GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2015-16,

Approval of ARR for FY 2016-17 to FY 2020-21 and Determination of Tariff for FY 2017-18

For

TORRENT POWER LIMITED - DISTRIBUTION

AHMEDABAD

Case No. 1627 of 2016

9th June, 2017

6th Floor, GIFT ONE, Road 5C, GIFT CITY

Gandhinagar-382 335 (Gujarat), INDIA

Phone: +91-79-23602000 Fax: +91-79-23602054/55

E-mail: gerc@gercin.org : Website www.gercin.org

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GUJARAT ELECTRICITY REGULATORY COMMISSION (GERC)

GANDHINAGAR

Multi-Year Tariff Order:

Truing up for FY 2015-16,

Aggregate Revenue Requirement for FY 2016-17 to FY 2020-21

And Determination of Tariff for FY 2017-18

For

Torrent Power Limited (TPL)-Distribution

Ahmedabad

Case No. 1627 of 2016

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ABBREVIATIONS

A&G	Administration and General Expenses
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
3rd Control Period	FY 2016-17 to FY 2020-21
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
EA	Electricity Act, 2003
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension Power
MGVCL	Madhya Gujarat Vij Company Limited
MUs	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi-Year Tariff
O&M	Operations and Maintenance
p.a.	Per Annum
PF	Power Factor
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
R&M	Repairs and Maintenance
RLDC	Regional Load Despatch Centre
SBI	State Bank of India
SLDC	State Load Despatch Centre

UGVCL	Uttar Gujarat Vij Company Limited
WRLDC	Western Regional Load Despatch Centre

Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1627 of 2016

Date of Order: 09/06/2017

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 (hereinafter referred to as TPL or the petitioner) has filed petition under Section 62 of the Electricity Act, 2003, read in conjunction with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011, for the True-up of FY 2015-16 and GERC(MYT)Regulation,2016 for Aggregate Revenue Requirement for FY 2016-17 to FY 2020-21 and for determination of tariff for its distribution business at Ahmedabad and Gandhinagar for the FY 2017-18 on 30th November, 2016.

After technical validation of the petition, it was registered on 3rd December, 2016 and as provided under Regulation 29.1 of GERC MYT Regulations, 2016, the Commission has proceeded with this tariff order.

1.2 Torrent Power Limited (TPL)

Torrent Power Limited (TPL) is a company incorporated under the Companies Act, 1956 is carrying the business of Generation and Distribution of Electricity in the cities of Ahmedabad, Gandhinagar and Surat. The present petition has been filed by TPL-Distribution (Ahmedabad) for its distribution business in Ahmedabad and Gandhinagar.

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

1.3 Commission's Order for the Second Control Period

TPL filed its petition under the Multi-Year Tariff Framework for the control period from FY 2011-12 to FY 2015-16 on 24th February, 2011, in accordance with Gujarat Electricity

Regulatory Commission (Multi-Year Tariff Framework) Regulations, 2007, notified by the Commission.

The Commission issued the new MYT Regulations, notified as GERC (Multi-Year Tariff) Regulations, 2011, on March 22, 2011.

Regulation 1.4 (a) of GERC (Multi-Year Tariff) Regulations, 2011 reads as under:

"These Regulations shall be applicable for determination of tariff in all cases covered under these Regulations from 1st April, 2011 and onwards."

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

- For truing up for FY 2010-11 and Tariff determination for FY 2012-13 on 2nd June, 2012.
- For truing up for FY 2011-12 and Tariff determination for FY 2013-14 on 16th April, 2013.

1.4 Commission's Orders for Mid-term Review of Business plan for TPL-D (Ahmedabad)

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

The Commission in exercise of the powers vested in it under Sections 61, 62 and 64 of the Electricity Act, 2003 and all other powers enabling it in this behalf and after taking into consideration the submission made by TPL, the objections by various stakeholders, response of TPL, issues raised during public hearing and all other relevant material,

approved the revised ARR for FY 2014-15 and FY 2015-16 in the Mid-term Review of Business Plan for TPL on 29th April, 2014.

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

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

The Commission in its order dated 2nd December, 2015, in the Petition No. 1534/2015 stated that the Commission has decided that the approved ARR of FY 2015-16 of the licensees / generating companies concerned be considered as provisional ARR of the licensees / generating companies for FY 2016-17.

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

Accordingly, the petitioner filed its petition for Truing-up of FY 2014-15 and determination of tariff for FY 2016-17 on 23rd December, 2015. The petition was registered on 28th December, 2015. The Commission approved the provisional ARR vide order dated 31st March, 2016, and the tariff for FY 2016-17 was determined accordingly.

1.5 Background for the present petition

The Regulation 16.2 (iii) of the MYT Regulations, 2011 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).

Subsequently, the Commission has notified the GERC (MYT) Regulations, 2016 for the control period of FY 2016-17 to FY 2020-21. The Regulation 16.2 (i) of the GERC MYT

Regulations, 2016 provides for filing a Multi-Year Tariff Application comprising the forecast of Aggregate Revenue Requirement (ARR) for the entire Control Period.

A note on the main issues raised by the objectors in the submissions with respect to the petition along with the response of TPL-D (A) and the Commission's views on the response are given in Chapter 3.

The Commission also note that the Utility Users' Welfare Association (UUWA) and others have separately filed the petition regarding admissibility and maintainability of this MYT Petition. The Commission initiated hearing in the matters filed by UUWA and others.

During preliminary hearing on 24-03.2017, it is observed that the issues raised by UUWA and others were also represented by the various stakeholders in the MYT proceedings.

Further, as per Section 64 of the Act, the Commission is required to pass the tariff orders within 120 days from the receipt of the tariff petitions. It is also necessary as per GERC (MYT) Regulations, 2011 and 2016 notified by the Commission.

Moreover, the Hon'ble APTEL vide order dated 11.11.2011 in OP No. 1 of 2011 decided and directed to all SERCs that "It should be the endeavour of every State Commission to ensure that the tariff for the financial year is decided before 1st April of every tariff year."

In view of the above, we decide to issue Orders in this MYT petition of TPL subject to final outcome of the petition filed by UUWA and others.

1.6 Registration of the Current Petition and Public Hearing Process

TPL has submitted the current Petition for "truing up" of FY 2015-16, ARR for FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18 on 30th November, 2016. The Commission registered the above Petition (Case No. 1627/2016) on 3rd December, 2016.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed TPL to publish its application in an abridged form to ensure public participation. The Public Notice, inviting objections / suggestions from its stakeholders on the petition filed by it, was published in the following newspapers on 9th December, 2016.

Sl. No.	Name of Newspaper	Language	Date of Publication
1	The Indian Express (Ahmedabad Edition)	English	09/12/2016
2	Sandesh (Ahmedabad & Surat Editions)	Gujarati	09/12/2016
3	Gujarat Samachar (Ahd. & Surat Editions)	Gujarati	09/12/2016
4	Divya Bhaskar (Ahd. & Surat Editions)	Gujarati	09/12/2016
5	NavGujarat Samay (Ahmedabad Edition)	Gujarati	09/12/2016
6	Gujarat Mitra (Surat Edition)	Gujarati	09/12/2016
7	Gujarat Guardian (Surat Edition)	Gujarati	09/12/2016

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 9th January, 2017.

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 date for public hearing for the petition on 10th February, 2017 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 Commission received request from one stakeholder to postpone the date of public hearing and considering the request, the Commission fixed second date of public hearing for the petition on 14th February, 2017. The public hearing was conducted in the Commission's Office at Gandhinagar as scheduled on the above dates.

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:

Sr. No.	Name of Stakeholders	Written Submission	Oral Submission	Present on 10.02.2017	Present on 14.02.2017
1.	Akhil Gujarat Grahak Sewa Kendra	Yes	No	No	No
2.	Grahako na Pakshkar	Yes	No	No	No
3.	H.J. Patel	Yes	No	No	No

Sr. No.	Name of Stakeholders	Written Submission	Oral Submission	Present on 10.02.2017	Present on 14.02.2017
4.	Shree Sahaj Alloys Pvt. Ltd.	Yes	Yes	Yes	No
5.	Mukesh Parikh, Grahak Suraksha Ane Pagla Samiti (Akhil Bharatiya)	Yes	Yes	Yes	No
6.	Gujarat Chamber of Commerce & Industry	Yes	Yes	Yes	No
7.	K.K. Bajaj	Yes	Yes	Yes	No
8.	Aam Aadmi Party, Gujarat	Yes	Yes	Yes	Yes
9.	Shree Chhatrapati Shivaji Charitable Trust	Yes	Yes	Yes	No
10.	Gandhinagar Shaher Vasahat Mahamandal	Yes	No	No	No
11.	Shri Gujarat Vijdi Contractor Mandal	Yes	Yes	Yes	No
12.	Sushrut Orthopaedic Hospital Pvt. Ltd.	Yes	No	No	No
13.	Om Skin Care & Cosmetic Clinic	Yes	No	No	No
14.	Green Cross Pathology Laboratory - Naroda	Yes	No	No	No
15.	Aashirwad Hospital	Yes	No	No	No
16.	Krishna Surgical Hospital	Yes	No	No	No
17.	Parvati Jadav Hospital	Yes	Yes	Yes	No
18.	Chirayu Hospital	Yes	No	No	No
19.	Aarogya Children & Dental Hospital	Yes	No	No	No
20.	Shrinagar (Saijpur) Co. Op. Housing Society Ltd. & 30 Others	Yes	Yes	Yes	No
21.	Utility Users' Welfare Association (UUWA)	Yes	Yes	Yes	No
22.	Jankalyan Foundation	Yes	No	No	No
23.	Laghu Udyog Bharti - Gujarat	Yes	Yes	No	Yes
24.	Bhavna Bhaskar Patel	Yes	Yes	No	Yes
25.	R.G. Tillan	No	Yes	No	Yes

A note on the main issues raised by the objectors in the submissions with respect to the petition along with the response of TPL-D (A) and the Commission's views on the response are given in Chapter 3.

The Commission also note that the Utility Users' Welfare Association (UUWA) and others have separately filed the petition regarding admissibility and maintainability of this MYT Petition. The Commission initiated hearing in the matters filed by UUWA and others.

During preliminary hearing on 24-03.2017, it is observed that the issues raised by UUWA and others were also represented by the various stakeholders in the MYT proceedings.

Further, as per Section 64 of the Act, the Commission is required to pass the tariff orders within 120 days from the receipt of the tariff petitions. It is also necessary as per GERC (MYT) Regulations, 2011 and 2016 notified by the Commission.

Moreover, the Hon'ble APTEL vide order dated 11.11.2011 in OP No. 1 of 2011 decided and directed to all SERCs that "It should be the endeavour of every State Commission to ensure that the tariff for the financial year is decided before 1st April of every tariff year."

In view of the above, we decide to issue Orders in this MYT petition of TPL subject to final outcome of the petition filed by UUWA and others.

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's Petition.
3. The **third chapter** deals with the public hearing process, including the objections raised by various stakeholders, TPL's response and Commission's views on the response.
4. The **fourth chapter** focuses on the details of truing up for FY 2015-16.

5. The **fifth chapter** deals with the determination of ARR for FY 2016-17 to FY 2020-21.
6. The **sixth chapter** deals with determination of tariff for FY 2017-18
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, 2011, provide for "Truing up" of the previous year and determination of tariff for the ensuing year. The Commission has approved ARR for five years of the control period of FY 2011-12 to FY 2015-16 in the MYT Order dated 6th September, 2011 and the revised ARR for FY 2014-15 and FY 2015-16, based on Mid-term Review of the Business Plan vide MTR Order dated 29th April, 2014.

The Commission, vide suo-motu order dated 02.12.2015 in Petition No. 1534/2015 decided to consider approved ARR of FY 2015-16 in Mid-Term Review order dated 29.04.2014 as provisional ARR for FY 2016-17 for determination of tariff for FY 2016-17 in view of delay in finalization of final GERC (Multi-Year Tariff) Regulations for the third Control Period i.e. FY 2016-17 to FY 2020-21. It was also decided in the said order that Generating Companies, Transmission Licensees and Distribution Companies shall file final ARR for FY 2016-17 based on the new GERC (Multi-Year Tariff) Regulations, 2016 and truing up of the same shall be governed in accordance with new GERC (Multi-Year Tariff) Regulations, 2016.

The GERC (Multi-year Tariff) Regulations, 2016 provides for determination of ARR for the third Control Period i.e. FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18.

TPL has approached the Commission with the present Petition for "Truing up" of the FY 2015-16, determination of ARR for the third control period i.e. FY 2016-17 to FY 2020-21 and determination of tariff for the FY 2017-18.

In this Order, the Commission has considered the “Truing up” for the FY 2015-16, as per GERC (MYT) Regulations, 2011.

The Commission has undertaken “Truing up” for the FY 2015-16, based on the submissions of the Petitioner. The Commission has undertaken the computation of gains and losses for the FY 2015-16, based on the audited annual accounts.

While truing up for FY 2015-16, the Commission has been primarily guided by the following principles:

1. Controllable parameters have been considered at the level approved under the MYT Order, unless the Commission considers that there are valid reasons for revision of the same.
2. Un-controllable parameters have been revised, based on the actual performance observed.

The truing up for the FY 2015-16 has been considered, based on the GERC (MYT) Regulations, 2011. For the determination of the ARR for FY 2016-17 to FY 2020-21, the Commission has considered GERC (MYT) Regulations, 2016 as the base.

2 A Summary of TPL's Petition

2.1 Actuals for FY 2015-16 submitted by TPL-D (A)

Torrent Power Limited (TPL) submitted the current Petition, seeking approval of True-up for ARR of FY 2015-16, ARR for FY 2016-17 to FY 2020-21 and determination of tariff for the FY 2017-18. The petitioner has also submitted tariff proposal for FY 2017-18, based on the estimated revenue gap for the FY 2015-16 and ARR of FY 2017-18.

2.2 Actuals for FY 2015-16 Submitted by TPL

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

Table 2.1: Actual Claimed by TPL for FY 2015-16

(Rs. Crore)

Particulars	Approved in MTR Order	Actual as per TPL
Power Purchase Cost	3994.31	3889.38
O&M Expenses	242.10	268.41
Interest on Loan	52.83	76.43
Interest on Security Deposit	42.59	40.42
Interest on Working Capital	-	-
Depreciation	117.71	124.64
Bad Debts Written off	1.50	4.92
Contingency Reserve	0.60	0.60
Return on Equity	163.93	169.86
Income Tax	-	135.16
Less: Non-Tariff Income	88.10	78.55
Annual Revenue Requirement	4527.47	4,631.26

2.3 Sharing of gains and losses for FY 2015-16

The sharing of gains and losses as projected by TPL is depicted below.

Table 2.2: Summary of sharing of gains and losses

(Rs Crore)

All Figures in Rs. Crores	FY 2015-16 (MTR Order)	FY 2015-16 (Claimed)	Over(+)/ Under (-) recovery	Controllable	Uncontrollable
Power Purchase	3,994.31	3,889.38	104.93	72.33	32.61
O&M expenses	242.1	268.41	(26.31)	(6.04)	(20.27)
Depreciation	117.71	124.64	(6.93)		(6.93)
Interest on loans	52.83	76.43	(23.60)		(23.60)
Interest on Working Capital	-	-	-		-
Interest on SD	42.59	40.42	2.17		2.17
RoE	163.93	169.86	(5.93)		(5.93)
Bad debts written	1.5	4.92	(3.42)	(3.42)	
Contingency reserve	0.6	0.6			
Income Tax	-	135.16	(135.16)		(135.16)
Prompt Payment	30.36	-	30.36		30.36
Less: Non-Tariff Income	88.1	78.55	9.55	(2.16)	11.72
ARR	**4,557.83**	**4,631.27**	**(73.43)**	**65.04**	**(138.46)**

2.4 ARR for MYT Control Period FY 2016-17 to FY 2020-21

TPL, in its petition, has also furnished the ARR for the period FY 2016-17 to FY 2020-21 which is depicted below.

