GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2017-18,

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

Determination of Tariff for FY 2019-20

For

Torrent Power Limited - Distribution

Dahej

Case No. 1766 of 2018

17th July, 2019

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(GERC)

GANDHINAGAR

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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 (D)	Torrent Power Limited – Distribution (Dahej)

Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1766 of 2018

Date of Order: 17/07/2019

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 (Dahej) (hereinafter referred to as TPL-D (D) 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 Dahej Supply area 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.

Torrent Energy Limited (TEL) is a Special Purpose Vehicle (SPV), promoted by Torrent Power Limited (TPL), to fulfil its commitment to generate and distribute power as a co-developer of the Dahej Special Economic Zone.

Dahej SEZ (DSEZ) is being developed by Government of Gujarat through Gujarat Industrial Development Corporation (GIDC) and Oil and Natural Gas Corporation (ONGC). The DSEZ has been notified by the Ministry of Commerce and Industry, Government of India, vide Notification No. 2131 (E) dated 20th December, 2006, as a Multi-Product SEZ.

The Government of Gujarat approved “In-principle” Torrent Energy Limited as the Co-developer in DSEZ area for the purpose of establishing generation and distribution facilities. Accordingly, TEL has entered into the Co-developer agreement with Dahej SEZ Ltd. (DSL), an SPV created for developing the DSEZ.

The Ministry of Commerce and Industry, Government of India, has approved TEL as a Co-developer to set up generation and distribution infrastructure in DSEZ.

The Commission vide its Order dated 17th November, 2009, issued orders for issue of Distribution Licence to TEL as a second Distribution Licensee as per the provisions of Section

14 of the Electricity Act, 2003 for distribution of electricity in the DSEZ area. Accordingly, the Commission, vide its letter dated 29th December, 2009, issued the Distribution Licence dated 18th December, 2009 to TEL.

TEL started commercial operations from 4th April, 2010 and is in the process of establishing the distribution network for power distribution to various SEZ units. The Hon'ble High Court of Gujarat vide its Order dated 13th August, 2015, has sanctioned the Composite Scheme of Amalgamation ("Scheme") of Torrent Energy Limited (TEL) and Torrent Cables Limited (TCL) with Torrent Power Limited (TPL) under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 with effect from the Appointed Date of 1st April, 2014. Accordingly, the Scheme has become operational on 1st October, 2015 with effect from 1st April, 2014, being the Appointed Date. The distribution business of Dahej SEZ area is hereinafter referred to as Petitioner or TEL-D where matter under reference is related to period prior to 1st April, 2014, and referred as Petitioner or TPL-D (D) where matter under reference is related to period after 1st April, 2014 for the sake of brevity.

The present Petition has been filed by TPL-D (D) for its distribution business in Dahej Supply area.

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 FY 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of Tariff for FY 2017-18 on 30th November, 2016. The Petition was registered on 3rd December, 2016 (under Case No. 1629 of 2016).

The Commission vide Order dated 9th June, 2017 (hereinafter referred to as MYT Order) approved the Truing up for FY 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. 1698 of 2018). The Commission vide Order dated 4th April 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 (D) 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. 1766 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 (D) to publish its application in the newspapers to ensure due public participation.

The Public Notice, inviting objections / suggestions from its 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	DNA	English	11.12.2018
2	Sandesh	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.	Vishnnubahi 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 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 (D) 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 (D)'s Petition.

3. The **third Chapter** deals with the Public Hearing process, including the objections raised by various stakeholders, TPL-D (D)'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 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 the 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 (D) 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(D) 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 the Control Period.

Determination of Tariff for FY 2019-20 have 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 (D) 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 (D)

The details of expenses under various heads of ARR are given in the Table below:

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

Particulars	Approved in the MYT Order	Actual as per TPL-D (D)
Power Purchase Expenses	108.11	109.58
O&M Expenses	5.95	7.37
Interest on Loans	5.73	5.35
Interest on Security Deposit	2.61	2.05
Interest on Working Capital	-	-
Depreciation	6.08	6.16
Bad Debts Written off	-	-
Contingency Reserve	0.72	0.71
Return on Equity	5.27	5.35
Income Tax	-	-
Less: Non-Tariff Income	3.09	1.42
Annual Revenue Requirement	**131.37**	**135.15**

2.3 Sharing of Gains and Losses for FY 2017-18

The sharing of Gains and Losses as projected by TPL-D (D) is depicted below:

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

Particulars	Approved in the MYT Order	Actual as per TPL-D (D)	Over/(Under) recovery	Controllable	Uncontrollable
Power Purchase Expenses	108.11	109.58	(1.48)	-	(1.48)

Particulars	Approved in the MYT Order	Actual as per TPL-D (D)	Over/(Under) recovery	Controllable	Uncontrollable
Operation & Maintenance Expenses	5.95	7.37	(1.41)	-	(1.41)
Depreciation	6.08	6.16	(0.08)	-	(0.08)
Interest on Loans	5.73	5.35	0.38	-	0.38
Interest on Security Deposit	2.61	2.05	0.56	-	0.56
Interest on Working Capital	-	-	-	-	-
Bad Debts Written off	-	-	-	-	-
Contingency Reserves	0.72	0.71	0.01	-	0.01
Return on Equity	5.27	5.35	(0.07)	-	(0.07)
Income Tax	-	-	-	-	-
Less: Non-Tariff Income	3.09	1.42	1.67	-	1.67
ARR	**131.37**	**135.15**	**(3.77)**	**-**	**(3.77)**

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

TPL-D (D), 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(D) (Rs. Crore)

Particulars	2019-20		2020-21	
	Approved in the MYT Order	Revised Estimate	Approved in the MYT Order	Revised Estimate
Power Purchase Expenses	156.80	199.70	169.52	218.74
Operation & Maintenance Expenses	6.65	10.42	7.03	11.01
Depreciation	6.65	6.85	6.67	7.23
Interest on Loans	5.12	5.24	4.59	5.20
Interest on Security Deposit	3.09	2.23	3.20	2.32
Interest on Working Capital	-	-	-	-
Bad Debts Written off	-	-	-	-
Contingency Reserves	0.79	0.84	0.80	0.91
Return on Equity	5.66	6.04	5.73	6.44
Income Tax	-	-	-	-
Less: Non-Tariff Income	3.09	4.13	3.09	4.54
Aggregate Revenue Requirement	**181.68**	**227.19**	**194.45**	**247.31**

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

The Table below summarises the proposed ARR claimed by TPL-D (D) 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(D) for FY 2017-18 (Rs. Crore)

Particulars	Legend	2017-18
ARR as per MYT Order	a	131.37
Gains/Losses due to Uncontrollable Factors	b	(3.77)
Gains/Losses due to Controllable Factors	c	-
Pass through as tariff	d=-(1/3rd of c+b)	3.77
Trued-up ARR	**e=a+d**	**135.15**

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

Table 2.5: Revenue Gap/(Surplus) of TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Actual
Trued Up ARR	135.15
Revenue from Sale of Energy	124.00
Less: Revenue towards recovery of Earlier Years' Approved Gap/(Surplus)	(25.56)
Balance Revenue	149.56
Gap/(Surplus)	**(14.41)**

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

Table 2.6: Revenue Gap/ (Surplus) of TPL-D (D) for FY 2019-20 (Rs. Crore)

Particulars	Claimed by TPL-D(D)
ARR	227.19
Less:	
Revenue from sale of power at existing tariff rates including FPPPA Revenue @Rs. 0.69 per unit	198.84
Gap/(Surplus)	**28.35**

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

Table 2.7: Revenue Gap/(Surplus) of TPL-D (D) for FY 2019-20 (Rs. Crore)

Particulars	Claimed by TPL-D (D)
Gap/(Surplus) of FY 2017-18	(14.41)
Carrying Cost	(4.25)
Gap/(Surplus) of FY 2019-20	28.35
Cumulative Gap/(Surplus) to be recovered through tariff	**9.69**

2.7 TPL-D (D)'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 as proposed for FY 2019-20.
8. Allow recovery of the costs as per the Judgments of the Hon'ble 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 Hon'ble 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(D) 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 the stakeholders on the Petition filed by TPL-D 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 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, 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 (UUWA) 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 nor 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, the 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 the 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 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;…".

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: 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.

3.1.5 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.

3.1.6 Issue: Revenue Gap for FY 2019-20

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 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/Surplus 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/Surplus needed to be recovered by the Petitioner. The same has been proposed to be recovered by way of energy charge to be levied in FY 2019-20.

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.

3.1.7 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.

3.1.8 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 conforms 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.

The objector filed rejoinder dated 28th February, 2019 stating that the accounts submitted in petitions are cherry picked for regulatory purpose. No trust neither on certificate nor 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 Crore, while at page 211 the report states manufactured goods Rs. 286.82 Crore 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. 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 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.

3.1.9 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.

3.1.10 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.

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.

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.

3.1.11 Issue: Irregularity in Non-Tariff Income

The objector pointed out that Non-Tariff Income for TPL-D (D) is shown as Rs. 1.43 Crore in the Petition, whereas it is shown as Rs. 2.85 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.

3.1.12 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.

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.

3.1.13 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.

3.1.14 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.

3.1.15 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 1/3rd 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.

3.1.16 Issue: Irregularity in Interest and Finance Cost

The objector submitted that Interest and Finance cost of Rs 5.35 Crore for TPL-D (D) 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.

3.1.17 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 the 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.

3.1.18 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

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.

3.1.19 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.

3.1.20 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.

3.1.21 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.

3.1.22 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.

Response of TPL

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.

3.1.23 Issue: Tariff Categorisation

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

Response of TPL

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 Consumers

Petitioner's Submission

In the MYT Petition, the Petitioner had estimated the sales for the Control Period from FY 2016-17 to FY 2020-21 based on inputs received from the unit holders and prospective customers, which was accepted by the Commission in the MYT Order.

The Petitioner submitted that the actual sales in FY 2017-18 were higher than the sales approved in the MYT Order, mainly due to the better than estimated load factor recorded for HTP-I category and lower than estimated solar set-off units.

The Petitioner submitted that the GERC (MYT) Regulations, 2016 specifies the variation in quantities of electricity supplied to the consumers as uncontrollable factor. Therefore, the Petitioner has requested the Commission for the Truing up of actual sales as shown in the Table below:

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

Category	Approved in the MYT Order	Actual Claimed
RGP	-	-
Non-RGP	0.66	0.54
LTMD	0.68	0.53
HTP-I	291.14	303.66
HTP-II	0.37	0.47
HTP-III	14.76	6.03
Others	0.74	0.64
Total	**308.35**	**311.86**

Commission's Analysis

The actual sales in FY 2017-18 was 311.86 MUs as against 308.35 MUs approved in the MYT Order dated 9th June, 2017, i.e., higher by 3.51 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 the Chief Electrical Inspector and Collector of Electricity Duty vide additional details submitted on 22nd January, 2019.

The Commission approves the energy sales as mentioned in the Table 4.1 for TPL-D (D) totalling to 311.86 MUs for Truing up of FY 2017-18.

4.3 Distribution Losses

Petitioner's Submission

The Petitioner has been making consistent efforts to contain the distribution losses and has out-performed the distribution losses approved by the Commission in the MYT Order. 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 (D)

Particulars	Approved in the MYT Order	Actual Claimed
Distribution Losses	2.00%	0.40%

The Petitioner has submitted that the variation in the distribution losses compared to the approved value is to be considered as controllable. However, as the network is yet to be established and load is to be stabilized, the distribution losses have been considered as uncontrollable.

Commission's Analysis

The distribution losses as claimed by TPL-D (D) at 0.40% is approved for the purpose of true-up for FY 2017-18. Any gains/losses on account of distribution losses is controllable as per the GERC (MYT) Regulations, However, in this Order, the distribution losses have been considered as uncontrollable for the purpose of sharing of gains/losses for the present control period as the load is yet to stabilize.

Hence, the Commission approves distribution losses of 0.40% for truing up for FY 2017-18.

4.4 Energy Requirement

Petitioner's Submission

The Petitioner has submitted the actual energy requirement for TPL-D (D) based on the actual energy sales, transmission and distribution loss units, as furnished in the Table below. The total energy requirement was met through various sources as described in the subsequent section.

Table 4.3: Energy Requirement for FY 2017-18 as submitted by TPL-D(D) (MUs)

Particulars	Approved in the MYT Order	Actual Claimed
Energy Sales	308.35	311.86
Distribution Losses (%)	2.00%	0.40%
Distribution Losses	6.29	1.25
Energy input at Distribution Level	314.64	313.11
Transmission Losses	12.60	9.40
Energy Requirement	**327.24**	**322.51**

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 4.73 MUs in the energy requirement for TPL-Dahej against the quantum of 327.24 MUs approved in the MYT Order.

The actual energy requirement is lower than that approved in the MYT Order despite higher than approved sales, due to lower Transmission and Distribution Losses. The actual energy requirement being the sum of energy sales and Transmission and Distribution Losses, works out to 322.51 MUs for FY 2017-18.

The Commission accordingly approves the energy requirement at 322.51 MUs for Truing up of FY 2017-18 as given in Table 4.3 above.

4.5 Energy Availability

Petitioner's Submission

The Petitioner has submitted that it has sourced power from bilateral sources, Solar and Wind power plants, and IEX. The details of power procured by TPL-D (D) is provided in the Table below:

Table 4.4: Net Energy Availability for FY 2017-18 as submitted by TPL-D(D) (MUs)

Energy Sources	Approved in the MYT Order	Actual Claimed
Bilateral/Power Exchange	290.10	282.71
Renewable Energy	37.15	37.07
Sub-Total	**327.24**	**319.78**
Add: Sale of Surplus Power / UI	-	2.73
Total	**327.24**	**322.51**

4.5.1 Renewable Power Purchase Obligation

Petitioner's Submission

The Petitioner has submitted that Regulation 4.1 of the GERC (Procurement of Energy from Renewable Energy Sources) Regulations, 2010 specifies the Renewable Power Purchase Obligation (RPO) 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 (D) has made all efforts to fulfil its RPO.

