on reconciliation of other borrowing cost, which the Petitioner has submitted vide additional details dated 22th January, 2019. The Petitioner has given a reconciliation with respect to the other borrowing cost of Rs. 0.41 crore and amortisation of borrowing cost of Rs. 0.21 crore reported in Note 33 of Annual Accounts, based on which Petitioner has claimed other borrowing cost of Rs. 0.50 crore, after deducting Rs. 0.12 crore against amortisation for FY 2015-16. The Commission accordingly approves the other borrowing cost at Rs. 0.50 Crore as per annual accounts.

The Commission has computed the interest on loan for FY 2017-18, as detailed in the Table below:

**Table 4.22: Interest Expenses approved by the Commission for FY 2017-18 (Rs. Crore)**

| Particulars | True up of FY 2017-18 |
|---|---|
| Opening Balance of Loans | 293.21 |
| Loan Addition due to capitalisation (Net) | 36.30 |
| Repayments of loan during the year | 52.09 |
| Closing Balance of Loans | 277.42 |
| Average Balance of Loans | 285.31 |
| Weighted Average Rate of Interest on actual loans (%) | 8.54% |
| **Interest Expenses** | **24.37** |
| Other Borrowing Cost | 0.50 |
| **Total Interest Expenses** | **24.87** |

**The Commission, accordingly, approves the interest and finance charges at Rs. 24.87 Crore in the truing up for FY 2017-18.**

As regards the computation of Gains/(Losses), Regulation 22.2 of the GERC (MYT) Regulations, 2016 considers variation in capitalization 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. As per Regulation 24 of the GERC (MYT) Regulations, 2016, if the gain is on account of lower capital expenditure and capitalization, it cannot be attributed to the efficiency of the utility to allow 2/3rd of gain to the utility. Similarly, if the loss is on account of higher capital expenditure and capitalization due to bonafide reasons beyond the control of utility due to Force Majeure event like Act of God, non-receipt of statutory approval, etc., the utility cannot be penalized by allowing only 1/3rd of the loss in the ARR.

The Petitioner has claimed Rs. 0.79 Crore as gain towards controllable factors achieved from the reduction in interest cost due to refinancing of loans. The Commission sought details of reduction in interest cost of Rs. 0.79 Crore due to refinancing of loans. The Petitioner has submitted documentary evidence towards the cost associated with refinancing of loans vide letter dated 22nd January, 2019. The Petitioner has refinanced the loans by availing new loans from the lender, viz., BoB (Bank of Baroda) at a better Rate of Interest (RoI) of 8.55% in place of prevailing existing loans from IDBI at 11.05%. Therefore, the effective savings due to reduction in RoI by 2.50% and corresponding gains amounting to Rs.0.79 Crore has been considered for sharing in FY 2017-18. The Commission has verified the claim of cost towards refinancing of loans.

The Commission, accordingly, approves the Gains/(Losses) on account of interest and finance charges in the truing up for FY 2017-18, as detailed in the Table below:

**Table 4.23: Interest Expenses and Gains/Losses approved by the Commission for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/ (Losses) due to Controllable Factors | Gains/ (Losses) due to Uncontrollable Factors |
|---|---|---|---|---|---|
| Interest and Finance Charges | 27.71 | 24.87 | 2.84 | 0.79 | 2.05 |

## 4.8.5 Interest on Consumers' Security Deposit

### Petitioner's Submission

The Commission in the MYT Order had approved the interest on security deposit for the Petitioner considering 7.75% interest rate on the average estimated balance of security deposit for FY 2017-18. The actual interest expense on security deposit considering the rate of interest of 6.75% paid to consumers based on the Bank Rate is submitted in the Table below:

**Table 4.24: Interest on Security Deposit claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Interest Rate | 7.75% | 6.75% |
| Interest on Security Deposit | 18.50 | 17.10 |

The Petitioner has submitted that the variation in security deposit amount and the variation in interest rate are uncontrollable. Hence, the Petitioner requested the Commission to treat the variation in interest on security deposit as compared to approved expenses as uncontrollable.

**Commission's Analysis**

The Commission has verified the actual interest on security deposit and found the same to be as per the annual accounts submitted with the Petition.

**The Commission, accordingly, approves the interest on security deposit at Rs. 17.10 Crore in the truing up for FY 2017-18.**

The deviation of Rs. 1.40 Crore is considered as gain on account of uncontrollable factors as detailed in the Table below:

**Table 4.25: Interest on Security Deposit and Gains/Losses approved by the Commission for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/ (Losses) due to Uncontrollable Factors |
|---|---|---|---|---|
| Interest on Security Deposit | 18.50 | 17.10 | 1.40 | 1.40 |

### 4.8.6 Interest on Working Capital

**Petitioner's Submission**

The working capital requirement is arrived as per the GERC (MYT) Regulations, 2016. The Petitioner has submitted the revised computation in the Table below:

**Table 4.26: Interest on Working Capital claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| O&M Expense for 1 month | 9.94 | 10.23 |
| 1 % of GFA for Maintenance Spares | 15.64 | 15.83 |
| Receivables for 1 month | 174.18 | 182.18 |
| **Less**: Security Deposit | 238.71 | 265.64 |
| Working Capital Requirement | - | - |
| Interest Rate (%) | 11.70% | 10.50% |
| **Interest on Working Capital** | - | - |

The Petitioner has submitted that the variation in working capital requirement is primarily on account of variation in actual O&M expenses and receivables. Further, there is a variation in the interest rate applicable to working capital requirement. Accordingly, the Petitioner has requested the Commission to consider the variation in interest on working capital as uncontrollable.

**Commission's Analysis**

The Commission has computed the working capital requirement of TPL-D(S) as specified in Regulation 40.4 and Regulation 40.5 of the GERC (MYT) Regulations, 2016 read in conjunction with the GERC (First Amendment Regulations), 2017 after considering the security deposit amount available during the year.

TPL-D (S) has considered the working capital interest rate @ 10.50% per annum, being the weighted average 1-year MCLR prevailing during FY 2017-18 plus 250 basis points. The Commission has verified the weighted average 1-year MCLR during FY 2017-18 from State Bank of India website to be 8.00%.

The working capital requirement and the interest on working capital work out to be negative as shown in the Table below:

**Table 4.27: Interest on Working Capital approved by the Commission for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing Up |
|---|---|---|---|
| **Computation of Working Capital** | | | |
| O&M expenses | 9.94 | 10.23 | 10.24 |
| Maintenance Spares | 15.64 | 15.83 | 15.83 |
| Receivables | 174.18 | 182.18 | 182.18 |
| **Working Capital requirement** | 199.76 | 208.24 | 208.25 |
| Amount held as security deposit from Distribution System Users | 238.71 | 265.64 | 265.64 |
| **Total Working Capital** | (38.95) | (57.40) | (57.40) |
| Interest Rate (%) | 11.70% | 10.50% | 10.50% |
| **Interest on Working Capital** | -- | -- | - |

**The Commission, accordingly, approves the interest on working capital as “Nil” in the truing up for FY 2017-18.**

### 4.8.7 Return on Equity

**Petitioner’s Submission**

The closing balance of equity has been arrived at considering additional equity of 30% of the capitalisation during the year. The Return on Equity (RoE) has been computed by applying the rate of 14% on the average of opening and closing balance of equity.

**Table 4.28: Return on Equity (RoE) claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in MYT Order | Actual Claimed |
|---|---|---|
| Opening Equity | 573.01 | 576.57 |
| Addition during the Year | 31.03 | 15.56 |
| Equity at End of the Year | 604.04 | 592.13 |
| Average of Opening and Closing Equity | 588.52 | 584.35 |
| **Return on Equity** | **82.39** | **81.81** |

The Petitioner has requested the Commission to consider the variation in RoE as uncontrollable and allow the same for the purpose of truing up.

**Commission's Analysis**

The closing equity as on 31.03.2017 approved in the Truing up order dated 31st March, 2018 in Case No. 1697 of 2018 has been considered as the opening equity for FY 2017-18. The equity addition during the year is considered at Rs. 15.56 Crore as approved at Table 4.18 of this Order. The rate of return is considered 14% as per the GERC (MYT) Regulations to work out the Return on Equity as shown in the Table below:

**Table 4.29: RoE approved by the Commission for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing up |
|---|---|---|---|
| Equity at the beginning of the year | 573.01 | 576.57 | 576.57 |
| Addition during the Year | 31.03 | 15.56 | 15.56 |
| Equity at the End of the Year | 604.04 | 592.13 | 592.13 |
| Average Equity | 588.52 | 584.35 | 584.35 |
| Rate of Return on Equity | 14% | 14% | 14% |
| **Total Return on Equity** | **82.39** | **81.81** | **81.81** |

**The Commission accordingly approves the Return on Equity at Rs. 81.81 Crore in the truing up for FY 2017-18.**

The Return on Equity depends on the amount of capitalisation during the year and the debt equity ratio considered during the Financial Year and these parameters are uncontrollable in nature. The variance in the amount of Return on Equity is therefore treated as an uncontrollable item.

**The Commission, accordingly approves the gains/ (losses) on account of Return on Equity in the truing up for FY 2017-18 as detailed below:**

**Table 4.30: Return on Equity (RoE) and Gains/Losses approved in truing up for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/(Losses) due to Uncontrollable Factors |
|---|---|---|---|---|
| Return on Equity | 82.39 | 81.81 | 0.58 | 0.58 |

### 4.8.8 Income Tax

**Petitioner's Submission**

In the MYT Order, the Commission had approved Income Tax at Rs.42.24 Crore as per actuals of FY 2015-16.

For FY 2017-18, the Petitioner has claimed the Income Tax based on the actual Tax paid in proportion to the Profit Before Tax (PBT) of TPL-D(S). Hence, the total Income Tax claimed is Rs. 39.68 Crore.

**Table 4.31: Income Tax claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Income Tax | 42.24 | 39.68 |

The Petitioner has requested the Commission to consider the variation in Income Tax as uncontrollable and allow the same for truing up.

**Commission's Analysis**

The Commission sought details of actual payment of Income Tax. TPL submitted copies of challan for actual Income Tax paid by the Company as a whole for FY 2017-18. The Petitioner has computed the Income Tax by applying the ratio of PBT and after adjustment of tax credit.

Further, the Commission also sought details of treatment given in true up Petitions filed on Income from Remeasurement of Defined Benefit Plan of Rs. 20.49 Crore and corresponding Tax paid of Rs. 7.16 Crore as shown in the consolidated financial statements, which the Petitioner has submitted.

The Commission verified the PBT figures from the annual accounts for FY 2017-18. The Petitioner has shown a PBT of Rs. 188.95 Crore including Remeasurement of Defined

Benefit Plans. The PBT as per standalone financial statement of TPL (including Remeasurement of Defined Benefit Plans) is Rs. 1396.02 Crore and the total tax paid by the Company as a whole is Rs. 308.39 Crore. It is observed that during FY 2017-18, the Petitioner has paid Minimum Alternate Tax (MAT) of 21.3416%, though the effective Tax rate works out to 22.09%.

The Commission has computed the Income Tax of Rs. 160.99 Crore by applying MAT rate of 21.3416% on the PBT of TPL-G, TPL-D(A), TPL-D(S) and TPL-D(D).

It is further observed that the standalone financial statement of the Petitioner also indicates a Tax credit of Rs. 4.79 Crore. The aforesaid MAT of Rs. 160.99 Crore computed on PBT of TPL-G, TPL-D(A), TPL-D(S) and TPL-D(D) has been further adjusted by the tax credit of Rs. 2.59 Crore (proportionate amount). Accordingly, the Commission computed MAT to be allowed to TPL-G, TPL-D(A), TPL-D(S) and TPL-D(D) at Rs. 158.40 Crore (Rs. 160.99 Crore minus Rs. 2.59 Crore) with the condition that the MAT amount computed above does not exceed the actual Tax paid by the Company as a whole of Rs. 303.60 Crore net of tax credit (Rs. 308.39 Crore minus Rs. 4.79 Crore).

The share of Income Tax for TPL(S) in the total tax of TPL (G), TPL (A), TPL (S), TPL (Dahej) of Rs.158.40 Crore (net of tax credit) as computed above, works out to Rs. 39.68 Crore considering PBT net of Remeasurement of Defined Benefit Plans and Tax credit.

**The Commission, accordingly, approves the Income Tax at Rs. 39.68 Crore in the truing up for FY 2017-18.**

The Commission has treated the Income Tax as an uncontrollable expense and, accordingly, approves the gains / losses on account of Income Tax in the truing up for FY 2017-18, as detailed in the Table below:

**Table 4.32: Income Tax and Gains/Losses approved in the Truing up for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/(Losses) due to Uncontrollable Factors |
|---|---|---|---|---|
| Income Tax | 42.24 | 39.68 | 2.56 | 2.56 |

### 4.8.9 Bad Debts Written Off

**Petitioner's Submission**

The Commission in the MYT Order has approved the bad debts of Rs. 0.33 Crore on provisional basis for TPL-D(S). The Petitioner has written off bad debts off Rs. 0.39 Crore during the year.

**Table 4.33: Bad Debts Written off claimed by TPL-D (S) for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Bad Debts Written off | 0.33 | 0.39 |

The GERC (MYT) Regulations, 2016 provides that variation in bad debts written off is to be treated as controllable. Accordingly, the Petitioner has requested to consider the variation bad debts written off in FY 2017-18 as controllable for sharing of gains/losses in line with the Regulations.

**Commission's Analysis**

The Petitioner has claimed Rs. 0.39 Crore towards bad debts written off during FY 2017-18 against which the recovery of bad debts made is Rs. 0.42 Crore, as claimed by the Petitioner as there is net recovery of Rs. 0.03 Crore under Non-Tariff Income. The Commission has verified the same from the Annual Accounts.

**The Commission, accordingly, approves the bad debts written off at Rs. 0.39 Crore in the truing up for FY 2017-18.**

The deviation of Rs. (0.06) Crore in bad debts is considered as controllable factor.

The Commission, accordingly, approves the gains / losses on account of bad debts in the truing up for FY 2017-18 as detailed below:

**Table 4.34: Bad Debt Written off and Gains/Losses approved for Truing up for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/(Losses) due to Controllable Factors |
|---|---|---|---|---|
| Bad Debts Written off | 0.33 | 0.39 | (0.06) | (0.06) |

### 4.8.10 Contingency Reserve

**Petitioner's Submission**

The Commission had allowed token amount towards the contingency reserve for meeting the requirement of unexpected emergency circumstances. Accordingly, the Petitioner has considered the approved values as shown in the following Table:

**Table 4.35: Contingency Reserve claimed by TPL-D (S) for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Contingency Reserve | 0.40 | 0.40 |

The Petitioner has requested the Commission to approve the contingency reserve for the purpose of truing up.

**Commission's Analysis**

The proposed contingency reserve is consistent with the GERC (MYT) Regulations, 2016.

**Table 4.36: Contingency Reserve and Gains/Losses approved for truing up for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/(Losses) due to Uncontrollable Factors |
|---|---|---|---|---|
| Contingency Reserve | 0.40 | 0.40 | - | - |

**The Commission, accordingly, approves the contingency reserves at Rs. 0.40 Crore for FY 2017-18.**

## 4.9 Non-Tariff Income

**Petitioner's Submission**

The Commission had approved the Non-Tariff Income of Rs. 35.18 Crore in the MYT Order. The actual Non-Tariff Income considered for truing up is Rs. 24.96 Crore.

In the previous Control Period, the Petitioner had considered the treatment towards income and expense of bad debts on similar lines as per the Hon'ble APTEL Judgment, wherein, the variation in recovery of bad debts was considered as controllable.

However, the GERC (MYT) Regulations. 2016 provides that variation in bad debts written off is to be considered as controllable, while variation in bad debts recovery is to be considered as uncontrollable. Therefore, the Petitioner has considered the entire variation in bad debts recovery in FY 2017-18 as uncontrollable for sharing of gains/losses in line with the Regulations. However, the Petitioner has requested the Commission to revisit the provision related to bad debts recovery and expenses.

**Table 4.37: Non-Tariff Income claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed |
|---|---|---|
| Non-Tariff Income | 35.18 | 24.96 |

The Petitioner has submitted that the variation in Non-Tariff Income as detailed above has been considered as uncontrollable. Accordingly, the Petitioner has requested the Commission to allow the above variation in Non-Tariff Income as uncontrollable for the purpose of truing up.

**Commission's Analysis**

The Non-Tariff Income is specified in Regulations 89 and 97 of the GERC (MYT) Regulations, 2016, which includes various items such as income from sale of scrap, income from statutory investment, interest on advances to supplier/contractor, etc.

The Commission observes that the Non-Tariff Income claimed by the Petitioner for FY 2017-18 is Rs. 24.96 Crore. The Non-Tariff Income as per the Annual Accounts is Rs. 32.80 Crore. The Petitioner has reduced the Insurance Claim Receipt (Rs. 0.10 Crore), Amortisation of Deferred Revenue (Rs. 8.06 Crore), Provision for Bad Debts no Longer

Required (Rs. 0.07 Crore) and Bad Debts Recovery (Rs. 0.03 Crore) from the Non-Tariff Income and included Gross Bad Debts Recovery of Rs. 0.42 Crore to arrive at claimed figure of Rs. 24.96 Crore.

As discussed in the section on O&M expenses, insurance claim receipt has been considered as a part of Non-Tariff Income.

**The Commission, accordingly, approves the Non-Tariff Income of Rs. 25.06 Crore for FY 2017-18.**

**The Commission, accordingly, approves the claim towards gains/(losses) on account of Non-Tariff Income in the truing up for FY 2017-18 as detailed below:**

**Table 4.38: Non-Tariff Income and Gains/Losses approved for truing up for FY 2017-18 (in Rs. Crore)**

| Particulars | Approved in the MYT Order | Approved in Truing up | Deviation | Gains/(Losses) due to uncontrollable factors |
|---|---|---|---|---|
| Non-Tariff Income | 35.18 | 25.06 | 10.12 | 10.12 |

## 4.10 Revenue from Sale of Power

### Petitioner's Submission

The Petitioner has submitted the revenue from sale of power as Rs. 2186.11 Crore in the truing up for FY 2017-18 as detailed in the Table below:

**Table 4.39: Revenue from Sale of Power claimed by TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Actual Claimed |
|---|---|
| Revenue from Sale of Power | 2186.11 |

### Commission's Analysis

The Commission has verified the revenue from sale of power from the audited accounts for FY 2017-18.