Table 2.3: Summary of ARR for FY 2016-17 to FY 2020-21 as projected by TPL

(Rs Crore)

Sr. No.	Particulars	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Projected	Projected	Projected	Projected	Projected
1	Power Purchase Expenses	3,743.48	3,959.99	4,147.59	4,339.51	4,545.04
2	Operation & Maintenance Expenses	274.56	290.26	306.87	324.42	342.97
3	Depreciation	155.46	192.88	232.15	252.35	269.16

Sr. No.	Particulars	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Projected	Projected	Projected	Projected	Projected
4	Interest & Finance Charges	143.51	192.75	239.69	268.42	276.54
5	Interest on Working Capital	-	-	-	-	-
6	Bad Debts written off	4.92	4.92	4.92	4.92	4.92
7	Contribution to contingency reserves	0.60	0.60	0.60	0.60	0.60
9	**Total Revenue Expenditure**	**4,322.53**	**4,641.40**	**4,931.81**	**5,190.22**	**5,439.22**
10	Return on Equity Capital	194.15	227.98	262.87	289.82	306.89
11	Income Tax	101.91	101.91	101.91	101.91	101.91
12	**Aggregate Revenue Requirement**	**4,618.58**	**4,971.29**	**5,296.59**	**5,581.94**	**5,848.02**
13	Less: Non Tariff Income	81.57	83.21	87.10	92.08	97.28
14	Less: Income from Other Business					
15	**Aggregate Revenue Requirement**	**4,537.01**	**4,888.07**	**5,209.49**	**5,489.86**	**5,750.74**

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

The Table below summarises the proposed ARR claimed by TPL for truing up, revenue from sale of power at the existing tariff and the revenue gap estimated for FY 2015-16.

Table 2.4: True-up ARR claimed by TPL for FY 2015-16

(Rs. Crore)

Particulars		FY 2015-16
ARR as per MTR order	A	4557.83
Gains/(loss) due to Uncontrollable Factors	B	(138.46)
Gains/(loss) due to Controllable Factors	C	65.04
Pass through as tariff	D=(B+1/3rd of C)	116.79
Revised ARR for True-up for FY 2015-16	E=A+D	4674.61

The Table below summarises the Gap/Surplus for Ahmedabad supply area for FY 2015-16.

Table 2.5: Revenue Gap/ (Surplus) for Ahmedabad Supply Area for FY 2015-16

(Rs. Crore)

Particulars	Actuals
Trued-up ARR	4,674.61
Revenue from Sale of Energy	4,641.94
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	395.65
Balance Revenue	4,246.29
Gap/ (Surplus)	428.32

2.6 ARR, revenue at existing tariff, revenue gap and tariff proposal for FY 2017-18

Table 2.6: Revenue Gap of Ahmedabad Supply Area for FY 2017-18

(Rs. Crore)

Particulars	TPL-D (A)
Revised ARR	4,888.07
Less: Revenue from Sale of Power at Existing Tariff Rates, including FPPPA @ Rs. 1.23 per unit	4,821.72
Revenue from Open access charges	105.58
Net Gap/(Surplus)	**(39.22)**

TPL has claimed the cumulative revenue gap/(surplus) for FY 2017-18 as detailed in the Table below:

Table 2.7: Cumulative Revenue (Gap)/Surplus for determination of Tariff of Ahmedabad Supply Area for FY 2017-18

(Rs. Crore)

Sl. No.	Particulars	TPL-D (A)
1	Gap/ (Surplus) of FY 2015-16	428.32
2	Clarification/ Rectification Order	176.83
3	Carrying Cost	1.25
4	**Gap/ (Surplus) of FY 2017-18**	(39.22)
5	**Cumulative Gap/ (Surplus) to be recovered through tariff**	567.18

2.7 TPL's request to the Commission

1. Admit the petition for truing up of FY 2015-16, Aggregate Revenue Requirement for MYT 3rd Control Period, and determination of tariff for FY 2017-18.
2. Approve the trued-up Gap/(Surplus) of FY 2015-16.
3. Approve the sharing of gains/losses as proposed for FY 2015-16.
4. Approve the ARR for FY 2016-17 to FY 2020-21
5. Approve the cumulative Gap / (Surplus).
6. Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April,2017
7. Approve the recovery through retail tariff and Regulatory charge for FY 2017-18.
8. Allow recovery of the costs as per the Judgments of the Hon'ble Tribunal on the Appeals filed by the Petitioner.
9. Allow additions / alterations / changes / modifications to the application at a future date.
10. Permit the Petitioner to file all necessary pleading and documents in the proceeding and documents from time to time for effective consideration of the proceeding.
11. Allow any other relief, order or direction which the Commission deems fit to be issued.
12. Condone any inadvertent omissions / errors / rounding off difference / shortcomings.

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

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

In response to the public notice inviting objections / suggestions from stakeholders on the Petition filed by TPL-D(A) for Truing up of FY 2015-16 under GERC (MYT) Regulations, 2011 and determination of ARR for FY 2016-17 to FY 2020-21 under GERC (MYT) Regulations, 2016, a number of Consumers / organizations filed their objections / suggestions in writing. Some of these objectors participated in the public hearing also. The objections / suggestions by the consumer / consumer's organizations, the response from the Petitioner and the views of the Commission are given below:

3.1.1 Issue: Tariff increase and misleading concessional slab for BPL consumers

The Objector has stated that the Petitioner has asked for a hike in tariff which is illegal. The Objector has also stated that the Petitioner has provided tariff concession to BPL consumers for the first 30 units consumed and suggested that this must be raised to 100 units.

Response of TPL

The Petitioner refuted the allegations made by the Objector stating that filing of the petition for approval of the tariff is in line with the provisions of the Act, National Tariff Policy and GERC Regulations and that while designing the tariff proposal, the Petitioner has given due consideration to the capacity to pay, cost of supply, reduction in cross-subsidization and other factors while ensuring recovery of cost.

The Petitioner has stated that it has provided tariff concession to the BPL category consumers for the first 30 units per month in accordance with the provisions of the Tariff Policy issued by the Central Government and that the balance units are charged at the regular tariff rate applicable to the residential consumers.

Commission's view

Response of the Petitioner is self-explanatory.

3.1.2 Issue: Introduction of Power Factor adjustment charges at par with HT category

The Objector has claimed that the existing penalty for low Power Factor (<0.8) for LTMD Category is very low as compared to that of HTP Category.

The Objector has also stated that for better Power Factor management, the Power Factor rebate and penalty for LTMD Category of GUVNL Distribution Licensee should be kept in line with the existing Power Factor rebate and penalty for HTP Category of GUVNL Distribution Licensee.

Response of TPL

The petitioner appreciated the observation of the objector and has requested the Commission to give due consideration to the suggestion made by the Objector.

Commission's view

HT consumers have higher contract demand with the DISCOM as well as higher consumption and therefore, HT consumers cause more burden on the network by drawing more reactive energy than that caused by LT consumers. The penalty to the consumers for maintaining Power Factor should be in proportion to the impact caused on the system due to non-maintenance of P.F. Also, HT category consumers have appropriate mechanisms to control P.F. unlike LT category consumers, and therefore, such LT category consumers may tempt to provide higher capacitive compensation, which might

have adverse impact on system in terms of voltage profile and also endanger the network for the person working on it.

3.1.3 Issue: Unviable tariff of NTCT category

The energy charge of NTCT Category of the Petitioner is higher than the corresponding category of M/s UGVCL which makes tariff of NTCT Category unviable and is defeating the very purpose of DSM for which such category is created.

The objector has also stated that to promote DSM and flattening of peak, the Petitioner's rates for NTCT category should be in line with that of the other utilities of Gujarat.

Response of TPL

The petitioner has refuted the claims of the objector stating that such comparison being uncalled for on account of certain basic differences i.e. network configuration and availability of power from various sources including Central Sector. The tariff schedule of the Petitioner does have different features like categorization of consumers, structure of demand & energy charges, Demand Side Management features, Time of Usage and concessional tariff etc.

The proposed structure is in line with the provisions of the Act and the Regulations. While designing the tariff proposal, the Petitioner has given due consideration to the cost of supply, reduction in cross-subsidization, DSM and other factors while ensuring the recovery of cost. The proposal is also in line with the objectives specified in the Commission's GERC (Demand Side Management) Regulations, 2012 which helps in flattening the peak demand and implementing the energy conservation measures. It has to be borne in mind that the statutory provisions contained in Section 61 read with Section 62 lay down the principles for determination of tariff. The Petition espouses the tariff determination in accordance with the statutory provisions.

Commission's view

The response of the Petitioner is self-explanatory.

3.1.4 Issue: Higher distribution loss

The Objectors have stated that the distribution loss should not be more than 5% in any circumstances.

Response of TPL

The Petitioner has stated that it has been maintaining the distribution losses at the minimum level and it is one of the best performing distribution companies across the country. It is stated that further reduction in distribution losses would be difficult; instead, a propensity to increase would be there. Reasons for the same have been detailed out in the Petition in an elaborate manner.

Commission's view

The response of the Petitioner is self-explanatory. However, the Commission has taken appropriate decision while deciding the distribution loss trajectory for MYT period.

3.1.5 Issue: Option of switching to imported coal if the price of indigenous coal is more

The Objector has stated that importing coal would be a better option if the coal received from local mines is increasing the burden on the consumers.

The Objector has also suggested some steps to be taken to reduce the transit loss

Response of TPL

The Petitioner has submitted it is procuring coal from M/s SECL, the subsidiary of CIL. The fuel supply agreement (FSA) signed with CIL is the standard agreement applicable across the sector. The Petitioner further submits that it has exercised its utmost

commercial prudence and vis-a-vis environmental issues while dealing with the issue of high coal prices and has tried its best efforts to reduce the cost and minimize the burden on consumers.

With respect to the issue of Transit Loss, the Petitioner has also stated that it has been making all the efforts to contain the transit loss. In this endeavour, it has reduced the transit loss to present 1.55% in FY 2015-16. The Petitioner has been outperforming in most of the operational efficiency parameters being one of the efficient utilities. The reduction in the coal transit loss to current levels has become possible only due to the consistent efforts made by the Petitioner.

Commission's view

While comparing the price of imported and indigenous coal, it is necessary to keep in mind the energy available from the same quantum of coal. Moreover, the procurement of imported coal is linked with the blending ratio which is dependent upon the technical parameters of the plant. TPL should ensure that the cost of power is minimized in every possible way including procurement of imported coal and purchase of power through competitive bidding in a transparent manner.

3.1.6 Issue: Increase in the number of Tariff slabs for residential consumers

The Objectors have suggested increasing the number of slabs in the consumer categories.

Response of TPL

The Petitioner has submitted that it has proposed the tariff structure based on widely recognized best practices in accordance with the legal framework. Some of the key factors considered by the Petitioner for tariff design are consumers' capacity to pay, adhering to the band of cross subsidy prescribed by Tariff Policy, incentivizing energy conservation through telescopic tariff, demand side management by shifting of consumption from peak hours to off-peak hours and promotion of efficient use of electricity.

Commission's view

The Commission appreciates the suggestion and would further look in to the matter.

3.1.7 Issue: High Electricity Duty in Gujarat in comparison to other states

The Objectors have made detailed suggestion with respect to Electricity Duty and requested the Commission to recommend the State Government for its rationalization.

Response of TPL

The Petitioner has submitted that the same is levied as per the Electricity Duty Act within the jurisdiction of the Government.

Commission's view

Electricity Duty is governed by the State Act and it does not fall within the jurisdiction of the Commission.

3.1.8 Issue: Power Theft issues

The Objectors have stated that the Petitioner should take steps to reduce the level of theft so that consumers do not unnecessarily get burdened by theft done by handful of industries.

Response of TPL

The Petitioner has submitted that it is taking several measures to reduce and contain the theft of electricity by sustained surveillance operation, slum electrification and monitoring of low/ nil consumption meters and stringent monitoring of consumers in case of closed premises or nil consumption, etc.

Commission's view

The response of the Petitioner is self-explanatory.

3.1.9 Issue: Actual Energy Availability for FY 2015-16 from TPL-G (APP) plants and SUGEN plant is less compared to MTR Order

The Objectors have raised concerns regarding the lower levels of production at SUGEN and TPL-G (APP) as compared to the MTR order.

Response of TPL

The Petitioner has submitted that that PLF of any station depends on actual system demand which in turn depends upon the drawal by the consumers which is beyond the control of the Petitioner. The Petitioner has further submitted that it is making all efforts to source power at competitive rate but the cost of power purchase depends upon various factors including quantum, period and market conditions. The Petitioner further stated that the variations in the fuel and power purchase cost are beyond the control of the licensee.

Commission's view

The response of the Petitioner is self-explanatory. However, TPL should ensure that the cost of power procurement is minimized in every possible way including procurement of imported coal and purchase of power through competitive bidding in a transparent manner.

3.1.10 Issue: 25% concession in tariff for RGP Consumers utilizing up to 200 units per month.

The Objector has requested to implement the scheme of subsidy of 25% for consumption below 200 units for residential consumers.

Response of TPL

The Petitioner has submitted that the decision to grant subsidy is within purview of the Government.

Commission's view

The response of the Petitioner is self-explanatory.

3.1.11 Issue: Reduction in the revenue gaps by better performance and implementation of economic measures.

The Objectors have requested to the Commission to direct the Petitioner to reduce gap by better performance and economic measures as well as suggested that more performance benefits should be shared with the consumers

Response of TPL

The Petitioner has submitted that the Commission has framed the MYT Regulations (based on the provisions of the Electricity Act, 2003 and Tariff Policy,) which have inherent features of incentivizing the utility for better performance and deterrence for any deterioration in performance. Thus, the Regulations provide for sharing of gains and losses.

Commission's view

As per the Electricity Act, 2003, the licensee needs to take necessary decision for economical and efficient utilisation of assets, procurement of power, CAPEX etc. and try to reduce the revenue gap. The power procurement is one of the important and crucial factors affecting the tariff determination and requires to be considered accordingly. Thus, while approving the ARR, the Commission considers the above aspects.

3.1.12 Issue: Higher losses due to uncontrollable factors

The Objectors have stated that the losses due to uncontrollable factors are quite high which deprives benefit to consumers.

Response of TPL

The Petitioner has stated that the sharing of Gains and Losses has been arrived at in accordance with provisions of the GERC (MYT) Regulations, 2011.

Commission's view

The Commission allows the controllable and uncontrollable losses as per the Regulations.

3.1.13 Issue: Insisting licensee to fulfil RPO by procurement of REC leads to burden on the consumers.

The Objectors have requested the Commission not to insist on licensees to fulfil RPO through REC purchase as it increases burden on the consumers but to direct wind and solar developers to work with the Petitioner in the interest of the consumers.

Response of TPL

The Petitioner has stated that it has complied with the RPO requirement for FY 2015-16. The Petitioner has approached the Commission to revise the minimum percentage target for purchase of power from renewable energy sources for the FY 2015-16 in accordance with the RPO Regulations vide its Petition no. 1615 of 2016.

Commission's view

The Commission has noted the objection and Petitioner's response.

3.1.14 Issue: Why short –term PPA

Objections:

Stakeholders stated that the distribution licensee may be directed to procure power under medium term or long term agreement instead of frequent procurement under short term arrangement.

TPL's response:

TPL has not submitted any response.

Commission's view:

Commission has noted the objection and directs the licensee to initiate efforts for optimizing power procurement.

3.1.15 Issue: Sharing of additional data and clarification received from TPL

Objections:

Stakeholder requested that the additional data or clarification received from the distribution licensee after filing of tariff petition is required to be shared with the all the stakeholders for transparency.

TPL's response:

All the information and details are provided with the Petition in accordance with GERC MYT Regulations.

Commission's view:

It is a normal practise to call for additional data or clarifications from the distribution licensees during prudence check of the tariff petitions. The Commission while discussing the specific issue in tariff order provides information about additional data or clarification received from the licensee.