The Renewable Energy requirement and Renewable Energy sourced for FY 2017-18 is as under:

Table 4.5: RPPO for TPL-D (D) for FY 2017-18

Particulars	MUs
Energy Requirement	322.51
Obligation	
Wind Energy to be procured (@7.75%)	24.99
Solar Energy to be procured (@1.75%)	5.64
Biomass/Bagasse/Others (@0.50%)	1.61
Total (10.00%)	32.25

Particulars	MUs
Compliance (Non-Solar)	
Wind	28.37
Non-Solar REC	-
Compliance	28.37
Compliance (as % of Energy Requirement)	8.80%
Compliance (Solar energy)	
Solar*	10.38
Solar REC	-
Compliance	10.38
Compliance (as % of Energy Requirement)	3.22%

* Includes RE attributes of 1.68 Mus available from Captive Solar Consumers as per Gujarat Solar Policy, 2015.

From the above, it can be seen that the Petitioner has complied with the RPO requirement for FY 2017-18.

Commission's Analysis

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

The Commission had approved the total quantum of power purchase at 327.24 MUs for TPL-D(D) for FY 2017-18 in the MYT Order dated 9th June, 2017 against which the Petitioner has purchased 322.51 MUs during FY 2017-18.

The Commission sought details regarding treatment of sale of surplus power/UI of 2.73 MUs submitted in the Petition, as the same was not shown in Form F2. The Petitioner submitted that the sale of surplus power has been utilized to meet with its requirement and the same has been inadvertently missed out while furnishing Form F2.

In reply to the Commission's query, the Petitioner submitted that it has considered the Revenue from UI for FY 2017-18 under the head of Revenue from Sale of Energy.

The Commission noted that TPL-D(D) has procured excess quantum of Renewable Energy from generators under preferential tariff. 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 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 Table 4.6 below:

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

Energy Sources	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Bilateral	290.10	203.37	203.37
Power Exchange		79.34	79.34
Renewables			
Solar Energy	9.82	37.07	8.70
Wind Energy	25.69		28.37
Others	1.64		-
Sub-Total	**327.24**	**319.78**	**319.78**
Add: Sale of Surplus Power	-	2.73	2.73
Total	**327.24**	**322.51**	**322.51**

4.6 Power Purchase Cost

Petitioner's Submission

The Petitioner has submitted that the quantum of power purchase depends on energy sales and distribution losses and the cost of power purchase depends on fuel and power purchase rates of sources. The actual power purchase cost for FY 2017-18 is compared with the approved power purchase cost as shown in the Table below.

The Petitioner has submitted that the variation in the power purchase cost from the MYT Order is on account of variation in sales and distribution losses and variation in actual cost with respect to the base power purchase rate during the year.

The Petitioner has submitted that as per the GERC (MYT) Regulations, 2016, the variation in power purchase cost is uncontrollable except on account of variation in distribution losses and hence, the same needs to be allowed in Truing up exercise.

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

Particulars	Approved in the MYT Order	Actual Claimed
Bilateral/ Power Exchange	90.44	89.91
Renewable Energy	17.67	19.67
Total	**108.11**	**109.58**

The Petitioner has claimed the actual power purchase cost of Rs. 109.58 Crore for FY 2017-18.

Commission's Analysis

In reply to the Commission's query, the Petitioner has confirmed that the bilateral power on Round the clock (RTC) basis has been purchased through competitive bidding and approved by the Commission vide Order dated 18th April 2017 in Petition No. 1646 of 2017. The power (32 MW RTC) was purchased from Essar Power Gujarat Limited at Rs. 2.70/kWh at GETCO periphery for the period from 01.04.2017 to 31.03.2018.

The energy requirement is evaluated based on sale of energy and losses in the transmission and distribution system of TPL-D(D) licence area.

The Petitioner has procured short-term power from Indian Energy Exchange (IEX) at the rate of Rs. 4.59 per kWh as submitted in Form F2. The Commission has noted the increasing trend of rates in the Power Exchange. The Commission has observed that the actual rate of purchase from bilateral sources was around Rs.2.90/kWh kWh (Rs. 2.70/kWh + Transmission Charges of Rs. 0.20/kWh), but on account of impact of liquidated damages recovered by the Petitioner from Essar Power Gujarat Ltd., the actual rate works out to Rs. 2.63/kWh. Accordingly, the same has been considered for the True up for FY 2017-18.

The break-up of purchase from Wind and Solar RE sources is given in the Table below:

Sl.	Particulars	Quantum (MUs)	Rate (Rs/kWh)	Total Cost (Rs. Crore)
1	Solar	8.70	7.26	6.32
2	Wind	28.37	4.71	13.35
3	**Total Renewable**	**37.07**	**5.31**	**19.67**

The Commission has duly verified the annual accounts of TPL-D (D) and found the power purchase cost of Rs. 109.58 Crore accounted by the Petitioner. The Commission accordingly, approves the power purchase cost for true-up of FY 2017-18 as given in the Table below:

Table 4.8: Approved Power Purchase Cost for TPL-D(D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Bilateral	90.44	53.47	53.47
Power Exchange		36.44	36.44
Solar	5.75	19.67	6.32
Non-Solar	11.92		13.35
Total	**108.11**	**109.58**	**109.58**

Considering the approved power purchase cost of Rs. 109.58 Crore for the approved total energy procurement of 322.51 MUs, the per unit power purchase cost works out to Rs. 3.40/kWh, as shown in the Table below:

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

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Bilateral	3.12	2.63	2.63
Power Exchange		4.59	4.59
Solar	5.86	5.31	7.26
Non-Solar	4.36		4.71
Total	**3.30**	**3.40**	**3.40**

4.7 Fixed Charges

4.7.1 Operation and Maintenance (O&M) Expenses

Petitioner's Submission

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

Table 4.10: O&M Expenses claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Operation & Maintenance Expenses	5.95	7.37

The Petitioner has submitted that the O&M Expenses were approved in the MYT Order considering past data. However, the distribution network has increased and O&M Expenses have also increased due to increase in Repairs & Maintenance activities. Therefore, the actual O&M Expenses incurred are higher than the approved O&M Expenses.

The Petitioner has submitted that the SEZ is still in developmental stage and demand is yet to stabilize. The rationale for treating O&M Expenses as uncontrollable is on the same lines as considered for treating Distribution Losses as uncontrollable. Hence, the Petitioner has submitted that the variation in O&M Expenses and variation in power purchase cost on account of distribution losses should both be considered as uncontrollable. Accordingly, in the present Petition, the Petitioner has considered the entire O&M Expenses as uncontrollable for sharing of Gains/Losses and requested the Commission to approve the same.

Commission's Analysis

TPL-D(D) has claimed the actual O&M Expenses at Rs. 7.37 Crore inclusive of negative impact of "Re-measurement of Defined Benefit Plans" of Rs. (0.03) 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 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. 7.64 Crore, whereas TPL has claimed O&M Expenses of Rs. 7.37 Crore. The head-wise analysis is as under:

(a) Employee Expenses: Employee Expenses as per annual accounts are Rs. 0.23 Crore net of expenses capitalized of Rs. 2.46 Crore. The Petitioner has added expenses towards Re-measurement of Defined Benefit Plans of Rs. (0.03) Crore. Accordingly, the actual Employee Expenses are Rs. 0.20 Crore.

(b) A&G Expenses: A&G Expenses as per annual accounts are Rs. 4.35 Crore net of expenses capitalized of Rs. 0.15 Crore. The Petitioner has claimed A&G Expenses after reduction on account of Donations (Rs. 0.02 Crore), Leased Land Depreciation (Rs. 0.19 Crore), and Corporate Social Responsibility (Rs. 0.03 Crore). Accordingly, the Commission approves the A&G Expenses of Rs. 4.11 Crore.

(c) Repair & Maintenance (R&M) Expenses: The Petitioner has claimed R&M Expenses of Rs. 3.06 Crore as per annual accounts, and the Commission approves the same.

The Commission, accordingly approves the O&M Expenses of Rs. 7.37 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 except the change in law and wage revision. However, as per the judgement dated 09th May, 2019 of the Hon'ble APTEL in Appeal No. 256 of 2016, the Commission decides to accept TPL-D (D)'s submission that O&M Expenses should be considered as uncontrollable along the lines of Distribution Losses, as the SEZ is yet to stabilize.

Accordingly, the 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 4.11: O&M Expenses 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
O&M Expenses	5.95	7.37	(1.42)	(1.42)

4.7.2 Capital Expenditure, Capitalisation and Sources of Funding

a) Capital Expenditure

Petitioner's Submission

The Commission had approved capital expenditure of Rs. 20.75 Crore for FY 2017-18 in the MYT Order dated 9th June, 2017. The capital expenditure incurred by TPL-D (D) in FY 2017-18 is Rs 17.54 Crore. The details of the capital expenditure are provided in the following Table:

Table 4.12: Capital Expenditure claimed by TPL-D(D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
EHV Network	16.17	15.45
HT Network	1.93	0.53
LT Network	0.33	0.14

Particulars	Approved in the MYT Order	Actual Claimed
Metering	0.13	0.03
Special Projects	0.05	0.22
Customer care and IT	0.04	0.08
Others	2.10	1.09
Total	**20.75**	**17.54**

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

a) EHV: The Commission had approved the expenditure of Rs. 16.17 Crore for 220 kV and 33 kV substation and network. The actual expenditure incurred during the year was Rs. 15.45 Crore mainly towards the project pertaining to execution of second 33 kV connectivity between east and west parts of Dahej SEZ initiated in FY 2016-17 and commissioning of one number of 33 kV Sub-station.
b) HT Network: The Commission had approved an expenditure of Rs. 1.93 Crore whereas the actual expenditure incurred was Rs. 0.53 Crore. The variation is mainly on account of development of 11 kV network.
c) LT Network: The Commission had approved an expenditure of Rs. 0.33 Crore whereas the actual expenditure incurred was Rs. 0.14 Crore. The variation is mainly on account of lower demand in LT observed during the year.
d) Metering: The Commission had approved an expenditure of Rs. 0.13 Crore whereas the actual expense incurred was Rs. 0.03 Crore. The variation is mainly on account of deferment of expenditure towards GPRS for meter reading to FY 2018-19.
e) Special Projects: The Commission had approved an expenditure of Rs. 0.05 Crore whereas the actual expense incurred was Rs. 0.22 Crore due to replacement of MH floodlights with LED floodlights at 33 kV West plot, which was deferred from earlier years.
f) Customer Care & IT: The Commission had approved an expenditure of Rs. 0.04 Crore whereas the actual expense incurred was Rs. 0.08 Crore towards hardware replacements, software upgradation and network enhancement.
g) Others: In this category, the actual expenditure incurred was Rs. 1.09 Crore against the approved expenditure of Rs. 2.10 Crore. The major capex incurred is towards

construction work of canteen building. Balance expenditure pertains to projects initiated in FY 2017-18 and to be completed in FY 2018-19.

Commission's Analysis

The Commission observed that the Petitioner has claimed capital expenditure of Rs. 17.54 Crore in FY 2017-18, against the approved capital expenditure of Rs. 20.75 Crore.

From the details of capital expenditure submitted by the Petitioner, the Commission observed that the Petitioner has carried out major capital expenditure for EHV network amounting to Rs. 15.45 Crore for creation of second 33 kV connectivity to West part through an alternate route, initiated in FY 2016-17, which has been completed. Further, the Petitioner has incurred actual expense of Rs. 0.03 Crore against approved expenditure of Rs. 0.13 Crore for metering. The variation is mainly on account of deferment of expenditure towards GPRS for meter reading to FY 2018-19. The Petitioner has incurred actual expense of Rs. 0.22 Crore against approved expenditure of Rs. 0.05 Crore for Special Projects due to replacement of MH floodlights with LED floodlights at 33 kV West plot, which was deferred from earlier years. Similarly, the Petitioner has incurred an expenditure of Rs. 0.08 Crore towards hardware replacements, software upgradation and network enhancement as the same was deferred from earlier years.

The Commission, therefore, approves the actual capital expenditure of Rs. 17.54 Crore for FY 2017-18.

b) Capitalisation

Petitioner's Submission

The Petitioner has claimed capitalisation of Rs. 20.21 Crore as against the capitalisation of Rs. 9.95 Crore approved in the MYT Order dated 9th June, 2017.

Commission's Analysis

The Commission sought the details of scheme-wise breakup of actual capitalisation of Rs. 20.21 Crore along with details of Opening CWIP as on 1st April, 2017 and Closing CWIP as on 31st March, 2018, which was furnished by TPL-D (D) vide additional submission dated 11th January,2019.

The Commission observed that there is significant variation in the value of Opening GFA in the Annual Accounts and Petition. TPL-D (D) clarified that the Fixed Asset Schedule in Annual

Accounts is on NFA basis as per IndAS. However, TPL-D(D) has submitted fixed asset schedule in the Petition on GFA basis as per the GERC (MYT) Regulations, 2016.

The Petitioner has given the break-up of asset-wise capitalisation as shown in the Table below:

Table 4.13: Break up of Capitalisation for FY 2017-18 (Rs. Crore)

Project Title	2017-18
EHV Network	
33kV DGEN- West Connectivity	13.56
220 kV Substation and Network	0.36
220kV & 33 KV Sub-Stations	3.07
33 kV Sub Stations	0.26
Testing and Measuring Instrument	0.01
EHV Network (Total)	**17.25**
HT Network	
Distribution S/s.	0.14
New HT Consumers	0.33
Cable Scheme	0.54
Existing Electrical Equipment	-
Miscellaneous	0.09
HT Network (Total)	**1.09**
LT Network	
Services on Existing Mains / DE	0.06
Extension / Reduction of Load	0.11
LT Network (Total)	**0.17**
Special Projects	
Miscellaneous Projects	0.22
Special Projects (Total)	**0.22**
Metering	
Normal Load Growth	0.02
Reliability, Renovation, and Replacement	0.01
Metering (Total)	**0.03**
Others	
Customer Care/IT	0.08
Administration	0.93
Office Furniture & Fixture	-

Project Title	2017-18
Store	-
Civil	0.15
Misc.	0.30
Others (Total)	**1.46**
Grand Total	**20.21**

In reply to the Commission's query, the Petitioner submitted that there has been no asset addition during FY 2017-18, which requires certification from the Chief Electrical Inspector.