**The Commission, accordingly, approves the revenue from sale of power at Rs. 2186.11 Crore in the truing up of FY 2017-18.**

## 4.11 Gains/Losses under truing up for FY 2017-18

The Commission has reviewed the performance of TPL-D (S) under Regulation 22 of the GERC (MYT) Regulations, 2016, for FY 2017-18. The Commission has computed the gains/losses for FY 2017-18 based on the truing up for each of the components, as discussed in the above paragraphs.

The Commission conducted a third-party audit of TPL and certain discrepancies were found in eleven (11) heads of expenditure, viz., Other Borrowing Expenses, Sponsorship Expenses, Gardening Expenses, Security Expenses, Provisioning carried for long in the books, expenses related to non-regulatory affairs, etc. The total amount computed by the audit against the above discrepancies is Rs. 14.45 Crore for TPL-G (APP), TPL-D(A), TPL-D(S) and TPL-D(D) for the period from FY 2011-12 to FY 2014-15.

The Commission sought the details from TPL against the above 11 heads for FY 2015-16, FY 2016-17 and FY 2017-18. The Commission also asked TPL to submit head-wise and year-wise amounts adjusted separately in the True up for FY 2017-18 filed by TPL-G(APP), TPL-D(A), TPL-D(S) and TPL-D(D) on account of discrepancies identified in third party audit. TPL replied that the amounts on account of “other borrowing expenses” have been adjusted directly in the true-up of TPL-D(A) and TPL-D(S). TPL also replied that the necessary consideration has been duly given in the true-up of subsequent years, i.e., FY 2016-17 and FY 2017-18.

As stated above, the total impact for TPL-G (APP), TPL-D(A), TPL-D(S) and TPL-D(D) for the period from FY 2011-12 to FY 2014-15 has been computed by the Third Party Auditor as Rs. 14.45 crore. The head-wise and entity-wise break-up is given in the Table below:

**Table 4-40: Head-wise and Entity-wise Break-up of Impact assessed by Third Party Auditor on account of Accounting Issues**

**(Rs. Crore)**

| Sl. | Issue | TPL-G | TPL-D(A) | TPL-D(S) | TPL-D(D) | Total | TPL Contention |
|---|---|---|---|---|---|---|---|
| 1 | Depreciation claim from 1st day of month | 1.69 | 2.75 | 0.92 | 0.42 | 5.77 | As per Accounting Standards |
| **2** | **Other Borrowing Cost** | **0.01** | **0.78** | | | **0.79** | **Agreed to reverse** |
| 3 | Capital vs. Revenue Expenses | 0.04 | 0.04 | | | 0.09 | As per Accounting Standards |
| 4 | Sponsorship Expenses | 0.16 | 0.71 | 0.24 | | 1.11 | Part of CSR - requested for allowance |
| 5 | Gardening Expenses | 0.00 | 1.12 | | | 1.12 | Part of CSR - requested for allowance |
| 6 | Security Expenses | 0.09 | 0.01 | | | 0.09 | Part of CSR - requested for allowance |
| 7 | Provisions carried for long in books | | | | | 0.99 | As per Accounting Standards |
| 8 | Interest on Water Charges | | | | | 0.10 | No delay - efforts to reduce cost |
| 9 | Damage Charges under ESI Audit | | | | | 0.03 | Efforts to reduce cost |
| 10 | Depreciation claim without keeping Salvage Value | 0.40 | 1.20 | 0.84 | | 2.44 | As per Accounting Standards |

| Sl. | Issue | TPL-G | TPL-D(A) | TPL-D(S) | TPL-D(D) | Total | TPL Contention |
|---|---|---|---|---|---|---|---|
| 11 | Expenses related to Non-Regulatory Affairs | 0.31 | 1.06 | 0.52 | | 1.90 | TPL Claim appropriate |
| | **TOTAL** | **2.72** | **7.67** | **2.52** | **0.42** | **14.45** | |

With reference to the above Table, TPL has contended that only the impact of Sl. No. 2, i.e., Other Borrowing Cost, needs to be reversed, as the same has been inadvertently claimed. However, the Commission is of the view that the impact on account of certain other heads also needs to be adjusted, as discussed below:

1. TPL's contentions regarding Sl. No. 1 (Depreciation claim from 1$^{st}$ day of the month), Sl. No. 3 (Capital vs. Revenue expenses), and Sl. No. 10 (Depreciation claim without keeping salvage value for IT assets), are appropriate, as the treatment is in accordance with the Accounting Standards and have been clearly mentioned in the Notes to Accounts.
2. TPL's contentions regarding Sl. No. 4 (Sponsorship Expenses), Sl. No. 5 (Gardening Expenses), Sl. No. 6 (Security Expenses) and Sl. No. 11 (Expenses related to non-regulatory affairs) are not appropriate, as the same have to be incurred by TPL as part of its corporate responsibility and cannot be passed on to the consumers, and hence, need to be deducted from the ARR of the regulated business. The total reduction in the ARR of TPL-D(S) on this account works out to Rs. 0.76 crore.
3. As regards Sl. No. 8 and Sl. No. 9, the Commission finds merit in TPL's contention that these costs were not initially incurred as TPL had challenged the levy of these charges, and the net impact on account of these charges were finally lower than what they were originally, and hence, the consumers have benefited from TPL's actions in this regard. Hence, these amounts have not been considered for reduction from the ARR of FY 2017-18.
4. Thus, the total amount considered for reduction from the ARR of TPL-D(S) for FY 2017-18 is Rs.0.76 crore.

5. The above impact has been assessed only up to FY 2014-15, and TPL should submit the year-wise, entity-wise and head-wise adjustment for the subsequent period, in the next Tariff Petition, for necessary adjustment of the ARR.

The ARR approved in the MYT Order, actuals claimed in truing up, approved after truing up, and Gains/(Losses) computed in accordance with the GERC (MYT) Regulations, 2016 are as given in the Table below:

**Table 4.41: ARR approved in respect of TPL-D (S) in the truing up for FY 2017-18 (Rs. Crore)**

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in Truing up | Deviation | Controllable | Uncontrollable |
|---|---|---|---|---|---|---|
| Power Purchase Expenses | 1663.12 | 1,735.72 | 1,735.14 | (72.02) | 2.38 | (74.40) |
| Operation & Maintenance Expenses | 119.28 | 122.78 | 122.88 | (3.60) | (3.60) | - |
| Depreciation | 52.78 | 52.09 | 52.09 | 0.69 | - | 0.69 |
| Interest and Finance Charges | 27.71 | 24.87 | 24.87 | 2.84 | 0.79 | 2.15 |
| Interest on Security Deposit | 18.50 | 17.10 | 17.10 | 1.40 | - | 1.40 |
| Interest on Working Capital | - | - | - | - | - | - |
| Bad Debts Written off | 0.33 | 0.39 | 0.39 | (0.06) | (0.06) | - |
| Contribution to Contingency Reserves | 0.40 | 0.40 | 0.40 | - | - | - |
| Return on Equity Capital | 82.39 | 81.81 | 81.81 | 0.58 | - | 0.58 |
| Income Tax | 42.24 | 39.68 | 39.68 | 2.56 | - | 2.56 |
| Less: Non-Tariff Income | 35.18 | 24.96 | 25.06 | 10.12 | - | 10.12 |
| Less: Impact of Third-Party Audit | - | - | 0.76 | 0.76 | - | 0.76 |
| **ARR** | **1971.57** | **2049.88** | **2048.54** | **(76.97)** | **(0.49)** | **(76.48)** |

## 4.12 Sharing of Gains/ Losses for FY 2017-18

The Commission has shared the gains/losses on account of controllable and uncontrollable factors in accordance with Regulation 23 of the GERC (MYT) Regulations, 2016.

The true up ARR for FY 2017-18 as claimed by TPL-D (S) and as approved by the Commission is summarised in the Table below:

**Table 4.42: Approved Trued up ARR for FY 2017-18 including gain/loss for TPL-D (S) (Rs. Crore)**

| Particulars | Legend | Actual Claimed | Approved in Truing up |
|---|---|---|---|
| ARR as per MYT order | a | 1,971.58 | 1,971.58 |
| Gain/(Loss) due to Uncontrollable Factors | b | (77.90) | (76.48) |
| Gain/(Loss) due to Controllable Factors | c | (0.40) | (0.49) |
| Pass through as Tariff | d=-(1/3rd of c+b) | 78.04 | 76.64 |
| **Trued up ARR** | **e=a+d** | **2,049.61** | **2048.22** |

The Petitioner has requested the Commission to consider an amount of Rs. 166.95 Crore as revenue towards recovery of earlier years' approved Gap/(Surplus) as per the Order dated 9th June, 2017 and 25th July, 2018 for TPL-D(S). The Petitioner has further submitted that it has considered an adjustment of Rs. 0.10 Crore in the amount of Gap based on the outcome of Third Party Audit carried out by the agency appointed by the Commission.

However, it is observed that the Petitioner has incorrectly considered the earlier years' approved Gap/(Surplus) as Rs. 166.95 crore, before adjusting Rs. 0.10 crore for the impact of Third-Party Audit. The earlier years' approved Gap/(Surplus) approved in the Commission's Order dated 25th July, 2018 for TPL-D(S) is Rs. 166.80 crore on account of treatment of Income Tax.

The Commission sought detailed year-wise and head-wise break up of Rs. 0.10 Crore adjusted in the truing up of FY 2017-18, which has not been submitted by the Petitioner. As stated earlier, the Commission has separately considered the impact of Third-Party Audit as a separate line item in the ARR, and accordingly, the earlier year's Revenue Gap has not been adjusted again for the impact of Third-Party Audit.

The Petitioner has stated that the revenue towards recovery of earlier years' approved Gap/(Surplus) does not include Carrying Cost, which has been kept in abeyance as the matter is sub-judice before the Hon'ble APTEL. The Petitioner has requested the

Commission to allow recovery of the same as Carrying Cost charge with necessary adjustment due to delay in recovery of same upon decision of the Hon'ble APTEL in the said proceedings.

The Revenue Gap claimed and approved for TPL-D(S) for FY 2017-18 are detailed in the Table below:

**Table 4.43: Approved Revenue Gap for TPL-D (S) for FY 2017-18 (Rs. Crore)**

| Particulars | Actual Claimed | Approved in Truing up |
|---|---|---|
| Trued Up ARR | 2,049.61 | 2,048.22 |
| Revenue | 2,186.11 | 2,186.11 |
| Revenue towards Recovery of Earlier Years Approved Gap (Surplus) | 166.85 | 166.80 |
| Balance Revenue | 2,019.26 | 2,019.31 |
| **Gap/(Surplus)** | **30.35** | **28.91** |

Accordingly, the Commission now considers the trued-up Revenue Gap of Rs. 28.91 Crore for FY 2017-18, for determination of tariff for FY 2019-20.

# 5. Determination of Revised ARR for FY 2019-20 and FY 2020-21

## 5.1 Introduction

The Commission approved the ARR for TPL-D(S) for the Control Period from FY 2016-17 to FY 2020-21 in the MYT Order dated 9th June, 2017 in Case No. 1628 of 2016.

Regulation 16.2 (i) of the GERC (MYT) Regulations, 2016, provides for a Mid-term Review of the ARR along with the truing up of 2nd year of the Control Period and tariff determination for 4th year of the Control Period, as reproduced below:

*"A detailed Multi-Year Tariff Application comprising the forecast of Aggregate Revenue Requirement for the entire Control Period and expected revenue from existing tariffs for the first year of the Control Period to be submitted by the Applicant:*

*Provided that the performance parameters, whose trajectories have been specified in the Regulations, shall form the basis for projection of these performance parameters in the Aggregate Revenue Requirement for the entire Control Period:*

***Provided further that a Mid-term Review of the Aggregate Revenue Requirement shall be undertaken for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee on an application that shall be filed by the utilities along with the Petition for truing-up for the second year of the Control Period and tariff determination for the fourth year of the Control Period;" (emphasis added)***

Accordingly, the Petitioner has sought Mid-term Review of ARR for FY 2019-20 and FY 2020-21 based on the revised estimates of sales, power procurement, capital expenditure, O&M expenses and the corresponding changes in other constituents of the ARR.

The Commission has analysed the proposal of TPL-D(S) taking into consideration the comments and suggestions from the stakeholders, the GERC (MYT) Regulations, 2016 and other relevant Regulations which include the GERC (Conduct of Business) Regulations, 2004, RPO Regulations, etc.

## 5.2 Energy Sales

**Petitioner's Submission**

The Petitioner submitted that the Commission had approved the sales for the entire Control Period including FY 2019-20 and FY 2020-21 in the MYT Order. The revised estimates of category-wise sales, are furnished in the following Table:

**Table 5.1: Category-wise Energy Sales projected by TPL-D (S) for FY 2019-20 and FY 2020-21 (MUs)**

| Category | 2019-20 | 2020-21 |
|---|---|---|
| RGP | 882.75 | 918.39 |
| Non RGP | 1,262.57 | 1,267.46 |
| LTMD | 927.60 | 923.53 |
| HTMD | 351.92 | 367.20 |
| Others | 26.99 | 27.26 |
| **Total** | **3,451.83** | **3,503.83** |

The Petitioner submitted that the sales in FY 2019-20 and FY 2020-21 is expected to be lower for the following reasons:

- The Sales for the MYT Control Period were approved considering 5-year CAGR of FY 2015-16 over FY 2010-11. The sales are likely to be lower than the approved estimates due to a combined effect of slowdown of industries particularly textiles and its allied industries, lower temperature, and captive consumption. Further, the actual sales in FY 2017-18 have been lower than the sales approved in the MYT Order due to a combined effect of demonetization and GST implementation.
- In order to project the sales for FY 2019-20 and FY 2020-21, TPL-D (S) has used 5-year CAGR on the base year FY 2017-18. The sales of NRGP/LTMD/HT categories for FY 2017-18 have been normalized by giving an effect of 54.10 MUs to factor the impact of GST, demonetization, and captive consumption.
- The Commission has notified the GERC (Net Metering) Regulations, 2016 for rooftop solar projects, which encourages residential and non-residential consumers to set up

rooftop solar projects. Since the scheme is at nascent stage, the Petitioner has not considered its impact on sales in the current projections.

TPL-D (S) has submitted the category-wise CAGR considered for projections as given below:

- RGP: In the MYT Order, the Commission had considered 5-year CAGR of 3.95% over FY 2015-16 sales for this category. The actual sales to RGP category in FY 2016-17 and FY 2017-18 are lower than that approved in the MYT Order. For the revised sales forecast of RGP category for FY 2019-20 and FY 2020-21, the Petitioner has considered 5-year CAGR of 4.04% over FY 2017-18 sales.
- Non RGP: This category comprises mainly of Industrial and non-industrial services having connected load ≤15 kW. Further, industrial services comprise textile, diamond and embroidery segments whereas non-industrial services comprise shops, showrooms and offices, etc. TPL-D (S) has revised the sales for this category by considering 5-year CAGR of 0.39% on normalised sales for base year FY 2017-18.
- LTMD: The consumption in this category comes mainly from industrial and non-industrial services having connected load >15 kW. Further, industrial services comprise textile, diamond and embroidery segments whereas non-industrial services comprise shops, showrooms and offices, etc.. Accordingly, TPL-D has revised the sales for this category by considering 5-year CAGR of -0.44% on normalised sales for base year FY 2017-18. While making the projections, TPL-D has also taken into consideration the overall slowdown in industrial segment and conversion of textile units into embroidery units with lower consumption.
- HTMD: The category consists of sales to consumers contracting for maximum demand of 100 kW and above. The details of the projections carried out for HTMD-1 and HTMD-2 categories is enumerated hereunder:
    - HTMD-1: The consumption in this category is mainly attributed to the textile, diamond industries and commercial establishments in the Surat licence area. The sales to this category have been affected by shifting of textile process houses to outside city, textile houses of higher load factor being replaced by consumers having lower load factor and higher impact of wind set-off units along with the impact of GST.

- HTMD- 2: The consumption in this category is mainly attributed to water works and pumping stations run by the Local Authority. In line with the decision of the Government of Gujarat to promote the consumption of energy through renewable sources, SMC has installed the Solar Rooftop Panels and also Wind Turbine Generators. This will have an impact on the sales of this category.

TPL submitted that it has revised the sales for this category by considering 5-year CAGR of 4.34% on normalized sales for base year FY 2017-18.

- Others: This category contains the sales to the GLP category, LTP (AG), and Temporary Units. The MYT sales were projected based on 5-year CAGR. However, the actual sales for FY 2016-17 and FY 2017-18 has been lower primarily due to reduction in consumption of streetlights due to installation of LEDs and energy saving equipment. Accordingly, the sales estimates have been duly revised.

Thus, as per revised estimates, TPL-D (S) has projected the sales for FY 2019-20 and FY 2020-21 as 3,451.83 MUs and 3,503.83 MUs, respectively, against the MYT approved sales of 3,520.27 MUs and 3580.36 MUs, respectively.