3.1.16 **Issue: False figures of income and expenditure**.

The Objectors have stated that the figures of income and expenditure submitted by the Petitioner are false and the same should be subjected to cross examination.

Response of TPL

The Petitioner has refuted the objection. The Petitioner has stated that the petition has been filed in line with the GERC (MYT) Regulations, 2011 and GERC (MYT) Regulations, 2016 under the provisions of the Electricity Act, 2003. Also, the Accounting Statements submitted by the Petitioner have been prepared as per provisions of the Companies Act and in accordance with Accounting Standards duly verified by Statutory Auditors of the Company.

Commission's view

The issue has been examined and appropriate decision has been taken.

3.1.17 Issue: Non segregation of audited accounts

The Objectors have made allegations with respect to accounts and further requested to carry out the CAG audit of the fuel invoices, FPPPA, other records and accounts of the Petitioner.

Response of TPL

The Petitioner has refuted the objection stating that it has furnished all the details of the expenses incurred in its petition in line with the GERC MYT Regulations. The Petitioner strongly refutes the allegations made by the Objector. The Petitioner also stated that separate accounts are being maintained for Regulated business and the same has been furnished, duly verified by the Statutory Auditors' of the Company. The Petitioner prepares and maintains the accounts in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. Further, the Accounting Statement of the Petitioner 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 noted.

3.1.18 Issue: Power as well as the materials to be procured at competitive rates.

The Objectors have suggested to replace higher prices of power purchase from TPL-G (APP) and SUGEN by cheaper power available in the Power Exchange and market as well as through bilateral/ GUVNL Discoms.

Response of TPL

The Petitioner has stated that Section 62 of EA-2003 is a substantive provision to approve power arrangements of the Distribution Licensee with the generating company. The Power procurement by the Distribution Licensee under Section 63 is the exception. Thus, the exception contained in Section 63 does not override the substantive provision of EA-2003 i.e. Section 62 of the EA-2003. The Petitioner would also like to submit that the National Tariff Policy (NTP) is the policy guidelines and does not override the provisions of the EA-2003. The Petitioner would further like to submit that it is making all efforts to source power at competitive rate but the cost of power purchase depends upon various factors including quantum, period and market conditions. The Petitioner further states that the variations in the fuel and power purchase cost are beyond the control of the licensee.

The Petitioner also submits that it procures various technical, mechanical and civil items etc. from various suppliers at competitive rate while ensuring quality. The Petitioner invites offers from various suppliers. And before finalizing any purchase, due diligence is carried out in order to ascertain quality and price competitiveness.

Commission's view

The Commission has already directed TPL to purchase power through competitive bidding for the requirement in excess of power tied up through bilateral arrangement. It is once

again reiterated that TPL should ensure that the cost of power is minimized in every possible way including procurement of power through competitive bidding in a transparent manner.

Further for the procurement of other material for the business, licensee should follow best industry practices so as to reduce the overall burden on the consumers.

3.1.19 Issue: Higher tariff rates in lower demand scenario and lower fuel price

The Objectors have questioned the high price of power when fuel prices have reduced in the market and also huge surplus power is available in the State of Gujarat.

Response of TPL

The Petitioner has submitted that it is entrusted with the obligation of supplying electricity in its areas of supply. The State and Central Commission's Regulations specified under the EA, 2003 provide for long term arrangement between the generator and distribution licensee for supply of electricity at regulated tariff irrespective of market fluctuations. Accordingly, the Petitioner has long term arrangements for sourcing the power to cater to the demand of its consumers. In the Regulatory regime, the generating station has two-part tariff structure i.e. Capacity Charge and Energy Charge, for recovery of total cost. The distribution licensee is liable to pay the fixed cost spread over its life in accordance with the provisions of the Regulations irrespective of the level of utilization. The Petitioner's gas based plant was not fully utilized because fuel was not allocated by Government of India due to lower availability of domestic gas in the scenario of unexpected reduction in production of gas from KG basin. These are the factors which are beyond the control of the Petitioner. Further, the determination of capacity charges and its payment is in accordance with the Regulations of the Commissions.

Commission's view

The Commission has noted the submissions of objector and response of TPL. Any variation in fuel cost is adjusted through FPPPA mechanism.

3.1.20 Issue: Inefficient employees of TPL

Objection: Appointment of inefficient employees in substations

The Objectors have alleged that the Petitioner has incurred unnecessary expenditure on unsuitable staff which should be stopped.

Response of TPL

The Petitioner has submitted that as an organization, it is committed to being at the forefront of efficiency and superior service, the Petitioner incurs necessary expenditure as per market standards to retain and motivate the employees.

Commission's view

The Commission monitors the performance of licensees in accordance with SOP Regulations.

3.1.21 Issue: Political donations

Objection: Donations to political parties at the expense of consumer

The Objectors have objected to the Donations being given to political parties to gain political favour.

Response of TPL

The Petitioner has refuted the allegation made by the Objectors and clarified that the amount of donation is not considered as part of ARR and therefore it is not passed on to the consumers in tariff.

Commission's view

The Commission does not allow donations to be passed on to the consumers.

3.1.22 Issue: Enhance retail competition

Objection: Entry of other distribution licensees to enhance competition

The Objectors have requested the Commission to give parallel license to other companies so that consumer can get power at competitive rates.

Response of TPL

The Petitioner has submitted that it is the distribution licensee for its areas of supply in accordance with the provision of the Electricity Act, 2003. The Petitioner further states that it is making all efforts to source power at competitive rate but the cost of power purchase depends upon various factors including quantum, period and market conditions. The Petitioner further states that the variation in the fuel and power purchase cost are beyond the control of the licensee.

Commission's view

The Electricity Act, 2003 provides for competition in the industry. The Commission shall examine the matter as and when any application is received.

3.1.23 Issue: Violation of Supply Code

Objection: Non adherence to the supply codes

The Objectors have alleged that the Petitioner does not follow provisions of the supply code and interprets the laws in ways which is beneficial at the expense of consumers.

Response of TPL

The Petitioner refuted the allegations made by the objector. The Petitioner further stated that it conducts its operations and functions as per the applicable rules and regulations notified by the Commission.

Commission's view

The provisions of supply code notified by the Commission need to be followed by the distribution licensee. In case of non-compliance with the provisions by the licensee, the

consumers may approach to CGRF, Ombudsman or the Commission as case may be for any grievances in this regard.

3.1.24 Issue: High fixed charge

Objection: Fixed Charge higher than State-Owned Discoms

The Objectors have alleged that fixed charges levied by the Petitioner are higher than those of State-Owned Discoms

Response of TPL

The Petitioner has stated that it has proposed to increase the fixed and energy charges to recover the gap. While designing the tariff proposal, the Petitioner has given due consideration to the cost of supply, reduction in cross-subsidization, DSM and other factors while ensuring the recovery of cost. Ideally the fixed charge component of tariff should recover entire fixed cost incurred by the licensee for providing services to its consumers in line with the standard tariff philosophy of Two Part tariff, and energy charges should reflect only the variable cost pertaining to the utilization. The consumer is required to pay for the service made available irrespective of its utilization else it amounts to cross-subsidization. At present, the major portion of the fixed cost is being recovered through the energy charges. It has to be borne in mind that the statutory provisions contained in Section 61 read with Section 62 lay down the principles for determination of tariff. The Petition espouses the tariff determination in accordance with the statutory provisions.

Commission's view

The response of TPL is self-explanatory. The tariff is determined based on the ARR of each Discom separately and accordingly fixed charges for the retail consumers vary due to several factors.

3.1.25 Issue: Disclosure of unclaimed deposits

Objection: Disclosing of Unclaimed Deposits

The Objectors have sought details of the unclaimed deposits and accounting of the same.

Response of TPL

The Petitioner has stated that it recovers the Security Deposit in line with the provisions of the GERC (Security Deposit) Regulations, 2005 and subsequent amendments from time to time. The Petitioner has stated that the amount received from consumer towards Security Deposit is displayed in energy bills. The Petitioner further stated that the amount received from the consumers towards the Security Deposit and interest paid on Security Deposit is duly shown in its accounting statement duly verified by Statutory Auditors' of the Company.

Commission's view

The benefit of security deposit is passed on to the consumers through interest on working capital.

3.1.26 Issue: High tariff for commercial consumers

Objection: Higher tariff of NRGP consumers

The Objector has alleged that the Petitioner is misusing the provisions of 126 and imposes hefty fine for additional load and hence suggested to introduce LTMD category to all industrial and commercial consumers below 15 kW load.

Response of TPL

The petitioner has stated that demand based categorization for 15 KW and above load is being done for valid and verified reasons. The tariffs based on contracted demand are used as indicative price signals to reflect the costs for creating the capacity and also is helpful to the consumers in regulating its usage despite higher connected load. Small consumers may find it difficult to adopt tariff based on contract demand in Non-RGP category. Hence, the Petitioner states that the Commission may consider giving relief to

such consumers by providing them with an option to choose from Non-RGP and LTMD category based on their connected load.

Commission's view

The Commission has noted the submissions of the objector and Petitioner, and appropriate decision shall be taken.

3.1.27 Issue: Load limit for LTMD category

Objection: Increase of load limit for LTMD category

The Objector has suggested increasing the limit of load allowable under LTMD category from 100 kW to 125 kW so as to improve the growth of MSME industries which is restricted due to heavy expenditure being incurred on HT connection.

Response of TPL

The Petitioner has stated that the supply is delivered to High Tension consumers at 11 kV and above in line with the Regulation 3.2 of the GERC (Electricity Supply Code and Related Matters) Regulations, 2015. The Petitioner has further stated that the supply to low tension consumers for load over 100 kW will amount to contravention of the rules and regulations specified by the Commission.

Commission's view

The Commission noted the stakeholder's submission and response of the petitioner.

3.1.28 Issue: Scheduling to be done.

Objection: Scheduling of generating stations through SLDC

The Objector has requested the Commission to direct the scheduling to be done through SLDC.

Response of TPL

The Petitioner has stated that it is an integrated utility having its own generation and it duly schedules the power requirements at Ahmedabad and Surat supply areas through SLDC in accordance with the Regulations notified by the Commission. However, the Ahmedabad Generation, being embedded generation, all data is made available to SLDC.

Commission's view

The Commission shall examine and appropriate action will be taken separately.

3.1.29 Issue: Maintainability of current proceedings

Objection: Stay Order of the High Court on current proceedings

The Objectors have stated that the review/ PILs filed against the Commission's tariff Orders are pending hence the current proceedings need to be stayed.

Response of TPL

The Petitioner has stated that there are no orders/ interim orders passed in the said proceedings which can have any impact on the present proceedings.

Commission's view

The Commission has noted the submissions. There is no stay granted by any competent court/authority against the present proceedings.

3.1.30 Issue: Tariff hike in GLP category

Objection: Tariff hike in GLP consumer category

The Objector has objected to the tariff hike for charitable institutes covered in GLP category and has sought relief for certain activities.

Response of TPL

The Petitioner has stated that it has proposed to increase the fixed and energy charges to recover the gap. While designing the tariff proposal, the Petitioner has given due

consideration to the cost of supply, reduction in cross-subsidization, DSM and other factors while ensuring the recovery of cost. Ideally the fixed charge component of tariff should recover entire fixed cost incurred by the licensee for providing services to its consumers in line with the standard tariff philosophy of Two Part tariff, and energy charges should reflect only the variable cost pertaining to the utilization. The consumer is required to pay for the service made available irrespective of its utilization else it amounts to cross-subsidization. At present, a major portion of the fixed cost is being recovered through the energy charges. It has to be borne in mind that the statutory provisions contained in Section 61 read with Section 62 lay down the principles for determination of tariff. The Petition espouses the tariff determination in accordance with the statutory provisions.

Commission's view

The issue is dealt and appropriate decision is taken by the Commission.

3.1.31 Issue: Petition not available in Gujarati

Objection: Copy of petition unavailable in Gujarati language

The Objector has alleged that the Petitioner has proposed to increase the tariff across the consumer categories and in spite of the public at large not knowing the English language the Petitioner has deliberately published the Petition in English. The Objector has therefore requested the Commission to direct the Petitioner to publish the Petition in Gujarati language else it would defeat the purpose of consumer participation as well as the principles of natural justice

Response of TPL

The Petitioner has strongly refuted the allegations levelled by the Objector and submitted that it has filed the Petition in accordance with the provisions of Section 62 and 64 of the Electricity Act, 2003 read with the GERC (Multi Year Tariff) Regulations, 2011 and GERC (Multi Year Tariff) Regulations, 2016. With reference to publication of the Petition in Gujarati language, the Petitioner also stated that the all official proceedings of the Commission shall be conducted in English language in accordance with the provisions of

the applicable Regulations. Additionally, the Petitioner further stated that the Executive Summary in Gujarati language has also been published along with the tariff Petition.

Commission's view

The Commission agrees with the petitioner's explanation. However, TPL should provide information / replies in Gujarati on the comments / objections received in Gujarati, even though the language of the proceedings is English.

3.1.32 Issue: Different financial conditions as per the petition and the final accounts

Objection:

The Objector has referred to the profits shown by TPL in Quarterly/ Annual Reports of various years and has questioned the submission of the Petitioner regarding the outstanding gap.

Response of TPL

The Petitioner has stated that the existing petition and the profits shown in the Quarterly/ Annual Reports are different under different statutes. The Quarterly/ Annual Report is prepared as per provisions of the Companies Act and in accordance with Accounting Standards duly audited by Statutory Auditors' of the Company. Whilst the Tariff Petition is made in accordance with the Regulations framed by the Commission under the Electricity Act, 2003 from time to time. The Quarterly/ Annual Report pertains to the whole Company which includes the regulated and non-regulated businesses, while the petition is only related to the Ahmedabad and Surat Distribution businesses of the Petitioner. Thus, it is not correct to compare financials as per Quarterly/ Annual Report of Company and the data submitted in the petition. The Quarterly/ Annual Report of the Company includes aspects relating to Unregulated Business as well.

Commission's view

The response of the Petitioner is self-explanatory.

3.1.33 Issue: Incomplete Balance Sheet with regards to meter rent

Objection: Details of Meter Rent not shown in the balance sheet.

The Objector has stated that meter charges have not been shown in the balance sheet

Response of TPL

The Petitioner has stated that it recovers the meter rent in line with the provisions of the GERC(Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005 and the Electricity Act, 2003. The Petitioner has stated that the income received from the consumers towards the meter rent, duly verified by the statutory Auditor in the Accounting Statement of the Petitioner, has been considered in truing up of ARR.

Commission's view

The meter rent is appearing in the Note No. 15 of Annual Accounts of the Petitioner.

3.1.34 Issue: Incomplete Balance Sheet with regards to security deposit

Objection: Details of interest on Security Deposit not shown in the balance sheet

The Objector has stated that the details of interest on security deposits received from consumers is not available in the balance sheet.

The Objector has also alleged that security deposit recovered at the time of delayed bill payment is also not being accounted for.

Response of TPL

The Petitioner has stated that it recovers the Security Deposit in line with the provisions of the GERC (Security Deposit) Regulations, 2005 and subsequent amendments from time to time. The Petitioner has also stated that the amount received from consumer towards Security Deposit is displayed in energy bills. The Petitioner has stated that the amount received from the consumers towards the Security Deposit and interest paid on

Security Deposit is shown in its Accounting Statement duly verified by Statutory Auditors' of the Company.

Commission's view

The response of the Petitioner is self-explanatory.

3.1.35 Issue: No cost benefit submitted for infrastructure upgradation projects

Objection: Cost Benefit Analysis of the System Augmentation

The Objector has requested the Commission to direct the Petitioner to submit the cost benefit analysis of system augmentation to determine how consumers have been benefited by the investment.