The Commission has verified from the Annual Accounts of TPL-D(D) that the GFA addition in FY 2017-18 is Rs. 19.99 Crore, while the Petitioner has considered Rs. 20.21 Crore for FY 2017-18. In reply to the Commission's query, the Petitioner clarified that Rs. 20.21 crore was as per IndGAPP and the Commission's Regulations, whereas Rs. 19.99 crore was as per IndAS. The Commission has considered the addition of Capitalisation as per IndGAPP rather than IndAS and accordingly considered Rs. 20.21 Crore.

Further, TPL-D (D) has decapitalised assets to the extent of Rs. 0.04 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(D) has submitted the capitalisation and funding of CAPEX, as detailed in the Table below:

Table 4.14: Funding of Capitalization claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Opening GFA	143.64	141.94
Addition to GFA	9.95	20.21
Deletion from GFA	-	0.04
Closing GFA	153.59	162.11
SLC addition	0.33	6.49
Capitalisation for Debt	9.61	13.68

Particulars	Approved in the MYT Order	Actual Claimed
Capitalisation for Equity	9.61	13.68
Normative Debt @70%	6.73	9.58
Normative Equity@30%	2.88	4.10

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 nil and the Profit After Tax (PAT) of Torrent Power Limited for the year is Rs. 921.74 Crore as per annual accounts. The normative debt-equity considered towards additional capitalisation are Rs. 9.58 Crore and Rs. 4.10 Crore, respectively. The Commission has verified the above details and approves the capitalisation and funding thereof as shown in the Table below for the truing up of FY 2017-18:

Table 4.15: Funding of Capitalisation approved for TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Opening GFA	143.64	141.94	141.94
Addition to GFA	9.95	20.21	20.21
Deletion from GFA	-	0.04	0.04
Closing GFA	153.59	162.11	162.11
SLC addition	0.33	6.49	6.49
Capitalisation for Debt	9.61	13.68	13.68
Capitalisation for Equity	9.61	13.68	13.68
Normative Debt @70%	6.73	9.58	9.58
Normative Equity @30%	2.88	4.10	4.10

4.7.3 Depreciation

Petitioner's Submission

The Petitioner has submitted that the depreciation rates in accordance with the GERC (MYT) Regulations, 2016 are applied on the Opening GFA and the assets capitalized during the year. The total depreciation thus arrived at, as is shown in the Table below:

Table 4.16: Depreciation claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Depreciation	6.08	6.16

The Petitioner has requested the Commission to approve the depreciation as mentioned above. The Petitioner has further submitted that the variation in depreciation amount compared to the approved amount is to 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 of FY 2016-17 approved by the Commission vide Order dated 4th April, 2018 in Petition No. 1698 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. 7.40 Crore. The Petitioner has added leased land depreciation of Rs. 0.19 Crore and reduced the depreciation of Rs. 1.43 Crore on assets funded through service line contribution, and accordingly claimed depreciation of Rs. 6.16 Crore.

As per Regulation 39.2(b) of the GERC (MYT) Regulations, 2016, depreciation on assets financed through consumer contribution, deposit works, and grants should be considered as per annual accounts. However, since deferred income from grant and subsidy 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. 6.16 Crore in the Truing up for FY 2017-18.

The deviation of Rs. 0.08 Crore is considered as an 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 4.17: Depreciation 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
Depreciation	6.08	6.16	(0.08)	(0.08)

4.7.4 Interest Expenses

Petitioner's Submission

The Petitioner has submitted that the GERC (MYT) Regulations, 2016 provides for the calculation of interest expenses on normative basis considering the amount of depreciation of assets as the amount of repayment.

The Petitioner has considered the interest expenses as per the GERC (MYT) Regulations, 2016 on normative loans. The Petitioner has calculated 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 the depreciation of the assets for the year.

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

Table 4.18: Interest Expenses claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Addition to GFA		20.21
Less: Deletions from GFA		0.04
Less: SLC additions		6.49
Capitalisation for Debt		13.68
Normative Debt @ 70%		9.58
Opening Balance of Loans	59.97	59.79
Loan Addition during the year	6.73	9.58
Repayments	6.08	6.16
Closing Balance of Loans	60.62	63.21
Average Loan	60.29	61.50
Interest Expense @ 9.50%, @8.55%	5.73	**5.26**
Other Borrowing Cost	--	0.09
Total Interest Expenses	**5.73**	**5.35**

The Petitioner has requested the Commission to approve the above-mentioned interest expenses and the variation in interest expenses compared to the approved expenses as uncontrollable as it depends on the quantum of actual capitalization and the variation in the interest rates.

Commission's Analysis

The Commission has considered the normative closing balance of loan for FY 2016-17 as approved by the Commission vide Order dated 4th April, 2018 in Petition No. 1698 of 2018, as the normative opening balance of loan of FY 2017-18.

The net additional loan of Rs. 9.58 Crore, is in accordance with the requirements of capitalisation and source of funding as approved in the Table 4.15 above. The repayment is considered equivalent to depreciation of Rs. 6.16 Crore as approved in the Table 4.17 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 had sought information such as the actual loan portfolio and computation of weighted average rate of interest, which the Petitioner has submitted vide additional details dated 11th January, 2019. The Commission has verified the Rate of Interest of 8.55% 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 22nd January, 2019. The Petitioner has given a reconciliation with respect to the other borrowing cost of Rs. 0.07 crore and amortisation of borrowing cost of Rs. 0.06 crore reported in Note 28 of Annual Accounts, based on which the Petitioner has claimed the other borrowing cost of Rs. 0.09 crore, after deducting Rs. 0.04 crore against amortisation for FY 2015-16 from the total borrowing cost of Rs. 0.13

crore. The Commission accordingly approves the other borrowing cost of Rs. 0.09 Crore as claimed by the Petitioner.

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

Table 4.19: Interest Expenses approved by the Commission for FY 2017-18 (Rs. Crore)

Particulars	Approved in the Truing up of FY 2017-18
Opening Balance of Loans	59.79
Loan Addition due to Capitalisation (Net)	9.58
Repayments of Loan during the Year	6.16
Closing Balance of Loans	63.21
Average Balance of Loans	61.50
Weighted Average Rate of Interest on Actual Loans (%)	8.55%
Interest Expenses	**5.26**
Other Borrowing Cost	0.09
Total Interest Expenses	**5.35**

The Commission, accordingly, approves the interest and finance charges at Rs. 5.35 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 gains 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 losses in the ARR.

In response to the Commission's query, the Petitioner has clarified vide additional submission dated 11th January, 2019 that no gains towards re-financing of loans have been claimed for TPL-D(D) for FY 2017-18.

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 4.20: Interest Expenses 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 and Finance Charges	5.73	5.35	0.38	0.38

4.7.5 Interest on Consumer's Security Deposit

Petitioner's Submission

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

Table 4.21: Interest on Security Deposit claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Interest Rate	7.75%	6.75%
Interest on Security Deposit	2.61	2.05

The Petitioner has submitted that the interest expenses on security deposit is lower as compared to the approved interest as the actual security deposit amount and interest rate were lower than the estimates. The variation in interest on security deposit is 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. 2.05 Crore in the Truing up for FY 2017-18.

The deviation of Rs. 0.56 Crore is considered as gain on account of uncontrollable factors as detailed in the Table below:

Table 4.22: 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	2.61	2.05	0.56	0.56

4.7.6 Interest on Working Capital

Petitioner's Submission

The Petitioner has submitted that the working capital requirement is arrived at as per the GERC (MYT) Regulations, 2016, as provided in the Table below:

Table 4.23: Interest on Working Capital claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in MYT Order for FY 2017-18	Actual Claimed
O&M Expenses for 1 month	0.50	0.61
1 % of GFA for Maintenance Spares	1.44	1.42
Receivables for 1 month	12.34	10.33
Less: Security Deposit	33.62	30.88
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(D) 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 (D) 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 4.24: 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	0.50	0.61	0.61
Maintenance Spares	1.44	1.42	1.42
Receivables	12.34	10.33	10.33
Working Capital requirement	14.28	12.36	12.36
Amount held as Security Deposit from Distribution System Users	33.62	30.88	30.88
Total Working Capital	(19.34)	(18.52)	(18.52)
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.

4.7.7 Return on Equity

Petitioner's Submission

The Petitioner has submitted that 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 a rate of 14% on the average of opening and closing balance of equity.

Table 4.25: Return on Equity (RoE) claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Opening Equity	36.22	36.14
Equity Addition during the Year	2.88	4.10

Particulars	Approved in the MYT Order	Actual Claimed
Equity at end of the Year	39.10	40.24
Average of Opening and Closing	37.66	38.19
Return on Equity	**5.27**	**5.35**

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 4th April 2018 in Case No 1698 of 2018 has been considered as the opening equity for FY 2017-18. The equity addition during the year is considered at Rs. 4.10 Crore as approved at Table 4.15 of this Order. The rate of return is considered 14% as per the GERC (MYT) Regulations, 2016 to work out the Return on Equity as shown in the Table below:

Table 4.26: 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	36.22	36.14	36.14
Addition during the Year	2.88	4.10	4.10
Equity at the end of the Year	39.10	40.24	40.24
Average Equity	37.66	38.19	38.19
Rate of Return on Equity	14%	14%	14%
Return on Equity	**5.27**	**5.35**	**5.35**

The Commission accordingly approves the Return on Equity at Rs. 5.35 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 4.27: Return on Equity (RoE) and Gains/Losses approved in Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to Uncontrollable Factors
Return on Equity	5.27	5.35	(0.08)	(0.08)

4.7.8 Income Tax

Petitioner's Submission

The Petitioner has submitted that while passing the MYT Order, the Commission approved nil amount of income tax as per the actuals of FY 2015-16. The Petitioner has not claimed Income Tax for FY 2017-18 as there was loss as per certified financial statements for TPL-D (D).

Table 4.28: Income Tax claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Income Tax	-	-

Commission's Analysis

The Petitioner has not claimed any Income Tax and the same has been verified by the Commission from the annual accounts of TPL-D (D).

The Commission, accordingly, approves the Income Tax as nil in the Truing up for FY 2017-18.

The Commission has treated the Income Tax as an uncontrollable expenses 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 4.29: Income Tax 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
Income Tax	-	-	-	-

4.7.9 Bad Debts Written Off

Petitioner's Submission

The Petitioner has submitted that the Commission in the MYT Order has not approved any amount against write-off of bad debts for TPL-D (D). The Petitioner has submitted that it has written off minute bad debts for FY 2017-18. Accordingly, it has not claimed any write-off of bad debts, as shown in the Table below:

Table 4.30: Bad Debts Written Off claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Bad Debts Written Off	-	-

Commission's Analysis

The Commission has verified the bad debt written off (net) from the Annual Accounts and accordingly, **approves the bad debts written off as nil in the Truing up for FY 2017-18.**

The Commission, accordingly, approves the Gains / (Losses) on account bad debts in the Truing up for FY 2017-18 as detailed below:

Table 4.31: Bad Debts Written Off and Gains/(Losses) approved for Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to Controllable Factors
Bad Debts Written Off	-	-	-	-

4.7.10 Contingency Reserve

Petitioner's Submission

The Petitioner has submitted that the Commission has allowed the contingency reserve in accordance with the GERC (MYT) Regulations, 2016. Accordingly, the Petitioner has considered 0.5% of the cost of fixed assets towards the contingency reserve as shown in the Table below:

Table 4.32: Contingency Reserve claimed by TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Contingency Reserve	0.72	0.71

The Petitioner has requested the Commission to approve the Contingency Reserve as submitted for the purpose of Truing up.

Commission's Analysis

The proposed contingency reserve is consistent with the GERC (MYT) Regulations, 2016, and has hence, been allowed by the Commission.

Table 4.33: 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	0.72	0.71	0.01	0.01

The Commission, accordingly, approves the contingency reserves at Rs. 0.71 Crore for FY 2017-18.

4.8 Non-Tariff Income

Petitioner's Submission

The Petitioner has submitted that the Commission had approved Non-Tariff Income of Rs. 3.09 Crore in the MYT Order, whereas the actual Non-Tariff Income for FY 2017-18 is Rs 1.42 Crore, as shown in the Table below:

Table 4.34: Non-Tariff Income claimed by TPL-D(D) for FY 2017-18 (in Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Non-Tariff Income	3.09	1.42

The Petitioner has submitted that the variation in Non-Tariff Income is uncontrollable and requested the Commission to allow the 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. 1.42 Crore. The Non-Tariff Income as per the Annual Accounts is Rs. 2.85 Crore. The Petitioner has reduced amortisation of deferred Revenue (Rs. 1.43 Crore) to arrive at claimed figure of Rs. 1.42 Crore.

The Commission, accordingly, approves the Non-Tariff Income of Rs. 1.42 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 4.35: Non-Tariff Income and Gains/(Losses) approved for Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation	Gains/(Losses) due to Uncontrollable Factors
Non-Tariff Income	3.09	1.42	1.67	1.67

4.9 Revenue from Sale of power

Petitioner's Submission

The Petitioner has submitted the Revenue from sale of power as Rs. 124 Crore in the truing up for FY 2017-18 as shown in the Table below:

Table 4.36: Revenue from Sale of Power as claimed by TPL-D(D) for FY 2017-18 (Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Revenue from Sale of Power	155.37	124.00

Commission's Analysis

The Commission observed that the Revenue from Sale of Power as per Note 25 of the Annual Accounts for FY 2017-18 is Rs.125.94 Crore. On a query from the Commission, the Petitioner submitted vide its reply dated 11th January 2019 that the Revenue as per Note-25 of the Annual Accounts of TPL-D(D) includes Rs. 1.94 Crore towards reversal of regulatory liability. Hence, the Petitioner has claimed that Rs. 1.94 Crore should be reduced against reversal of regulatory liability.