**Commission's Analysis**

The Commission has noted the category-wise CAGR considered to work out the revised sales projections by the Petitioner for FY 2019-20 and FY 2020-21. The Petitioner has considered FY 2017-18 as base year and considered the latest 5-year CAGR for projection of sales. The Commission is of the view that the Licensee is in the best position to judge the sales growth and accordingly, considers the approach of 5-year CAGR on the sales of latest year followed by TPL-D(S) as the most appropriate approach. Hence, the Commission approves the category-wise sales as projected by TPL-D(S) as under:

**Table 5.2: Energy Sales approved by the Commission for TPL-D(S) for FY 2019-20 and FY 2020-21 (MUs)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| RGP | 900.03 | 882.75 | 882.75 | 935.60 | 918.39 | 918.39 |

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Non RGP | 1,275.40 | 1,262.57 | 1,262.57 | 1,282.44 | 1,267.46 | 1,267.46 |
| LTMD | 959.91 | 927.60 | 927.60 | 958.42 | 923.53 | 923.53 |
| HTMD | 353.86 | 351.92 | 351.92 | 371.82 | 367.20 | 367.20 |
| Others | 31.07 | 26.99 | 26.99 | 32.08 | 27.26 | 27.26 |
| **Total** | **3,520.27** | **3,451.83** | **3,451.83** | **3,580.36** | **3,503.83** | **3,503.83** |

## 5.3 Distribution Losses

**Petitioner's Submission**

TPL-D (S) has submitted that it has been trying to contain the loss levels in its licence area to the lowest possible levels through sustained efforts, in terms of implementing efficient practices and perseverance from the employees. TPL-D (S) has further submitted that it is one of the few Distribution Licensees in the country to have achieved such efficiency. However, further reduction in Distribution Losses would be difficult, rather the Losses would tend to increase.

TPL-D (S) submitted that it has considered the Distribution Losses approved by the Commission in the MYT Order for FY 2019-20 and FY 2020-21, as shown in the following Table:

**Table 5.3: Distribution Losses projected by TPL-D (S) for FY 2019-20 and FY 2020-21**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Distribution Losses | 3.64% | 3.59% |

**Commission's Analysis**

The Petitioner has considered the Distribution Losses of 3.64% for FY 2019-20 and 3.59% for FY 2020-21, same as approved by the Commission in the MYT Order. TPL-D(S) has reported lower actual Distribution Losses in FY 2017-18, as compared to the trajectory of

Distribution Losses approved by the Commission in the MYT Order. However, the Hon'ble APTEL has ruled that in accordance with the GERC (MYT) Regulations, 2016, the performance trajectories cannot be modified at the time of MTR. Accordingly, the Commission approves the Distribution Losses, in line with the trajectory approved by the Commission in the MYT Order, as shown in Table 5.3.

## 5.4 Energy Requirement

### Petitioner's Submission

TPL-D (S) has submitted that power purchase is being arranged for TPL-D(A) and TPL-D(S) on collective basis. The revised energy requirement has been projected on the basis of revised estimates of sales, MYT approved Distribution Losses and prevailing Transmission Losses. TPL-D has submitted the revised estimate of energy requirement as shown in the following Table:

**Table 5.4: Energy Requirement projected by TPL-D (S) for FY 2019-20 and FY 2020-21**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| **Surat Supply Area** | | |
| Energy Sales (MUs) | 3,451.83 | 3,503.83 |
| Distribution Losses (%) | 3.64% | 3.59% |
| Distribution Losses (MUs) | 130.39 | 130.47 |
| Energy Input at Distribution Level | 3,582.22 | 3,634.31 |
| 220 kV/Transmission Losses | 32.15 | 34.37 |
| **Energy Requirement (MUs)** | **3,614.37** | **3,668.67** |

### Commission's Analysis

The Commission observed that TPL-D(S) has considered higher and increasing level of Transmission Losses, while projecting the energy requirement for FY 2019-20 and FY 2020-21. TPL-D(S) has considered Transmission Losses of 0.89% and 0.94% for FY 2019-20 and FY 2020-21, as against Transmission Losses of 1.11% considered for each Year in the MYT Order, and actual Transmission Losses of 0.79% in FY 2017-18. In the MYT

Order, the Commission had considered the Transmission Losses of 1.11% based on the trued-up Transmission Losses of FY 2015-16, which was the latest year at that time. Hence, the Commission has considered Transmission Losses of 0.79%, based on the true-up for FY 2017-18, for projecting the energy requirement for FY 2019-20 and FY 2020-21.

Based on the energy sales approved in Table 5.2, Distribution Losses approved in Table 5.3, and Transmission Losses of 0.79%, the Commission has computed the energy requirement for TPL-D(S) for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.5: Energy Requirement approved for TPL-D(S) for FY 2019-20 and FY 2020-21**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in MYT Order | Revised Estimate | Approved in MTR | Approved in MYT Order | Revised Estimate | Approved in MTR |
| Energy Sales (MUs) | 3520.28 | 3451.83 | 3,451.83 | 3580.31 | 3503.83 | 3,503.83 |
| Distribution Losses (%) | 3.64% | 3.64% | 3.64% | 3.59% | 3.59% | 3.59% |
| Distribution Losses (MUs) | 132.98 | 130.39 | 130.39 | 133.32 | 130.47 | 130.47 |
| Energy Input at Distribution Level | 3563.26 | 3582.22 | 3582.22 | 3713.68 | 3634.31 | 3634.31 |
| 220 kV/Transmission Losses | 41.00 | 32.15 | 28.53 | 41.68 | 34.37 | 28.94 |
| Energy Requirement (MUs) | **3694.26** | **3614.37** | **3610.75** | **3755.36** | **3668.67** | **3663.25** |

## 5.5 Energy Availability

**Petitioner's Submission**

TPL has submitted that energy sourcing is planned to be done from two types of sources, i.e., long-term sources and short-term sources. The long-term sources include TPL-G (APP), SUGEN, and Renewable Energy sources. The short-term sources include Bilateral Sources and Power Exchange. TPL submitted that it would add other sources of power upon completion of necessary processes.

In the MYT Order, the Commission had approved source-wise energy purchase for the MYT Period including FY 2019-20 and FY 2020-21. However, the same is likely to change based on revised estimates of off-take from long-term sources. Further, the Commission had notified the second amendment to the GERC (Procurement of Energy from Renewable Sources) Regulations, 2010. Accordingly, TPL has estimated the Renewable Energy availability for FY 2019-20 and FY 2020-21 towards RPPO compliance.

TPL submitted that the balance power would be sourced from short-term sources as and when required. Further, TPL has planned to source power for FY 2019-20 and FY 2020-21 subject to minimum technical /must-run criteria while ensuring reliability of power.

TPL submitted the likely source-wise power purchase as per revised estimates as shown in the following Table:

**Table 5.6: Energy Availability projected by TPL-D(A) and TPL-D(S) for FY 2019-20 and FY 2020-21 (MUs)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| TPL - G (APP) | 2,584.59 | 2,600.81 |
| SUGEN | 6,341.80 | 6,160.69 |
| Bilateral Sources/Power Exchange | 2,341.66 | 2,788.95 |
| Renewables | 1,160.94 | 1,299.54 |
| **Sub-Total** | **12,429.00** | **12,850.00** |
| Less: Sale of Surplus Power/UI | - | - |
| **Total** | **12,429.00** | **12,850.00** |

### Commission's Analysis

As per the GERC (MYT) Regulations, 2016, the Distribution Licensees are required to project the power purchase requirement based on the Merit Order Despatch principles of all generating stations considered for power purchase, RPO, and the target set, if any, for Energy Efficiency and DSM schemes.

In the MYT order, the Commission had approved source wise power purchase for FY 2019-20 and FY 2020-21. Accordingly, TPL has projected the power requirement and availability of power from approved sources. Further, the Commission had approved power procurement from Power Exchanges established under the market development mechanism under the Electricity Act, 2003. In FY 2017-18, TPL had met the shortfall in power purchase from long-term sources or Renewables by procurement from Bilateral Sources and short-term purchase through Indian Energy Exchange (IEX).

The Commission has considered the quantum of energy availability from TPL-G(APP) as approved in the MTR Order of TPL-G(APP) in Petition No. 1763 of 2018. The quantum of purchase from SUGEN has been considered as projected by TPL, as the same is in line with the actual quantum of purchase from SUGEN in FY 2017-18.

The RPPO targets approved by the Commission as per the GERC (Procurement of energy from renewable sources) (second amendment) Regulations, 2018 for FY 2019-20 and FY 2020-21 are as follows:

**Table 5.7: RPPO Target approved by the Commission for TPL-D**

| Description | 2019-20 | 2020-21 |
|---|---|---|
| Solar | 5.50% | 6.75% |
| Wind | 8.05% | 8.15% |
| Others (Biomass, Small Hydro, Bagasse, MSW) | 0.75% | 0.75% |
| **RPPO** | **14.30%** | **15.65%** |

The quantum of purchase from Wind Energy and Solar Energy sources has been considered in accordance with the above RPO targets. No purchase of RECs has been considered, in view of the prevailing low rates of Renewable power discovered through competitive bidding.

Considering the growth in sales and the need to meet the demand for power from consumers, there is shortfall in energy requirement from long-term sources. Accordingly, the Commission has given flexibility to TPL to procure power at competitive rates from market through Power Exchanges or e-bid procurement as per the guidelines of MoP. The share of purchase from Bilateral Sources and Power Exchange has been considered in the ratio of 10:90, in accordance with the actual share of purchase from these sources in FY 2017-18. TPL should procure power from these sources based on the prevailing rates, in order to optimise the power purchase cost.

In accordance with the above, the energy availability projection as approved by the Commission in the Mid-Term Review for FY 2019-20 and FY 2020-21 is given below:

**Table 5.8: Energy Availability approved for TPL-D(A) and TPL-D(S) for FY 2019-20 and FY 2020-21 (MUs)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| TPL - G (APP) | 2,398.13 | 2,584.59 | 2,584.59 | 2,444.43 | 2,600.81 | 2,600.81 |
| SUGEN | 4,754.49 | 6,341.80 | 6,341.80 | 4,754.49 | 6,160.69 | 6,160.69 |
| Bilateral | 1,971.51 | 2,341.66 | 168.56 | 1,917.36 | 2,788.95 | 201.97 |
| Power Exchange | 1,679.69 | | 1,517.05 | 1,969.09 | | 1,817.99 |
| Non-Solar | 1,109.38 | 1,160.94 | 1,089.68 | 1,169.65 | 1,299.54 | 1,137.56 |
| Solar | 693.36 | | 681.05 | 887.09 | | 862.75 |
| **Sub-Total** | **12,606.56** | **12,429.00** | **12,382.74** | **13,142.11** | **12,850.00** | **12,781.53** |
| Less: Sale of Surplus Power/UI | - | - | - | - | - | - |
| **Total** | **12,606.56** | **12,429.00** | **12,382.74** | **13,142.11** | **12,850.00** | **12,781.53** |

## 5.6 Power Purchase Cost

**Petitioner's Submission**

TPL has submitted that considering the estimated energy availability, the cost of power purchase from each of the sources has been computed considering the actual cost incurred during first half (H1) of FY 2018-19 as the base. The power purchase cost thus, arrived at for FY 2019-20 and FY 2020-21 is shown in the following Table:

**Table 5.9: Power Purchase Cost projected for TPL-D(A) and TPL-D(S) (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| TPL - G (APP) | 1,156.03 | 1,176.67 |
| SUGEN | 4,036.03 | 3,943.54 |

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Bilateral/ Power Exchange | 1,151.91 | 1,359.35 |
| Renewables | 658.98 | 695.17 |
| **Total** | **7,002.95** | **7,174.73** |

TPL further submitted that as per revised estimates, the power purchase cost for FY 2019-20 and FY 2020-21 works out to Rs. 7,002.95 Crore and Rs. 7,174.73 Crore, respectively, against the cost of Rs. 5,915.36 Crore and Rs. 6,221.79 Crore, respectively, approved in the MYT Order. TPL submitted that it has considered the current FPPPA rate as base FPPPA in line with revised base power purchase cost.

**Commission's Analysis**

The Commission is of the view that as the trued-up values of FY 2017-18 are being considered for making projections of sales for FY 2019-20 and FY 2020-21, it would be more appropriate to consider the trued-up rates of power purchase from each source of power in FY 2017-18, for projecting the cost of power purchase for FY 2019-20 and FY 2020-21.

The cost of power purchase from TPL-G(APP) has been considered in line with the power generation tariff (Fixed Charges and Variable Charges) approved by the Commission for FY 2019-20 and FY 2020-21, in the MTR Order in Petition No. 1763 of 2018. Thus, the fixed cost of purchase from TPL-G(APP) has been considered as Rs. 314.31 crore and Rs. 329.57 crore for FY 2019-20 and FY 2020-21, respectively. The variable cost of purchase from TPL-G(APP) has been considered as Rs. 3.14 per kWh for FY 2019-20 and FY 2020-21 respectively.

As regards SUGEN, in the MYT Order, the Commission had approved fixed cost of Rs. 782.72 Crore. The Petitioner has proposed Fixed Charges of Rs. 797.34 crore (inclusive of Transmission cost towards PGCIL), which is in line with the CERC approved fixed cost. Accordingly, the Commission approves the Fixed Charges for purchase from SUGEN as proposed by the Petitioner for FY 2019-20 and FY 2020-21. The variable cost of purchase from SUGEN has been considered as Rs. 3.98 per kWh, as approved in the true-up for FY 2017-18.

As regards renewables, the Commission has considered the quantum and rate of power purchase as approved in truing up for the quantum approved in FY 2017-18. The Commission has projected the cost of purchase for balance requirement of Renewable power to meet the RPO requirement at the lowest competitive bid rates discovered recently by GUVNL for solar and wind projects in Gujarat and as submitted by them in their MTR Petitions. The Petitioner should procure all additional Renewable power requirement through competitive bidding, to ensure that the power purchase cost is optimised. The break-up of power purchase cost from Renewable Energy sources as approved by the Commission after Mid-Term Review for FY 2019-20 and FY 2020-21 is shown in the Table **of** below:

**Table 5.10: Cost of Renewable Power Purchase approved for TPL-D(A) and TPL-D(S)**

| Source | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Quantum (MUs) | Rate (Rs/kWh) | Cost (Rs. Crore) | Quantum (MUs) | Rate (Rs/kWh) | Cost (Rs. Crore) |
| **Solar Purchase** | | | | | | |
| Power contracted at Preferential Tariff | 283.92 | 8.904 | 252.80 | 283.92 | 8.904 | 252.80 |
| Power procured through Competitive Bid | 397.13 | 2.66 | 105.64 | 578.83 | 2.54 | 147.02 |
| **Total Solar Purchase** | 681.05 | 5.26 | 358.44 | 862.75 | 4.63 | 399.82 |
| **Non-Solar Purchase** | | | | | | |
| Power contracted at Preferential Tariff | 728.82 | 4.216 | 307.27 | 728.82 | 4.216 | 307.27 |
| Power procured through Competitive Bid | 360.86 | 2.44 | 88.05 | 408.74 | 2.44 | 99.73 |
| **Total Non-Solar Purchase** | 1,089.68 | 3.63 | 395.32 | 1,137.56 | 3.58 | 407.00 |
| **Total RE Purchase** | 1,770.73 | 4.26 | 753.76 | 2,000.31 | 4.03 | 806.82 |

The single-part variable cost of purchase from Bilateral Sources and Power Exchange has been considered as Rs. 3.08 per kWh and Rs. 4.53 per kWh, respectively, for both FY 2019-20 and FY 2020-21, as approved in the true-up for FY 2017-18. This arrangement is provisionally considered by the Commission for FY 2019-20 and FY 2020-21. However, the licensee shall ensure that purchase of power is made on most competitive rate as per market condition.

Accordingly, the Commission has approved the total power procurement cost of TPL-D (A) and TPL-D(S) from different sources, after Mid-term Review, as given in the Table below:

**Table 5.11: Approved Power Procurement Quantum and Cost for FY 2019-20**

| Power Source | Energy Received (MUs) | Capacity Charges (Rs. Crore) | Variable Cost (Rs/kWh) | Total Variable Charges (Rs. Crore) | Total Cost of power purchase (Rs. Crore) | Per Unit Cost (Rs/kWh) |
|---|---|---|---|---|---|---|
| TPL - G (APP) | 2,584.59 | 314.31 | 3.14 | 812.54 | 1,126.85 | 4.36 |
| SUGEN | 6,341.80 | 797.34 | 3.98 | 2,524.04 | 3,321.38 | 5.24 |
| Bilateral | 168.56 | - | 3.08 | 51.92 | 51.92 | 3.08 |
| Power Exchange | 1,517.05 | - | 4.53 | 687.22 | 687.22 | 4.53 |
| Non-Solar | 1,089.68 | - | 3.63 | 395.32 | 395.32 | 3.63 |
| Solar | 681.05 | - | 5.26 | 358.44 | 358.44 | 5.26 |
| **Total** | **12,382.74** | **1,111.65** | | **4,829.48** | **5,941.13** | **4.80** |

**Table 5.12: Approved Power Procurement Quantum and Cost for FY 2020-21**

| Power Source | Energy Received (MUs) | Capacity Charges (Rs. Crore) | Variable Cost (Rs/kWh) | Total Variable Charges (Rs. Crore) | Total Cost of power purchase (Rs. Crore) | Per Unit Cost (Rs/kWh) |
|---|---|---|---|---|---|---|
| TPL - G (APP) | 2,600.81 | 329.57 | 3.14 | 817.70 | 1,147.27 | 4.41 |
| SUGEN | 6,160.69 | 797.34 | 3.98 | 2,451.95 | 3,249.29 | 5.27 |
| Bilateral | 201.97 | - | 3.08 | 62.13 | 62.13 | 3.08 |
| Power Exchange | 1,817.99 | - | 4.53 | 823.55 | 823.55 | 4.53 |
| Non-Solar | 1,137.56 | - | 3.58 | 407.00 | 407.00 | 3.58 |

| Power Source | Energy Received (MUs) | Capacity Charges (Rs. Crore) | Variable Cost (Rs/kWh) | Total Variable Charges (Rs. Crore) | Total Cost of power purchase (Rs. Crore) | Per Unit Cost (Rs/kWh) |
|---|---|---|---|---|---|---|
| Solar | 862.75 | - | 4.63 | 399.82 | 399.82 | 4.63 |
| **Total** | **12,781.52** | **1,126.91** | | **4,962.15** | **6,089.06** | **4.77** |

The above power procurement cost is the total power procurement cost of both TPL-D(A) and TPL-D(S). For arriving at individual power purchase cost, the total power purchase cost is apportioned in the ratio of power requirement between the two Licence areas. The following Table shows the power purchase cost of TPL-D(S) for FY 2019-20 and FY 2020-21.