Response of TPL

The Petitioner has emphasized that all investments are made after detailed due diligence keeping in mind the long-term objectives to be achieved. The investments made by the Petitioner are to cater to the consumers' demand and to provide reliable and quality supply. It may kindly be noted that the augmentation, up gradation and modernization made in the network have helped the Petitioner in reducing and containing the T&D losses in addition to meeting the load growth and maintaining / enhancing the system reliability. The Petitioner has stated that its effort and commitment is reflected in the level of distribution losses which is amongst the lowest across the country. Further, reliability of power supplied by the Petitioner is amongst the best across the utilities. The Petitioner has also stated that the O&M expenses are allowed by the Commission as per the GERC MYT Regulations only. Regarding the purchase of power, the Petitioner has submitted that it is making all efforts to optimize cost while ensuring reliable and quality supply to the consumers on an ongoing basis.

Commission's view

The Commission has dealt this issue in detail in the later chapter and necessary directives have been given to the Petitioner.

3.1.36 Issue: Mismatch in P&L

Objection: Mismatch in figures of P&L Statement and ARR for various components

The Objectors have stated that the Petitioner is a profit making company and profits have increased beyond the reasonable limits and alleged that the profit is higher despite high expenditure.

Response of TPL

The Petitioner has stated that the Annual Accounts of the Company pertain to all the businesses of the company, including regulated and non-regulated businesses, while the petition is related only to the regulated business, which is within the jurisdiction of Commission. Thus, it is not correct to compare the financials as per annual accounts of the Company and the petition filed by the Company. Further, it has stated that the profit shown in the Statement of Accounts of the Company can in no way be related to the present Petition since the present petition and the Annual Reports are different under different statutes. The Annual Report is prepared as per provisions of the Companies Act and in accordance with Accounting Standards duly audited by statutory auditors of the Company, whilst the Tariff Petition is filed in accordance with the various Regulations specified by the Commission from time to time.

Commission's view

The response of the Petitioner is self-explanatory. The Commission allows the ARR as per the MYT Regulations.

3.1.37 Issue: Rate of interest not complied with despite Commission's directives

Objection: Interest expenses and bad debts

The Objector has alleged that the Petitioner has not complied with the directive of the Commission regarding the rates of interest on loan and bad debts and has objected to the estimated figures for the MYT period for both

Response of TPL

The Petitioner has stated that it has been making its best efforts to comply with the directives of the Commission. The Petitioner further stated that interest rates for MYT period as well as bad debts have been projected on an estimated basis in line with the GERC (MYT) Regulations, 2016.

Commission's view

The Petitioner has submitted a letter from State Bank of India, the lead bank, agreeing in principle for reduction in the rate of interest to 9.50% and accordingly the Commission has considered interest on term loans at the said rate during FY 2017-18 to FY 2020-21.

3.1.38 Issue: Discontinuation of Prompt Payment Discount

Objection:

The Objector has objected to the discontinuation of Prompt Payment Discount (PPD).

Response of TPL

Petitioner has stated that it had proposed to discontinue the PPD, which was given in Ahmedabad license area only, in Petition No. 1092 of 2011. However, the Commission decided and directed the Petitioner to continue PPD. The Commission had in its order dated 06.09.2011 considered the PPD given by the Petitioner as an expense and the same was allowed to be recovered through tariff. The grant of PPD is discretionary in terms of the tariff Order dated 31.03.2016. It is worthwhile to note that the discount offered was not commensurate to the benefit accrued on account of early payment. Further, it may be noted that this being a pass through was being recovered through tariff. Hence, the Petitioner exercised its option to not continue PPD in interest of all the stakeholders concerned.

Commission's view

In order to implement uniform practice across all Discoms in this regard, the Commission made it optional under MYT Regulations, 2016 for licensee to offer PPD to its consumers.

3.1.39 Issue: Discrimination in PF adjustment charges

The Objector has stated that Power Factor incentive and penal charges need to be provided in a balanced way and further suggested avoiding discrimination in PF adjustment charges between Ahmedabad and Surat.

Response of TPL

Petitioner has stated that the tariff of each utility is different. The tariff schedule of Petitioner does have different features like categorization of consumers, structure of demand & energy charges, etc. Further, the PF penalty and rebate are proposed in order to provide penalty and incentive to the consumers for maintaining the power factor. The PF rebate is provided in order to encourage the consumers for maintaining higher PF, whereas the penalty, by its very terminology, is the penal action for not maintaining the power factor. It may further be noted that penalty should always be higher than the rebate. The Petitioner further stated that Ahmedabad has its demand measured on KW basis while Surat billing demand is on KVA basis. Hence, the submission made by the Objector regarding PF penalty or rebate affecting only energy charges at Surat Supply Area is erroneous as change in PF affects KVA based fixed charges. Hence, the Petitioner has stated that the PF Rebate and Penalty have been factored into both the tariff schedules commensurately in an appropriate manner.

Commission's view

The Commission is in agreement with the Petitioner's response.

3.1.40 Issue: Disallowance of notional entry for the Income Tax

The Objectors have suggested disallowing the notional entry of Rs. 33.25 Crore for the income tax claimed in the ARR for FY 2015-16.

Response of TPL

Petitioner has stated that that it has taken into account Rs. 33.25 Crore of income-tax claimed for FY 2014-15 as per the last year's petition along with the claim of income-tax for the FY 2015-16 based on audited accounts. Further, the Petitioner has filed the present petition in accordance with the provisions of the applicable Regulations and the EA, 2003.

Commission's view

The Commission has dealt with this issue appropriately in this tariff order.

3.1.41 Issue: Uncontrollable expenses

The Objectors have stated that the Petitioner while making excess expenditure under various heads has urged in the petition to treat such expenditure as uncontrollable (which are controllable in nature in the Regulations).

The Objectors have stated further that it cannot be permitted as due to this, the MYT Regulations would become meaningless.

Response of TPL

The Petitioner has stated that the Petition for truing-up of FY 15-16 and determination of tariff for FY 17-18 was duly filed with the Commission. Further, as stated in the said order the Petitioner has also filed ARR for FY 16-17 to FY 20-21 as per the GERC (MYT) Regulations, 2016 in the present petition. Thus, there is no irregularity or infirmity in the proceedings as alleged by the Objectors. The MYT Regulations provide for truing up exercise based on comparison of actual data with estimates and segregation of variation between controllable and uncontrollable factors. Accordingly, the trued up ARR and resultant Gap/ (Surplus) is to be arrived at in accordance with the Regulations.

Commission's view

The Commission allows the gains and losses on account of controllable and uncontrollable factors as per the MYT Regulations.

3.1.42 Issue: Fudged sales figure to show low revenue

Objection:

The Objector has alleged that Ahmedabad as well as Surat area sales figures are fudged and fabricated to show low revenue and inflate the ARR

Response of TPL

The Petitioner has strongly refuted the allegations made by the objector. It has further stated that the ARR and revenue gap have been arrived at as per the provisions of the GERC MYT Regulations.

Commission's view

The Commission called for the month wise sales and revenue figures along with the electricity duty paid from the office of the Collector of Electricity Duty and does not find any mismatch in the figures.

3.1.43 Issue: Approval of power purchase cost

Objection:

The Objector has stated that the power purchase cost has not been approved by the Commission by inviting comments / suggestions / objections of the stakeholders.

Response of TPL

The Petitioner has strongly refuted the allegations made by the objector. The Petitioner has stated that it procures power from the approved sources keeping the interest of all the stakeholders in mind. The Petitioner has also stated that the cost of power purchase depends upon various factors including quantum, period and market conditions.

Commission's view

This issue has been appropriately dealt with in this tariff order.

3.1.44 Issue: Category wise figures of sales and revenues missing

Objection:

The Objector has alleged that the petitioner has not provided month wise sales and revenue in respect of different category of consumers during FY 2015-16 and power procurement from various sources.

Response of TPL

The Petitioner has stated that all the requisite information for the present proceedings is already provided in the Petition as required under the GERC MYT Regulations. The category-wise sales figures have been provided in the Petition and reasons for reduction in sales are also detailed.

Commission's view

The Petitioner has subsequently provided the monthwise sales and revenue for the different category of consumers for FY 2015-16.

3.1.45 Issue: Submission of Trued up figures with accounting statements

Objection:

The Objector has stated that the Petitioner should submit truing up from FY 2000-01 to 2008-09 with accounting statement.

Response of TPL

The Petitioner has stated that ARR is prepared in accordance with the provisions of the GERC MYT Regulations and requested the Commission for its truing up in accordance with the provisions of the GERC MYT Regulations.

Commission's view

The objection does not pertain to the present petition**.**

3.1.46 Issue: Abolition of meter rent

Objection:

The Objector has objected to the meter rent and has requested to abolish the meter rent.

Response of TPL

The Petitioner has stated that it recovers the meter rent in line with the provisions of the GERC(Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005. Further, the Petitioner also stated that amount recovered by way of meter charges/ rent always gets considered in Aggregate Revenue Requirement.

Commission's view

The response of the Petitioner is self-explanatory.

3.1.47 Issue: Maintainability of the Petition

The Objectors raised the preliminary issues to be decided first by the Commission as contemplated in Rule 2 (2) of Order 14 of Code of Civil Procedure.

Response of TPL

Admission of a petition is a stage in the procedural aspect concerning litigation. The admission of a petition is between the Petitioner and the respondent and the same shall be decided by the adjudicating authority. The hearing of suggestions and objections is not akin to adjudicatory process. There is no lis between a distribution licensee and its consumers when the suggestions and objections of the consumers are heard for tariff determination under Section 64 (3) of the Electricity Act, 2003. Therefore, the contentions raised by the objector are not valid and permissible. The GERC (MYT) Regulations 2016, is a special subject regulations and having overriding effect on the general regulations framed by the Commission under the GERC (Conduct of Business) Regulations, 2004. Section 12 of Gujarat Industry Re-organisation and Regulations Act, 2003, provides for proceedings before the Commission which does not contemplate admission of the

Petition. Similarly, Section 32 of the said Act, states regarding the tariff proceedings before the Commission, it also does not provide for admission of Petition. Section 32 (6) of the Act provides for filing of tariff Petition. Section 32(7) of the Act, provides for public hearing. Accordingly, the public hearing has been carried out by the Commission after issuance of the public notice. Therefore, it is incorrect to say that the Commission has not complied with the provisions of Regulations as well as Act, while proceeding with the matter. TPL relied on the following Judgements in support of their arguments:

1) 1981 (1) SCC 315 LIC v/s. D.J.Bhadur and others
2) 2008 (8) SCC 148 Bank of India V/s. Ketan Parekh
3) 2000 (4) SCC 406 Allahabad Bank V/s. Canara Bank

Commission's view:

The objector has raised the preliminary issue regarding admissibility of the Petition of TPL. The objector has submitted that the present petition is a petition within the meaning of Regulations, 2(h), 30 (d), 30 (e), 34, 38 and 40 of the GERC (Conduct of Business) Regulations, 2004 read with Regulation 25.1, 28.1 and 28.2 of the GERC (MYT) Regulations, 2016 and submitted that the Secretary should not register the application or Petition or Appeal if the same has deficiency. The objector further submitted that the present petition filed by TPL has deficiencies and does not contain relevant information like power procurement details, sales quantum and revenue realised from various consumers during FY 2015-16.

The objector said that no opportunity was given to consumers and information related to data gap has not been provided to them. In such a situation the consumers are not able to file their objection to the Commission.

The Commission has noted the response of TPL in this regard which is self-explanatory.

The Commission is constituted under the provisions of Electricity Act 2003 wherein it has to determine tariff under Section 62 and Section 64 to be read with Regulations made in this regard by the Commission. Further, the Commission has also been given the powers to make its Regulations under Section 181 of the Act, and therefore the character of the tariff exercise is legislative. Under the provisions of the Act, the Commission has to

complete the tariff exercise within 120 days of filing of petition by licensee and generating companies. In this regard the Commission has already made Tariff Regulations namely GUJARAT ELECTRICITY REGULATORY COMMISSION (MULTI-YEAR TARIFF) REGULATIONS, 2016 wherein process of filing tariff application, registration of petition, issue of public notice, etc along with terms and conditions of determining tariff are provided for.

The Commission also notes that the aforesaid Petition is a Petition within the meaning of Regulation 2(h) of the GERC (Conduct of Business) Regulations, 2004. The application should consist of necessary affidavit in support of the Petition along with necessary fee and declaration during filing. The tariff petition should contain, in accordance with GERC (MYT) Regulations, 2016, information, or particulars as may be prescribed by the Commission. The Commission has noted that the Petitioner has submitted the Petition with necessary fee, affidavit, declaration and information in prescribed relevant formats. Hence, it is in compliance with the GERC (Conduct of Business) Regulations, 2004, which provides the procedure of filing petition.

The Commission also notes that the Secretary of the Commission has registered and numbered the Petition in accordance with the procedure defined under tariff regulations.

However, the Commission could not adhere to this 120 days timeline due to the supervening event of Hon'ble APTEL passing the Order on 30th March,2017 in Appeal No. 178 of 2016 and batch matters remanding the matter back to Commission with a Directive to rehear the same by the two members who passed the Orders dated 31st March,2016 in Petition No. 1552 and 1553 of 2015.

3.1.48 Issue: Incomplete submission of information

Objections: Some of the objectors have raised the objections that the Petitioner TPL has not submitted the details as per the prescribed format provided in the GERC (MYT) Regulations, 2011 and 2016 along with the tariff Petitions and also not submitted the necessary documents along with the Petition.

TPL's Response:

The Petitioner submitted that it prepares and maintains the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the provisions of the Companies Act. The Petitioner has furnished the separate Accounting Statements, duly certified by the Statutory Auditors' of the Company for the FY 2015-16 in accordance with the statutory provisions. The Petitioner clarified that separate accounts are being maintained for Regulated business and the same has been furnished, duly verified by the Statutory Auditors' of the Company. The Petitioner further submits that all the requisite information for the present proceedings are already provided in the Petition in accordance with the GERC MYT Regulations.

The category-wise sales is provided in the Petition and reasons for reduction in sales are also provided. The carrying cost for the unrecovered gap is the legitimate claim of the Petitioner to recoup the financial loss incurred due to deferment in recovery of approved gap. The recovery of carrying cost is the settled position of law. The carrying cost is calculated and claimed based on the Hon'ble Tribunal's Judgments in line with the methodology specified by the Commission.

The Commission through the annual exercise computes the revenue requirement of the utility. The Gap/ (Surplus) arrived at after truing-up of a particular year is adjusted in the ensuing year's tariff. This Gap/(Surplus) is to be adjusted during tariff determination process.

Commission's view:

As per the provisions of Electricity Act, it is the duty of the Commission to pass the Tariff Order within 120 days. Further, the Order passed by Hon'ble APTEL in O.P No 1 of 2011 and allied matters, also makes it mandatory on the part of Commission to ensure the timelines so that the new tariff is implemented from the very first day of the financial year. Tariff determination is a long drawn process and one cannot conclude that the petition is complete in all respect on the face of it unless it is scrutinized in totality. During the scrutiny exercise, any data/information gaps observed by the Commission is satisfied by calling for the required supporting documents which is a normal practice in the tariff determination

process. The tariff order is issued on the basis of documents and records available with the Commission.

However, the Commission could not adhere to this 120 days timeline due to the supervening event of Hon'ble APTEL passing the Order on 30th March,2017 in Appeal No. 178 of 2016 and batch matters remanding the matter back to Commission with a Directive to rehear the same by the two members who passed the Orders dated 31st March,2016 in Petition No. 1552 and 1553 of 2015.

3.1.49 Issue: PPA not approved between TPL-D and DGEN

Objections:

Some of the objectors have raised the issue that the PPA between TPL-D and DGEN and TPL-D and UNOSUGEN has not been approved by the Commission. Therefore, the power procured from above power plants by the Petitioner is not legal and valid. The consumers have not been given an opportunity of hearing prior to approving the PPA which is contrary to the provisions of Section 86 (1) (b) of the Electricity Act, 2003.