The Commission, accordingly, approves the Revenue from Sale of Power at Rs. 124.00 Crore in the Truing up of FY 2017-18.

4.10 Gains/(Losses) under Truing Up for FY 2017-18

The Commission has reviewed the performance of TPL-D (D) 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 the 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 4-37: 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

Sl.	Issue	TPL-G	TPL-D(A)	TPL-D(S)	TPL-D(D)	Total	TPL Contention
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
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 1st 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. However, there is no reduction in the ARR of TPL-D(D) on this account.
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(D) for FY 2017-18 is Nil.

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, actual 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 4.38: ARR approved in respect of TPL-D (D) in the Truing up for FY 2017-18 (Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up	Deviation	Controllable	Uncontrollable
Power Purchase Expenses	108.11	109.58	109.58	(1.47)	-	(1.47)
Operation & Maintenance Expenses	5.95	7.37	7.37	(1.42)	-	(1.42)
Depreciation	6.08	6.16	6.16	(0.08)	-	(0.08)
Interest and Finance Charges	5.73	5.35	5.35	0.38	-	0.38
Interest on Security Deposit	2.61	2.05	2.05	0.56	-	0.56
Interest on Working Capital	-	-	-	-	-	-
Bad debts Written Off	-	0.00	0.00	-	-	-
Contingency Reserves	0.72	0.71	0.71	0.01	-	0.01

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up	Deviation	Controllable	Uncontrollable
Return on Equity Capital	5.27	5.35	5.35	(0.08)	-	(0.08)
Income Tax	-	-	-	-	-	-
Less: Non-Tariff Income	3.09	1.42	1.42	1.67	-	1.67
ARR	**131.37**	**135.15**	**135.15**	**(3.77)**	**-**	**(3.77)**

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

Table 4.39: Approved Trued up ARR for FY 2017-18 including Gains/(Losses) for TPL-D (D) (Rs. Crore)

Particulars	Legend	Actual Claimed	Approved in Truing up
ARR as per the MYT order	a	131.37	131.37
Gains/(Losses) due to Uncontrollable Factors	b	(3.77)	(3.77)
Gains/(Losses) due to Controllable Factors	c	-	-
Pass through as tariff	d=-(1/3rd of c+b)	3.77	3.77
Trued up ARR	**e=a+d**	**135.15**	**135.15**

The Petitioner has further stated that Revenue towards recovery of earlier years' Gap/(Surplus) works out to surplus of Rs. 25.56 Crore as per the Commission's Order dated 9th June, 2017. Accordingly, the Revenue Gap claimed and approved for TPL-D(D) for FY 2017-18 are detailed in the Table below:

Table 4.40: Approved Revenue Gap for TPL-D (D) for FY 2017-18 (Rs. Crore)

Particulars	Actual Claimed	Approved in Truing up
Trued Up ARR	135.15	135.15
Revenue	124.00	124.00
Revenue towards recovery of earlier years Approved gap/(surplus)	(25.56)	(25.56)
Balance Revenue	149.56	149.56

Particulars	Actual Claimed	Approved in Truing up
Gap/(Surplus)	**(14.41)**	**(14.41)**

Accordingly, the Commission now considers the trued-up Revenue Surplus of Rs. 14.41 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(D) for the Control Period from FY 2016-17 to FY 2020-21 in the MYT Order dated 9th June, 2017 in Case No. 1629 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(D) 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 for the MYT Control Period, the sales projections for TPL-D(D) were carried out based on the projections of demand requirements within the SEZ. Based on the actual trend of growth in demand of customers and load factor, the Petitioner has revised the estimated sales for FY 2019-20 and FY 2020-21 as shown in the following Table:

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

Category	2019-20	2020-21
Non-RGP	0.73	0.80
LTMD	1.00	1.27
HTP-I	438.02	484.93
HTP-II	0.38	0.37
HTP-III	5.42	1.07
Street Lighting	0.28	0.27
Temporary	0.14	0.15
Water Works & Sewerage Pumping	0.09	0.09
Total	**446.06**	**488.96**

The Petitioner submitted that in order to project the revised sales for FY 2019-20 and FY 2020-21, the actual demand of existing customers (plot allotted and connection availed) has been taken as the base. Each existing customer has been reviewed and also the effect of extension / reduction has been considered to work out the final demand for FY 2019-20 and FY 2020-21.

It has been assumed that the prospective unit holders shall complete the construction activity within one and half years and go for the commercial production within 2 years as per the guidelines of Dahej SEZ Ltd. It has also been assumed that the Contract Demand of the existing customers will be ramped up to their final Demand after stabilizing their production within six months of commercial production. Due consideration has been given to the extension/reduction of load planned by major consumers like OPaL, which has started commercial production from FY 2016-17.

The Commission had approved the sales as 436.55 MUs and 467.10 MUs for FY 2019-20 and FY 2020-21, respectively, in the MYT Order. Considering the actual sales of FY 2016-17 and FY 2017-18 and historic trend of demand and load factor as well as considering the reasons as mentioned hereinabove, the revised estimates of sales for FY 2019-20 and FY 2020-21 are 446.06 Mus and 488.96 MUs, respectively, which are higher than the approved sales for these years.

Commission's Analysis

The Commission has noted the category-wise revised sales projected by the Petitioner for FY 2019-20 and FY 2020-21. As energy sales are difficult to predict given that the SEZ is still under the development stage, the Commission is of the view that the Licensee is in the best position to judge the sales growth, and hence, accepts the category-wise sales projected by TPL-D(D), as shown in the Table below:

Table 5.2: Energy Sales approved by the Commission for TPL-D(D) 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
Non-RGP	0.78	0.73	0.73	0.78	0.80	0.80
LTMD	1.70	1.00	1.00	2.23	1.27	1.27
HTP-I	432.44	438.02	438.02	462.98	484.93	484.93
HTP-II	0.38	0.38	0.38	0.37	0.37	0.37
HTP-III	0.72	5.42	5.42	0.38	1.07	1.07
Street Lighting	0.54	0.28	0.28	0.36	0.27	0.27
Temporary		0.14	0.14		0.15	0.15
WWSP		0.09	0.09		0.09	0.09
Total	**436.55**	**446.06**	**446.06**	**467.10**	**488.96**	**488.96**

5.3 Distribution Losses

Petitioner's Submission

The Distribution Loss in a network comprises of the technical loss component and commercial loss component. The Commission had approved the Distribution Losses of 2.00% for each year of the Control Period including FY 2019-20 and FY 2020-21. The existing Distribution Losses are about 0.40%. However, the same would gradually increase along with increase in the network loading, development of the network, feeder length and network voltage levels. Considering all these aspects, the Petitioner has considered the approved losses for FY 2019-20 and FY 2020-21, as shown in the Table below:

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

Particulars	2019-20	2020-21
Distribution Losses(%)	2.00%	2.00%

Commission's Analysis

The Petitioner has considered the Distribution Losses of 2.00% each for FY 2019-20 and FY 2020-21, same as approved by the Commission in the MYT Order dated 9th June, 2017. TPL-D(D) 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 the Table 5.3 above.

5.4 Energy Requirement

Petitioner's Submission

The energy requirement for FY 2019-20 and FY 2020-21 has been revised considering the revised estimates of sales and T&D losses as shown in the following Table:

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

Particulars	2019-20	2020-21
Energy Sales	446.06	488.96
Distribution Losses (%)	2.00%	2.00%
Distribution Losses	9.10	9.98
Energy Input at Distribution Level	455.16	498.94
Transmission Losses	16.78	18.29
Energy Requirement	**471.94**	**517.23**

The Petitioner has set up the DGEN power plant to cater to the demand of Dahej SEZ area, which was commissioned in FY 2014-15. However, as demand in the SEZ area has not reached to the required levels, the Petitioner has not planned to source power from DGEN during FY 2019-20 and FY 2020-21.

Commission's Analysis

The Commission observed that TPL-D(D) has considered Transmission Losses of 3.56% and 3.54% for FY 2019-20 and FY 2020-21, respectively, as against Transmission Losses of 3.85% approved for each year in the MYT Order, and actual Transmission Losses of 2.91% in FY 2017-18. In the MYT Order, the Commission had approved the Transmission Losses of GETCO i.e. 3.85% based on the Bilateral, IEX and RE transactions as considered by TPL-D (D) on purchase from Bilateral and IEX.

As the losses are difficult to predict given that the SEZ is still under the development stage, the Commission accepts Transmission Losses projected by TPL-D(D).

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

Table 5.5: Energy Requirement approved for TPL-D(D) 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)	436.55	446.06	446.06	467.10	488.96	488.96
Distribution Losses (%)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Distribution Losses (MUs)	8.91	9.10	9.10	9.53	9.98	9.98
Energy input at Distribution Level (MUs)	445.46	455.16	455.16	476.63	498.94	498.94
Transmission Losses (MUs)	17.84	16.78	16.78	19.09	18.29	18.29
Energy Requirement (MUs)	**463.30**	**471.94**	**471.94**	**495.72**	**517.23**	**517.23**

5.5 Energy Availability

Petitioner's Submission

TPL-D(D) sources power from the bilateral sources/power exchange. Further, the Commission has notified the Second Amendment to the GERC (Procurement of Energy from Renewable Sources) Regulations, 2010. Accordingly, the Petitioner has estimated the renewable energy availability for FY 2019-20 and FY 2020-21 towards RPO compliance. Considering above, the revised estimates of power purchase is furnished in the following Table:

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

Energy Sources	2019-20	2020-21
Bilateral/Power Exchange	435.97	481.33
Renewable Energy	35.97	35.90
Total	**471.94**	**517.23**

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 purchase of power from Bilateral, Power Exchnage and Renewable Energy sources for FY 2019-20 and FY 2020-21. Accordingly, TPL-D (D) has projected the power requirement and availability of power from such approved sources.

The RPO 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: RPO 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%
RPO	**14.30%**	**15.65%**

The quantum of purchase from Wind 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.

The Commission has projected energy availability from bilateral sources and power exchange and the requirement of RE to fulfill TPL-D(D)'s RPO. TPL-D(D) should procure power at competitive rates from market through Power Exchanges or e-bid procurement as per the guidelines of MoP. TPL-D(D) 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 in the Table below:

Table 5.8: Energy availability Approved for TPL-D(D) for FY 2019-20 and FY 2020-21 (MUs)

<table>
<tr><th rowspan="2">Energy Sources</th><th colspan="3">2019-20</th><th colspan="3">2020-21</th></tr>
<tr><th>Approved in the MYT Order</th><th>Revised Estimate</th><th>Approved in MTR</th><th>Approved in the MYT Order</th><th>Revised Estimate</th><th>Approved in MTR</th></tr>
<tr><td rowspan="2">Bilateral Sources/ Power Exchange</td><td rowspan="2">397.05</td><td>405.60</td><td rowspan="2">404.45</td><td rowspan="2">418.14</td><td>445.36</td><td rowspan="2">436.29</td></tr>
<tr><td>30.37</td><td>35.97</td></tr>
<tr><td>Solar</td><td>25.48</td><td rowspan="3">35.97</td><td>25.96</td><td>33.46</td><td rowspan="3">35.90</td><td>34.91</td></tr>
<tr><td>Wind</td><td>37.30</td><td>41.53</td><td>40.40</td><td>46.03</td></tr>
<tr><td>Others</td><td>3.47</td><td>-</td><td>3.72</td><td></td></tr>
<tr><td>Total</td><td>463.30</td><td>471.94</td><td>471.94</td><td>495.72</td><td>517.23</td><td>517.23</td></tr>
</table>

5.6 Power Purchase Cost

Petitioner's Submission

The power purchase cost from each source has been revised considering the cost incurred during 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(D) (Rs. Crore)

Particulars	2019-20	2020-21
Bilateral/Power Exchange	180.90	199.98
Renewable Energy	18.81	18.77
Total	**199.70**	**218.74**

As per the revised estimates, the power purchase cost for FY 2019-20 and FY 2020-21 works out to Rs. 199.70 Crore and Rs. 218.74 Crore, respectively, against the MYT approved cost of Rs. 156.80 Crore and Rs. 169.52 Crore, respectively.

The Petitioner further submitted that it has considered the current FPPPA rate as base FPPPA in line with the revised base power purchase cost.

Commission's Analysis

The Commission has considered 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.

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 below:

Table 5.10: Cost of Renewable Power Purchase Approved for TPL-D(D)

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	8.70	7.26	6.32	8.70	7.26	6.32
Power procured through Competitive Bid	17.25	2.66	4.59	26.21	2.54	6.66
Total Solar Purchase	**25.96**	**4.20**	**10.91**	**34.91**	**3.72**	**12.98**
Non-Solar Purchase						
Power contracted at Preferential Tariff	28.37	4.71	13.35	28.37	4.71	13.35
Power procured through Competitive Bid	13.16	2.44	3.21	17.66	2.44	4.31
Total Non-Solar Purchase	**41.53**	**3.99**	**16.56**	**46.03**	**3.84**	**17.66**
Total RE Purchase	**67.49**	**4.07**	**27.47**	**80.94**	**3.79**	**30.64**

The single-part variable cost of purchase from Bilateral Sources and Power Exchange has been considered as Rs. 2.90 per kWh and Rs. 4.59 per kWh, respectively, for both FY 2019-20 and FY 2020-21, as per actuals 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 conditions.