**Table 5.13: Approved Power Purchase Cost for TPL-D (S) (Rs. Crore)**

| Description | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Power Purchase Cost | 1,733.32 | 2,036.47 | 1,732.41 | 1,777.70 | 2,048.39 | 1,745.15 |

## 5.7 Fixed Charges

### 5.7.1 Operation and Maintenance (O&M) Expenses

**Petitioner's Submission**

The O&M expenses consist of Employee Expenses, Administration & General expenses and Repairs & Maintenance expenses. TPL-D(S) has submitted that the main drivers of these expenses are business growth, inflation, standards of performance, exposure of the assets to general public and safety norms.

In the MYT Order, the Commission had approved the O&M expenses of Rs. 133.31 Crore and Rs. 140.94 Crore for FY 2019-20 and FY 2020-21, respectively. TPL-D(S) has submitted the revised O&M expenses by considering the average of approved O&M expenses for three years ending 31st March, 2017. The average of approved O&M

expenses has been considered as the O&M expenses for FY 2015-16 and escalated @5.72% to arrive at the O&M expenses for the subsequent years.

Accordingly, the revised O&M expenses for TPL-D(S) for these two years are shown in the following Table:

**Table 5.14: Revised O&M Expenses for TPL-D (S) (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| O&M Expenses | 140.20 | 148.22 |

TPL-D(S) has submitted that the above O&M expenses does not take into account the uncontrollable expenses such as wage revision, change in law, change in levies/duties/taxes and charges, etc. TPL-D(S) requested the Commission to treat these components as uncontrollable expenses and allow such expenses over and above normal components.

**Commission's Analysis**

The Petitioner has revised the O&M expenses for FY 2019-20 to FY 2020-21, which are higher than the O&M expenses approved by the Commission in the MYT Order for the respective years. Since O&M expenses is a controllable parameter, the Commission finds it appropriate to retain the same at the level approved in the MYT Order. This is consistent with the approach followed for other controllable parameters such as Distribution Losses, etc., where the trajectory stipulated in the MYT Order has been retained in the Mid-Term Review, even though the actual Distribution Losses in FY 2017-18 are lower than the stipulated levels.

Further, Regulations 86.2 and 94.8 of the GERC (MYT) Regulations, 2016 specify the method of allowing normative O&M expenses for the MYT Control Period, as reproduced below:

*"86.2 Operation and Maintenance expenses:*

*a) The Operation and Maintenance expenses shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending March 31, 2015, subject to prudence check by the Commission.*

*b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended March 31, 2014 and shall be escalated year on year at the escalation factor of 5.72% to arrive at operation and maintenance expenses for subsequent years up to FY 2020-21:…"*

Thus, there is no scope for revision of the O&M expenses at the time of Mid-Term Review by considering the actual O&M expenses for the three years upto FY 2016-17, as proposed by the Petitioner.

Therefore, the Commission approves the O&M expenses for FY 2019-20 and FY 2020-21 in the Mid-Term Review, as allowed in the MYT Order, as shown in the Table below:

**Table 5.15: O&M Expenses approved for TPL-D (S) for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT order | Revised Estimate | Approved in MTR | Approved in the MYT order | Revised Estimate | Approved in MTR |
| Employee Expenses | 56.81 | 64.71 | 56.81 | 60.06 | 68.41 | 60.06 |
| R&M Expenses | 39.59 | 36.94 | 39.59 | 41.86 | 39.06 | 41.86 |
| A&G Expenses | 36.91 | 38.55 | 36.91 | 39.03 | 40.76 | 39.03 |
| **Total O&M Expenses (net of capitalisation)** | **133.31** | **140.20** | **133.31** | **140.94** | **148.22** | **140.94** |

### 5.7.2 Capital Expenditure, Capitalization and Sources of Funding

### a) Capital Expenditure

**Petitioner's Submission**

The rapid urbanisation of Surat city has resulted in a steep increase in the system demand over the past few years. It is expected that the load density of Surat licence area will increase in the coming years and there is potential for further horizontal and vertical development. Further, the present 220 kV network feeding power to Surat City is having radial configuration where reliability of the power is highly affected in case of failure/tripping of the 220kV line. TPL-D (S) stated that it has 66 kV Interconnectivity between its 66 kV Receiving Station to maintain the reliability to the extent possible.

The Petitioner added that in order to meet future demand while ensuring reliability and redundancy, it has additionally proposed to establish 220 kV connectivity with GETCO.

The capex proposed to be incurred during FY 2019-20 and FY 2020- 21 includes the capex deferred from the past years, i.e. FY 2016-17 and FY 2017-18.

The Commission in its order in Case No. 1628/2016 had approved capital expenditure of Rs. 121.59 Crore for FY 2019-20 and Rs. 97.79 Crore for FY 2020-21. However, in view of the above developments, TPL-D has revised the estimated capital expenditure for FY 2019-20 and FY 2020-21, including the deferment of earlier years capex, as under:

**Table 5.16: Proposed Capex for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| EHV Network | 185.36 | 85.14 |
| HT Network | 30.89 | 36.81 |
| LT Network | 23.07 | 23.76 |
| Special Projects | 27.41 | 2.86 |
| Civil | 0.25 | 0.25 |
| Meter Management | 15.08 | 19.40 |
| Customer Care | 0.15 | 1.09 |
| IT & Related Expenditure | 1.28 | 2.09 |
| Miscellaneous | 30.58 | 5.24 |
| **Grand Total** | **314.08** | **176.64** |

TPL-D has submitted the following details for the revised capital expenditure:

- EHV Network:
  - ❖ Establishment of new 220 kV GIS substation at C station along with 220 kV line interconnectivity: TPL-D (S) has proposed to convert the existing 66 kV AIS to GIS at C Station to create space for accommodating 220 kV GIS Switching

Station. This 220 kV GIS Switching Station at 'C' Receiving Station will be connected with the existing 220 kV Puna, Bhatar and FGIS Import points to form a Ring Main System through 220 kV cable network since laying of overhead 220 kV line across the city is not possible in densely populated area. The work on this project has been initiated in FY 2017-18 and is expected to be completed during FY 2019-20.

- 220 kV Connectivity with GETCO: The present 220 kV network feeding power to Surat City is having radial configuration where reliability of the power is highly affected in case of failure/tripping of the 220-kV line. It will further aggravate in case of appearance of larger load in the system like Surat METRO project. To overcome such constraints, TPL-D(S) proposes to establish 220 kV connectivity with GETCO Network. This will ensure continuity of supply to critical loads like hospitals, railways, SMC, Govt. offices, and Metro during exigency. The project is proposed to be initiated in FY 2019-20.
- 220 kV EHV Line/ Cable: TPL-D(S) proposes replacement of porcelain insulators by polymeric insulators in 220 kV network in order to improve reliability and reduce maintenance.
- Commissioning of New 66 kV sub-stations: Based on status of existing major projects underway, loading of the network and sub-station, and potential of residential and commercial development, TPL-D(S) has proposed to establish 66 kV Sub-stations during the MYT period. During FY 2019-20 and FY 2020-21, TPL-D proposes to procure land for establishing 66 kV Sub-station at Katargam and Bhatena.
- Additional 66 kV connectivity: During FY 2019-20 and FY 2020-21, capex is proposed to be incurred for additional 66 kV connectivity for Puna-K and Bhatar-H.
- Additional / Augmentation / Replacement of Power Transformer: Capex has been proposed towards commissioning of additional transformers to cater to load growth and fulfil n-1 criteria along with replacement of transformers considering ageing.
- Replacement & Renovation in existing EHV Substation: Capex has been proposed towards renovation and replacement of various equipments in EHV sub-stations.

- Technology upgradation and capacity enhancement of EHV Substation at B station: During the MYT period, it was proposed to convert AIS based B station to GIS with state-of-the-art technology along with capacity enhancement. This project was to be carried out in two phases. The first phase pertaining to shifting of 66 kV control room shall be completed in FY 2018-19. However, the second phase pertaining to conversion of AIS to GIS has been postponed at present.
- Supporting infrastructure for EHV network: Major cost involved in this head pertains to ABT and SCADA system replacement along with procurement of various equipments. The cost for ABT and SCADA system has been deferred from earlier years based on revised timelines for erection of C station control room.

The revised capital expenditure planned under the head of EHV is summarised below:

**Table 5.17: Proposed Capex for EHV Network (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| New 220 kV GIS Sub-station at C station | 91.55 | - |
| 220 kV Connectivity with GETCO | 17.91 | 57.68 |
| 220 kV EHV Line/Cable | 0.57 | - |
| Commissioning of New 66 kV Sub-stations | 43.76 | 25.87 |
| Additional 66 kV Connectivity | 18.63 | - |
| Additional/Augmentation/ Replacement of Power Transformer | 2.97 | - |
| Replacement & Renovation in existing EHV Sub-station | 1.25 | 1.25 |
| Supporting Infrastructure for EHV Network | 8.72 | 0.33 |
| **Total** | **185.36** | **85.14** |

- HT Network: The major portion of capital expenditure under this head is meant for establishing new distribution sub-stations and creating 11 kV network for meeting the load demand of new and existing customers. TPL-D(S) is required to install distribution sub-stations to meet additional load requirement of existing as well as new customers and to maintain the existing level of losses.

Based on the trend of applications for new connection/extension of load, TPL-D(S) has proposed higher capital expenditure for 11 kV network and transformers. Further, higher capital expenditure is proposed under the head of Additional / Augmentation / Replacement of distribution transformers to cater to the load growth as well as to ensure reliable and quality power. For remaining heads, need based capital expenditure has been proposed during FY 2019-20 and FY 2020-21.

The revised capital expenditure planned under the head of HT is summarised as under:

**Table 5.18: Proposed Capex for HT Network (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| 11 kV HT Network Development and modification | 1.78 | 6.94 |
| Replacement/Shifting of HT Network | 1.81 | 1.86 |
| Distribution Sub-station automation | 5.14 | 5.29 |
| New Distribution Sub-stations | 8.86 | 9.15 |
| New HT Consumers | 1.61 | 1.65 |
| Additional/Augmentation/Replacement of Distribution Transformer | 9.21 | 9.49 |
| Installation/Replacement of 11 kV Switchgear/LT Panel/Breaker for Safety | 0.38 | 0.40 |
| Reactive Power Compensation | 1.73 | 1.78 |
| Supporting Infrastructure for HT | 0.37 | 0.26 |
| **Total** | **30.89** | **36.81** |

- LT Network: The spending under this head is estimated to be higher than that approved in the MYT Order due to higher capital expenditure under the head of New connection/Extension and activity of replacement of old and deteriorated MSP/Meter Boxes for enhancing safety and reliability.

  The revised capital expenditure planned under the head LT Network is summarised as under:

**Table 5.19:Proposed Capex for LT Network (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| New Connections/Load Extension | 13.92 | 14.38 |
| LT Network Development and Modification | 5.51 | 5.63 |

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Repl. Of MSP/MB for Safety and Reliability | 3.59 | 3.70 |
| Supporting Infrastructure -LT | 0.05 | 0.05 |
| **Total** | **23.07** | **23.76** |

- **Special Projects**:
    - **Establishment of Power Supply Centre (PSC):** Looking to the increase in demand and development of the city, it is proposed to establish three PSCs at strategic locations. This will help to reduce time taken to attend complaints and expedite release of connections thereby enhancing customer satisfaction. Since it is difficult to obtain land at cheaper rates, it is proposed to establish PSCs in the existing premises of B, C and E stations by creating space through redesigning existing infrastructure.
    - **Stores:** In line with the MYT, sub-stores are proposed at B and C station to make PSC self-sufficient for day to day material requirement and providing faster services by reducing transit time. Related infrastructure like Racking system, various Material handling equipment, etc. are proposed under this head.
    - **GIS**: It includes capex for procurement of instruments, various hardware and software. No deviation is proposed under this head.

The revised capex planned under the head of Special Projects is summarized as under:

**Table 5.20:Proposed Capex for Special Projects (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Establishment of PSC | 26.32 | 2.56 |
| Establishment of Sub Store | 0.79 | - |
| Implementation of Geographical Information System (GIS) | 0.30 | 0.30 |
| **Total** | **27.41** | **2.86** |

- **Civil-** The capex is proposed for normal need based civil related work, new establishment/ renovation in existing buildings and sub-stations. There is no deviation in the capex as summarised hereunder.

**Table 5.21:Proposed Capex for Civil Work (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Civil | 0.25 | 0.25 |

- **Meter Management**- The capital expenditure is proposed to be incurred for meters and related equipment considering expected new connections and replacement of defective/old meters. Further, capex is proposed to be incurred towards Automatic Metering Infrastructure. The revised capex planned under the head of Meter Management is summarised as shown in the table below:

**Table 5.22:Proposed Capex for Meter Management (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Meter Management | 15.08 | 19.40 |

- **Customer Care:** To enhance customer satisfaction, relocation/renovation and modernisation of Customer Interaction Centres is proposed. The revised capex planned under the head of Customer Care is summarised as under:

**Table 5.23:Proposed Capex for Customer Care (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Customer Care | 0.15 | 1.09 |

- **IT & Related Expenditure:** This includes capital expenditure towards IT infrastructure, communication, SAP licence and security systems.
  The revised capital expenditure is summarised as under:

**Table 5.24:Proposed Capex for IT & Related Expenses (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| IT & Related Expenditure | 1.28 | 2.09 |

- **Miscellaneous**: The capex to be incurred for the MYT approved projects of upgradation of existing centres and offices to provide enhanced and improved customer services. New customer interaction centres have been proposed in B and C station while Office upgradation is proposed at B and C stations. It also includes the capex for safety, energy conservation, etc. The revised capex planned under the head of Others is summarised as shown in the Table below:

**Table 5.25:Proposed Capex for Miscellaneous Works (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Miscellaneous | 30.58 | 5.24 |

**Commission's Analysis**

The licensee has proposed its plan to undertake expenditure for augmentation of EHV & HV network and upgradation of existing distribution network so as to meet the future load growth while ensuring reliable, safe and quality power in Surat. While examining the proposal, it is noted that major deviation between CAPEX allowed in the MYT Order and the MTR petition is on account of additional investment in EHV network in Surat. The Commission has already allowed Rs. 121.59 Cr. in FY 2019-20 and Rs. 97.79 in FY 2021-22 in its MYT Order. Now in the current petition, the licensee has proposed Rs. 314.07 Cr. and Rs. 176.64 Cr. as against the above-mentioned figures for Capital Investment.

The Commission is of the view that the licensee may undertake capital expenditure so as to meet the need of the present and future load growth but at the same time it should also adhere to cost effective measures and do optimum investments. Accordingly, the Commission is considering additional capital expenditures over and above the MYT approved CAPEX on provisional basis subject to the condition that the licensee shall submit details of each EHV scheme and take the consent of the Commission separately. The Distribution Licensee shall submit detailed capital investment plan for all EHV schemes with the physical targets for current and remaining year of the control period to the Commission for its approval. The Distribution Licensee shall submit details of actual Capex for each EHV scheme with target date and actual commissioning on quarterly basis for physical verification / examination within one month of the completion of the relevant quarter.

**Accordingly, the Commission provisionally approves the Capex for FY 2019-20 and FY 2020-21 as Rs. 314.08 Crore and Rs. 176.64 Crore, respectively.**

## b) Capitalisation / Gross asset addition

### Petitioner's Submission

The Commission had approved capitalisation of Rs. 66.46 Crore for FY 2019-20 and Rs. 53.45 Crore for FY 2020-21 in the MYT Order dated 9th June, 2017.

The Petitioner has submitted scheme wise proposed capitalisation for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.26:Proposed scheme-wise Capitalisation for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Sr. No. | Particulars | 2019-20 | 2020-21 |
|---|---|---|---|
| 1 | **EHV Network** | | |
| | New 220 kV EHV SS | 56.31 | 88.43 |
| | 220 kV Connectivity with GETCO | 17.91 | 57.68 |
| | 220 kV EHV Line / Cable | 0.57 | 0.00 |
| | New 66 kV EHV SS | 42.76 | 26.87 |
| | Additional 66 KV Connectivity | 18.63 | 0.00 |
| | Additional / Augmentation / Replacement of Power Transformer & ICT | 2.97 | 0.00 |
| | Replacement & Renovation in existing EHV SS | 1.25 | 1.25 |
| | Supporting Infrastructure - EHV | 8.72 | 0.33 |
| | **Total** | **149.12** | **174.57** |
| 2 | **HT Network** | | |
| | 11 kV HT Network Development & Modification | 1.78 | 6.94 |
| | Replacement / Shifting of HT Network | 1.81 | 1.86 |
| | Distribution Sub-station Automation | 5.14 | 5.29 |
| | New Distribution Sub-stations | 8.86 | 9.15 |
| | New HT Consumers | 1.61 | 1.65 |
| | Additional / Augmentation / Replacement of Dist. X'mer | 9.21 | 9.49 |
| | Installation / Replacement of 11 kV S/Gear / LT Panel / Breaker and Acc. for Safety | 0.38 | 0.40 |
| | Reactive Power compensation | 1.73 | 1.78 |
| | Supporting Infrastructure - HT | 0.37 | 0.26 |
| | **Total** | **30.89** | **36.81** |

| Sr. No. | Particulars | 2019-20 | 2020-21 |
|---|---|---|---|
| 3 | **LT Network** | | |
| | New Connections / Load Extension | 13.92 | 14.38 |
| | LT Network Development & Modification | 5.51 | 5.63 |
| | Repl. of MSP / MB for Safety & Reliability | 3.59 | 3.70 |
| | Supporting Infrastructure - LT | 0.05 | 0.05 |
| | **Total** | **23.07** | **23.76** |
| 4 | **Special Projects** | | |
| | Establishment of Sub Store | 0.79 | 0.00 |
| | Implementation of Geographical Information system (GIS) | 0.30 | 0.30 |
| | Establishment of PSC | 16.87 | 12.82 |
| | **Total** | **17.96** | **13.12** |
| 5 | **Civil** | 0.25 | 0.25 |
| 6 | **Meter Management** | | |
| | Normal Load Growth | 15.08 | 19.40 |
| 7 | **Customer Care** | | |
| | Renovation/Upgradation of existing Customer Centre /Call centre/Collection centre | 0.15 | 1.09 |
| 8 | **IT & Related Expenditure** | 1.28 | 2.09 |
| 9 | **Miscellaneous** | 18.05 | 18.43 |
| **Total** | | **255.85** | **289.51** |

### Commission's Analysis

The Commission has examined the actual net capitalisation achieved in the first two years of the current MYT Control Period by TPL-D (S) i.e. FY 2016-17 and FY 2017-18, as shown in the Table below:

**Table 5.27: Actual Capitalisation achieved in Past Two Years (Rs. Crore)**

| Sl. | Year | Capitalisation projected in the Petition | Actual Capitalisation |
|---|---|---|---|
| 1 | FY 2016-17 | 142.82 | 95.81 |
| 2 | FY 2017-18 | 133.28 | 65.56 |
| **3** | **Total** | **276.10** | **161.37** |

It is observed that the actual capitalisation during first two years of the present Control Period is around 58% (Rs. 161.37 crore against Rs. 276.10 crore) of the capitalisation projected in the respective Petitions.