TPL's response:

It has procured power from UNOSUGEN and DGEN under the E-bid RLNG scheme for utilisation of gas based power generation capacity. The Commission has given approval for such procurement of power under the E-bid RLNG scheme in accordance with the provisions of the scheme read with the approval granted for power purchase arrangement with GUVNL. The Petitioner had approached the Commission for approval of power purchase arrangement with GUVNL and the same was approved by the Commission. It is further submitted that while seeking approval for power purchase arrangements with GUVNL, the Petitioner had already paid the necessary fees. Therefore, the question of non-payment of any fees for purchase of power is misplaced.

Commission's view:

The response of the Petitioner is self-explanatory. In order to extend the benefit of cheaper power under the E-bid RLNG scheme of GoI for the retail consumers of TPL-D, the Commission has allowed replacement of source of power from GUVNL to E-Bid RLNG

scheme on the condition that the procurement of power under E-Bid RLNG scheme shall be at the rate equal to or less than the unit rate at which the power purchase arrangement is made with GUVNL.

3.1.50 Issue: High fixed cost for SUGEN plant

Objections

TPL has installed generating stations, about 4000 MW and all are gas based plant. The quantum of installed capacity purchase from it by TPL-Ahmedabad is quite costly. Moreover, though non-availability of gas was known, TPL installed the gas based plant and burden of fixed cost is passed on to the consumers.

TPL's response

The Objector has alleged that the Petitioner recovers the SUGEN fixed cost illegally. The Objector has also compared the power cost of SUGEN and TPL-(G) with the Petitioner's short term power procurement cost through competitive bidding for FY 2016-17 and suggested purchasing power through competitive bidding only. The Petitioner vehemently denies the accusations levelled by the Objector. The Petitioner would like to submit that Section 63 of the Electricity Act, 2003 gives an option to procure electricity at tariff determined in accordance with the competitive bidding guidelines issued by the Central Government. In that case, the Appropriate Commission shall adopt the tariff instead of determining the tariff in accordance with Section 62 on cost plus basis. It is clear that procurement of power is permissible either at tariff determined under Section 62 or tariff determined under Section 63. The Petitioner is entrusted with the obligation of supplying electricity in its areas of supply. The State and Central Commission's Regulations specified under the EA, 2003 provides for long term arrangement between the generator and distribution licensee for supply of electricity at regulated tariff irrespective of market fluctuations. Accordingly, the Petitioner has long term arrangements for sourcing the power to cater to the demand of its consumers. In the Regulatory regime, the generating station has two part tariff structure i.e. Capacity Charge and Energy Charge, for recovery of total cost. The distribution licensee is liable to pay the fixed cost in accordance with the provisions of the Regulations irrespective of the level of utilization. The Petitioner's gas

based plants was not fully utilized because fuel was not allocated by Government of India due to lower availability of domestic gas in the scenario of unexpected reduction in production of gas from KG basin. These are the factors which are beyond the control of the Petitioner. Further, the determination of capacity charges and its payment is in accordance with the Regulations of the Commissions.

Commission's view

The Electricity Act provides for long term arrangement for sustainable power supply. The Commission has approved the PPA between SUGEN and TPL-D for 835 MW as a long term power purchase arrangement for power supply in the license area under which the capacity charges of the generator is required to be paid by the licensee. Accordingly, the licensee pays capacity charge for 835 MW only.

3.1.51 Recovery and reversal of UNOSUGEN Capacity Charges

The objector has stated that note on annual financial statement mentioned about reversal of UNOSUGEN Capacity Charges, this act of the licensee is diversion of fund from regulatory business to generation business without approval of the Commission and hence it is required to take action against licensee.

Response of TPL

The audited accounts of FY 2013-14 and FY 2014-15 included the provision made in the books for purchase of power from UNOSUGEN. This was provided for and included in the Accounts pending the approval. As there was no Regulatory approval, the same was not included by TPL in its ARR. There is no recovery of cost of UNOSUGEN from its consumers. Subsequently, the TPL decided to reverse the provision made towards UNOSUGEN power purchase for FY 2013-14 and FY 2014-15 in the Accounts of FY 2015-16.

Commission's View

Commission examined the respective year's ARR and tariff orders and observed that since UNOSUGEN is not an approved source, no such cost was allowed and no recovery thereof was made from the consumers.

As regards payment to UNOSUGEN, the Commission asked TPL to submit details related to trade payables and other current liabilities as on 31st March, 2014 and 31st march,2015 along with the Auditor's Certificate. From the submission of TPL, it is clear that the said amount was outstanding as liability in their Accounts as on 31.3.2014 and 31.3.2015 which indicates that the said amount was not actually paid/transferred to UNOSUGEN. In view of this, it is clear that there is no recovery of UNOSUGEN capacity charges from TPL-D's consumers and hence no diversion of funds by regulatory business.

3.1.52 Issue: High profit yet recovering carrying cost

Objections:

The objector submitted that three divisions of TPL make huge profit as reflected in the accounts of TPL. It seems from the accounting statement that an amount of Rs. 486.84 Crores has been refunded to Ahmedabad and Gandhinagar and Rs. 251.16 Crores to Surat division which was recovered as fixed cost from May 2013 to March 2015 by UNOSUGEN to above distribution division of the same company. However, the same amount is not shown as revenue in the Petition and effect is given in ARR. The Petitioner claimed revenue gap of Rs. 500 Crores and Rs. 176 Crores as carrying cost. If the same is deducted from the profit earned shown in accounting statement than the company earned profit of Rs. 817.54 Crores and tariff is required to be reduced to that extent pro-rata basis.

TPL's response:

The Objector has stated that the carrying cost is allowable only when such expenditure is proved with identified source from where the loans are borrowed with rate of interest. In this regard, the Petitioner would like to submit that the carrying cost for the unrecovered gap is the legitimate claim of the Petitioner to recoup the financial loss incurred due to

deferment in recovery of gap. The recovery of carrying cost is the settled position of law. The Petitioner submits that carrying cost is calculated and claimed based on the Hon'ble Tribunal's Judgments in line with the methodology specified by the Commission.

Commission's view:

The issue of carrying cost is being dealt with separately in this order.

3.1.53 Issue: PSDF funds benefit not passed on to consumers

Objections:

1) The company has transferred consumer fund of Rs. 1306 Crores towards illegal power purchase from UNOSUGEN and DGEN by shifting the power procurement of Power Exchange approved by the Commission. Moreover, purchased the power of Rs. 2471.97 Crores from SUGEN plant which is at the average rate of Rs. 7.08 per unit when the power is available at Rs. 3.80 per unit. By procuring power at higher rate the consumers are burdened with Rs. 1200 Crores. The fund of Rs. 1135 Crores towards PSDF is also not used for the benefit of the consumers.

2) Government of India has granted PSDF of Rs.1135 Crores approximately for the benefit of the consumers. However, the benefit accrued from the same has not been passed on to the Petitioner. The details and documents whether PSDF has been utilised in interest of consumers or not is not verified by the Commission nor the documents have been submitted by the Petitioner along with the Petition nor an opportunity to object the above subject matter with consideration of documents submitted by the Petitioner, TPL provided to the consumers. Therefore, the consumers are deprived from their right to file their objections/suggestions on the above issue which is a part of the tariff and affect the consumers. Hence, the Petition is incomplete and the same deserves to be dismissed.

TPL's response:

The Objector has requested the Commission give adjustment in ARR with regards to PSDF scheme. In this regard, the Petitioner submits that the PSDF Support under the E-bid RLNG Scheme evolved by the Government of India is made available to the Generators for alleviating the problems faced by the Generators due to shortage of gas. Therefore, the question of the Distribution Licensee receiving any fund towards distribution business does not arise. The PSDF support under the E-bid RLNG Scheme is meant for the Generators and is evidenced from the Scheme itself. Further, the Petitioner has filed the present petition in accordance with the provisions of the applicable Regulations and the EA, 2003. Therefore, the matter of making adjustment in distribution licensee's ARR with regard to PSDF scheme does not arise.

Commission's view:

While analysing the documents submitted by the petitioner the Commission noted that TPL received Rs. 534.08 crores as PSDF support. It is also observed that power procurement under E-Bid RLNG scheme is cheaper than the target price envisaged in the scheme. It is further observed that the per unit cost under the E-Bid RLNG scheme is lower than the per unit cost of power purchase from GUVNL.

As provided in the scheme the utilisation of PSDF support is required to be certified by other Central Government agencies and appropriate authorities identified under the scheme. This issue is also dealt with in paragraph 4.6.

3.1.54 Issue: Prayers are not in line with Petition

Objections:

Objectors have submitted that TPL has calculated ARR for Ahmedabad and Gandhinagar and Surat supply area for FY 2017-18 at Rs. 4888.07 Crores and Rs.2090.11 Crores respectively. But, prayers to the Commission are not for determination of tariff. They are only for the purpose of recovering cumulative gaps of Rs. 567.18 Crores and Rs. 214.30 Crores respectively, which has no nexus with the application as contemplated in Section 64 (3) (a) of the Act. Thus, Commission commit an error in passing the order.

TPL's response:

TPL has not submitted any response.

Commission's view:

The Commission noted the contentions and reply of the Petitioner. The Petition is filed for true up of FY 2015-16 and determination of ARR of 3rd MYT control period i.e. FY 2016-17 to FY 2020-21. Further, the Petitioner has prayed for determination of tariff, wheeling charges of FY 2017-18. The Petitioner has also prayed for the determination of gap/(surplus) of FY 2015-16 and cumulative gap/(surplus). Thus, the contention of the Objector is incorrect.

3.1.55 Issue: Illegal Recovery of Regulatory Charge

Objections:

The Petitioner TPL Ahmedabad has sought recovery of regulatory charge Rs. 0.45 per unit during FY 2017-18 and Rs. 0.31 per unit for tariff hike. Any deviation in recovery of gap of FY 2017-18 shall need to address in true up by the Commission.

TPL's response:

The Objector has submitted that the gaps approved by the Commission have already been factored into tariff vide previous tariff orders and therefore the Petitioner is not entitled to ask for any regulatory charge to address such past period gaps. The Petitioner would like to state that the present Petition is filed under Section 62 and 64 of the Electricity Act, 2003 read with GERC (Multi Year Tariff) Regulations, 2011 and GERC (Multi Year Tariff) Regulations, 2016 for (i) Truing up of FY 2015-16 (ii) Determination of ARR for MYT Third Control Period (FY 2016-17 to FY 2020-21); and (iii) Determination of tariff for FY 2017-18 for its Distribution business of Ahmedabad Supply Area. The Petitioner would further like to state that the outstanding gap that has already been considered by the Commission, in the last tariff order dated 31st March-2016, has not been considered again while filing the present tariff petition. Hence, the submission made by the Objector is erroneous and the same is vehemently denied by the Petitioner. The Petitioner would further like to submit that it has asked for regulatory charge to recover part of the

cumulative gap. Further, the Petitioner has proposed the regulatory charge mainly to recover the gap arising on account of past years' under recovery. The Commission in the tariff order dated 31st March-2015 approved tariff for FY 15-16 to recover cumulative gap which included amongst other things the then previous year's approved gap as well. Hence, at the time of truing up, the revenue recovered in the FY 15-16 is required to be compared with the components against which it was approved for. Further, those components of gap have also been revised due to various applicable orders by the Hon'ble Tribunal as well as the Commission. The same has been detailed out at Chapter 4 of the present petition. The overall result is thus working out to be a Revenue Gap needed to be recovered by the Petitioner. The same has been proposed to be recovered by way of fixed, energy as well as regulatory charge to be levied in FY 17-18.

Commission's view:

The objection and reply of the parties are noted. The issues have been appropriately dealt with in this Order.

3.1.56 Issue: Increase in tariff would negatively impact certain industry

Objections:

Some of the objectors has stated that increased tariff would impact the profitability of energy sensitive industries.

TPL's response:

The Petitioner submitted that Electricity Act-2003 envisages development of electricity industry. The Electricity Act-2003 further while elaborating the purpose of tariff regulations at Section 61 (d) clearly mentions that the appropriate Commission shall protect consumers' interest at the same time ensuring recovery of cost of electricity.

Commission's view:

The Commission noted the objection of the objectors and reply of the Petitioner. The Commission is determining the tariff as per the provisions of tariff regulations notified by

the Commission, which provide for the cost of supply and reasonable return for the licensee.

3.1.57 Issue: Category of consumers to be revisited

Objection:

The Objector has alleged that the Petitioner is misusing the provisions of Section 126 and imposes hefty fine for additional load and hence suggested to introduce LTMD category to all industrial and commercial consumers below 15 kW load.

TPL's reply:

The demand based categorization for 15 KW and above load is being done for valid and verified reasons. The tariff based on contracted demand are used as indicative price signals to reflect the costs for creating the capacity and is helpful to the consumers in regulating its usage despite higher connected load. Small consumers may find it difficult to adopt tariff based on contract demand in Non-RGP category. Hence, the Commission may consider giving relief to such consumers by providing them with an option to choose from Non-RGP and LTMD category based on their connected load.

Commission's response:

The objections of the objector and reply of the Petitioner are noted. The issue shall be examined appropriately.

3.1.58 Issue: Misappropriation of funds

Objection:

The Objector submitted that the Petitioner is involved in misappropriation of funds and expenses of unregulated businesses are being loaded on regulated businesses and questioned why the Commission has not conducted audit for subsequent years.

TPL's reply:

The Petitioner refuted the allegations of the Objector and submitted that it prepares and maintains the accounts in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. The petitioner would like to clarify that separate accounts are being maintained for Regulated business and the same has been furnished, duly verified by the Statutory Auditors' of the Company.

All the requisite information for the present proceedings are already provided in the Petition in accordance with the GERC MYT Regulations.

The Commission had appointed Mittal & Co for carrying out the third party Audit of FY 2010-11. The Petitioner has already given effect of the adjustments based on the observations of the audit report. The accounts of the Petitioner are already being audited by reputed Statutory Auditors. As the accounting practices have already been scrutinized and analyzed by third party auditor, except inadvertent errors, the Petitioner does not find merit in the ground of the objector questioning the Commission about not carrying a third party audit for each and every year.

Commission's view:

The Commission noted the objections and reply. The issue of audit of the Regulated business of the licensee is concerned, the Commission has taken appropriate decision in the subject matter.

3.1.59 Issue: Revenue Gap of previous years already recovered

Objection:

The Objector has submitted that the gaps claimed by the Petitioner already approved by the Commission and have been already been factored into tariff vide previous tariff orders and therefore the Petitioner is not entitled to ask for any regulatory charge to address such past period gaps. Moreover, the TPL has recovered the amount as a gap more than one time from the consumers. Hence, the TPL required to refund the same.

TPL's reply:

The Petitioner submitted that the present Petition is filed under Section 62 and 64 of the Electricity Act, 2003 read with GERC (Multi Year Tariff), Regulations 2011 and GERC (Multi Year Tariff) Regulations, 2016 for (i) Truing up of FY 2015-16 (ii) Determination of ARR for MYT Third Control Period (FY 2016-17 to FY 2020-21; and (iii) Determination of tariff for FY 2O17-18 for its Distribution business of Ahmedabad and Surat Supply Area. The Petitioner would further like to state that the outstanding gap that has already been considered by the Commission, in the last tariff order dated 31st March,2016, has not been considered again while filing the present tariff petition. Hence, the submission made by the Objector is erroneous and the same is vehemently denied by the Petitioner. The Petitioner would further like to submit that it has asked for regulatory charge to recover part of the cumulative gap. Further, the Petitioner has proposed the regulatory charge mainly to recover the gap arising on account of past years under recovery. The Commission in the tariff order dated 31st March,2015 approved tariff for FY 15-16 to recover cumulative gap which included amongst other things the then previous year's approved gap as well. Hence, at the time of truing up, the revenue recovered in the FY 15-16 is required to be compared with the components against which it was approved for. Further, those components of gap have also been revised due to various applicable orders by the Hon'ble Tribunal as well as the Commission. The same has been detailed out at Chapter 4 of the present petition. The overall result is thus working out to be a Revenue Gap needed to be recovered by the Petitioner. The same has been proposed to be recovered by way of fixed, energy as well as regulatory charge to be levied in FY 17-18.