Accordingly, the Commission has approved the total power procurement cost of TPL-D (D) 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 and FY 2020-21

Power Source	2019-20			2020-21		
	Energy Received (MU)	Unit/Cost (Rs/kWh)	Total Cost of power purchase (Rs. Crore)	Energy Received (MU)	Unit/Cost (Rs/kWh)	Total Cost of power purchase (Rs. Crore)
Bilateral/ Power Exchange	404.45	3.37	136.47	436.29	3.38	147.21
Solar	25.96	4.20	10.91	34.91	3.72	12.98
Wind	41.53	3.99	16.56	46.03	3.84	17.66
Total	**471.94**	**3.47**	**163.98**	**517.23**	**3.44**	**177.89**

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 (A&G) Expenses and Repair & Maintenance (R&M) Expenses. The main drivers of these expenses are business growth, inflation, standard 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. 6.65 Crore and Rs. 7.03 Crore for FY 2019-20 and FY 2020-21, respectively. TPL-D(D) 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 O&M Expenses for the financial year ended 31st March, 2016 and escalated @5.72% to arrive at the O&M Expenses for the subsequent years.

Accordingly, the revised O&M Expenses for FY 2019-20 and FY 2020-21 is shown in the Table below:

Table 5.12: Revised O&M Expenses for TPL-D (D) (Rs. Crore)

Particulars	2019-20	2020-21
O&M Expenses	10.42	11.01

Above O&M Expenses does not take into account the uncontrollable expenses such as wage revision, change in law, change in levies/duties/taxes, charges, directions by appropriate authority, etc. and requested the Commission to treat these components as uncontrollable expenses and allow such expenses over and above the normal allowable components.

Commission's Analysis

The Petitioner has revised the O&M Expenses for FY 2019-20 and FY 2020-21, which are higher than the O&M Expenses approved by the Commission for the respective years in the MYT Order dated 9th June, 2017. 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 up to 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 5.13: O&M Expenses approved for TPL-D (D) for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particular	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		1.15			1.21	
R&M Expenses		2.51			2.65	
A&G Expenses		6.77			7.15	
Total O&M Expenses (net of capitalisation)	**6.65**	**10.42**	**6.65**	**7.03**	**11.01**	**7.03**

5.7.2 Capital Expenditure, Capitalization and Sources of Funding

a. Capital Expenditure

Petitioner's Submission

The Commission in the MYT Order has approved the capital expenditure of Rs. 4.62 Crore for FY 2019-20 and Rs. 3.19 Crore for FY 2020-21.

Based on the anticipated growth in demand and sales, TPL-D(D) has revised its capex plan for FY 2019-20 and FY 2020-21. 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 revised estimates of capex are as under:

Table 5.14: Proposed Capex for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
EHV Network	4.11	4.33
HT Network	1.28	1.53
LT Network	0.44	0.46
Special Projects	0.79	1.57

Particulars	2019-20	2020-21
Metering	0.70	0.04
Customer Care and IT	0.04	0.07
Others	1.85	0.42
Total	**9.20**	**8.42**

The details of the revised capital expenditure are as under:

- EHV Network:
    - ❖ 220 kV Substation and Network: The modification/upgradation in EHV substation, which was earlier planned in FY 2017-18, has been deferred to FY 2020-21 considering the requirement of necessary approvals. Further, it is proposed to incur capex towards procurement of 220 kV switchyard critical spares.
    - ❖ 33 kV Substation and Network: TPL-D (D) has received applications from 33 kV customers. Accordingly, work will be completed in FY 2019-20 based on the consumers' requirement. Need based capex for 33/11 kV transformer capacity enhancement has been proposed to be incurred during FY 2019-20 and FY 2020-21 to ensure N-1 reliability.
    - ❖ Testing and Measuring Instrument: Nominal cost has been considered towards augmentation work in EHV substation and procurement of testing and measuring equipment.

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

Table 5.15: Proposed Capex for EHV Network (Rs. Crore)

Particulars	2019-20	2020-21
EHV Network		
220 kV Sub-station and Network	-	1.12
33 KV Consumers	0.70	-
33 kV Sub-stations	3.20	3.02
Testing and Measuring Instrument	0.20	0.20
Total	**4.11**	**4.33**

- HT Network:

- ❖ Considering the revised number of consumers, sales and demand for the balance MYT Period, the estimates for 11 kV HT cable network have been revised.
- ❖ Cost of Safety equipment, tools and tackles have also been considered in each year of the balance Control Period.

The summary of capital expenditure planned under the head of HT is summarised in the table below:

Table 5.16: Proposed Capex for HT Network (Rs. Crore)

Particulars	2019-20	2020-21
HT Network		
Distribution S/s.	-	0.20
New HT Consumers	0.54	0.56
Cable Scheme	0.64	0.67
Miscellaneous	0.10	0.10
Total	**1.28**	**1.53**

- LT network:
  - ❖ Cost of creating LT network to cater to new LT consumers has been considered as per the revised projections of consumers, sales and demand for FY 2019-20 and FY 2020-21.
  - ❖ Similarly, cost towards augmentation of LT network has been considered during the Control Period.

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

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

Particulars	2019-20	2020-21
LT Network		
Services on Existing Mains / DE	0.25	0.26
Extension / Reduction of Load	0.19	0.20
Total	**0.44**	**0.46**

- Special Projects:

- ❖ Automation: Capex towards 11 kV feeder automation has been considered in three years from FY 2018-19 onwards for ease of load transfer.

The summary of expenditure planned under the head of Special Projects is provided in the Table below:

Table 5.18: Proposed Capex for Special Projects (Rs. Crore)

Particulars	2019-20	2020-21
Special Project		
Automation	0.79	1.57
Total	**0.79**	**1.57**

- Metering:
  - ❖ Cost of Meters for new consumers and supporting infrastructure has been revised considering the revised number of consumers, sales and demand for the balance MYT Control Period.
  - ❖ Cost towards creation of Advanced Metering Infrastructure has been considered in FY 2019-20.

The summary of expenditure planned under the head of Metering is provided in the Table below:

Table 5.19: Proposed Capex for Metering (Rs. Crore)

Particulars	2019-20	2020-21
Metering		
Normal Load Growth	0.03	0.03
Modernisation	0.66	0.01
Total	**0.70**	**0.04**

- Customer Care/IT: This includes capex requirement related to hardware replacements and software upgradation, network enhancement and related expenditure. The revised capex planned under the head of Customer Care/IT is summarised as under:

Table 5.20: Proposed Capex for Customer Care (Rs. Crore)

Particulars	2019-20	2020-21
Customer Care/ IT	0.04	0.07

- Other Departments- This includes capital expenditure proposed to be incurred towards:
  - ❖ Administration: It is proposed to incur capex for Office area infrastructure and upgradation during the balance MYT Control Period.
  - ❖ Civil: It is proposed to construct centralised material handling building at East plot along with strengthening of boundary wall of West Plot.
  - ❖ Store: Capex towards construction of storage area near 220 kV switchyard is considered for storage of EHV material.
  - ❖ Miscellaneous: Lump sum amount has been considered for both the substations (East & West) development work during balance MYT Period.

    The summary of expenditure planned for Other Departments is provided in the Table below:

Table 5.21: Proposed Capex for Other Departments (Rs. Crore)

Particulars	2019-20	2020-21
Others		
Administration	0.05	0.05
Store	0.18	-
Civil	1.46	0.24
Misc.	0.15	0.13
Total	**1.85**	**0.42**

Commission's Analysis

In the MYT Order, the Commission had approved capital expenditure of Rs. 4.62 Crore for FY 2019-20 and Rs. 3.19 Crore for FY 2020-21. The capital investment is required to be made by TPL-D(D) for various purposes like creation of new infrastructure to meet the load growth, to strengthen the existing system and increase its operational efficiency, etc. However, any such capital investment increases the fixed asset base, resulting in higher debt servicing, and higher return on equity and higher depreciation, which ultimately affects the tariffs paid by the consumers. The Petitioner has proposed capital expenditure of Rs. 9.20 Crore in FY 2019-20 and Rs. 8.42 Crore in FY 2020-21, which is more than double the capital expenditure approved in the MYT Order. The Petitioner has proposed new projects and has also considered that the schemes postponed in previous years would be taken up during FY 2019-20 and FY 2020-21.

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 approves the Capex for FY 2019-20 and FY 2020-21 as Rs. 9.20 Crore and Rs. 8.42 Crore, respectively.

b. Capitalisation / Gross asset addition

Petitioner's Submission

The Commission had approved capitalisation of Rs. 2.22 Crore for FY 2019-20 and Rs. 1.53 Crore for FY 2020-21 in the MYT Order dated 9th June, 2017.

The Petitioner has proposed capitalisation of Rs. 12.08 Crore and Rs. 8.42 Crore respectively for FY 2019-20 and FY 2020-21 as per the schemewise details shown in the following Table:

Table 5.22: Proposed Scheme-wise Capitalisation for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
EHV Network		
220 kV Substation and Network	-	1.12
33 KV Consumers	1.70	-
33 kV Sub Stations	3.20	3.02
Testing and Measuring Instrument	0.20	0.20
Total EHV	**5.11**	**4.33**
HT Network		
Distribution S/s.	-	0.20
New HT Consumers	0.54	0.56
Cable Scheme	0.64	0.67
Miscellaneous	0.10	0.10
Total HT	**1.28**	**1.53**
LT Network		
Services on Existing Mains / DE	0.25	0.26
Extension / Reduction of Load	0.19	0.20
Total LT	**0.44**	**0.46**
Special Project		
Automation	1.57	1.57
Total special project	**1.57**	**1.57**
Metering		

Particulars	2019-20	2020-21
Normal Load Growth	0.03	0.03
Reliability, Renovation, and Replacement	0.66	0.01
Total Metering	**0.70**	**0.04**
Customer Care/ IT	0.04	0.07
Total Customer care	**0.04**	**0.07**
Others		
Administration	0.05	0.05
Store	0.18	-
Civil	2.56	0.24
Misc.	0.15	0.13
Total others	**2.94**	**0.42**
Total	**12.08**	**8.42**

Commission's Analysis

The Commission has examined the actual capitalisation achieved in the first 2 years of the current MYT Control Period by TPL-D (D), i.e., FY 2016-17 and FY 2017-18, as shown in the Table below:

Table 5.23: Actual Net Capitalisation achieved in Past Two Years (Rs. Crore)

Sl.	Year	Projected Capitalisation	Actual Capitalisation
1	2016-17	8.26	6.56
2	2017-18	9.95	20.21
3	**Total**	**18.21**	**26.77**

It is observed that the actual capitalisation during first two years of the present Control Period is more than 100% (Rs. 26.77 crore against Rs. 18.21 crore) of the capitalisation projected in the respective Petitions.

Accordingly, the Commission approves the Petitioner's submission for capitalisation of Rs. 12.08 Crore for FY 2019-20 and Rs. 8.42 Crore for FY 2020-21.

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

Table 5.24: 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	4.62	9.20	9.20	3.19	8.42	8.42
Capitalisation	2.22	12.08	12.08	1.53	8.42	8.42

c. Funding of Capex

Petitioner's Submission

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

Table 5.25: Proposed funding of capitalisation for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Opening GFA	168.95	181.03
Addition to GFA	12.08	8.42
Deletion from GFA	-	-
Closing GFA	181.03	189.45
SLC addition	0.78	0.82
Capitalisation for Debt	11.30	7.60
Capitalisation for Equity	11.30	7.60
Normative Debt @70%	7.91	5.32
Normative Equity @30%	3.39	2.28

Commission's Analysis

The Commission observed that TPL-D(D) has considered asset capitalisation of Rs. 6.83 crore in FY 2018-19, with net capitalisation of Rs. 4.14 crore in FY 2018-19, after deducting Service Line Contribution of Rs. 2.70 crore, to arrive at the opening GFA for FY 2019-20. However, in the MYT Order, the Commission had approved capitalisation of Rs. 4.68 crore for FY 2018-19, and net capitalisation of Rs. 3.70 crore, after deducting Service Line Contribution of Rs. 0.98 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. 0.79 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. 162.11 Crore for FY 2017-18 as approved at the Table 4.15 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 9th June, 2017, as detailed above. The closing balance of GFA for FY 2018-19 thus worked out, has been considered as the 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 Service Line Contribution while arriving at balance capitalization 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 5.26: 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	158.27	168.95	166.79	160.49	181.03	178.87
Addition to GFA	2.22	12.08	12.08	1.53	8.42	8.42
Deletion from GFA	-	-	-	-	-	-
Closing GFA	160.49	181.03	178.87	162.02	189.45	187.99
SLC addition	0.66	0.78	0.78	0.08	0.82	0.82
Capitalisation for Debt	1.56	11.30	11.30	1.45	7.60	7.60
Capitalisation for Equity	1.56	11.30	11.30	1.45	7.60	7.60
Normative Debt @70%	1.09	7.91	7.91	1.01	5.32	5.32
Normative Equity @30%	0.47	3.39	3.39	0.43	2.28	2.28

5.7.3 Depreciation

Petitioner's Submission

The depreciation for the MYT Control Period has been computed at the rates specified in the GERC (MYT) Regulations, 2016. The total depreciation arrived at based on the above computation, is shown in the Table below:

Table 5.27: Depreciation projected by TPL-D(D) for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Depreciation	6.85	7.23

The depreciation approved in the MYT Order for FY 2019-20 and FY 2020-21 was Rs. 6.65 Crore and Rs. 6.67 Crore, respectively. The higher depreciation amount as compared to the approved depreciation is mainly on account of higher capitalisation, due to deferment from earlier years.

Commission's Analysis

The Commission has considered the approved capitalisation of assets for calculation of depreciation. The Commission has considered the actual average depreciation rate of 4.05% 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 5.28: 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	6.65	6.85	5.81	6.67	7.23	6.19

5.7.4 Interest Expenses

Petitioner's Submission

The Petitioner has submitted that the GERC (MYT) Regulations, 2016 provides for the calculation of interest expenses on normative basis considering the amount of depreciation of assets as the amount of repayment. The Petitioner 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 for the year.