Hence, based on the actual capitalisation as a percentage of capitalisation projected in the Petition, the Commission allows 58% of the capitalisation projected by the Petitioner in MTR Petition for FY 2019-20 and FY 2020-21.

The Commission is allowing capitalization of CAPEX on the basis of the licensee's past performance subject to final adjustments as per Regulations/Prudence check at the time of truing up.

**Accordingly, the Commission provisionally approves the capitalisation of Rs. 148.39 Crore for FY 2019-20 and Rs. 167.92 Crore for FY 2020-21.**

The summary of capital expenditure and capitalisation provisionally approved by the Commission is as follows:

**Table 5.28:Capital Expenditure and Capitalisation approved by the Commission for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Capital Expenditure | 121.59 | 314.08 | 314.08 | 97.79 | 176.64 | 176.64 |
| Capitalisation | **66.46** | **255.85** | **148.39** | **53.45** | **289.51** | **167.92** |

## c) Funding of Capex

### Petitioner's Submission

The funding of capitalisation as projected by TPL-D(S) is shown in the Table below:

**Table 5.29: Proposed funding of capitalisation for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | Legend | 2019-20 | 2020-21 |
|---|---|---|---|
| Opening GFA | a | 1875.83 | 2131.69 |
| Addition to GFA | b | 255.85 | 289.51 |
| Deletion from GFA | c | - | - |

| Particulars | Legend | 2019-20 | 2020-21 |
|---|---|---|---|
| Closing GFA | d=a+b-c | 2131.69 | 2421.20 |
| SLC Addition | e | 13.29 | 13.37 |
| Capitalisation for Debt | f=b-c-e | 242.57 | 276.14 |
| Capitalisation for Equity | g=b-c-e | 242.57 | 276.14 |
| Normative Debt @ 70% | h=f*70% | 169.80 | 193.30 |
| Normative Equity @30% | i=g*30% | 72.77 | 82.84 |

**Commission's Analysis**

The Commission observed that TPL-D(S) has considered asset capitalisation of Rs. 227.39 crore in FY 2018-19, which amounts to net capitalisation of Rs. 214.12 crore in FY 2018-19, after deducting Service Line Contribution of Rs. 13.26 crore, to arrive at the opening GFA for FY 2019-20. However, in the MYT Order, the Commission had approved capitalisation of Rs. 129.50 crore for FY 2018-19, and net capitalisation of Rs. 116.28 crore, after deducting Service Line Contribution of Rs. 13.22 crore. This has resulted in significantly increasing the opening value of GFA for FY 2019-20 and thereby, all values of depreciation, interest and RoE have been projected at much higher values by the Petitioner.

The actual capitalisation in H1 of FY 2018-19 has been reported as Rs. 14.46 crore. Moreover, provisional true-up for FY 2018-19 has not been done in this Order, and hence, there is no scope for revising the values for FY 2018-19.

The Commission has considered the Closing GFA of Rs. 1648.45 Crore for FY 2017-18 as approved at Table 4.18 of this Order in the truing up for FY 2017-18 , as the Opening GFA for FY 2018-19. The Commission has considered the GFA addition during FY 2018-19 as approved by the Commission in the MYT Order dated 9$^{th}$ June, 2017, as detailed above. The closing balance of GFA for FY 2018-19 thus worked out, has been considered as opening balance of GFA for FY 2019-20. The asset capitalisation approved for FY 2019-20 and FY 2020-21 have been discussed in the earlier Section. The Commission has considered pro-rata Service Line Contribution while arriving at balance capitalisation and considered Debt:Equity Ratio of 70:30 for funding the same. **Accordingly**, **the**

**capitalisation and funding approved by the Commission for FY 2019-20 and FY 2020-21 are given in the Table below:**

**Table 5.30:Funding of Capitalisation approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| **Opening GFA** | 1,646.89 | 1,875.83 | 1,777.95 | 1,713.35 | 2,131.69 | 1,926.34 |
| **Addition to GFA** | 66.46 | 255.85 | 148.39 | 53.45 | 289.51 | 167.92 |
| **Deletion from GFA** | - | - | - | - | - | - |
| **Closing GFA** | 1,713.35 | 2,131.69 | 1,926.34 | 1,766.80 | 2,421.20 | 2,094.26 |
| **SLC addition** | 6.79 | 13.29 | 7.71 | 5.46 | 13.37 | 7.75 |
| **Capitalisation for Debt** | 59.67 | 242.57 | 140.68 | 47.99 | 276.14 | 160.17 |
| **Capitalisation for Equity** | 59.67 | 242.57 | 140.68 | 47.99 | 276.14 | 160.17 |
| **Normative Debt @70%** | 41.77 | 169.80 | 98.48 | 33.59 | 193.30 | 112.12 |
| **Normative Equity @30%** | 17.90 | 72.77 | 42.20 | 14.40 | 82.84 | 48.05 |

### 5.7.3 Depreciation

**Petitioner's Submission**

The Petitioner has submitted that the depreciation rates are applied as per the CERC (Terms & Conditions of Tariff) Regulations, 2004 on the opening GFA of FY 2009-10 and for addition of assets from 1st April, 2009 onwards, depreciation has been computed at the rates specified in the GERC Regulations.

The total depreciation arrived at based on the above computation is shown in the Table below:

**Table 5.31:Depreciation projected by TPL-D(S) for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Depreciation | 69.00 | 82.40 |

The Petitioner has requested the Commission to approve the depreciation as proposed. The depreciation approved in the MYT Order for FY 2019-20 and FY 2020-21 was Rs. 62.43 Crore and Rs. 65.01 Crore, respectively. The Petitioner submitted that the higher depreciation amount as compared to the approved depreciation is mainly on account of higher capitalisation.

**Commission's Analysis**

The Commission has considered the approved capitalisation for calculation of depreciation. The Commission has considered the actual average depreciation rate of 3.22% for FY 2017-18, and computed the depreciation for FY 2019-20 and FY 2020-21 on the average GFA net of assets financed through SLC.

Accordingly, the Commission approves the depreciation for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.32:Approved Depreciation for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Depreciation | 62.43 | 69.00 | 52.96 | 65.01 | 82.40 | 57.87 |

### 5.7.4 Interest Expenses

**Petitioner's Submission**

The Petitioner has submitted that the GERC (MYT) Regulations, 2016 specifies that interest expenses shall be calculated on normative basis considering the amount of depreciation of assets as the amount of repayment. TPL-D (S) has considered the interest expenses as per the GERC (MYT) Regulations, 2016 on normative loans.

The Petitioner has calculated the interest expenses by applying the estimated opening weighted average rate of interest of the actual loan portfolio of the Petitioner at the beginning of the year while repayment has been considered equal to the depreciation of the assets during the year.

The interest expenses thus proposed is shown in the Table below:

**Table 5.33:Interest Expenses projected by TPL-D(S) for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Opening Balance of Loans | 368.83 | 469.63 |
| Additions during the Year | 169.80 | 193.30 |
| Repayments during the Year | 69.00 | 82.40 |
| Closing Balance of Loans | 469.63 | 580.53 |
| Average Loans | 419.23 | 525.08 |
| Weighted Average Rate of Interest (in %) | 8.70% | 8.70% |
| **Interest Expenses** | **36.47** | **45.68** |

TPL-D (S) has submitted that as per revised estimates, the interest expenses for FY 2019-20 and FY 2020-21 works out to Rs. 36.47Crore and Rs. 45.68 Crore, respectively, against the MYT approved expenses of Rs. 30.07 Crore and Rs. 27.60 Crore, respectively.

**Commission's Analysis**

The Commission has considered the closing normative loans for FY 2017-18 as approved at Table 4.22 of this Order in the truing up of FY 2017-18 , as the opening normative loans for FY 2018-19. The funding of capitalisation and repayment equivalent to depreciation for FY 2018-19 has been considered as approved in the MYT Order dated 9$^{th}$ June, 2017 to arrive at the closing balance of normative loans for FY 2018-19 which has been considered as the Opening balance of normative loans for FY 2019-20. The loan addition and repayment equivalent to depreciation as approved for FY 2019-20 and FY 2020-21 have been considered.

The Commission has considered the weighted average rate of interest as approved for FY 2017-18 in this Order at Table 4.22, i.e. 8.54%, for computing the interest expenses for FY 2019-20 and FY 2020-21.

Accordingly, the Commission approves the Interest and Finance Charges for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.34:Interest Expenses approved by the Commission for FY 2019-20 and FY 2020-21 (in Rs. Crore)**

| Source of Loan | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Opening Balance of Normative Loan | 326.91 | 368.83 | 302.78 | 306.25 | 469.63 | 348.30 |
| Addition of Normative Loan | 41.77 | 169.80 | 98.48 | 33.59 | 193.30 | 112.11 |
| Repayment of Normative loan | 62.43 | 69.00 | 52.96 | 65.01 | 82.40 | 57.87 |
| Closing Balance of Normative Loan | 306.25 | 469.63 | 348.30 | 274.83 | 580.53 | 402.55 |
| Average Balance of Normative Loan | 316.58 | 419.23 | 325.54 | 290.54 | 525.08 | 375.43 |
| Weighted average Rate of Interest on actual Loans (%) | 9.50% | 8.70% | 8.54% | 9.50% | 8.70% | 8.54% |
| Interest Expenses | 30.07 | 36.47 | 27.80 | 27.60 | 45.68 | 32.06 |
| Finance Charges | - | - | - | - | - | - |
| **Total Interest & Finance Charges** | **30.07** | **36.47** | **27.80** | **27.60** | **45.68** | **32.06** |

**The Commission, accordingly, approves the interest expenses as Rs. 27.80 Crore for FY 2019-20 and Rs. 32.06 Crore for FY 2020-21.**

### 5.7.5 Interest on Security Deposit

**Petitioner's Submission**

The Commission approved interest on security deposit of Rs. 20.42 Crore and Rs. 21.37 Crore for FY 2019-20 and FY 2020-21, respectively in the MYT Order dated 9th June, 2017. The Petitioner has computed the interest expenses on security deposit assuming the prevailing Bank Rate on the estimated addition in the security deposit.

The estimated interest on security deposit is as under:

**Table 5.35:Interest on Security Deposit estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Interest Rate (in %) | 6.25% | 6.25% |

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Interest on Security Deposit | 18.57 | 19.34 |

The Petitioner submitted that decrease in interest on security deposit is mainly on account of change in interest rate and security deposit amount.

**Commission's Analysis**

The Commission accepts the security deposits as projected by the Petitioner for FY 2019-20 and FY 2020-21. The Commission has considered the RBI Bank Rate @ 6.25% per annum.

**The Commission, accordingly, approves the interest on security deposit for FY 2019-20 and FY 2020-21 as detailed in the following Table:**

**Table 5.36:Interest on Security Deposit approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Amount held as Security Deposit | 263.42 | 297.18 | 297.18 | 275.73 | 309.48 | 309.48 |
| Interest Rate (in %) | 7.75% | 6.25% | 6.25% | 7.75% | 6.25% | 6.25% |
| Interest on Security Deposit | 20.42 | 18.57 | 18.57 | 21.37 | 19.34 | 19.34 |

### 5.7.6 Interest on Working Capital

**Petitioner's Submission**

The Petitioner submitted that the interest on working capital has been computed as per the GERC (MYT) Regulations, 2016. For the MYT Control Period, the interest rate, being SBBR (State Bank Base Rate) rate on 1st April, 2016 plus 250 basis points, was applied on the working capital requirement arrived at in accordance with the Regulations. The Commission had approved interest on working capital as NIL for FY 2019-20 and FY 2020-21.

**Table 5.37:Interest on Working Capital estimated for FY 2019-20 and FY 2020-21 (in Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| O&M Expenses for 1 month | 11.68 | 12.35 |
| 1 % of GFA for Maintenance Spares | 18.76 | 21.32 |
| Receivables for 1 month | 201.35 | 205.71 |
| Less: Security Deposit | 297.18 | 309.48 |
| Normative Working Capital | - | - |
| Interest Rate (%) | 10.65% | 10.65% |
| **Interest on Working Capital** | - | - |

### Commission's Analysis

The Commission has computed the working capital requirement of TPL-D(S) as specified in Regulation 40.4 and Regulation 40.5 of the GERC (MYT) Regulations, 2016 read in conjunction with GERC (MYT) (First Amendment) Regulations, 2016 after considering the security deposit amount available during the year.

The Commission has considered the 1-year MCLR of State Bank of India as on 1st April, 2018 as 8.15% and hence, rate of interest on working capital works out to 10.65% (8.15% plus 2.5% or 250 basis points). The normative interest on working capital approved by the Commission for FY 2019-20 and FY 2020-21 is shown in the Table below:

**Table 5.38:Interest on Working Capital approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| O&M Expenses | 11.11 | 11.68 | 11.11 | 11.71 | 12.35 | 11.75 |
| Maintenance Spares | 18.09 | 18.76 | 17.78 | 18.75 | 21.32 | 19.26 |
| Receivables | 182.22 | 201.35 | 172.86 | 184.82 | 205.71 | 175.79 |
| **Working Capital requirement** | 211.42 | 231.79 | 201.75 | 215.28 | 239.37 | 206.76 |

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Less: Amount held as Security Deposit from Distribution System Users | 263.42 | 297.18 | 297.18 | 275.73 | 309.48 | 309.48 |
| **Total Working Capital** | (52.00) | (65.39) | (95.43) | (60.45) | (70.11) | (102.72) |
| Interest Rate (%) | 11.70% | 10.65% | 10.65% | 11.70% | 10.65% | 10.65% |
| **Interest on Working Capital** | - | - | - | - | - | - |

As can be observed from the above table, the total working capital requirement for FY 2019-20 and FY 2020-21 works out to be negative considering the security deposit projected to be held, and accordingly, no interest on working capital has been allowed.

### 5.7.7 Return on Equity

**Petitioner's Submission**

The Petitioner submitted that the Return on Equity has been computed @14% on the average of the opening and closing balance of the equity arrived at considering the revised estimated capitalisation for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.39:Return on Equity claimed by the Petitioner for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Opening Equity | 656.36 | 729.13 |
| Equity Addition during the Year | 72.77 | 82.84 |
| Equity at the End of the Year | 729.13 | 811.97 |
| ROE @ 14% on the Average Balance | 96.98 | 107.88 |

The RoE approved in the MYT Order was Rs. 90.70 Crore and Rs. 92.96 Crore for FY 2019-20 and FY 2020-21, respectively, whereas the revised estimate is Rs. 96.98 Crore and Rs. 107.88 Crore. The increase in RoE is on account of higher capitalisation.

**Commission's Analysis**

The Commission has considered the closing equity for FY 2017-18 as approved in the truing up for FY 2017-18 in this Order, as the opening equity for FY 2018-19. The closing balance of equity for FY 2018-19 worked out after considering the equity addition as approved in the MYT Order dated 9th June, 2017, has been considered as opening balance of equity for FY 2019-20. The equity addition for FY 2019-20 and FY 2020-21 has been considered as approved at Table 5.30 of this Order.

The Commission has considered 14% as the Rate of Return on Equity as specified in Regulation 37 of the GERC (MYT) Regulations, 2016. The Return on Equity is approved for FY 2019-20 and FY 2020-21 as calculated in the Table below:

**Table 5.40:Return on Equity approved by the Commission for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Regulatory Equity at the beginning of the Year | 638.92 | 656.36 | 627.01 | 656.82 | 729.13 | 669.21 |
| Equity Addition during the Year | 17.90 | 72.77 | 42.20 | 14.40 | 82.84 | 48.05 |
| Regulatory Equity at the end of the Year | 656.82 | 729.13 | 669.21 | 671.22 | 811.97 | 717.26 |
| Average Equity | **647.87** | **692.75** | **648.11** | **664.02** | **770.55** | **693.24** |
| Rate of RoE | 14% | 14% | 14% | 14% | 14% | 14% |
| **Total Return on Equity** | 90.70 | 96.98 | 90.74 | 92.96 | 107.88 | 97.05 |

**Accordingly, the Return on Equity is approved by the Commission as Rs. 90.74 Crore for FY 2019-20 and Rs. 97.05 Crore for FY 2020-21.**

## 5.7.8 Income Tax

**Petitioner's Submission**

The Petitioner has submitted that while passing the MYT Order, the Commission had approved Income Tax of Rs. 42.24 Crore as per the actuals of FY 2015-16. For FY 2017-18, the Petitioner has claimed the Income Tax of Rs. 39.68 Crore. Accordingly, the

Petitioner has claimed Income Tax of Rs. 39.68 crore for FY 2019-20 and FY 2020-21, as shown in the Table below:

**Table 5.41:Income Tax projected for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Income Tax | 39.68 | 39.68 |

**Commission's Analysis**

The Commission has approved the Income Tax of Rs. 39.68 Crore in the true up of FY 2017-18 at Table 4.32 of this Order. Accordingly, the Commission has considered Income Tax of Rs. 39.68 Crore for FY 2019-20 and FY 2020-21. Any variation in Income Tax actually paid and approved shall be considered based on the documentary evidence at the time of Truing Up for FY 2019-20 and FY 2020-21 in accordance with Regulation 41.2 of the GERC (MYT) Regulations, 2016.