Commission's view:

The Petitioner's response is self-explanatory. The revenue gap was determined by the Commission in various previous orders after due analysis and there is no duplication of recovery of gap by TPL. As far as the revenue gap for FY 2015-16 is concerned, the same has been determined as per the applicable Regulations of the Commission in this order.

4 Truing up for FY 2015-16

4.1 Introduction

This chapter deals with the truing up of FY 2015-16 for TPL-D, Ahmedabad.

The Commission has studied and analysed each component of the ARR for the FY 2015-16 in the following paragraphs.

4.2 Energy Sales to the Consumers

Petitioner's submission:

TPL has submitted the category-wise actual energy sales for Ahmedabad area for the FY 2015-16 along with the sales approved by the Commission in MTR order dated 29th April, 2014 in Petition No. 1366 of 2013 as given in the Table below.

Table 4.1: Energy sales for FY 2015-16 for Ahmedabad area

(MU)

Category	MTR Order	Actual
RGP	2449	2434
Non RGP	1015	896
LTMD	1854	1633
HT	1968	1487
HT Pumping	112	120
Others	85	85
DoE units	0	10
Total	**7483**	**6666**

The actual sales is 6666 MUs for Ahmedabad area for FY 2015-16 as against 7483 MUs approved in the MTR order.

While the actual sales in FY 2015-16 showed an overall growth of 4.24% over FY 2014-15, the sales were lower than that approved in MTR Order. The major reasons for deviation are enumerated hereunder:

a) The actuals sales for RGP category showed a growth of 5.40% over FY 2014-15 due to increase in RGP customer base and because of higher temperature resulted in increase in cooling load and higher per capita consumption. However, the sales were marginally lower than the MTR approved sales.

b) The actual sales for Non RGP and LTMD categories showed a normal growth of 3.18% and 3.92% over FY 2014-15 respectively. However, the sales in these categories were lower than the MTR approved sales.

c) In HT category, the Petitioner had projected loss of sales due to consumers availing open access. However, the Commission approved the sales based on CAGR on the basis of assumption that Short-Term switching over to Open Access would be made good by the growth in consumption.

While during FY 2015-16, sales in this category increased by 3.73% over FY 2014-15, the growth rate was impacted due to sourcing of power through Open Access by customers having load above 1 MW. The total loss of sales due to these customers was 508.48 MU in FY 2015-16.

d) The 'Others' category has shown normal growth in sales due to reasonable growth in street light consumption and higher number of temporary connections.

Commission's Analysis

The Commission, in the MTR order dated 29th April, 2014, had considered revised estimated sales of 7483 MUs for Ahmedabad and Gandhinagar license area for FY 2015-16. The actual sales in Ahmedabad & Gandhinagar area was 6666 MUs, lower by 817 MUs than the sales approved by the Commission in the MTR Order. The sales as submitted by TPL is 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 TPL with the Chief Electrical Inspector and Collector of Electricity Duty. The report shows information regarding energy supplied, consumed, consumption charges and electricity duty recovered and paid to Government month wise during the FY 2015-16. The sales has also been verified and confirmed from the financial statement submitted by TPL along with the Petition.

The Commission approves the energy sales as mentioned in Table 4.1 for Ahmedabad area totalling to 6666 MUs for truing up for FY 2015-16.

4.3 Distribution Loss

Petitioner's submission

TPL has submitted that the distribution loss for Ahmedabad and Gandhinagar distribution license area was assessed at 8.5% as per Tribunal's Order dated 16th February, 2015 in appeal No.148 & 149 of 2014 whereas the actual distribution loss is 7.15% as given in the Table below. TPL submitted that it had made considerable efforts to reduce the distribution loss.

Table 4.2: Petitioner's submission of Distribution loss for 2015-16

(%)

Particulars	Approved MYT	Actual
Distribution loss	8.50	7.15

Commission's Analysis

The distribution loss reduction took place in the distribution license area due to upgrading/uprating of the distribution network, augmentation of the old assets, replacement of meters, bifurcation of load where overloading happened etc. A substantial capital expenditure of Rs. 507.92 Crores as well as capitalisation of assets of Rs. 542.04 Crores has been made by TPL during FY 2015-16 which resulted in reduction of transformation losses as well as line losses and ultimately overall distribution losses. The Commission accepts TPL's submission and approves the actual distribution loss of 7.15% for the FY 2015-16.

4.3.1 Energy Requirement

Petitioner's submission

The Petitioner has submitted the actual energy requirement for Ahmedabad & Gandhinagar Supply area based on the (i) actual energy sales, (ii) transmission loss and

(iii) distribution loss. The total energy requirement was met through various sources as described in the subsequent section.

Based on the actual energy sales and the transmission and distribution losses, the actual energy requirement for Ahmedabad & Gandhinagar area as submitted by TPL for FY 2015-16 is given in the Table below:

Table 4.3: Energy Requirement for FY 2015-16 for Ahmedabad area

Particulars	**MTR Order**	**Actual**
Energy sales (MU)	7483.00	6665.72
Distribution loss (%)	8.50%	7.15%
Distribution loss (MU)	695.14	512.93
Energy input at distribution level	8178.14	7178.65
Transmission loss (MU)	155.00	50.42
Energy Requirement (MU)	**8333.14**	**7229.07**

Commission's Analysis

The actual energy requirement submitted by the Petitioner for FY 2015-16 along with energy requirement as per MTR order read with Hon'ble APTEL judgement dated 16.02.2015 in Appeal No. 148 & 149 of 2014 has been examined and verified by the Commission.

The actual energy sales is lower than that approved in MTR order dated 29.04.2015 in Petition No. 1366 of 2014 read with the Hon'ble APTEL judgment dated 16.02.2015 in Appeal No. 148 & 149 of 2014. The distribution losses approved in the MTR Order dated 29.04.2014, read with APTEL Judgement dated 16.02.2015, was 8.50% and the actual distribution losses as reported by TPL is 7.15% (512.93 MUs), which has resulted into lower requirement of energy as compared to estimated due to better efficiency in the loss reduction by TPL. The actual energy requirement, being the sum of energy sales and transmission and distribution losses, works out to 7229.07 MUs for FY 2015-16.

The Commission accordingly approves the energy requirement at 7229.07 MUs for truing up of FY 2015-16 as given in the above Table 4.3.

4.3.2 Energy Availability

TPL-D has submitted that it sourced the power collectively for Ahmedabad, Gandhinagar and Surat license areas from its own plant at Sabarmati TPL-G (APP), TPL (SUGEN) Plant, Renewable Energy and other sources such as GUVNL and also power purchase through bilateral and power exchange.

TPL has also submitted that due to reduction in availability of gas in KG basin, the allocation of domestic gas was reduced by Government of India. The utilisation of gas generation facilities, though available, majorly depends on the contracted sources of supply of fuel. Therefore, there was a variation in off take from SUGEN.

It is further submitted by TPL that during FY 2015-16, e-bid RLNG scheme was introduced for utilisation of gas based generation capacity for the domestic gas based plant and stranded gas based plant for FY 2015-16 and FY 2016-17. In the aforesaid scheme, it is envisaged to supply the imported spot RLNG to domestic gas based plant as well as to stranded gas based plants. TPL has procured the energy from such gas based power plant during FY 2015-16 under the scheme.

The Petitioner has submitted that the renewable purchase obligations are fulfilled by procuring the energy from wind and solar generators along with procurement of RECs during FY 2015-16. As far as Non-Solar RPO is concerned, the petitioner has procured 7.29% of total consumption but still there was a shortfall of 22.51 MUs while in case of solar energy, the compliance was 1.72% against 1.50%. The Petitioner procured 23.61 MUs of solar energy more than the quantum that was necessary to comply with the solar RPO. Therefore, the Petitioner has requested the Commission to allow adjustment of surplus procurement of solar energy against shortfall of non-solar energy.

The details of energy availability (net) from different sources from whom TPL – D procured the energy during FY 2015-16 is stated in the Table below:

Table 4.4: Energy Availability (Net) for FY 2015-16 for Ahmedabad & Surat

(MUs)

Sl. No.	Energy Sources	MTR Order	Actual
1.	TPL-G (APP)	2548.00	2188.38
2.	TPL-G (SUGEN)	4698.00	3487.79
3.	GUVNL/Bilateral	66.58	4482.43
4.	Power Exchange	3442.21	266.41
5.	Renewable Energy	935.21	362.06
6.	**Sub-Total**	**11690.00**	**10787.07**
7.	UI	0.00	(72.82)
	Total	**11,690.00**	**10,714.25**

Commission's Analysis

It is seen from the above table that TPL has procured power from TPL-G (APP), SUGEN power plant, GUVNL, through Bilateral, Power Exchange and Renewable energy. TPL-G (APP), SUGEN, GUVNL, Power Exchange and Renewable energy are approved sources of power by the Commission as per the MTR order dated 29.04.2014.

The Commission also observed that TPL has purchased power from DGEN, UNOSUGEN and SUGEN from the gas received under e-bid RLNG scheme, under Power System Development Fund (PSDF) of the GoI during FY 2015-16.

The Commission has verified the energy available from the DGEN and UNOSUGEN under e-bid RLNG scheme for day power as well as RTC power. The power available from UNOSUGEN and DGEN under e-bid RLNG scheme is not separately shown in the tariff petition by TPL but the same has been shown under bilateral energy. The power procured by TPL from UNOSUGEN and DGEN against the power procurement arrangement from GUVNL with the approval of the Commission being GoI scheme. Due to this there is a deviation in the energy availability for TPL-D Ahmedabad license area than approved quantum from different sources.

The Commission noted that TPL has procured the renewable energy from generators under preferential tariff besides procurement of RECs for compliance of RPO. The Commission has also noted 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 2015-16 as shown in the Table 4.5 below:

Table 4.5: Approved Energy Availability (Net) for FY 2015-16 for Ahmedabad & Surat

(MU)

Sl. No.	Energy Sources	MTR Order	Actual
1.	TPL-G (APP)	2548.00	2188.38
2.	TPL-G (SUGEN)	4698.00	2668.10
3.	SUGEN PSDF SUPPORTED DAY POWER	-	819.69
4.	GUVNL	66.58	988.15
5.	DGEN RTC POWER	-	1627.75
6.	DGEN DAY POWER	-	1022.63
7.	UNOSUGEN RTC POWER	-	609.08
8.	UNOSUGEN DAY POWER	-	234.82
9.	POWER EXCHANGE	3442.21	266.41
10.	RENEWABLE ENERGY	935.21	362.06
11.	UI	-	(72.82)
	Total	**11,690.00**	**10,714.25**

The Commission approves the source wise power procured as summarized in Table 4.5 above for truing up for FY 2015-16.

4.4 Power Purchase

TPL has submitted the actual power purchase cost for the FY 2015-16 against the power purchase cost approved in MTR order in the Table given below:

Table 4.6: Power Purchase cost projected by TPL for Ahmedabad and Surat area for FY 2015-16

(Rs. crore)

Energy Sources	MTR Order	Actual
TPL-G (APP)	1052.32	1052.97
TPL-G (SUGEN)	2753.03	2471.99

GUVNL/Bilateral	25.30	1782.21
Power Exchange	1345.90	87.89
RPO/Wind Energy	477.78	266.25
UI		103.16
Total	**5654.33**	**5764.47**

TPL-Distribution submitted that the power purchase for its Ahmedabad & Surat license areas has been carried out on collective basis and the total power purchase cost has been apportioned between Ahmedabad & Surat in the ratio of usage of power. Accordingly, the allocated power purchase cost for Ahmedabad Supply area is Rs. 3,889.38 Crores for FY 2015-16.

The variation in the power purchase cost from the MTR order is on account of variation in sales and distribution losses, variation in actual cost with respect to the base rate along with purchase of power from short term sources and under e-bid RLNG scheme to meet the requirement of power during the year. TPL has also submitted that power purchase cost is an uncontrollable component except on account of variation in distribution losses. Hence, the same need to be allowed in ARR as per Regulations.

Commission's Analysis

The Commission had approved the quantum of power purchase at 11,690 MUs for FY 2015-16 in its MTR order and against which TPL has purchased 10,714 MUs during FY 2015-16. The energy requirement is evaluated based on the sale of energy and losses in the transmission and distribution system of Ahmedabad and Gandhinagar license area. The energy requirements for TPL- Ahmedabad and Gandhinagar license area works out to 68% of total energy requirement and accordingly the total power procurement cost for the TPL-Ahmedabad license area has been evaluated based on 68% of total power requirement for TPL-Ahmedabad area.

As noted in earlier para, the Commission observed that there is a reduction of in 976 MUs in the total energy requirement for TPL Ahmedabad and Surat against 11,690 MUs approved in MTR Order. In case of TPL Ahmedabad the energy requirement was 1104 MUs less than approved in MTR order dated 29.04.2014 read with the Hon'ble APTEL Judgement dated 16.02.2015 in Appeal No. 148 & 149 of 2014 as shown in Table 4.3

above. However, no corresponding reduction is observed in the power procurement cost as compared to what is approved in MTR order dated 29.04.2014 in Petition No. 1366 of 2014. The Commission observed from Table 4.6 above that the total power purchase cost increased by Rs. 110 Crores against the cost approved in MTR order. The main reason for increase in power purchase cost is due to less generation from TPL-G (APP) and also less purchase of power from the power exchange as approved by the Commission. The Commission also noted that the power purchased under e-bid RLNG scheme from SUGEN is at lesser tariff rate than the tariff determined by CERC payable for domestic gas. The Commission vide order dated 31st March 2015, in Petition No. 1481 of 2015 has approved the purchase of power from GUVNL at Rs 3.70/kWh (RTC) and Rs 4.05/kWh (day power). The cost of GUVNL power at TPL periphery was around Rs 3.97/kWh (RTC) and Rs 4.33/kWh (day power) as against Rs 3.85/kWh (RTC) and Rs 4.21/kWh(day power) as the cost of power from DGEN and UNOSUGEN.

The Commission had approved the purchase of power generated under E-Bid RLNG Scheme of Govt.of India in lieu of power from GUVNL at the rate equal to or less than per unit cost of power from GUVNL. If the Commission had not approved this arrangement, TPL-D would have continued to purchase power from GUVNL. However, with this arrangement, there was a benefit of Rs 0.12 per unit which is passed on to the consumers.

The Commission has duly verified the annual accounts of TPL-D, Ahmedabad and Surat FPPPA approved in 4 (four) quarters of FY 2015-16. The Commission observed that there is a difference of Rs. 49.60 Crores in the fuel cost stated in the TPL-G Ahmedabad in FPPPA for FY 2015-16 and claimed by the Petitioner in this Petition. On query in this regard, TPL submitted that the aforesaid difference is due to additional actual cost of Rs 49.60 crore incurred to run TPL-G units. The same has been claimed in the true up petition for TPL-G. Hence, the difference of Rs. 49.60 Crores found less in FPPPA shown by TPL has been dealt with in the Order for TPL-G. In the Petition for TPL-G(APP), TPL has claimed Trued Up ARR of Rs 1052.97 Crore for FY 2015-16 but as per the approved FPPPA orders for FY 2015-16, the total cost incurred by TPL-G is Rs 1003.37 crore. Hence, there is a difference of Rs 49.60 crore, which TPL has claimed as a cost of TPL-G which is transferred to TPL-D. It is observed in the TPL-G Petition No. 1626/2016, the

Commission has approved Rs 1039.50 Crore as against Rs 1052.97 Crore claimed by TPL. Therefore, instead of additional Rs 49.60 crore as claimed by TPL for its TPL-G(APP) business, the Commission has approved Rs 36.13 crore (Rs 1039.50-Rs 1003.37 Crore) additional to be passed on as power purchase cost of TPL-D for FY 2015-16. After adjustment of the trued up amount of TPL-G, the impact has been incorporated in power purchase cost for Ahmedabad and Surat area for FY 2015-16.