The interest expenses thus proposed for TPL-D(D) is shown in the Table below:

Table 5.29: Interest Expenses projected by TPL-D(D) for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Opening Balance of Loans	59.67	60.73
Loan Addition during the Year	7.91	5.32
Repayments during the Year	6.85	7.23
Closing Balance of Loans	60.73	58.82
Average Loans	60.20	59.77
Weighted Average Rate of Interest (in %)	8.70%	8.70%
Interest Expenses	**5.24**	**5.20**

TPL-D (D) has submitted that as per the revised estimates, the interest expenses for FY 2019-20 and FY 2020-21 works out to Rs. 5.24 Crore and Rs. 5.20 Crore, respectively, against the MYT approved expenses of Rs. 5.12 Crore and Rs. 4.59 Crore, respectively.

Commission's Analysis

The Commission has considered the closing normative loans for FY 2017-18 as approved at Table 4.19 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 9th 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 4.19 , i.e., 8.55%, 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 5.30: Interest Expenses 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
Opening Balance of Normative Loan	56.70	59.67	59.29	51.14	60.73	61.39
Addition of Normative Loan	1.09	7.91	7.91	1.01	5.32	5.32
Repayment of Normative Loan	6.65	6.85	5.81	6.67	7.23	6.19
Closing Balance of Normative Loan	51.14	60.73	61.39	45.48	58.82	60.52
Average Balance of Normative Loan	53.92	60.20	60.34	48.31	59.77	60.96
Weighted Average Rate of Interest on Actual Loans (%)	9.50%	8.70%	8.55%	9.50%	8.70%	8.55%
Interest Expenses	5.12	5.24	5.16	4.59	5.20	5.21
Finance Charges	-	-	-	-	-	-
Total Interest & Finance Charges	**5.12**	**5.24**	**5.16**	**4.59**	**5.20**	**5.21**

5.7.5 Interest on Security Deposit

Petitioner's Submission

The Commission has in the MYT Order dated 9th June, 2017 approved interest on security deposit of Rs. 3.09 Crore and Rs. 3.20 Crore for FY 2019-20 and FY 2020-21, respectively. The Petitioner has computed the interest on security deposit assuming the prevailing Bank Rate on the estimated addition in the Security Deposit as under:

Table 5.31: 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%
Interest on Security Deposit	2.23	2.32

The revision in security deposit interest is mainly on account of change in estimated 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 5.32: 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	39.90	35.70	35.70	41.35	37.15	37.15
Interest Rate (in %)	7.75%	6.25%	6.25%	7.75%	6.25%	6.25%
Interest on Security Deposit	3.09	2.23	2.23	3.20	2.32	2.32

5.7.6 Interest on Working Capital

Petitioner's Submission

The interest on working capital has been computed as per the GERC (MYT) Regulations, 2016. For the MYT Period, the interest rate, being the SBBR (State Bank Base Rate) on 1st April, 2016 plus 250 basis points has been applied on the working capital requirement arrived at in accordance with the Regulations. The Commission has approved interest on working capital as NIL for the MYT Period including FY 2019-20 and FY 2020-21.

The revised estimates of Interest on Working Capital is computed based on the working capital requirement as per the revised estimates of Sales Revenue, O&M Expenses and Security Deposit. The interest rate of 10.65% is considered on such working capital requirement to arrive at the interest on working capital, as shown in the Table below:

Table 5.33: Interest on Working Capital esstimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
O&M Expenses for 1 month	0.87	0.92
1 % of GFA for Maintenance Spares	1.69	1.81
Receivables for 1 month	18.93	20.61
Less: Security Deposit	35.70	37.15
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(D) 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.

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 5.34: 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	0.55	0.87	0.55	0.59	0.92	0.59
Maintenance Spares	1.58	1.69	1.67	1.60	1.81	1.75
Receivables	16.57	18.93	15.55	17.55	20.61	16.78
Working Capital requirement	18.71	21.49	17.77	19.74	23.34	19.12
Less: Amount held as security deposit from Distribution System Users	39.90	35.70	35.70	41.35	37.15	37.15
Total Working Capital	**(21.19)**	**(14.21)**	**(17.93)**	**(21.61)**	**(13.81)**	**(18.03)**
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 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 5.35: Return on Equity claimed by the Petitioner for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Opening Equity	41.48	44.87
Equity Addition during the Year	3.39	2.28
Equity at the end of the Year	44.87	47.15
Average of Opening and Closing Equity	43.17	46.01
ROE @ 14% on the Average Balance	6.04	6.44

The RoE approved in the MYT Order was Rs. 5.66 Crore and Rs. 5.73 Crore for FY 2019-20 and FY 2020-21, respectively, whereas the revised estimates are Rs. 6.04 Crore and Rs. 6.44 Crore, respectively. The increase in ROE is on account of higher capitalization.

Commission's Analysis

The Commission has considered the closing equity for FY 2017-18 as approved in the Truing up for FY 2017-18 at Table 4.26 of 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 5.26 of this Order.

The Commission has considered 14% as 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 5.36: 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	40.21	41.48	41.35	40.68	44.87	44.74
Equity addition during the Year	0.47	3.39	3.39	0.43	2.28	2.28
Regulatory Equity at the end of the Year	40.68	44.87	44.74	41.12	47.15	47.02
Average Equity	40.45	43.17	43.05	40.90	46.01	45.88
Rate of RoE	14%	14%	14%	14%	14%	14%

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
Total Return on Equity	**5.66**	**6.04**	**6.03**	**5.73**	**6.44**	**6.42**

Accordingly, the Return on Equity is approved by the Commission as Rs. 6.03 Crore for FY 2019-20 and Rs. 6.42 Crore for FY 2020-21.

5.7.8 Income Tax

Petitioner's Submission

While passing the MYT Order, the Commission approved Nil amount of Income Tax as per the actuals of FY 2015-16. The Petitioner has not proposed any Income Tax for FY 2019-20 and FY 2020-21 as there was loss in FY 2017-18. The Petitioner has submitted that Income Tax is to be allowed at actual during Truing up exercise.

Table 5.37: Income Tax projected for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Income Tax	-	-

Commission's Analysis

The Commission has approved Nil Income Tax in the true up of FY 2017-18. **Accordingly, the Commission has considered Nil Income Tax 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.

5.7.9 Contingency Reserve

Petitioner's Submission

While passing the MYT Order, the Commission has approved Rs. 0.79 Crore and Rs. 0.80 Crore as contingency reserve for FY 2019-20 and FY 2020-21, respectively.

In the present Petition, the Petitioner has revised the estimates for contingency reserve based on revised GFA, as shown in the Table below. However, the same is to be allowed at actual during Truing up exercise.

Table 5.38: Contingency Reserve estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Contingency Reserve	0.84	0.91

Commission's Analysis

The Commission has approved the Contingency Reserves for FY 2019-20 and FY 2020-21, equivalent to 0.5% of the opening GFA for each year, as approved in this Order, in accordance with Regulation 86.3 of the GERC (MYT) Regulations, 2016.

The Commission, accordingly, approves the Contingency Reserve for FY 2019-20 and FY 2020-21 as shown in the Table below:

Table 5.39: Contingency 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	0.79	0.84	0.83	0.80	0.91	0.89

5.7.10 Bad Debts Written Off

Petitioner's Submission

The Commission has approved Nil amount of bad debts written off for FY 2019-20 and FY 2020-21 in the MYT Order dated 9th June, 2017. In the present Petition, the Petitioner has not estimated any bad debts to written off. The Petitioner has requested that the same is to be allowed at actual during the Truing up exercise.

Table 5.40: Provision for Bad Debts estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Bad Debts Written Off	-	-

Commission's Analysis

TPL-D (D) has estimated Nil write off of bad debts 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 the same level as approved in the Truing Up for FY 2017-18 i.e. Nil. 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 Nil for FY 2019-20 and FY 2020-21 as shown in the Table below:

Table 5.41: Provision for Bad Debts 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	-	-	-	-	-	-

5.8 Non-Tariff Income

Petitioner's Submission

The Petitioner has submitted that while passing the MYT Order, the Commission approved Non-Tariff Income of Rs. 3.09 Crore for each year of the Control Period including FY 2019-20 and FY 2020-21 based on the actual for FY 2015-16. The Petitioner has revised the estimated Non-Tariff Income for FY 2019-20 and FY 2020-21, as shown in the Table below:

Table 5.42: Non-Tariff Income estimated for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	2019-20	2020-21
Non-Tariff Income	4.13	4.54

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 5.43: 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	3.09	4.13	4.13	3.09	4.54	4.54

5.9 Aggregate Revenue Requirement

Petitioner's Submission

The summary of revised estimates of ARR of TPL-D(D) for FY 2019-20 and FY 2020-21 is shown in the Table below:

Table 5.44: Summary of ARR projected by TPL-D(D) for FY 2019-20 and FY 2020-21 (Rs. Crore)

Particulars	FY 2019-20		FY 2020-21	
	Approved in the MYT Order	Revised Estimates	Approved in the MYT Order	Revised Estimates
Power Purchase Expenses	156.80	199.70	169.52	218.74
Operation & Maintenance Expenses	6.65	10.42	7.03	11.01
Depreciation	6.65	6.85	6.67	7.23
Interest on Loans	5.12	5.24	4.59	5.20
Interest on Security Deposit	3.09	2.23	3.20	2.32
Interest on Working Capital	-	-	-	-
Bad Debts Written Off	-	-	-	-
Contribution to Contingency Reserves	0.79	0.84	0.80	0.91
Return on Equity Capital	5.66	6.04	5.73	6.44
Income Tax	-	-	-	-
Less: Non-Tariff Income	3.09	4.13	3.09	4.54
Aggregate Revenue Requirement	**181.68**	**227.19**	**194.45**	**247.31**

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 5.45: 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	156.80	199.70	163.98	169.52	218.74	177.89
Operation & Maintenance Expenses	6.65	10.42	6.65	7.03	11.01	7.03
Depreciation	6.65	6.85	5.81	6.67	7.23	6.19
Interest & Finance Charges	5.12	5.24	5.16	4.59	5.20	5.21
Interest on Security Deposit	3.09	2.23	2.23	3.20	2.32	2.32
Interest on Working Capital	-	-	-	-	-	-
Bad Debts Written Off	-	-	-	-	-	-
Contribution to Contingency Reserves	0.79	0.84	0.83	0.80	0.91	0.89
Total Revenue Expenditure	**179.10**	**225.28**	**184.67**	**191.81**	**245.41**	**199.54**
Return on Equity Capital	5.66	6.04	6.03	5.73	6.44	6.42
Income Tax	-	-	-	-	-	-
Aggregate Revenue Requirement	**184.76**	**231.32**	**190.69**	**197.54**	**251.86**	**205.96**
Less: Non-Tariff Income	3.09	4.13	4.13	3.09	4.54	4.54
Aggregate Revenue Requirement	**181.68**	**227.19**	**186.56**	**194.45**	**247.31**	**201.42**

6 Determination of Tariff for FY 2019-20

6.1 Introduction

This Chapter deals with the determination of Revenue Gap/(Surplus), as well as Consumer/Retail 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 from sale of power at existing tariffs and FPPPA of Rs.0.69 per unit for FY 2019-20, works out to Rs. 198.84 Crore. The ARR for TPL-D(D) in FY 2019-20 is Rs. 227.19 Crore. Accordingly, the Petitioner has arrived at the Gap of Rs. 28.35 Crore for FY 2019-20, as shown in the Table below:

Table 6.1: Projected Revenue Gap/(Surplus) of TPL-D(D) for FY 2019-20 (Rs. Crore)

Particulars	Claimed
ARR for FY 2019-20	227.19
Revenue from Sale of Power at existing tariff rates and FPPPA Revenue @ Rs. 0.69 per Unit	198.84
Gap/ (Surplus)	**28.35**

The Petitioner has submitted that as per the GERC (Demand Side Management) Regulations, 2012, it is required to formulate and submit to the Commission a perspective DSM Plan for the MYT Control Period. The Petitioner would approach the Commission accordingly, for implementation of DSM Plan.

The Petitioner has submitted that it is raising the claim for carrying cost on the salutary principle that any delay in recovery of carrying cost would ultimately increase the cost to the consumers.

The Petitioner has calculated the negative carrying cost for the Gap/(Surplus) of FY 2017-18 including pending claims, which works out to Rs. 4.25 Crore 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.

Based on the above, the Petitioner has calculated the cumulative Gap/(Surplus) of FY 2019-20 for determination of tariff as under:

Table 6.2: Projected Cumulative Gap for Determination of Tariff for TPL-D(D) for FY 2019-20 (Rs. Crore)

Particulars	Claimed
Gap/(Surplus) of FY 2017-18	(14.41)
Carrying Cost	(4.25)
Gap/(Surplus) of FY 2019-20	**28.35**
Cumulative Gap/(Surplus) to be recovered through tariff	**9.69**

The Petitioner has proposed to recover the cumulative gap of Rs. 9.69 Crores during FY 2019-20 by way of average tariff increase of Rs. 0.22 per unit.

Commission's Analysis

The Commission has approved the 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 (D) for FY 2019-20 from the projected category-wise sales and existing tariff, i.e., the tariff approved by the Commission for FY 2018-19 vide Order dated 4th April 2018 in Petition No. 1698 of 2018 and NIL as base FPPPA charges for FY 2019-20 and accordingly the Commission arrives at the Gap/(Surplus), as shown in the Table below:

Table 6.3: Approved Revenue Gap/(Surplus) of TPL-D (D) for 2019-20 (Rs. Crore)

Particulars	Claimed	Approved
ARR for FY 2019-20	227.19	186.56
Revenue from sale of power at existing tariff rates	198.84$	168.06
Revenue from Open Access Charges	-	-
Gap/ (Surplus)	**28.35**	**18.50**

$: TPL-D(D) has considered FPPPA @ Rs.0.69 per kWh for computing revenue from sale of power at exsisting tariff.