The Commission, accordingly, approves the Income Tax for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.42:Income Tax approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised estimate | Approved in MTR | Approved in the MYT Order | Revised estimate | Approved in MTR |
| Income Tax | 42.24 | 39.68 | 39.68 | 42.24 | 39.68 | 39.68 |

## 5.7.9 Contingency Reserves

**Petitioner's Submission**

The Petitioner has estimated the contingency reserve at the MYT approved level for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.43:Contigency Reserve estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Contingency Reserve | 0.40 | 0.40 |

**Commission's Analysis**

The Contingency Reserves projected by the Petitioner at Rs. 0.40 Crore for TPL-D(S) is in accordance with Regulation 86.3 of the GERC (MYT) Regulations, 2016. Therefore, the Commission approves the same as proposed by the Petitioner for FY 2019-20 and FY 2020-21.

**The Commission, accordingly, approves the Contingency Reserve for FY 2019-20 and FY 2020-21 as shown in the Table below:**

**Table 5.44:Contigency Reserve approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised estimate | Approved in MTR | Approved in the MYT Order | Revised estimate | Approved in MTR |
| Contingency Reserve | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |

## 5.7.10 Bad Debts Written off

**Petitioner's Submission**

The Petitioner has estimated the bad debts written off at the MYT approved level for FY 2019-20 and FY 2020-21. The Petitioner stated that the same is to be allowed at actuals during truing up exercise.

**Table 5.45:Provision for Bad Debts estimated for FY 2019-20 and FY 2020-21 (in Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Bad Debts Written off | 0.33 | 0.33 |

**Commission's Analysis**

TPL-D (S) has estimated the bad debts written off same at Rs. 0.33 Crore as approved in the MYT Order for FY 2019-20 and FY 2020-21. Regulation 94.9 of the GERC (MYT) Regulations, 2016 specifies that the Commission may allow bad debts written off as a pass through in the ARR subject to prudence check. Accordingly, the Commission has considered the bad debts written off for FY 2019-20 and FY 2020-21, at Rs. 0.39 Crore as approved in the Truing Up for FY 2017-18. Any variation in bad debts actually written off shall be considered under sharing of gains/losses at the time of true up, in accordance with Regulation 24 of the GERC (MYT) Regulations, 2016.

The Commission, accordingly, approves the bad debts written off at Rs. 0.39 Crore for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.46: Bad Debts Written off approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised estimate | Approved in MTR | Approved in the MYT Order | Revised estimate | Approved in MTR |
| Bad Debts Written off | 0.33 | 0.33 | 0.39 | 0.33 | 0.33 | 0.39 |

## 5.8 Non-Tariff Income

**Petitioner's Submission**

The Commission had approved the Non-Tariff Income of Rs. 37.47 Crore and Rs.38.86 Crore for FY 2019-20 and FY 2020-21, respectively in the MYT Order dated 9th June, 2017. In the background of meter rent being abolished by the Commission, the Petitioner has revised the estimated Non-Tariff Income for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Table 5.47:Non-Tariff income estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | 2020-21 |
|---|---|---|
| Non-Tariff Income | 21.92 | 23.85 |

**Commission's Analysis**

The Commission accepts the Petitioner's contention and approves the Non-Tariff Income as projected for FY 2019-20 and FY 2020-21, as shown in the Table below:

**Table 5.48:Non-Tariff Income approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Non-Tariff Income | 37.47 | 21.92 | 21.92 | 38.86 | 23.85 | 23.85 |

## 5.9 Aggregate Revenue Requirement

**Petitioner's Submission**

The summary of revised estimates of ARR of TPL-D (S) for FY 2019-20 and FY 2020-21 is shown in the Table below:

**Table 5.49:Summary of ARR projected by TPL-D(S) for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | 2020-21 | |
|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimates | Approved in the MYT Order | Revised Estimates |
| Power Purchase Cost | 1,733.32 | 2,036.47 | 1,777.70 | 2,048.39 |
| O&M Expenses | 133.31 | 140.20 | 140.94 | 148.22 |
| Interest on Loans | 30.08 | 36.47 | 27.60 | 45.68 |
| Interest on Security Deposit | 20.42 | 18.57 | 21.37 | 19.34 |
| Interest on Working Capital | - | - | - | - |
| Depreciation | 62.43 | 69.00 | 65.01 | 82.40 |
| Bad Debts Written off | 0.33 | 0.33 | 0.33 | 0.33 |
| Contingency Reserve | 0.40 | 0.40 | 0.40 | 0.40 |
| Return on Equity | 90.70 | 96.98 | 92.96 | 107.88 |
| Income Tax | 42.24 | 39.68 | 42.24 | 39.68 |

| Particulars | 2019-20 | | 2020-21 | |
|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimates | Approved in the MYT Order | Revised Estimates |
| Less: Non-Tariff Income | 37.47 | 21.92 | 38.86 | 23.85 |
| **ARR** | **2,075.75** | **2,416.19** | **2,129.69** | **2,468.47** |

### Commission's Analysis

The ARR approved by the Commission after Mid-term Review for FY 2019-20 and FY 2020-21 is shown in the Table below:

**Table 5.50:Summary of ARR approved for FY 2019-20 and FY 2020-21 (Rs. Crore)**

| Particulars | 2019-20 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Approved in the MYT Order | Revised Estimate | Approved in MTR | Approved in the MYT Order | Revised Estimate | Approved in MTR |
| Power Purchase Expenses | 1,733.32 | 2,036.47 | 1,732.41 | 1,777.70 | 2,048.39 | 1,745.15 |
| Operation & Maintenance Expenses | 133.31 | 140.20 | 133.31 | 140.94 | 148.22 | 140.94 |
| Depreciation | 62.43 | 69.00 | 52.96 | 65.01 | 82.40 | 57.87 |
| Interest & Finance Charges | 30.07 | 36.47 | 27.80 | 27.6 | 45.68 | 32.06 |
| Interest on Security Deposit | 20.42 | 18.57 | 18.57 | 21.37 | 19.34 | 19.34 |
| Interest on Working Capital | - | - | - | - | - | - |
| Bad Debts Written off | 0.33 | 0.33 | 0.39 | 0.33 | 0.33 | 0.39 |
| Contribution to Contingency Reserves | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| **Total Revenue Expenditure** | **1,980.28** | **2,301.45** | **1,965.84** | **2,033.35** | **2,344.76** | **1,996.15** |
| Return on Equity Capital | 90.70 | 96.98 | 90.74 | 92.96 | 107.88 | 97.05 |
| Income Tax | 42.24 | 39.68 | 39.68 | 42.24 | 39.68 | 39.68 |
| **Aggregate Revenue Requirement** | **2,113.22** | **2,438.11** | **2,096.26** | **2,168.55** | **2,492.32** | **2,132.88** |
| Less: Non-Tariff Income | 37.47 | 21.92 | 21.92 | 38.86 | 23.85 | 23.85 |
| **Aggregate Revenue Requirement** | **2,075.75** | **2,416.19** | **2,074.34** | **2,129.69** | **2,468.47** | **2,109.03** |

# 6. Determination of Tariff for FY 2019-20

## 6.1 Introduction

This Chapter deals with the determination of Revenue Gap/(Surplus), as well as customer tariff for FY 2019-20.

The Commission has considered the ARR approved in the last Chapter for FY 2019-20 and the adjustment on account of True-up for FY 2017-18, while determining the Revenue Gap/(Surplus) for FY 2019-20.

## 6.2. Gap/(Surplus)

**Petitioner's Submission**

The Petitioner submitted that the Revenue for FY 2019-20, arrived at considering projected sales and existing tariff, is Rs. 2,456.78 Crore. The ARR of TPL-D(S) for FY 2019-20 is Rs. 2,416.19 Crore. Accordingly, the Petitioner has arrived at the Surplus of Rs. 40.58 Crore, as shown in the Table below:

**Table 6.1:Projected Revenue Gap/(Surplus) of TPL-D(S) for FY 2019-20 (Rs. Crore)**

| Particular | Claimed by TPL-D(S) |
|---|---|
| **ARR** | 2,416.19 |
| Less: | |
| Revenue from Sale of Power at existing tariff rates including FPPPA revenue @Rs. 2.09 per unit | 2,456.78 |
| Revenue from Open Access Charges | - |
| **Gap/(Surplus)** | **(40.58)** |

The Petitioner submitted that as per the GERC (Demand Side Management) Regulations, 2012, the Petitioner had formulated and submitted to the Commission a DSM Plan for the licence areas of Ahmedabad, Gandhinagar and Surat. The Commission had approved Rs. 5.70 Crore for TPL-D(S), against which it has incurred expenses of Rs. 0.16 crore during FY

2017-18. The Petitioner submitted that it has not incurred any expenses towards the DELP programme, as it has not yet received any invoices.

Further, the Petitioner has submitted that carrying cost for the unrecovered Gap is the legitimate claim of the Petitioner to recoup the financial loss incurred due to deferment in recovery of gap. The Petitioner submitted that the Commission should take into consideration that once the cost is allowed, then the Petitioner is not only entitled to that cost but is entitled to carrying cost as its legitimate claim.

The Petitioner has calculated carrying cost for the Gap/(Surplus) of FY 2017-18 including pending claims, which works out to Rs. 57.16 Crore for TPL-D(S) as per the methodology approved/specified by the Commission. The Petitioner has, therefore, requested the Commission to consider the aforementioned outstanding amount in addition to the Gap/(Surplus) of FY 2017-18 and FY 2019-20 for the purpose of determination of tariff for FY 2019-20.

The Petitioner has submitted that the carrying cost of past periods approved by the Commission but kept in abeyance should be allowed to be recovered as carrying cost charge, upon decision of the Hon'ble APTEL with necessary adjustment due to delay in recovery.

Based on the above, the Petitioner has calculated the cumulative Gap/(Surplus) of FY 2017-18 for determination of tariff as under:

**Table 6.2:Projected Cumulative Gap for determination of tariff for TPL-D(S) for FY 2019-20 (Rs. Crore)**

| Particulars | Claimed by TPL-D(S) |
|---|---|
| Gap/(Surplus) of FY 2017-18 | 30.35 |
| Carrying Cost | 57.16 |
| DSM | 0.16 |
| Gap/(Surplus) of FY 2019-20 | (40.58) |
| **Cumulative Gap/ (Surplus) to be recovered through tariff** | **47.08** |

The Petitioner has proposed to recover the cumulative gap of Rs. 47.08 Crore w.e.f. 1st April, 2019 by way of Additional Charge @ Rs. 0.14 per kWh.

### Commission's Analysis

The Commission has approved various components of the ARR for FY 2019-20 as discussed in the previous Chapter. The Commission has independently computed the revenue for TPL-D (S) for FY 2019-20 from projected category-wise sales and existing tariff, i.e., the tariff approved by the Commission for FY 2018-19 vide Order dated March 31, 2018 in Petition No. 1697 of 2018 as shown in the Table below:

**Table 6.3:Approved Sales and Category Wise Revenue of TPL-D (S) for 2019-20 (Rs. Crore)**

| Category | Sales (MUs) | Avg. Tariff Realization (Rs./Unit)* | Estimated Revenue (Rs. Crore) |
|---|---|---|---|
| RGP+BPL | 882.75 | 5.62 | 496.38 |
| Non RGP | 1262.57 | 6.29 | 794.58 |
| LTMD | 927.60 | 7.14 | 662.12 |
| HTMD-I | 302.78 | 6.89 | 208.61 |
| HTMD-II | 49.14 | 7.17 | 35.24 |
| Others# | 26.99 | 5.47 | 14.76 |
| **Sum Total** | **3451.83** | **6.41** | **2211.70** |

**Note:**
***:** The average tariff realization includes the revised Base FPPPA charges of Rs. 1.38 per Unit
#: Other category which consists of GLP, Agriculture, Temporary_ LT & HT.

The Commission has also considered the revenue receivable from the Open Access consumers through Cross Subsidy Surcharge, Transmission Charges, and Wheeling Charges, and the same has been factored in the total revenue receivable by the Petitioner. This has resulted in surplus of Rs. 137.36 Crore, as shown in the Table below:

**Table 6.4:Approved Revenue Gap/(Surplus) of TPL-D (S) for 2019-20 (Rs. Crore)**

| Particulars | Claimed | Approved |
|---|---|---|
| ARR for FY 2019-20 | 2,416.19 | 2,074.34 |
| Revenue from Sale of Power at existing tariff | 2,456.78$^{\$}$ | 2,211.70 |
| Revenue from Open Access Charges | - | - |
| **Gap/ (Surplus)** | **(40.58)** | **(137.36)** |

**Note**:

$ - TPL-D(S) has considered FPPPA @ Rs. 2.09 per kWh for computing revenue from sale of power at existing tariff

In Chapter 4, the Commission has approved the Revenue Gap after true-up for FY 2017-18 as Rs. 28.91 crore. The Petitioner has requested to consider the carrying cost of Rs. 57.16 Crore on the Revenue Gap of past periods in the tariff.

The Commission has not considered the recovery of carrying cost for the Revenue Gap/(Surplus) of the past period, since the matter is sub-judice before the Hon'ble APTEL. However, the Commission has considered the carrying cost on the Revenue Gap of FY 2017-18, in accordance with Clause 21.6 of the GERC (MYT) Regulations, 2016, as reproduced below:

*"Carrying cost to be allowed on the amount of Revenue Gap or Revenue Surplus for the period from the date on which such gap/surplus has become due, i.e., from the end of the year for which true-up has been done, till the end of the year in which it is addressed, calculated on simple interest basis at the weighted average State Bank Base Rate (SBBR) / 1 year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) / any replacement thereof by SBI for the time being in effect applicable for 1 year period, as may be applicable for the relevant year, i.e. the year for which Revenue Gap or Revenue Surplus is determined:*

*Provided that carrying cost on the amount of revenue gap shall be allowed up to the above limit subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed:"*

During the current proceedings, TPL-D (S) has presented its statement of accounts for FY 2017-18 wherein loan of Rs. 170 Crore from Head Office to TPL-D (A) during the year, is shown for its requirement of funding. Accordingly, in view of above Regulation and considering the time value of money, the Commission allows Rs 4.62 Crore as carrying cost for FY 2017-18 on the Revenue Gap amount of Rs. 28.91 Crore, at a simple interest rate of 8.00% for 2 years, i.e., FY 2018-19 and FY 2019-20, which has been added to the cumulative Revenue Requirement of FY 2019-20.

The summary of Cumulative Revenue Gap/(Surplus) for determination of tariff FY 2019-20 approved by the Commission is shown in the following Table:

**Table 6.5:Cumulative Revenue Gap/(Surplus) for FY 2019-20 (Rs. Crore)**

| Particulars | Claimed | Approved |
|---|---|---|
| Gap/(Surplus) of FY 2017-18 | 30.35 | 28.91 |
| Carrying Cost | 57.16 | 4.62 |
| DSM | 0.16 | 0.16 |
| Gap/(Surplus) of FY 2019-20 | (40.58) | (137.36) |
| **Cumulative Gap/(Surplus) to be recovered through tariff** | **47.08** | **(103.67)** |

Thus, as against the cumulative Revenue Gap of Rs. 47.08 Crore projected by TPL-D(S), the Commission has approved a cumulative Revenue Surplus of Rs. 103.67 Crore.

# 7. Compliance of Directives

## 7.1. Earlier Directives

### 7.1.1 Directive 1: Approval from the Commission for capital expenditure of projects and providing details of capitalisation of assets in the respective years of 3rd MYT Control Period

TPL-D(s) was directed to submit Half-Yearly progress report for the projects for which Capital expenditure was approved in the MYT Order dated 9th June, 2017.

**Compliance**

In this regard, the Petitioner has submitted the progress report on capital expenditure during H1 of FY 2018-19 to the Commission.

**Commission's comments**

The Commission has noted the submission.

### 7.1.2 Directive 2: 'Demand Response' measures and Action Plan

It is required to match the electricity demand curve with the availability of electricity supply and in order to optimise the overall cost of electricity supply to consumers and to move towards recovery of cost of supply according to time of use of electricity supply, Commission would like to introduce Demand Response measures. Accordingly, the Distribution Licensee is directed to initiate a study for implementing 'Demand Response' measures and submit its Action Plan accordingly.

**Compliance**

TPL-D(S) has submitted that a Consultant is being engaged to carry out comprehensive study on 'Demand Response'. The Petitioner shall furnish the report in due course.

**Commission's comments**

TPL-D(S) should expedite the appointment of Consultant and submit the Action Plan at the earliest.

## 7.2. Fresh Directives

### Directive 1: Power Purchase Strategy (Planning)

TPL-D(A) shall endeavour to instil the 'least-cost planning' by studying objectively all potential alternatives of sources of power or combinations thereof in a dynamic real world scenarios, particularly with respect to agreements / arrangements for Bilateral, Power Exchange and SUGEN which maximizes consumers' benefits while minimizing the power purchase costs. The Petitioner is directed to submit a quarterly note, detailing the approach taken for quarterly Power Purchase, along with its FPPPA submissions.

### Directive 2: Details of Capital Expenditures and Capitalization

TPL-D(A) shall furnish details about ongoing capital investment plan for all EHV schemes with the physical targets for current and remaining year of the control period by 30th June, 2019. The Petitioner shall seek a prior approval for capital expenditure on proposed EHV schemes provisionally considered in this Order, furnishing the details about project cost, sources of fund, its usefulness, timelines, technical significance, supplier / vendor selection mechanism etc.

The Petitioner shall also submit a quarterly report, describing the position of actual Capex for each EHV scheme with the target date and actual commissioning for physical verification / examination within one month of the completion of the relevant quarter.