TPL carries out the power purchase for Ahmedabad and Surat license area on collective basis and the total power purchase cost is apportioned between these two license areas based on usage of power. The Commission has approved the generation cost of TPL's Ahmedabad Generation Plant at Rs 1039.50 crore in the true up of FY 2015-16. The Commission approved the power purchase cost as given in the Table below.

Table 4.7: Power Purchase cost approved for Ahmedabad & Surat area for FY 2015-16

(Rs. crore)

Energy Sources	**MTR Order**	**Actual**
TPL-G (APP)	1052.32	1039.50
TPL-G (SUGEN)	2753.03	2272.75
SUGEN PSDF SUPPORTED DAY POWER		199.24
GUVNL	25.30	391.64
DGEN RTC POWER	-	626.68
DGEN DAY POWER	-	430.53
UNOSUGEN RTC POWER	-	234.5
UNOSUGEN DAY POWER	-	98.86
POWER EXCHANGE	1345.90	87.89
RENEWABLE ENERGY	477.78	266.25
UI	-	103.16
Total	**5654.33**	**5751.00**

Considering the approved power purchase cost of Rs 5751.00 crore for the approved total energy procurement of 10,714.25 MUs, the per unit power purchase cost works out to Rs 5.367/kWh. Since the Commission has approved the energy requirement of Ahmedabad license area at 7229.07 MUs, the power purchase cost for Ahmedabad license area is

computed at Rs 3880.29 crore. The Commission accordingly approves the power purchase cost of Rs 3880.29 crore for Ahmedabad license area in the True Up for FY 2015-16.

4.4.1 Gain due to reduction in energy requirement on account of reduction in distribution loss

Petitioner's Submission

TPL has computed the gain due to reduction in distribution loss for Ahmedabad area at Rs. 72.33 Crore, as given in the Petition, on account of reduction in distribution losses. TPL furnished the details of computation of distribution loss gains for Ahmedabad area in their Petition as given in the table below:

Table 4.8: Gain due to reduction in energy requirement for FY 2015-16 claimed by TPL

Particulars	Unit	Ahmedabad	
			Actuals
Actual energy purchased at distribution level	MU	a	7178.65
Energy Sales	MU	b	6665.72
Wheeling of energy	MU	c	562.20
Total energy wheeled	MU	d=b+c	7227.91
Distribution loss (approved in MTR)	%	e	8.50%
Energy required at distribution level at approved loss	MU	F=d/(1-e)	7899.36
Difference	MU	G=(f)-((a)+(c))	158.52
Units recovered as loss	MU		24.09
Reduction in energy requirement	MU		134.43
Average PPC	Rs/kWh		5.38
Savings	**Rs Cr**		**72.33**

Thus, TPL computed the gains due to reduction in distribution loss at Rs. 72.33 crore.

Commission Analysis

The Commission has approved distribution loss at 8.50% in the MTR Order, read with APTEL Judgement dated 16.02.2015 in Appeal No. 148 & 149 of 2014, whereas TPL has

claimed the actual distribution loss at 7.15% for FY 2015-16. The Commission has worked out gain on account of reduction in distribution loss as shown in the Table below:

Table 4.9: Approved gain due to reduction in energy requirement for FY 2015-16

(MU)

Particulars	Unit	Legend	Ahmedabad
			Actuals
Actual energy purchased at distribution level	MU	a	7178.65
Energy Sales	MU	b	6665.72
Wheeling of energy	MU	c	562.20
Total energy wheeled	MU	d=b+c	7227.92
Distribution loss (approved in MTR)	%	e	8.50%
Energy required at distribution level at approved loss	MU	f=d/(1-e)	7899.37
Difference	MU	g=(f)-((a)+ (c))	158.52
Units recovered as loss	MU	h	24.09
Reduction in energy requirement	MU	i=g-h	134.43
Average PPC	Rs/kWh	j	5.37
Savings	**Rs Cr**	**k=i * j**	**72.15**

The Commission, accordingly, approves the gain on account of reduction in distribution loss at Rs. 72.15 Crores during FY 2015-16 for truing up.

4.5 Fixed Charges

4.5.1 Operation and Maintenance (O&M) expenses

TPL has claimed Rs. 268.41 Crore as O&M expenses as against the total O&M expenses of Rs. 242.10 Crore approved for FY 2015-16 in the MTR Order as detailed in the Table below:

Table 4.10: O&M expenses claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MYT Order	Actual
Total O&M expenses	**242.10**	**268.41**

Petitioner's submission

TPL has submitted that the actual O&M expenses of Ahmedabad supply area have exceeded the approved value mainly due to wage revision and increase in R&M expenses. It is further submitted that the Petitioner was in discussions with unionized Employees of Ahmedabad license area for wage revision. As wage revision had to come into effect from 1st April 2013, the Petitioner had made the provision of Rs. 12 Crores each for wage revision in the employee expenses for FY 2013-14 and FY 2014-15 in its books. As the wage settlement concluded in FY 2015-16, the total impact of wage settlement crystalized during FY 2015-16.

It is further submitted that the impact of the wage revision is to be considered as uncontrollable factor in accordance with the judgment of the Hon'ble Appellate Tribunal for Electricity in Appeal No. 68 of 2009. Accordingly the Petitioner has considered the variations in O&M expenses as controllable except the variation on account of wage revision.

Commission's Analysis

The actual O&M Expenses are Rs 319.81 Crore as per Annual Accounts for FY 2015-16. These O&M Expenses include Rs. 38.20 Crore relating to prompt payment discount, Donation (Rs. 7.00 Crore), Bad Debts written off (Rs. 4.92 Crore), and provision for bad debts (Rs. 0.25 Crore). TPL has also submitted that O&M Expenses is claimed less to the tune of Rs. 0.03 Crore which is income from insurance claim. TPL has claimed the net O&M Expenses of Rs. 268.41 Crore in Truing up of FY 2015-16 which is net of above mentioned expenses and insurance claim receipt.

The Commission, accordingly, approves the O&M expenses of Rs. 268.41 Crore, as claimed by the petitioner for truing up for FY 2015-16.

TPL has requested to consider the impact of the wage revision crystallized in FY 2015-16 and was allowed in truing up of FY 2013-14 and FY 2014-15 as uncontrollable deviation after adjusting the deviation allowed as controllable item while truing up of FY 2013-14 and FY 2014-15. The Commission does not find it appropriate to revisit the treatment of

O&M expenses given in previous years i.e. FY 2013-14 and FY 2014-15, while truing up of FY 2015-16.

Accordingly, Gain/(Losses) on account of O&M expenses in truing up of FY 2015-16 is approved by the Commission as given in the Table below:

Table 4.11: O&M expenses approved by Commission for FY 2015-16

(Rs Crore)

Particulars	FY 2015-16 (MTR Order)	FY 2015-16 (Approved)	Over(+)/ Under (-) recovery	Controllable	Uncontrollable
O&M expenses	242.10	268.41	(26.31)	(26.31)	

4.5.2 Capital expenditure, Capitalization and Sources of Funding

TPL has furnished actual capital expenditure of Rs. 507.92 crore in the truing up for FY 2015-16 against Rs. 356.45 crore approved in the MYT order for FY 2015-16 as per the details given in the table below:

Table 4.12: Capital expenditure claimed by TPL- Ahmedabad for FY 2015-16

(Rs Cr)

Particulars	MTR Order	Actual
EHV	169.46	230.83
HT Network	86.72	142.49
LT Network	57.64	93.23
Metering	19.70	14.74
Special Projects	7.45	12.02
Customer Care & IT Initiatives	5.33	1.15
Admin and Others	**10.15**	13.45
Total	**356.45**	**507.92**

4.5.2.1 Petitioner's submission

TPL has submitted that the capital expenditure incurred for Ahmedabad Supply Area in FY 2015-16 is Rs. 507.92 Crore which is higher than the approved value. TPL has given reasons for the major variances in the actual expenditure against the approval as detailed below:

(a) EHV – The Commission had approved the capital expenditure of Rs. 169.46 Crores for EHV. In this regard, the Petitioner has incurred the expenditure of Rs. 230.83 Crores. Thus there is excess expenditure of Rs. 61.37 Crores. The major variation is on account of expenditure incurred towards:

- Bulk Supply Points: Commissioning of 400/132 kV 315 MVA transformer at New Pirana to cater to the peak system demand, enhancement of import capacity at SBI, and expenditure incurred towards the work of upgrading the existing 220 kV Nicol -2 substation to 400 kV. The work is in progress.
- EHV line: Execution of the 132 kV interconnection scheme between Dudheshwar and Pirana S/S via Jamalpur wherein the line between Pirana and Jamalpur has been upgraded to 132 kV from 66 kV. Due to critical loading of 66 kV Jamalpur substation, upgradation work of substation at 132 kV has been carried out. The work on balance upgradation of the network between Jamalpur and Dudheshwar is planned during FY 2016-17 to FY 2020-21. Cost has also been incurred towards completion of 132 kV line uprating scheme between New Pirana to Nicol-2 via Vinzol and Vastral. Execution of 400KV Nicol-2 import point connection with PGCIL (CTU) network by LILO of Dehgam-Pirana line of PGCIL. Further, based on increased line loading and upcoming infrastructure projects the Petitioner TPL has incurred expenditure for 132 kV line upgrading between New Pirana and Pirana, 66 kV line upgrading between Vinzol and Amraiwadi, 66 kV line upgrading between Odhav and Amraiwadi.
- EHV Projects: Major expenditure under the head of EHV projects has been incurred towards 132 kV GIS substation at Naranpura. The Naranpura substation is located in urban area and residential flats are very near to the switchyard. Expenses have also been incurred for modification of network for enhancement of safety, reliability and for meeting load demand.
- 33 kV Substation: TPL claimed that majority of the expense towards 33 kV substations is incurred towards New Ranip, Sumel-8, Shahpur, CG Road-2 and Motera substation. Expenses were also incurred for erection of additional 33/11 kV transformers at Rakhial and Isanpur to cater to the load growth and for relieving the loading on existing transformers.

(b) HT – The Commission had approved the capital expenditure of Rs. 86.72 Crores for HT network. In this regard, the Petitioner has incurred the expenditure of Rs. 142.49 Crores. The major variation is because of:

- Higher capex incurred for transformer replacement necessitated by high peak demand due to which the loading of the transformers increased beyond the optimal capacity.
- Expenditure incurred towards shifting of HT Network due to road widening activity carried out by local authorities for various infrastructure projects such as BRTS, Fly Overs, etc.
- Expenditure incurred towards the processing of new connection/extension of load applications from HT consumers.
- Expenditure incurred towards relieving load of existing overloaded 11 kV feeders to cater to the load growth.

(c) LT – The Commission had approved the capital expenditure of Rs. 57.64 Crores for LT network. However, the actual expenditure was Rs. 93.23 Crores due to increase in extension of load applications based on higher growth. Also the cost has increased primarily due to increase in Road Opening (R.O.) charges and increase in the material and labour cost. During FY 2015-16, the Petitioner has also incurred the capex for safety enhancement and asset securitization.

d) Metering – The Commission had approved capital expenditure pertaining to Metering of Rs. 19.70 Crores. The actual expenditure was lower compared to the approved due to reduction in the quantum of three phase new connection applications and utilization of recycled meters due to implementation of single meter single premises concept.

e) Others – The capex incurred for Special Projects was higher due to expenditure incurred towards network modification and service revamping. The capex was incurred towards stores, power supply centres, and customer connect centre. Further, a majority of CAPEX under the IT has been deferred.

Commission's Analysis

The Commission observed that the petitioner has claimed CAPEX of Rs. 507.92 Crores in FY 2015-16, against approved CAPEX of Rs. 356.45 Crores in MTR order, which is

about 42% higher than the approved CAPEX. With reference to the Commission's query regarding higher capex, TPL has submitted the details.

From the said details, the Commission noted that the Petitioner has carried out major expenditures for EHV network amounting to Rs. 230.83 Crores, in which the cost for EHV lines is one of the major components with a capex of Rs. 92.39 Crores. The Commission noted that Rs. 31.57 Crores has been invested for upgrading of 66 KV Jamalpur S/S to 132 KV and connecting it with 132 KV lines by upgrading 66 KV lines. Similarly, existing 3 transformers of 66/11 KV at above S/S have been replaced by 132/11 KV transformers. At Vasana S/S also expenditure of Rs. 36.68 Crores was incurred for upgrading the connectivity with S/S. Further, at Naranpura S/S the existing system has been removed and GIS system has been installed at a total cost of Rs. 26.47 Crores. It is also observed a number of 33 KV S/S at different locations have been constructed to cater the demand of the consumers. Moreover, TPL has also incurred expense of Rs. 31.14 Crores towards new sub-stations to reduce the length of LT line and losses. TPL has also incurred an expenditure of Rs. 32.89 Crores towards augmentation of transformers. Moreover, 59 nos. of new feeders are constructed to reduce the over loading of feeders. TPL has also incurred expenses for upgrading/uprating or augmentation of equipments, lines, etc. at various places. The Commission noted that the benefit of higher CAPEX is reflected in reduction of distribution losses in the license area of TPL.

The Commission also observed that the claim of the Petitioner that the cost benefit analysis is not quantifiable is not correct because the anticipated reduction in losses, energy requirement and corresponding power procurement is a benefit accrued to the Petitioner and the same would continue for a number of years. The Commission also noted that the sub-stations which have been upgraded or uprated have led to scrapping of certain equipments, lines or cables. The aforesaid items which have been removed from the assets has been given effect in the gross fixed assets by deleting the actual assets as shown in the annual accounts. The Commission noted that on verification of the financial statements submitted alongwith the Petition, the deduction in transformers cost is shown as Rs 11.73 Crores.

A separate directive with regard to capex and capitalisation has been given at the end of this order.

Break up of actual capex has been shown in the Table below.

Table 4.13: Break up of capital investments for FY 2015-16

(Rs Crore)

Particular	FY 2015-16	
	MTR Order	**Actuals**
EHV		
Bulk Supply Points	100.50	19.39
EHV Lines	-	92.79
EHV Substations	36.86	59
33 kV Substations	22.50	51.33
Others	9.60	8.32
Total	**169.46**	**230.83**
HT Network		
New Substations	33.93	31.14
New HT Consumers	25.38	30.78
Transformer Capacity Augmentation	-	32.89
11 kV Normal Load Growth/OHL Schemes	2.16	17.09
System Maintenance Related & Supporting Infrastructure	10.51	20.72
Reactive Power Compensation	1.80	0.42
Safety	12.93	9.45
Total	**86.72**	**142.49**
LT Network		
Normal Load Growth/Load Extension/Reduction/SEP	47.11	74.78
Load Balancing & Load Management	10.28	9.07
Reliablility , Rennovation & Replacement	-	6.48
Supporting Infrastructure	0.25	0.23
Safety	-	2.67
Total	**57.64**	**93.23**
Metering		
Meters	19.70	14.74
Total	19.70	14.74
Special Projects	7.45	12.02

Particular	FY 2015-16	
	MTR Order	Actuals
IT & related expenditure	5.33	1.15
Admin & Others	10.15	13.45
Grand Total	**356.45**	**507.92**

The Commission has verified the energisation of transmission/distribution system equipments during the FY 2015-16 from the Certificate of energisation issued by the Chief Electrical Inspector which substantiate that the assets created through CAPEX have been put to service by TPL.

The Commission approves the capital expenditure of Rs 507.92 crore for the FY 2015-16.