The Petitioner has proposed tariff structure rationalisation during FY 2019-20 in line with the existing tariff structure of DGVCL by way of increase fixed/demand charges to bring it at par with other DISCOMs of the State. The Commission accepts the proposal of increase in fixed/demand charges of TPL-Dahej. The Commission further reduces the energy charges by 20 Paise per Unit across all the consumer categories. Accordingly, the Commission re-computes the estimated revenue with the revised average tariff realization of each category with NIL base FPPPA charges for FY 2019-20, which is shown as below:

Table 6.4:Approved Sales and Category Wise Revenue of TPL-D (D) for 2019-20 (Rs. Crore)

Category	Sales (MUs)	Avg. Tariff Realization (Rs./kWh)*	Estimated Revenue (Rs. Crore)
Non RGP	0.73	3.14	0.23
LTMD	1.00	3.45	0.35
HTP-I	438.02	3.73	163.38
HTP-II	0.38	7.34	0.28
Others#	5.93	7.96	4.72
Sum Total	**446.06**	**3.79**	**168.96**

Note:
***:** The average tariff realization includes the FPPPA charges of Rs. 0.00 per kWh
#: Other category which consists of HT & LT Temporary, WWSP, and Street Lighting

In Chapter 4, the Commission has approved the Revenue Surplus after True-up for FY 2017-18 as Rs. 14.41 crore. The Petitioner has requested to consider the negative carrying cost of Rs. 4.25 Crore on the Revenue Gap/(Surplus) of FY 2017-18 and past periods in the tariff.

In the current tariff proceedings on truing up for FY 2017-18, the Commission examined the carrying cost of Rs. (4.25) Crore as claimed by TPL vis-à-vis provisions of the current MYT Regulations. Regulation 21.6 (c) of the GERC (MYT) Regulations, 2016 provides that:

"*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:"

TPL-D (D), in its submission on the carrying cost, has submitted that carrying cost should be allowed on financial principle for time value of money and to be worked out based on simple mathematical formula for the period of delay in addressing the gap. TPL has claimed compounding of interest for working out the carrying cost in its proposal. In this context, it is to be noted that Hon'ble APTEL in its order in Appeal No. 250 of 2015 has decided that:

"We tend to agree with the State Commission's view that there is no concept of compound interest in dealing with various provisions related to interest calculations in the Tariff Regulations, 2011. Thus the principle applied by the State Commission in absence of specific provisions of interest rate of carrying cost is equitable and just and there is no need of interference by us on the same."

It is observed that in the forgoing para the Commission has work out the surplus of Rs. 14.41 Crore during FY 2017-18. In view of the above Regulation and surplus scenario of TPL (D), the Commission allows Rs. (2.31) Crore as carrying cost for FY 2017-18 at a simple interest rate of 8.00% for 2 years i.e FY 2018-19 and FY 2019-20, in the ARR of FY 2019-20. Considering the foregoing analysis, the Commission now computes the consolidated gap/ (surplus) for FY 2019-20 which includes gaps / surpluses of FY 2019-20 and FY 2017-18, as follows:

Table 6.6: Cumulative Revenue Gap/(Surplus) for FY 2019-20 (Rs. Crore)

Particulars	Claimed	Approved
ARR for FY 2019-20	227.19	186.56
Revenue from Sale of Power at proposed tariff rates	208.72	168.96
Gap/(Surplus) of FY 2019-20	18.47	17.60
Gap/(Surplus) of FY 2017-18	(14.41)	(14.41)
Carrying Cost	(4.25)	(2.31)
Cumulative Gap/(Surplus)	**(0.19)**	**0.88**

Thus, as against the cumulative Revenue Surplus of Rs. 0.19 Crore projected by TPL-D(D), the Commission has approved a cumulative Revenue Gap of Rs. 0.88 Crore.

In view of the gap, the commission decides to leave a gap of Rs. 0.88 Crore which shall be addressed in future true-up.

7 Compliance of Directives

7.1 Earlier Directives

Directive 1: Interest Cost Reduction

The Commission directed the Petitioner to obtain corresponding reduction in the rate of interest from all the consortium members in its Order dated 4th April, 2018 in Case No. 1698 of 2018.

Compliance

In this regard, the Petitioner has successfully pursued with the Banks/FIs for reduction of interest rate and accordingly, the interest rates have been revised leading to saving to consumers.

Commission's Comments

The Commission has noted the submission of the Petitioner.

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 and Power Exchange 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.

8 Fuel and Power Purchase Adjustment

8.1 Fuel 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 all 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	471.94	163.98	3.47

As mentioned above, the base Power Purchase cost for TPL-D is Rs. 3.47 per kWh and the FPPPA charge has been equated to zero at the beginning of FY 2019-20.

TPL-D(D) may claim the 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. FPPPA calculations shall be submitted to the Commission within one month from the end of the relevant quarter.

9 Wheeling Charges and Cross Subsidy Surcharge

9.1 Wheeling Charge

Petitioner's Submission

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 as 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(D) 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	-	199.70
Employee Expenses	0.69	0.46
Administration & General Expenses	3.38	3.38
Repair & Maintenance Expenses	2.25	0.25
Depreciation	6.16	0.68
Interest on Loan	4.71	0.52
Interest on Security Deposit	0.22	2.01
Interest on Working Capital	-	-
Bad Debts	-	-
Contingency Reserve	0.84	-
Income Tax	-	-
Total Revenue Expenditure	**18.27**	**207.01**
Return on Equity	5.44	0.60
Less: Non-Tariff Income	0.41	3.72
Aggregate Revenue Requirement	**23.30**	**203.89**

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	-	163.98
Employee Expenses	0.11	0.07

Particulars	Wires Business	Supply Business
Administration & General Expenses	1.38	1.38
Repair & Maintenance Expenses	3.34	0.37
Depreciation	5.23	0.58
Interest on Loan	4.64	0.52
Interest on Security Deposit	0.22	2.01
Interest on Working Capital	-	-
Bad Debts Written Off	-	-
Contingency Reserve	0.83	-
Income Tax	-	-
Total Revenue Expenditure	**15.76**	**168.91**
Return on Equity	5.42	0.60
Less: Non-Tariff Income	0.41	3.72
Aggregate Revenue Requirement	**20.77**	**165.79**

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 and has accordingly computed the Wheeling Charges based on the allocation of ARR of distribution business.

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 voltage level 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.

The Petitioner has submitted that sales to the LT category are negligible. Hence, it has not segregated the wheeling ARR into HT and LT category. It has considered the Wheeling ARR and sales of FY 2019-20 for determination of Wheeling Charges.

To determine the Wheeling Charges, the Wheeling ARR has been divided by the total sales. The Wheeling Charge thus, determined in terms of Rs./kWh for FY 2019-20 is shown in the Table below:

Table 9.4: Wheeling Charges proposed by TPL-D(D) for FY 2019-20

Particulars	Amount
ARR for Wheeling Business (Rs. Crore)	23.30
Sales (MUs)	446.06
Wheeling Charge (Rs./ kWh)	**0.52**

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 of TPL-D(D)

Category	%
HT Category	2.00%

Commission's Analysis

The Commission has determined the ARR of the Wires Business for FY 2019-20 in earlier Section, as Rs. 20.77 crore.

The Commission has accepted the Petitioner's submission regarding determination of Wheeling Charges only for HT voltage, and on per kWh basis. To determine the Wheeling Charges, the ARR of the Wires Business has been divided by the total sales. Accordingly, the Wheeling Charge determined in terms of Rs/kWh is shown in the Table below:

Table 9.6: Wheeling Charges approved for TPL-D(D) for FY 2019-20

Particulars	Amount
ARR for Wheeling Business (Rs. Crore)	20.77
Sales (MUs)	446.06
Wheeling Charge (in Rs./ kWh)	**0.47**

The Commission has accordingly approved the Wheeling Charges as Rs. 0.47/kWh, as shown in the Table above.

The Commission has also approved the following losses for Open Access consumers in addition to the Wheeling Charges:

Table 9.7: Wheeling Losses approved for Open Access Consumers of TPL-D(D)

Category	**%**
HT Category	2.00%

9.2 Cross-Subsidy Surcharge

Petitioner's Submission

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 by Open Access consumers in TPL-D(D) area (Rs/kWh)

Particulars	HTP-1
T – Tariff for HT category	4.68
PPC – Average Cost of Power Purchase	4.23
L – Loss for HT category (%)	2.00%
D- Wheeling charges for HT category	0.52
Cross-subsidy Surcharge	-

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(D) area

Particulars	HTP-1
T – Tariff for HT category	3.73
Average cost of power Purchase	3.47
L – Loss for HT category (%)	2.00%
D- Wheeling charges for HT category	0.47
Cross-Subsidy Surcharge	**(0.28)**

S (for HTP-1) = 3.73 - [3.47/(1-2%)+0.47+0.00]

= NIL.

Accordingly, **Cross Subsidy Surcharge for HTP-I Category = NIL Rs./kWh for FY 2019-20.**

9.3 Additional Surcharge

Petitioner's Submission

The Petitioner has submitted that as per Regulation 25 of the 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, the Regulations on Terms and Conditions of Tariff issued by the Central Electricity Regulatory Commission (CERC) and the GERC (MYT) Regulations, 2011 notified by the Commission.

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

10.2 Proposal for increase in Retail Tariffs for TPL-D(D) for FY 2019-20

Background

The Petitioner has computed the Cumulative Gap/(Surplus) for FY 2017-18, FY 2019- 20 and carrying/holding cost as discussed earlier. The Petitioner has proposed to recover the accumulated Gap/(Surplus) during FY 2019-20 by way of tariff increase and rationalising the tariff structure.

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 detailed hereunder:

A. Consumer’s capacity to pay
B. Correct recovery of fixed charges, which is depictive of the fixed costs
C. Adhering to the band of cross-subsidy prescribed by Tariff Policy
D. Incentivising energy conservation through telescopic tariff
E. Demand Side Management by shifting of consumption from peak hours to off-peak hours
F. Promotion of efficient use of electricity

The Petitioner submitted that it has maintained the same philosophy for rationalisation of the tariff structure. The structure is also in line with the tariff structure of other DISCOMs of the State.

Determination of Retail tariff

The Petitioner has proposed to recover the cumulative Gap of Rs. 9.69 Crore by way of average tariff increase of Rs. 0.22 per unit during FY 2019-20.

The Petitioner has also proposed tariff structure rationalisation during FY 2019-20 in line with the existing tariff structure of DGVCL.

The Petitioner has proposed to increase the Fixed/Demand Charges to bring them in line with other DISCOMs of the State. The Petitioner has proposed to reduce the existing FPPPA of Rs. 0.73 per unit to Rs. 0.69 per unit. Thus, new base FPPPA will be Rs. 0.69 per unit. Additionally, the Petitioner has also proposed revision in the tariff structure of residential, temporary and night-time category.

The Petitioner has submitted 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 revised tariff w.e.f. 1st April, 2019, the revised tariff rates need to be appropriately adjusted to allow the Petitioner to pass on the cumulative Gap/(Surplus) over the remaining part of the year from the date from which the increased tariff is to be allowed.

10.3 Commission's Ruling on Retail Tariffs for TPL-D(D) for FY 2019-20

The Tariff Policy and Electricity Act, 2003 provide for tariff structure rationalization. The Petitioner who holds the second license for supply in its area, has proposed tariff rationalization for FY 2019-20 in line with the existing tariff structure of DGVCL, who is the principal licensee.

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

In order to address these issues to some extent, the fixed charges / demand charges across all categories of consumers are increased to the level of fixed charges as set for DGVCL vide Tariff Order dated 24.04.2019 in case no. 1760 of 2018. The energy charges for categories such as NRGP, LTMD, and HTP-I are reduced making the change revenue neutral.

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.

With this modification, rationalization in the tariff structure and revision in the tariff rates, the Commission has arrived at revenue gap of Rs. 0.88 Crore, which will be duly considered by the Commission in the Truing up exercise.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for TPL-D (D) for FY 2019-20 and FY 2020-21 as shown in the Table below:

Approved ARR for TPL-D (Dahej) for FY 2019-20 and FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Approved in Mid-Term Review	
		2019-20	**2020-21**
1	Power Purchase Expenses	163.98	177.89
2	Operation & Maintenance Expenses	6.65	7.03
3	Depreciation	5.81	6.19
4	Interest & Finance Charges	5.16	5.21
5	Interest on Security Deposit	2.23	2.32
6	Interest on Working Capital	-	-
7	Bad Debts written off	-	-
8	Contribution to contingency reserves	0.83	0.89
9	**Total Revenue Expenditure**	**184.67**	**199.54**
10	Return on Equity Capital	6.03	6.42
11	Income Tax	-	-
12	**Aggregate Revenue Requirement**	**190.69**	**205.96**
13	Less: Non-Tariff Income	4.13	4.54
14	**Aggregate Revenue Requirement**	**186.56**	**201.42**

The retail supply tariff for TPL-D(D) for FY 2019-20 determined by the Commission are annexed to this Order.

This Order shall come into force with effect from 1st August, 2019. The revised rates shall be applicable for the electricity consumption from 1st August, 2019 onwards.

-Sd-	-Sd-	-Sd-
P. J. THAKKAR Member	**K. M. SHRINGARPURE** Member	**ANAND KUMAR** Chairman

Place: Gandhinagar
Date: 17/07/2019

Annexure: Tariff Schedule

TARIFF SCHEDULE FOR DAHEJ LICENCE AREA OF TORRENT POWER LIMITED - DAHEJ

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

Effective from 1st August, 2019

GENERAL CONDITIONS

1. The tariff figures indicated in this tariff schedule are the tariff rates payable by all the consumers of Torrent Power Limited – Distribution in the Dahej SEZ area.
2. These tariffs are exclusive of Electricity Duty, tax on sale of electricity, taxes and other charges levied by the Government or other competent authorities from time to time which are payable by the consumers, in addition to the charges levied as per the tariff.
3. All these tariffs for power supply are applicable to only one point of supply.
4. The charges specified are on monthly basis. Distribution Licensee may decide the period of billing and adjust the tariff rate accordingly.
5. Except in cases where the supply is used for purpose for which a lower tariff is provided in the tariff schedule, the power supplied to any consumer shall be utilized only for the purpose for which supply is taken and as provided for in the tariff.
6. 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.
7. Conversion of Ratings of electrical appliances and equipment from kilo Watt to B.H.P. or vice versa will be done, when necessary, at the rate of 0.746 kilo Watt equal to 1 B.H.P.
8. The billing of fixed charges based on contracted load or maximum demand shall be done in multiples of 0.5 (one half) Horse Power or kilo-Watt (HP or kW) as the case may be. The fraction of less than 0.5 shall be rounded to next 0.5. The billing of energy charges will be done on complete one kilo-Watt-hour (kWh).
9. The Connected Load for the purpose of billing will be taken as the maximum load connected during the billing period.