# 8 Fuel and Power Purchase Price Adjustment

## 8.1. Fuel Price and Power Purchase Adjustment

The Commission in Case No. 1309/2013 and 1313/2013 vide its Order dated 29.10.2013 has revised the formula for Fuel Price and Power Purchase Cost Adjustment (FPPPA) as mentioned below:

### 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.

### 8.1.1. Base Price of Power Purchase (PPCB)

The Commission has approved the total energy requirement and the total Power Purchase Cost for TPL-D including fixed cost, variable cost, etc. from the various sources for FY 2019-20 in this Order as given in the Table below:

| Year | Total Energy Requirement (MUs) | Approved Power Purchase Cost (Rs. Crore) | Power Purchase Cost per unit (Rs./kWh) |
|---|---|---|---|
| FY 2019-20 | 12,382.73 | 5,941.13 | 4.80 |

Thus, the base Power Purchase cost for TPL-D is Rs. 4.80 per kWh and the base FPPPA charge works out to Rs. 1.38/kWh, as worked out below:

Base FPPPA as per FY 2018-19 Tariff Order: Rs. 1.23 per kWh

Average PPCB approved for FY 2018-19 as per Tariff Order: Rs. 4.66 per kWh

Average PPCB approved for FY 2019-20 as per this Order: Rs. 4.80 per kWh

T&D Losses (weighted avg. of TPL-D (A) & TPL-D (S)): 6.03 %

Revised Base FPPPA: 1.23 + (4.80-4.66)/(100%-6.03%)

= Rs. 1.38 per kWh

TPL 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 8.1 above.

Information regarding FPPPA recovery and the FPPPA calculations shall be kept on the website of TPL.

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.

# 9 Wheeling Charges and Cross Subsidy Surcharge

## 9.1 Wheeling Charges

**Petitioner's Submission**

The Petitioner submitted that Regulation 87 of the GERC (MYT) Regulations, 2016 specifies that the ARR be segregated as per the Allocation Matrix for segregation of expenses between Distribution Wires Business and Retail Supply Business for determination of Wheeling Charges.

The allocation of expenditure to wheeling and retail supply business is based on the consideration that the distribution infrastructure up to service line is part of the Wheeling Business and the distribution infrastructure from service line to consumer premises is part of the Retail Supply Business.

The Allocation Matrix specified by the Commission for segregation of expenses between Wheeling and Retail Supply Business is as under:

**Table 9.1: Allocation matrix for segregation of Wheeling and Retail Supply submitted by the Petitioner for FY 2019-20**

| ARR Components | Wires Business (%) | Retail Business (%) |
|---|---|---|
| Power Purchase Expenses | 0% | 100% |
| Employee Expenses | 60% | 40% |
| Administration & General Expenses | 50% | 50% |
| Repair & Maintenance Expenses | 90% | 10% |
| Depreciation | 90% | 10% |
| Interest on Long Term Loan Capital | 90% | 10% |
| Interest on Working Capital and Consumer Security Deposit | 10% | 90% |
| Bad Debts | 0% | 100% |
| Income Tax | 90% | 10% |
| Contingency reserves | 100% | 0% |
| Return on Equity | 90% | 10% |
| Non-Tariff Income | 10% | 90% |

Based on the above Allocation Matrix, the ARR of TPL-D(S) has been segregated into ARR for Wheeling and Supply Business as shown in the Table below:

**Table 9.2: Segregation of ARR into Wires and Supply Business for FY 2019-20 (Rs. Crore)**

| Particulars | Wires Business | Supply Business |
|---|---|---|
| Power Purchase Cost | - | 2036.47 |
| Employee Expenses | 38.82 | 25.88 |
| Administration & General Expenses | 19.28 | 19.28 |
| Repair & Maintenance Expenses | 33.25 | 3.69 |
| Depreciation | 62.10 | 6.90 |
| Interest on Loan | 32.83 | 3.65 |
| Interest on Security Deposit | 1.86 | 16.72 |
| Interest on Working Capital | - | - |
| Bad debts | - | 0.33 |
| Contingency Reserve | 0.40 | - |
| Income Tax | 35.71 | 3.97 |
| **Total Revenue Expenditure** | **224.25** | **2,116.88** |
| Return on Equity | 87.29 | 9.70 |
| Less: Non-Tariff Income | 2.19 | 19.73 |
| **Aggregate Revenue Requirement** | **309.34** | **2,106.85** |

The Petitioner submitted that the above segregated ARR has been considered to determine the Wheeling Charges and Cross-Subsidy Surcharge for FY 2019-20.

## Commission's Analysis

The Commission, in order to compute the Wheeling Charges and the Cross-Subsidy Surcharge, has considered the Allocation Matrix between the Wheeling and Retail Supply Business in accordance with the GERC (MYT) Regulations, 2016.

Based on the ARR approved by the Commission and the Allocation Matrix specified in the GERC (MYT) Regulations, 2016, the ARR approved for Wires and Retail Supply Business for FY 2019-20 is shown in the Table below:

**Table 9.3: Approved Segregation of ARR into Wires and Supply Business for FY 2019-20 (Rs. Crore)**

| Particulars | Wires Business | Supply Business |
|---|---|---|
| Power Purchase Cost | - | 1732.41 |
| Employee Expenses | 34.09 | 22.72 |
| Administration & General Expenses | 18.46 | 18.46 |
| Repair & Maintenance Expenses | 35.63 | 3.96 |
| Depreciation | 47.66 | 5.30 |
| Interest on Loan | 25.02 | 2.78 |
| Interest on Security Deposit | 1.86 | 16.71 |
| Interest on Working Capital | - | - |
| Bad debts | - | 0.39 |
| Contingency Reserve | 0.40 | - |
| Income Tax | 35.71 | 3.97 |
| **Total Revenue Expenditure** | **198.83** | **1,806.70** |
| Return on Equity | 81.67 | 9.07 |
| Less: Non-Tariff Income | 2.19 | 19.73 |
| **Aggregate Revenue Requirement** | **278.31** | **1,796.04** |

### 9.1.1 Determination of Wheeling Charges

**Petitioner's Submission**

The Petitioner has submitted that the GERC (MYT) Regulations, 2016 specify that the Wheeling Charges shall be determined based on the ARR allocated to the Wheeling Business. The Petitioner has computed the Wheeling Charges based on the allocation of ARR of distribution business, in accordance with the GERC (MYT) Regulations, 2016.

The Petitioner submitted that Distribution Wires are identified as carrier of electricity from generating station or transmission network to consumer point. The consumption at a particular voltage level requires network at that voltage level and also at all higher voltage levels. Thus, consumption at the lower voltages should contribute to the cost of the higher voltage levels also. However, the consumers connected to the higher voltages would not be utilizing the services of the lower voltage level and hence, would not be required to contribute to the recovery of cost of lower voltage level.

Based on the above approach, the ARR for the Wheeling Business has been apportioned to HT and LT voltage in two steps as under:

- Apportioning the ARR of Wheeling Business to HT and LT voltage level;
- Apportioning the ARR of the HT voltage level again between HT and LT voltage level.

The ARR is apportioned between the HT and LT Voltage level in proportion to the ratio of the Closing GFA of FY 2017-18.

The GFA [excluding assets related to retail supply, i.e., Service Line Connection (SLC) and Meters] for TPL-D(S) as on 31st March, 2018 is Rs. 1,425.91 Crore. The GFA identified for HT and LT Business are Rs. 1,064.10 Crore and Rs. 361.81 Crore, respectively. The ratio of HT assets to LT assets is 75:25, which is considered for the apportionment of ARR for the Wheeling Business into HT and LT businesses.

Further, as the HT level assets cater to the requirement of customers at both HT and LT levels, the ARR for HT is again apportioned between HT and LT voltage based on the ratio of their contribution to the peak. The system peak demand for TPL-D(S) for FY 2017-18 was 671.00 MW. The contract demand for all the HT consumers is about 93.70 MW. Assuming that 85% of the contract demand of HT consumers contributes to the system peak demand, the total demand of LT contributing to the system peak is computed as 577.30 MW.

To determine the wheeling charges for the HT and LT voltage levels, the ARR of the respective voltage level is divided by the sales handled at the respective voltage level. Accordingly, the Wheeling Charge determined in terms of Rs/ kWh/month is shown in the Table below:

**Table 9.4:Wheeling Charges proposed by TPL-D(S) for FY 2019-20**

| **Particulars** | **Amount** |
|---|---|
| **First Level Segregation of ARR (in Rs. Crore)** | |
| HT Voltage | 230.85 |
| LT Voltage | 78.49 |
| Total | **309.34** |
| **Second Level Segregation of ARR (in Rs. Crore)** | |
| HT Voltage | 32.23 |
| LT Voltage | 277.10 |
| Total | **309.34** |
| **Wheeling Charge in Rs/ kWh** | |
| HT Voltage | 0.92 |
| LT Voltage | 0.89 |

The Petitioner added that an Open Access consumer will also have to bear the following Wheeling Losses in addition to the Wheeling Charges.

**Table 9.5: Wheeling losses for open access consumer in Surat license area**

| **Category** | **%** |
|---|---|
| HT Category | 4.00% |

## Commission's Analysis

The Commission has determined the ARR of the Wires Business for FY 2019-20 in earlier Section, as Rs. 278.31 crore.

The ARR is apportioned between the HT and LT Voltage level in the ratio of 75:25, which is the ratio of GFA of HT:LT for FY 2017-18.

The system peak demand for TPL-D(S) for FY 2017-18 was 671.00 MW. The contract demand for all the HT consumers is about 93.70 MW. Assuming that 85% of the contract demand of

HT consumers contributes to the system peak demand, the HT demand contributing to the system peak works out to 79.65 MW. The balance contribution to the system peak has been considered against LT demand, which works out to 591.36 MW.

To determine the Wheeling Charges for the HT and LT voltage levels, the ARR of the respective voltage level is divided by the sales handled at the respective voltage level. Accordingly, the Wheeling Charge determined in terms of Rs/ kWh/month is shown in the Table below:

**Table 9.6: Wheeling charges in case of Surat Supply Area for FY 2019-20**

| **Particulars** | **Approved** |
|---|---|
| **First Level Segregation of ARR (in Rs. Crore)** | |
| HT Voltage | 207.70 |
| LT Voltage | 70.61 |
| **Total** | 278.31 |
| **Second Level Segregation of ARR (in Rs. Crore)** | |
| HT Voltage | 24.65 |
| LT Voltage | 253.66 |
| **Total** | 278.31 |
| **Wheeling Charge in Rs/ kWh** | |
| HT Voltage | 0.70 |
| LT Voltage | 0.82 |

**The Commission has accordingly approved the wheeling charges for HT and LT voltages as shown in the Table above.**

TPL-D(S) has claimed losses for Open Access as 4%. However, the overall Distribution Losses approved by the Commission for TPL-D(S) system in FY 2019-20 is only 3.64%. The Commission is of the view that it would not be appropriate to allow losses for Open Access at a higher level than the overall losses. Hence, the Commission approves the following losses for Open Access consumers in addition to the Wheeling Charges:

**Table 9.7: Wheeling Losses approved for Open Access consumers for TPL-D(S)**

| Category | % |
|---|---|
| HT Category | 3.50% |

## 9.2 Cross Subsidy Surcharge

### Petitioner's Submission

The Petitioner submitted that as per the principles enunciated in the amendment to the Tariff Policy, the Cross-Subsidy Surcharge is to be computed based on Pooled Power Purchase cost. Further, the principles laid out in the Tariff Policy are designed to compensate the Distribution Licensee for the existing level of cross-subsidization.

The Petitioner has detailed the computation of Cross Subsidy Surcharge in the following table:

**Table 9.8: Cross Subsidy Surcharge payable for Open Access consumers in TPL-D(S) area**

| Particulars | HTMD-1 | HTMD-2 |
|---|---|---|
| T – Tariff for HT category (Rs/kWh)* | 7.74 | 8.02 |
| PPC – Average cost of power Purchase in Rs/kWh | 5.63 | 5.63 |
| Avg W – Average Wheeling Charges for HT category in Rs / kWh | 0.92 | 0.92 |
| L – Loss for HT category in % | 4% | 4% |
| Cross subsidy Surcharge in Rs/kWh | 0.96 | 1.25 |

* - Including Additional Charge

### Commission's Analysis

The Hon'ble APTEL in its Judgment on the issue of formula for calculation of Cross Subsidy Surcharge has endorsed the use of the formula provided in the Tariff Policy. According to the Tariff Policy, 2016, 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.

Further, the Tariff Policy, 2016 also stipulates that the surcharge shall not exceed 20% of the tariff applicable to the category of consumers seeking Open Access.

Accordingly, the Commission has determined the Cross Subsidy Surcharge based on the formula stipulated in the Tariff Policy, as shown in the Table below:

**Table 9.9: Approved Cross Subsidy Surcharge payable for Open Access consumers in TPL-D(S) area**

| Particulars | HTMD |
|---|---|
| T – Tariff for HT category (Rs/kWh) | 6.93 |
| C – Wt. Avg. Power Purchase Cost (Rs/kWh) | 4.80 |
| D –Wheeling Charges (Rs / kWh) | 0.70 |
| L – Aggregate T&D Loss (%) | 3.50% |
| R – per unit cost of carrying Regulatory Assets (Rs/kWh) | 0 |
| S - Cross Subsidy Surcharge (Rs/kWh) | 1.26 |

S (for HTMD) = 6.93 - [4.80/(1-3.50%) + 0.70 + 0.00]

= 1.26 Rs./kWh

Thus, the Cross-Subsidy Surcharge as per Tariff Policy, 2016 works out to Rs. 1.26/kWh for HTMD category. 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.

Accordingly, **Cross Subsidy Surcharge for HTMD Category = 1.26 Rs./kWh for FY 2019-20.**

## 9.3 Additional Surcharge

### Petitioner's Submission

The Petitioner has submitted that as per Regulation 25 of GERC (Terms & Conditions of Intra-State Open Access) Regulations, 2011, the OA consumer will also be required to pay an Additional Surcharge as per Section 42 (4) of the EA 2003.

### Commission's Analysis

The Petitioner should submit the requisite data and justification separately for determination of Additional Surcharge.

# 10 Tariff Philosophy and Tariff Proposal

## 10.1 Introduction

The Commission is guided by the provisions of the Electricity Act, 2003, the National Electricity Policy, the Tariff Policy, Regulations on Terms and Conditions of Tariff issued by the Central Electricity Regulatory Commission (CERC) and the GERC (MYT) Regulations, 2016 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 subsidy amongst categories within a period to be specified by the Commission.

## 10.2 Proposal of TPL for increase in Retail Tariffs for Surat for FY 2019-20

### Background

The Petitioner has computed the Cumulative Gap/(Surplus) for FY 2017-18, FY 2019- 20 and carrying cost as discussed earlier. The Petitioner has proposed to recover the accumulated Gap/(Surplus) during FY 2019-20 by way of Additional Charge mainly towards unrecovered costs.

### Tariff Philosophy

The Petitioner has submitted that the Commission has approved the existing tariff structure based on widely recognized best practices in accordance with the legal framework as under:

1. Consumer’s capacity to pay
2. Adhering to the band of cross subsidy prescribed by Tariff Policy
3. Incentivising energy conservation through telescopic tariff
4. Demand Side Management by shifting of consumption from peak hours to off-peak hours
5. Promotion of efficient use of electricity

The Petitioner submitted that it has maintained the same tariff structure and philosophy while designing the tariff for FY 2019-20.

**Determination of Retail Tariff**

The Petitioner has submitted that the Cumulative Gap has arisen mainly on account of past years' under-recovery. Therefore, instead of seeking Tariff increase, the Petitioner has proposed to recover this Cumulative Gap of Rs. 47.08 Crore by way of Additional Charge.

The Petitioner has proposed recovery of Gap by way of Additional Charge at the rate of Rs. 0.14 per kWh w.e.f. 1$^{st}$ April, 2019 during FY 2019-20

The Petitioner has submitted that it proposes to merge part of the existing FPPPA of Rs. 2.09 per kWh with the Energy Charge. Accordingly, it has proposed to merge Rs. 1.23 per kWh in the Energy Charge. The Petitioner has clarified that this merger of part FPPPA does not lead to any increase in tariff.

The Petitioner would like to clarify that any variation in recovery of the said gap shall be dealt with during Truing up exercise for FY 2019-20.

The Petitioner has further submitted that if for any reason, the Commission does not allow the recovery of Gap by way of Additional Charge w.e.f. 1st April, 2019, the tariff rates need to be appropriately adjusted to allow the Petitioner to recover the cumulative Gap of Rs. 47.08 Crore during FY 2019-20.

The Petitioner has added that its tariff was last increased in FY 2015-16. Since then, despite the overall inflationary pressures, the Petitioner has been managing its costs largely through operational efficiencies. The approval of Additional Charge is essential so as to liquidate under recoveries and enable the Petitioner to maintain and further improve its high standards of quality, reliability and customer services.

## 10.3 Commission's Ruling on Retail Tariffs for TPL-D(S) for FY 2019-20

The Commission has in the past Orders, rationalised the tariffs in order to ensure that the tariffs reflect, as far as possible, the cost of supply. The Commission has also tried to address operational and field issues, keeping in view the interest of the consumers, while rationalising the tariff structure. Hence, the Commission decides to continue with the existing tariff structure.

TPL-D (S) has proposed to recover Rs. 47.08 Crore through "Additional Charge" of Rs. 0.14 per kWh w.e.f. 1st April, 2019 during FY 2019-20. However, as discussed earlier, the Commission has approved a cumulative Revenue Surplus of Rs. 103.67 Crore.

It should be noted that while working out the cumulative Revenue Surplus, the Commission has not considered the carrying cost on the Revenue Gap of previous years, as the method of computation of carrying cost is sub-judice before the Hon'ble APTEL.

Regulation 97 of the GERC (MYT) Regulations, 2016 considers "Prompt Payment Rebate" as one of the heads for Non-Tariff Income. However, the Commission observes that Distribution Licensees does not extend such rebate on Prompt payments being made by the consumers of such licensees. Keeping in view the above, the Commission decides to exclude the condition for Prompt Payment Rebate from the general conditions of tariff for supply of electricity to consumers of the Petitioner.

As regards Residential Tariff, it has been suggested by stakeholders that one slab of 200 to 250 units should be removed and instead, a slab for consumption of more than 400 Units should be introduced with a higher rate of energy charges, as consumers with higher capacity to pay should pay higher charges. The Commission, while making the allowance for the said suggestion, decides to remove the slab of 201 to 250 Units, merging it with the slab of 100 to 200 Units. Thus, the Energy Charge Rate for the consumption between 100 to 250 Units per Month shall be charged at Rs. 4.25 per Unit. In order to keep the slabs minimum as per the philosophy of Tariff Rationalization being depicted in various Government Policy documents, the Commission does not accept the suggestion of introduction of a new slab in the Residential Tariff. With this modification, there will be total reduction of approximately Rs. 0.56 Crore in the revenues of TPL-D (S).

In view of the above, it is estimated that there will be surplus revenue of Rs.103.11 Crore, which will be duly considered by the Commission in Truing up exercise. Accordingly, the categorise tariff is retained at the same level as approved for FY 2018-19.

# COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for TPL-D (S) for FY 2019-20 and FY 2020-21 as shown in the Table below:

**Approved ARR for TPL-D (Surat) for FY 2019-20 and FY 2020-21**

| Sr. No. | Particulars | Approved in Mid-Term Review | |
|---|---|---|---|
| | | 2019-20 | 2020-21 |
| 1 | Power Purchase Expenses | 1,732,41 | 1745.15 |
| 2 | Operation & Maintenance Expenses | 133.31 | 140.94 |
| 3 | Depreciation | 52.96 | 57.87 |
| 4 | Interest & Finance Charges | 27.80 | 32.06 |
| 5 | Interest on Security Deposit | 18.57 | 19.34 |
| 6 | Interest on Working Capital | - | - |
| 7 | Bad Debts written off | 0.39 | 0.39 |
| 8 | Contribution to contingency reserves | 0.40 | 0.40 |
| 9 | **Total Revenue Expenditure** | **1,965.84** | **1996.15** |
| 10 | Return on Equity Capital | 90.74 | 97.05 |
| 11 | Income Tax | 39.68 | 39.68 |
| 12 | **Aggregate Revenue Requirement** | **2,096.26** | **2132.88** |
| 13 | Less: Non-Tariff Income | 21.92 | 23.85 |
| 14 | **Aggregate Revenue Requirement** | **2,074.34** | **2109.03** |

The retail supply tariff for TPL-D(S) for FY 2019-20 determined by the Commission are annexed to this Order.

This Order shall come into force with effect from 1st May, 2019. The revised rates shall be applicable for the electricity consumption from 1st May, 2019 onwards.

| -Sd- | -Sd- | -Sd- |
|---|---|---|
| **P. J. THAKKAR** | **K. M. SHRINGARPURE** | **ANAND KUMAR** |
| Member | Member | Chairman |

Place: Gandhinagar
Date: 24/04/2019

# Annexure: Tariff Schedule

## TARIFF SCHEDULE FOR SURAT LICENCE AREA OF TORRENT POWER LIMITED - SURAT

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

**Effective from 1st May, 2019**

### GENERAL CONDITIONS

1. This tariff schedule is applicable to all the consumers of TPL in Surat area
2. All these tariffs for power supply are applicable to only one point of supply.
3. 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.
4. The charges specified in the tariff are on monthly basis, TPL may decide the period of billing and adjust the rates accordingly.
5. The various provisions of the GERC (licensee's power to recover expenditure incurred in providing supply and other miscellaneous charges) Regulations except Meter Charges, will continue to apply.
6. Conversion of Ratings of electrical appliances and equipment 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.
7. The billing of fixed charges based on contracted load or maximum demand shall be done in multiples of 0.5 (one half) Horse Power, kilo-Watt, kilo-Volt-Ampere (HP, kW, kVA) 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) or kilo-volt- ampere-hour (kVAh) or kilo-volt-ampere-reactive hour (kVARh), as the case may be.
8. Contract Demand shall mean the maximum kW or kVA for the supply of which TPL undertakes to provide facilities to the consumer from time to time.
9. Maximum Demand in a month means the highest value of average kVA or kW as the case may be, delivered at the point of supply of the consumer during any consecutive 15/30 minutes in the said month.

10. TPL may install kWh and kVARh meter for ascertaining power factor, reactive units and kWh units.
11. 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.
12. The fixed charges, minimum charges, demand charges 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.
13. ToU charges wherever applicable unless otherwise notified shall be levied for the energy consumption during the period between 07.00 hours and 11.00 hours; and between 18.00 hours and 22.00 hours, termed as PEAK HOURS. Night hours concession wherever applicable will be given for the energy consumption during the period between 22.00 hours and 06.00 hours next day, termed as 'OFF PEAK HOURS'.
14. Fuel Price and Power Purchase Adjustment (FPPPA) charges shall be applicable in accordance with the formula approved by the Gujarat Electricity Regulatory Commission from time to time.
15. Delayed Payment Charges
    a. No delayed payment charges will be levied if the bill is paid on or before due date indicated in the bill.
    b. Delayed payment charges, if the bill is paid after due date, will be levied at the rate of 15% per annum (computed on daily basis) on the outstanding bill from the due date till the date of payment.
16. Statutory Levies: These tariffs are exclusive of Electricity Duty, Tax on Sales of Electricity, Taxes and other Charges levied/may be levied or such other taxes as may be levied by the Government or other Competent Authorities on bulk/retail supplies from time to time.
17. 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 TPL shall be entitled to take any other action deemed necessary and authorized under the Act.

## PART- I

### RATE SCHEDULE- LOW/MEDIUM TENSION

### 230/400 VOLTS

### 1. RATE: RGP

This tariff is applicable for supply of electricity to residential premises.

Single-phase supply- Aggregate load up to 6 kW

Three-phase supply- Aggregate load above 6 kW

#### 1.1. FIXED CHARGE

**For Other than BPL consumers**

| | | |
|---|---|---|
| (a) | Single Phase Supply | Rs. 25 per installation per month |
| (b) | Three Phase Supply | Rs. 65 per installation per month |

**For BPL household consumers***

| | | |
|---|---|---|
| (a) | Fixed Charges | Rs. 5 per installation per month |

#### 1.2. ENERGY CHARGE

**For Other than BPL consumers**

| | | |
|---|---|---|
| (a) | First 50 units consumed per month | 320 Paise/unit |
| (b) | Next 50 Units during the month | 365 Paise/unit |
| (c) | Next 150 Units during the month | 425 Paise /unit |
| (d) | Above 250 units during the month | 505 Paise /unit |

**For BPL household consumers***

| | | |
|---|---|---|
| (a) | First 30 units consumed per month | 150 Paise per Unit |
| (b) | For remaining units consumed per month | Rate as per Residential |

** 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 zonal office of the Distribution Licensee. The concessional tariff is only for 30 units per month.*

## 2. RATE: GLP

This tariff will be applicable for use of energy for lights, fans, heating, general load and motive power in premises:

i. Crematoriums and Government and Municipal Hospitals.

ii. Charitable Institutions like hospital, dispensary, educational and Research Institute and Hostel attached to such Institution, religious premises exclusively used for worship or community prayers, registered with Charity Commissioner and specifically exempted from levy of general tax under section 2 (13) of Bombay Trust Act, 1950 read with section 9 of The Income Tax Act, 1961.

iii. Public streets Lights, gardens and conveniences.

iv. Water works and sewerage pumping services operated by Municipal Corporations.

Note: Halls or gardens or any portion of the above premises let out for consideration or used for commercial activities at any time shall be charged at Non-RGP tariff.

Single-phase supply- Aggregate load up to 6 kW

Three-phase supply- Aggregate load above 6 kW

### 2.1. FIXED CHARGES:

| | |
|---|---|
| Fixed Charges | Rs. 55.00 per installation per month |

**PLUS**

### 2.2. ENERGY CHARGES

| | |
|---|---|
| Energy Charges | 405 Paise/Unit |

## 3. RATE: NON-RGP

This tariff is applicable for supply of electricity to premises which are not covered in any other LT tariff categories, up to and including 15 kW of connected load.

### 3.1. FIXED CHARGE

| | | |
|---|---|---|
| (a) | First 10 kW | Rs. 70 per kW per month |
| (b) | Next 5 KW | Rs. 90 per kW per month |

### 3.2. ENERGY CHARGE

| | | |
|---|---|---|
| (a) | For installations having connected load up to 10 kW | 435 Paise/unit |
| (b) | For Installations having connected load above 10 kW and up to15 kW | 455 Paise/unit |

## 4. RATE: LTMD

This tariff is applicable for supply of electricity to premises which are not covered in any other LT tariff categories, having connected load above 15 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.

### 4.1. DEMAND CHARGES:

| | | |
|---|---|---|
| (a) | Up to 20 kVA of billing demand | Rs. 115 per kVA/month |
| (b) | Above 20 kVA & up to 60 kVA billing demand | Rs. 155 per kVA/month |
| (c) | Above 60 kVA of billing demand | Rs. 225 per kVA /month |
| (d) | In excess of contract demand | Rs. 250 per kVA /month |

Note: **BILLING DEMAND:** Billing demand during the month shall be the highest of the following:

1. Maximum demand recorded during the month.
2. 85 % of the contract demand.
3. 6 kVA

**PLUS**

### 4.2. ENERGY CHARGES;

| | |
|---|---|
| Energy charges | 485 Paise/unit |

**PLUS**

### 4.3. REACTIVE ENERGY CHARGES (KVARH UNITS):

For installations having contracted load of 40 kVA and above

| | |
|---|---|
| For all the reactive units drawn during the month | 10 Paise/kVARh |

## 5. RATE: TMP

Applicable to installations for temporary requirement of electric supply.

### 5.1. FIXED CHARGE

| | |
|---|---|
| Fixed Charge per Installation | Rs. 25 per kW per Day |

### 5.2. ENERGY CHARGE

| | |
|---|---|
| A flat rate of | 500 Paise per unit |

## 6. RATE: AGP

This tariff shall also be applicable to motive power services used for irrigation purpose.

The rates for following group are as under

### 6.1. FIXED CHARGES:

| | |
|---|---|
| Fixed Charges | Rs. 20.00 per HP per month |

**PLUS**

| | |
|---|---|
| Energy Charges | 60 Paise/unit |

Note:

.

1. The Agricultural consumers shall be permitted to utilize one bulb or CFL up to 40 watts in the Pump House without recovering any charges. Any further extension or addition of load will amount to unauthorized extension.
2. No machinery other than pump for irrigation will be permitted under this tariff.

## 7. RATE: LT- Electric Vehicle (EV) Charging Stations

This tariff is applicable to consumers who use electricity **EXCLUSIVELY** for electric vehicle charging installations.

Other consumers can use their regular electricity supply for charging electric vehicle under same regular category i.e. RGP. NRGP, LTMD etc.

## 7.1. FIXED CHARGE

| |
|---|
| Rs. 25 per month per installation |

**PLUS**

## 7.2. ENERGY CHARGE

| | |
|---|---|
| Energy Charge | 410 Paise per unit |

## PART- II

## RATE SCHEDULE FOR SERVICE AT HIGH TENSION

### 8. RATE: HTMD-1

This tariff shall be applicable for supply of energy to consumers at 3.3 kV and above for contracting the demand of 100 kVA and above for purposes other than pumping stations run by Local Authorities.

### 8.1. DEMAND CHARGES:

A. **For Billing Demand up to Contract Demand**

| | | |
|---|---|---|
| (a) | First 500 kVA of billing demand | Rs. 170 per kVA |
| (b) | Above 500 kVA | Rs. 285 per kVA |

B. **For Billing Demand in excess over Contract Demand**

| | |
|---|---|
| For billing demand in excess over contract demand | Rs. 395 per kVA |

**Note**: The Billing Demand shall be highest of the following:

**i.** Actual Maximum Demand established during the month

**ii.** 85% of the Contract Demand, and

**iii.** 100 kVA

**PLUS**

### 8.2. ENERGY CHARGES

| | | |
|---|---|---|
| (a) | First 400 units consumed per kVA of Billing Demand per month | 480 Paise/unit |
| (b) | Remaining Units consumed per month | 470 Paise/unit |

**PLUS**

### 8.3. TIME OF USE (TOU) CHARGE

| |
|---|
| 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 | 65 Paise per Unit |
| (b) For Billing Demand above 500 KVA | 100 Paise per Unit |

**PLUS**

## 8.4. POWER FACTOR

### Power Factor Adjustment Charges:

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 8.2 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 8.2 of this schedule, will be charged.

### Power Factor Adjustment Rebate:

If the average 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 1% 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 7.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

## 8.5. NIGHT TIME CONCESSION:

The energy consumed during night hours between 22.00 hours and 06.00 hours next day (recorded by the tariff meter operated through time switch or built in feature of time segments, if incorporated) shall be eligible for concession of 30 Paise per kWh. The meter and time switch shall be procured and installed by consumer at his cost, if required by TPL-Surat. In such case, TPL-Surat will seal the metering equipment.

### 8.6. REBATE FOR SUPPLY AT EHV

| Sr. No | 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% |

## 9. RATE: HTMD-2

This tariff shall be applicable for supply of energy at 3.3 kV and above and contracting for demand of 100 kVA and above for water works and pumping stations run by Local Authorities.

### 9.1. DEMAND CHARGES

A. **For Billing Demand up to Contract Demand**

| | | |
|---|---|---|
| (a) | First 500 kVA of billing demand | Rs. 140 per kVA per month |
| (b) | Above 500 kVA of billing demand | Rs. 225/- per KVA per month |

B. **For Billing Demand in excess of the Contract Demand**

| | |
|---|---|
| For Billing demand in excess over Contract demand | Rs. 360/- per KVA per month |

**Note**: The Billing Demand shall be highest of the following:

i. Actual Maximum Demand established during the month

ii. 85% of the Contract Demand, and

iii. 100 kVA,

**PLUS**

### 9.2. ENERGY CHARGES

| | | |
|---|---|---|
| (a) | First 400 units consumed per kVA of Billing Demand per Month | 475 Paise/unit |
| (b) | Remaining Units consumed per Month | 470 Paise/unit |

**PLUS**

## 9.3. TIME OF USE (TOU) CHARGES

| For energy consumption during the two peak periods,<br>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 | 80 Paise per Unit |

**PLUS**

## 9.4. POWER FACTOR

**Power Factor Adjustment Charge**

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 9.2 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 9.2 of this schedule, will be charged.

### Power Factor Adjustment Rebate

If the average 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 1% 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 9.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

## 9.5. NIGHT TIME CONCESSION

The energy consumed during night hours between 22.00 hours and 06.00 hours next day (recorded by the tariff meter operated through time switch or built in feature of time segments, if incorporated) shall be eligible for concession of 30 Paise per kWh. The meter and time switch shall be procured and installed by consumer at his cost, if required by TPL-Surat. In such case, TPL-Surat will seal the metering equipment.

### 9.6. REBATE FOR SUPPLY AT EHV

| Sr. No | 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% |

## 10. RATE: HTMD-3

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.

### 10.1 FIXED CHARGE

| | |
|---|---|
| For billing demand up to contract demand | Rs. 25 per kVA per day |
| For billing demand in excess of contract demand | Rs. 35 per kVA per day |

**Note**: The Billing Demand shall be highest of the following

i. Actual Maximum Demand recorded during the month
ii. 85% of the Contract Demand, and
iii. 100 kVA

**PLUS**

### 10.2 ENERGY CHARGE

| | |
|---|---|
| For all units consumed during the month | 695 Paise/ Unit |

**PLUS**

### 10.3 TIME OF USE (TOU) 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 | 80 Paise per unit |

## 10.4 POWER FACTOR

**Power Factor Adjustment Charges:**

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 10.2 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 10.2 of this schedule, will be charged.

**Power Factor Adjustment Rebate**

If the average 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 1% 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 10.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

## 11. RATE- NTCT (NIGHT TIME CONCESSIONAL TARIFF)

This is night time concessional tariff for consumers for regular power supply who opt to use electricity **EXCLUSIVELY** during night hours between 22.00 hours and 06.00 hours next day. The consumer shall provide the switching arrangement as shall be acceptable to TPL-Surat to regulate supply hours.

## 11.1 FIXED CHARGE

| | |
|---|---|
| Fixed Charges | 30% of the Demand Charges under relevant Tariff Category |

## 11.2 ENERGY CHARGE

| | |
|---|---|
| A flat rate of | 340 Paise per unit |

## 11.3 POWER FACTOR

**Power Factor Adjustment Charges:**

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 11.2 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 11.2 of this schedule, will be charged.

**Power Factor Adjustment Rebate:**

If the average 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 1% 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 11.2 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 11.0 above.*

*2. 10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 11.0 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 HTMD category demand charge rates given in para 8.1 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 HTMD category energy charge rates given in para 8.2 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 HTMD category demand charge and energy charge rates given in para 8.1 and 8.2 respectively, of this schedule.*

*6. This tariff shall be applicable if the consumer so opts to be charged in place of HTMD tariff by using electricity exclusively during night hours as above.*

*7. The option can be exercised to shift from regular HTMD tariff category to Rate: NTCT or from Rate: NTCT to regular HTMD tariff four times in a calendar year by giving not less than 15 days' advance notice in writing before commencement of billing period.*

## 12. RATE: HT- Electric Vehicle (EV) Charging Stations

This tariff is applicable to consumers who use electricity **EXCLUSIVELY** for electric vehicle charging installations.

Other consumers can use their regular electricity supply for charging electric vehicle under same regular category i.e. HTMD-1, HTMD-2, HTMD-3 and NTCT.

### 12.1 DEMAND CHARGE

| | |
|---|---|
| For billing demand up to contract demand | Rs. 25 per kVA per month |
| For billing demand in excess of contract demand | Rs. 50 per kVA per month |

**PLUS**

### 12.2 ENERGY CHARGE

| | |
|---|---|
| Energy Charge | 400 Paise per Unit |