10. 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 with in the duration of billing period for any reason.
11. Contract Demand shall mean the maximum kW for the supply of which licensee undertakes to provide facilities to the consumer from time to time.
12. Fuel Cost and Power Purchase Adjustment Charges shall be applicable in accordance with the Formula approved by the Gujarat Electricity Regulatory Commission from time to time.
13. 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.
14. The payment of power factor penalty does not exempt the consumer from taking steps to improve the power factor to the levels specified in the Regulations notified under the Electricity Act, 2003 and licensee shall be entitled to take any other action deemed necessary and authorized under the Act.
15. Delayed payment charges for all consumers:

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

    Delayed payment charges will be levied at the rate of 15% per annum for the period from the due date till the date of payment.

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

PART- I

SCHEDULE OF TARIFF FOR SUPPLY OF ELECTRICITY

AT LOW AND MEDIUM VOLTAGE

1. RATE: RGP

This tariff is applicable to all services in the residential premises:

Single-phase supply: Aggregate load up to 6 kW
Three-phase supply: Aggregate load above 6 kW

1.1. Fixed Charges/ Month:

Range of Connected Load

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

PLUS

1.2. Energy Charges: For the total monthly consumption

(a)	First 50 units	175 Paise per unit
(b)	Next 50 units	205 Paise per unit
(c)	Next 150 units	270 Paise per unit
(d)	Above 250 units	360 Paise per unit

1.3. Minimum bill:

Payment of fixed charges as specified in 1.1 above

2. RATE: Non-RGP

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

2.1. Fixed charges per month:

(i) Up to and including 10 kW of connected load	Rs. 50/- per kW
(ii) Above 10 kW and up to 40 kW of connected load	Rs. 85/- per kW

PLUS

2.2. Energy charges:

(a)	For installation having contracted load up to and including 10 kW: for entire consumption during the month	250 Paise per Unit
(b)	For installation having contracted load exceeding 10 kW: for entire consumption during the month	280 Paise per Unit

2.3. Minimum Bill:

Minimum bill per installation per month for consumers other than Seasonal Consumers:

Payment of Fixed Charge as specified in 2.1 above.

2.4. Minimum Bill per Installation for Seasonal Consumers

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

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

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

d) The units consumed during the off-season period shall be charged for at a flat rate of 315 Paise per unit.

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

3. RATE: LTMD

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

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

3.1. Fixed charges:

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

PLUS

3.2. Energy charges:

For the entire consumption during the month	285 Paise per unit

PLUS

3.3. Reactive Energy charges:

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

3.4. Billing Demand:

The billing demand shall be the highest of the following:

(a) Eighty-five percent of the contract demand

(b) Actual maximum demand registered during the month

(c) 15 kW

3.5. Minimum Bill:

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

3.6. Seasonal Consumers taking LTMD Supply:

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

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

3.6.3. The total minimum amount under the head “Demand and Energy Charges” payable by a seasonal consumer satisfying the eligibility criteria under sub clause 3.6.1 above and complying with provisions stipulated under sub clause 3.6.2 above shall be Rs. 2970/- per annum per kW of the billing demand.

3.6.4. The billing demand shall be the highest of the following:

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

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

(c) 15 kW.

3.6.5. Units consumed during the off-season period shall be charged at the flat rate of 315 Paise per unit.

4. RATE: Non-RGP Night

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

4.1. Fixed Charges per month:

50% of the Fixed Charges specified in Rate: Non-RGP above

PLUS

4.2. Energy Charges:

For entire consumption during the month	230 Paise per unit

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 4.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 4.0 above.*
3. *In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per Non-RGP category demand charge rates given in para 2.1 of this schedule.*
4. *In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant billing month shall be billed as per Non-RGP category energy charge rates given in para 2.2 of this schedule.*
5. *In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy consumption during the relevant billing month shall be billed as per Non-RGP category demand charge and energy charge rates given in para 2.1 and 2.2 respectively, of this schedule.*
6. *This tariff shall be applicable if the consumer so opts to be charged in place of Non-RGP tariff by using electricity exclusively during night hours as above.*
7. *The option can be exercised to shift from regular Non-RGP tariff category to Rate: Non-RGP Night tariff or from Rate: Non-RGP Night tariff category to regular Non-RGP tariff four times in a calendar year by giving not less than 15 days' advance notice in writing before commencement of billing period.*

5. RATE: LTMD-Night

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

5.1. Fixed Charges per month:

50% of the Fixed charges specified in Rate LTMD above

PLUS

5.2. Energy Charges:

For entire consumption during the month	235 Paise per unit

PLUS

5.3. Reactive Energy Charges:

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

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 5.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 5.0 above.*
3. *In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per LTMD category demand charge rates given in para 3.1 of this schedule.*
4. *In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant billing month shall be billed as per LTMD category energy charge rates given in para 3.2 of this schedule.*
5. *In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy consumption during the relevant billing month shall be billed as per LTMD category demand charge and energy charge rates given in para 3.1 and 3.2 respectively, of this schedule.*

6. *This tariff shall be applicable if the consumer so opts to be charged in place of LTMD tariff by using electricity exclusively during night hours as above.*
7. *The option can be exercised to shift from regular LTMD tariff category to Rate: LTMD-Night tariff or from Rate: LTMD-Night tariff category to regular LTMD tariff four times in a calendar year by giving not less than 15 days' advance notice in writing before commencement of billing period.*

6. RATE: WWSP

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

(a)	Fixed Charges per month	Rs. 20 per HP
	PLUS	
(b)	Energy Charges per month; For entire consumption during the month	265 Paise per Unit

7. RATE: SL

7.1. Tariff for Street Light for Local Authorities and Industrial Estates:

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

7.1.1. Energy Charges:

For all the units consumed during the month	240 Paise per unit

7.1.2. Renewal and Replacement of Lamps:

The consumer shall arrange for renewal and replacement of lamp at his cost by person authorised by him in this behalf under Rule-3 of the Indian Electricity Rules, 1956 / Rules issued by CEA under the Electricity Act, 2003.

7.1.3. Maintenance other than Replacement of Lamps:

Maintenance of the street lighting system shall be carried out by Distribution Licensee.

8. RATE: TMP

This tariff is applicable to services of electricity supply for temporary period at the low voltage.

8.1. FIXED CHARGE:

Fixed Charge per Installation	Rs. 15 per kW per Day

PLUS

8.2. ENERGY CHARGE:

A flat rate of	445 Paise per Unit

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

9. <u>RATE: LT- Electric Vehicle (EV) Charging Stations</u>

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.

9.1. FIXED CHARGE:

Rs. 25 per month per installation

PLUS

9.2. ENERGY CHARGE

Energy Charge	305 Paise per unit

PART- II

TARIFFS FOR SUPPLY OF ELECTRICITY AT HIGH TENSION

(3.3 kV AND ABOVE, 3-PHASE 50 C/S), AND EXTRA HIGH TENSION

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

10. RATE: HTP-1

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

10.1. Demand Charges:

10.1.1. For Billing Demand up to Contract Demand

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

10.1.2. For Billing Demand in excess of the Contract Demand

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

PLUS

10.2. Energy Charges:

For entire consumption during the month		
(a)	Up to 500 kVA of billing demand	250 Paise per Unit
(b)	For next 2000 kVA of billing demand	270 Paise per Unit
(c)	For billing demand in excess of 2500 kVA	280 Paise per 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	35 Paise per Unit
(b) For Billing Demand above 500 kVA	75 Paise per Unit

10.4. Billing Demand:

The billing demand shall be the highest of the following:

(a) Actual maximum demand established during the month

(b) Eighty-five percent of the contract demand

(c) One hundred kVA

10.5. Minimum Bills:

Payment of 'demand charges' based on kVA of billing demand

10.6. Power Factor Adjustment Charges:

10.6.1. **Penalty for Poor Power Factor**:

1. 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%.
2. 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.

10.6.2. **Power Factor Rebate**:

If the power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 10.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

10.7. Maximum Demand and its Measurement:

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

10.8. Contract Demand:

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

10.9. Rebate for Supply at EHV:

On Energy charges:		Rebate @
(a)	If supply is availed at 33/66 kV	0.50%
(b)	if supply is availed at 132 kV and above	1.00%

10.10. Concession for Use Electricity during Night Hours

For the consumer eligible for using supply at any time during 24 hours, entire consumption shall be billed at the energy charges specified above. However, the energy consumed during night hours of 10.00 PM to 06.00 AM next morning (recorded by a poly phase meter operated through time-switch) shall be eligible for concession at the rate of 30 Paise per unit. The poly phase meter and time switch shall be procured and installed by the consumer at his cost and sealed by the Distribution Licensee.

10.11. Seasonal Consumers taking HT Supply:

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

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

10.11.3. The total minimum amount under the head "Demand and Energy Charges" payable by a seasonal consumer satisfying the eligibility criteria under sub clause 10.11.1 above and complying with provisions stipulated under sub clauses 10.11.2 above shall be Rs. 4550/- per annum per kVA of the billing demand.

10.11.4. The billing demand shall be the highest of the following:

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

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

(c) One hundred kVA.

10.11.5. Units consumed during the off-season period shall be charged for at the flat rate of 320 Paise per unit.

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

11. RATE: HTP-II

Applicability: This tariff shall be applicable for supply of energy to HT consumers contracting for 100 kVA and above, requiring power supply for Water Works and Sewerage pumping stations.

11.1. Demand Charges:

11.1.1. For Billing Demand up to Contract Demand

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

11.1.2. For Billing Demand in excess of Contract Demand

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

PLUS

11.2. Energy Charges:

For entire consumption during the month		
(a)	Up to 500 kVA of billing demand	270 Paise per Unit
(b)	For next 2000 kVA of billing demand	290 Paise per Unit
(c)	For billing demand in excess of 2500 kVA	300 Paise per Unit

PLUS

11.3. 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	35 Paise per Unit
(b) For Billing Demand above 500 kVA	75 Paise per Unit

11.4. Billing Demand
11.5. Minimum bill
11.6. Maximum demand and its measurement
11.7. Contract Demand
11.8. Rebate for supply at EHV
11.9. Concession for use of electricity during night hours

Same as per HTP-I Tariff

11.10. POWER FACTOR ADJUSTMENT CHARGES:

11.10.1. Penalty for Poor Power Factor:

1. 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%.
2. 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.

11.10.2. Power Factor Rebate:

If the power factor of the consumer’s installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head “Energy Charges”, arrived at using tariff as per para 11.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

12. RATE: HTP-III

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

12.1. Demand Charges:

For billing demand up to contract demand	Rs. 18 per kVA per day
For billing demand in excess of contract demand	Rs. 20 per kVA per day

PLUS

12.2. Energy Charges:

For all units consumed during the month	510 Paise/ Unit

PLUS

12.3. TIME OF USE (TOU) Charges:

Additional charge for energy consumption during two peak periods, viz. 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.	75 Paise per Unit

12.4. Billing Demand
12.5. Minimum bill
12.6. Maximum demand and its measurement : Same as per HTP-I Tariff
12.7. Contract Demand
12.8. Rebate for supply at EHV

12.9. POWER FACTOR ADJUSTMENT CHARGES:

12.9.1. Penalty for Poor Power Factor:

a. The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 12.2 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 12.2 of this schedule, will be charged.

12.9.2. Power Factor Rebate:

If the power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 12.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

13. RATE: HTP-IV

This tariff shall be applicable for supply of electricity to HT consumers opting to use electricity exclusively during night hours from 10.00 PM to 06.00 AM next day and contracted for regular power supply of 100 kVA and above.

13.1. Demand Charges:

1/3rd of the Fixed Charges specified in Rate HTP-I above

PLUS

13.2. Energy Charges:

For all units consumed during the month	230 Paise per unit

13.3. Billing Demand **13.4.** Minimum bill **13.5.** Maximum demand and its measurement **13.6.** Contract Demand **13.7.** Rebate for supply at EHV	Same as per HTP-I Tariff

13.8. POWER FACTOR ADJUSTMENT CHARGES:

13.8.1. Penalty for poor Power Factor:

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

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

13.8.2. Power Factor Rebate:

If the power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 13.2 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 13.0 above.

2. 10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 13.0 above.

3. In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per HTP-I category demand charge rates given in para 10.1 of this schedule.

4. In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant billing month shall be billed as per HTP-I category energy charge rates given in para 10.2 of this schedule.

5. In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy *consumption during the relevant billing month shall be billed as per HTP-I category demand charge and energy charge rates given in para 10.1 and 10.2 respectively, of this schedule.*

6. This tariff shall be applicable if the consumer so opts to be charged in place of HTP-I tariff by using electricity exclusively during night hours as above.

7. The option can be exercised to shift from regular HTP-I tariff category to Rate: HTP-IV tariff or from Rate: HTP-IV tariff category to regular HTP-I tariff four times in a calendar year by giving not less than 15 days' advance notice in writing before commencement of billing period.

14. 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. HTP-I, HTP-II, HTP-III & HTP-IV.

14.1. Demand Charges:

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

14.2. Energy Charges:

Energy Charge	300 Paise per Unit