(b) Capitalization

Petitioner's Submission

TPL has claimed a sum of Rs. 542.04 Crore towards capitalization, as against the actual capital expenditure of Rs. 507.92 Crore

Commission's Analysis

The net addition of assets during FY 2015-16 is Rs 542.04 Crore, as verified from the annual accounts of TPL-Ahmedabad. The Commission observed that the petitioner has capitalized higher amount as against what was approved by the Commission in the MTR Order for FY 2015-16. In reply to the Commission's query regarding higher capitalization than approved in MTR Order, the petitioner has given break up of asset wise capitalization which is depicted in the Table below:

Table 4.14: Break up of capitalised assets for FY 2015-16

(Rs Crore)

Asset Classification	Actual Capitalization
EHV	
Bulk Supply Points	24.56
EHV Lines	79.36
EHV SS Projects	67.15

Asset Classification	**Actual Capitalization**
33 kV SS Projects	66.62
Renovation and Replacement	2.37
Safety	3.80
Support Infrastructure	1.62
Automation	0.81
Total EHV	**246.29**
HT	
New Substations	33.74
New HT Consumers	53.66
Transformer Replacement	34.68
11kV Normal Load Growth	22.00
Reliability, Renovation & Modernization	19.71
Safety	10.36
Supporting Infrastructure	0.21
Reactive Power Compensation	0.42
Total HT	**174.78**
LT	
Normal Load Growth	41.41
Services on extension/reduction	27.38
SEP Services	3.95
Relieving Overload Distributors, Load Balancing & Distributor for Interlinking of New Substations	8.39
Reliability, Renovation & Replacement	5.23
Safety	2.14
Supporting Infrastructure	0.23
Total LT	**88.73**
Meters	
Normal Load Growth	14.82
Reliability, Renovation, And Replacement	-
Supporting Infrastructure	0.07
Total Meters	**14.89**
Special Projects	0.97
CS	0.60
Stores	-

Asset Classification	Actual Capitalization
GIS	1.89
QA/QC	
Safety	
IT	0.81
Others	13.09
PSC	
RPRC	
Grand Total	**542.04**

The Commission has noted the submissions of TPL in the earlier paragraphs regarding the capital expenditure as well as capitalisation of assets. In the present case, the Commission notes that TPL has upgraded and uprated some of the existing sub-stations and lines as well as switchgear from 66 KV to 132 KV. Moreover, they have also established various sub-stations at 33 KV level in different parts of the city near the load centre. The aforesaid action led to reduction in the transmission and distribution losses. Similarly, removal of the old energy meters must have led to better accuracy in recording the energy which ultimately gets reflected in the revenue of the licensee.

Based on the above observations, and verification from the annual accounts, the Commission approves the net capitalization of Rs 542.04 Crore for FY 2015-16.

Funding of CAPEX

TPL has submitted the capitalisation and funding of CAPEX, as detailed in the Table below:

Table 4.15: Projected capitalization and sources of funding for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
		As Claimed
Opening GFA	a	3486.35
Addition to GFA	b	542.04
Deletion from GFA	c	13.42
Closing GFA	d= a+b-c	4014.97
Less: SLC additions	e	114.79

Particulars	FY 2015-16	
		As Claimed
Balance capitalization	f=b-c-e	413.84
Normative debt @ 70%	g=f*70%	289.67
Normative equity @ 30%	h=f*30%	124.15

The Commission approves the capitalization and funding as shown in the above table in the truing up for FY 2015-16.

4.5.3 Depreciation

TPL has claimed a sum of Rs. 124.64 crore towards actual depreciation in the truing up for FY 2015-16 against Rs. 117.71 crore approved in the MTR Order for FY 2015-16 as detailed in the Table below:

Table 4.16: Depreciation claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Depreciation	117.71	124.64

Petitioner's submission

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

Commission's Analysis

The details of opening balance of GFA, as on 1st April, 2015, addition to and deduction from the Gross Block, during FY 2015-16, and the depreciation on the assets, asset classification-wise, are given in the Petition. The Commission has verified the same from the annual accounts for FY 2015-16 and observed that depreciation has been shown as Rs. 124.64 Crores.

The Commission, accordingly, approves the depreciation at Rs. 124.64 crore in the truing up for FY 2015-16.

The deviation of Rs. 6.93 crore is considered as a loss and the same to be considered as uncontrollable item as the depreciation is dependent on Capex and capitalization.

The Commission, accordingly, approves the gains / losses on account of depreciation in the truing up for FY 2015-16 as detailed in the Table below:

Table 4.17: Depreciation and gain / loss due to depreciation approved in the truing up for FY 2015-16

(Rs. crore)

Particulars	As per MTR Order FY 2015-16	Approved in truing up for FY 2015-16	Deviation +(-)	Gain / (loss) due to uncontrollable factor
Depreciation	117.71	124.64	(6.93)	(6.93)

4.5.4 Interest expenses

TPL has claimed a sum of Rs. 76.40 crore towards actual interest expenses in the truing up for FY 2015-16 as detailed in the table below against Rs. 52.83 crore approved in the MTR Order dated 29.04.2014.

Petitioner's submission

Table 4.18: Interest claimed in the truing up for FY 2015-16

(Rs. crore)

Particulars	Amount
Opening Balance of Loan	544.22
Less: Reduction of Loan due to retirement or replacement of assets	0.00
Addition during the year	289.67
Repayment during the year	124.64
Closing Balance of Loans	709.27
Average Balance of Loan	626.74
Weighted average Rate of Interest on actual Loans (%)	11.63%
Interest Expenses	72.92
Finance Charges	3.51

Total Interest & Finance Charges	**76.43**

Commission's Analysis

The loan outstanding as on 1st April, 2015 has been verified with the tariff order dated 31st March, 2016 and found to be correct. The additional loan of Rs. 289.67 Crore is in accordance with the requirements of capitalisation and source of funding as approved in Table 4.15 above. GERC (MYT) Regulations, 2011, provide for computation of interest on loan on normative basis, based on the opening balance of loan brought forward from the previous year's closing balance, capitalisation and funding approved during the year. The opening balance of loan for FY 2015-16 has been brought forward from the closing balance of the loan outstanding as on 31.03.2015. As per GERC (MYT) Regulations, 2011, repayment of the loan is considered equal to the depreciation allowed and the rate of interest of 11.63% is considered as the Wt. Avg. rate of interest calculated on the basis of actual loan portfolio at the beginning of the FY 2015-16. The other borrowing cost, as per annual accounts, is Rs. 3.51 Crore for FY 2015-16. The Commission has recomputed the interest on loan for FY 2015-16, as detailed in the Table below:

Table 4.19: Interest approved by Commission during truing up of FY 2015-16

(Rs Crore)

Particulars	True Up FY 15-16
Opening Balance of Loan	544.22
Less: Reduction of Loan due to retirement or replacement of assets	0.00
Addition of Loan due to capitalisation during the year	289.68
Repayment of loan during the year	124.64
Closing Balance of Loan	709.26
Average Balance of Loan	626.74
Weighted average Rate of Interest on actual Loans (%)	11.63%
Interest Expenses	72.92
Finance Charges	3.51
Total Interest & Finance Charges	**76.43**

The Commission, accordingly, approves the interest and finance charges at Rs. 76.43 crore in the truing up for FY 2015-16.

With regard to the computation of Gains/(Losses), Regulation 23.2 of the GERC(MYT) Regulations,2011 considers variation in capitalisation on account of time and/or cost overruns / efficiencies in the implementation of capital expenditure project, not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. If the gain is on account of lesser capital expenditure and capitalisation, it cannot be attributed to the efficiency of the utility to allow 2/3rd of gain to the utility. Similarly, if the loss is on account of more capital expenditure and capitalisation due to bonafide reasons beyond the control of utility due to Force Majuere event like Act of God, non-receipt of statutory approval etc., the utility cannot be penalized by allowing only 1/3rd of the loss in the ARR. Accordingly, the Commission decides to consider variation in capitalisation as uncontrollable. Hence, the components of ARR related to capitalisation, like interest and finance charges, depreciation and return on equity are considered as uncontrollable.

The Commission, accordingly, approves the Gains/(Losses) on account of interest and finance charges in the truing up for FY 2015-16, as detailed in the Table below:

Table 4.20: Gains / losses approved in the truing up for FY 2015-16

(Rs. crore)

Particulars	As per MTR Order for FY 2015-16	Approved in truing up for FY 2015-16	Deviation +/(-)	Gain /(loss) due to uncontrollable factor
Interest and Finance charges	52.83	76.43	(23.60)	(23.60)

4.5.5 Interest on security deposit

TPL has claimed a sum of Rs. 40.42 crore towards interest on security deposit in the truing up for FY 2015-16 against Rs. 42.59 crore approved in the MTR Order as detailed in the table below:

Table 4.21: Interest on security deposit claimed for TPL-Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	MTR Order	Actual
Interest on Security Deposit	42.59	40.42

Commission's Analysis

The Commission has verified the actual interest on security deposit and found the same to be as per the financial statements submitted with the petition.

The Commission also observed that the Security Deposit amount was Rs. 476.94 Crores as on 31.03.2015 and Rs. 540.31 Crores on 31.03.2016. The average of opening and closing balance of security deposit for FY 2015-16 works out to Rs. 508.62 Crores. The interest on above security deposits during FY 2015-16 as per the GERC (Security Deposit) Regulations 2005 works out to Rs. 43.23 Crores @ 8.50%. However, the actual interest paid during the year as per the annual accounts is Rs 40.42 Crore.

The said Regulations provide for interest on security deposit at the Bank Rate, prevailing as on 1st April of the relevant financial year. In the financial statements it is shown as Rs. 40.42 Crores and TPL has also considered the same.

The Commission, accordingly, approves the interest on security deposit at Rs. 40.42 crore in the truing up for FY 2015-16.

The deviation of Rs. 2.17 crore is considered a gain on account of uncontrollable factor as detailed in the table below:

Table 4.22: Approved gain / loss due to interest paid on security deposit in the truing up for FY 2015-16

(Rs. crore)

Particulars	Approved in the MTR Order for FY 2015-16	Approved in the truing up for FY 2015-16	Deviation +/(-)	Gain / (loss) due to uncontrollable factor
Interest on Security Deposit	42.59	40.42	2.17	2.17

4.5.6 Interest on working capital

The working capital requirement is arrived at as per the GERC (MYT) Regulations, 2011. As the working capital requirement works out to be negative, the Petitioner has not claimed any interest on working capital.

Table 4.23: Interest on working capital claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	MTR Order	Actuals
O&M expense for 1 month	20.18	22.37
1 % of GFA for maintenance spares	28.73	34.86
Receivables for 1 months	368.49	400.72
Less: Security Deposit	448.35	508.62
Normative Working Capital	(30.95)	(50.67)
Interest Rate (%)	14.45%	14.75%
Interest on Working Capital	0.00	0.00

Commission's Analysis

The Commission has examined the interest on working capital claimed by TPL for FY 2015-16. The Commission has observed that TPL has worked out the interest on working capital, considering 14.75% as the SBAR as on 01.04.2015. The Commission, while truing up for FY 2011-12, decided to consider the rate (SBAR) prevailing as on 1st April of the financial year for which Truing up is being done. The SBAR as on 1st April, 2015 was 14.75%. The Commission, accordingly, takes into consideration the SBAR of 14.75% in computation of interest on working capital for FY 2015-16.

While computing the working capital, TPL has reduced the working capital by considering amount of security deposit for which interest is paid to the consumers. The Commission has reduced the working capital, by considering the average security deposit of Rs. 508.62 Crore for FY 2015-16 as per annual accounts.

The Commission, accordingly, approves the interest on working capital as 'NIL' in the truing up for FY 2015-16.

Table 4.24: Interest on working capital approved for TPL- Ahmedabad for FY 2015-16

(Rs Crore)

Particulars	MTR Order	Actuals
O&M expense for 1 month	20.18	22.37
1 % of GFA for maintenance spares	28.73	34.86
Receivables for 1 months	368.49	400.72
Less: Security Deposit	448.35	508.62

Normative Working Capital	(30.95)	(50.67)
Interest Rate(%)	14.45%	14.75%
Interest on Working Capital	0.00	0.00

4.5.7 Return on equity

TPL has claimed a sum of Rs. 169.86 crore towards return on equity @ 14% in the truing up for FY 2015-16 against Rs. 163.93 crore approved in the MTR Order dated 29.4.2014 as detailed in the Table below :

Table 4.25: Return on equity claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Opening Equity	1159.24	1151.19
Equity addition during the year	23.36	124.15
Closing Equity	1182.60	1275.34
Average of opening and closing Equity	1170.92	1213.26
Rate of Return on Equity	14%	14%
Return on Equity	163.93	169.86

Petitioner's submission

TPL has submitted that the closing balance of equity has been arrived at considering additional equity equivalent to 30% of the capitalization during the year. The return on equity has been thus computed applying the rate of 14% on the average of the opening and closing balance of equity for FY 2015-16.

Commission's Analysis

The opening equity for FY 2015-16 is same as the closing equity for FY 2014-15 approved in the true up order for FY 2014-15. The addition of equity of Rs. 124.15 crore during FY 2015-16 is due to net capitalization during the FY 2015-16.

The Commission has observed from the financial statements and as approved in Table 4.15 that there is an addition to GFA of Rs 542.02 crore and deletion from GFA of Rs

13.42 crore during FY 2015-16. Thus, net capitalization during the year is Rs 528.62 crore and considering the Service Line Contribution received during the year of Rs 114.79 crore, the balance capitalization works out to Rs 413.84 crore. The GERC(MYT) Regulations,2011 provide for funding of such balance capitalization through a mix of debt and equity in the ratio of 70:30. Accordingly, the equity addition for the year works out to Rs 124.15 crore and considering the rate of return of 14% as per the GERC(MYT) Regulations,2011 on average equity, the return on equity works out to Rs 169.86 crore as given in Table 4.25 above.

The Commission, accordingly, approves the return on equity at Rs. 169.86 crore in the truing up for FY 2015-16.

The return on equity depends on the amount of capitalization 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 / loss on account of return on equity in the truing up for FY 2015-16 as detailed below.

Table 4.26: Return on equity and gain / loss approved in the truing up for FY 2015-16

(Rs. crore)

Particulars	As per MTR Order for FY 2015-16	Approved in truing up for FY 2015-16	Deviation +/(-)	Gain / (loss) due to uncontrollable factor
Return on equity	163.93	169.86	(5.93)	(5.93)

4.5.8 Income Tax

TPL has claimed a sum of Rs. 135.16 crore towards Income Tax in the truing up for FY 2015-16 against 'NIL' Income Tax approved in the MTR Order for FY 2015-16 as detailed in the table below:

Table 4.27: Income Tax claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Income Tax	0.00	135.16

Petitioner's submission

The Petitioner submitted that the Profit Before Tax (PBT) for FY 2013-14 and FY 2014-15 was including the provision made in the books for the purchase of power from UNOSUGEN. The same was provided for in the accounts pending the adoption of tariff of UNOSUGEN to source power for TPL-Distribution. As the regulatory approval has not come yet, the Petitioner TPL could not include the same in the cost. Therefore, the Petitioner reversed the provisions made in FY 2013-14 and FY 2014-15 in accounts of FY 2015-16. In turn, the Petitioner had given the effect of such reversal of UNOSUGEN Cost of FY 2014-15 and arrived at the claim for Income tax based on actual tax paid. However, while approving the Income Tax of FY 2014-15, the Commission has not taken cognizance of the same. The matter is currently sub judice. In turn, the Petitioner has taken into account Rs. 33.25 Crore of income tax claimed for FY 2014-15 as per the last year's petition along with the claim of income tax for the FY 2015-16 based on the audited accounts.

Further, for FY 2015-16, the Petitioner has claimed the Income Tax based on the actual tax paid in proportion to the PBT of TPL-Distribution, without taking into effect reversal of the UNOSUGEN provision, as per the accounts of FY 2015-16. The same is calculated as Rs. 101.91 Crore. Hence, the total amount claimed under the head of Income-Tax is arrived at after the addition of both of the above as Rs. 135.16 Crore.

However, in a submission made by TPL regarding reconciliation of income tax claimed, TPL has claimed it has made an inadvertent error in FY 2014-15 Tax claimed in FY 2015-16. Due to this, TPL has reduced its income tax claim by Rs 1.31 crore for Ahmedabad license area. Therefore, the total income tax claimed by TPL-D(A) for FY 2015-16 is Rs 133.85 crore.

Commission's Analysis

TPL has claimed Income Tax of Rs 33.25 of FY 2014-15 in FY 2015-16 based on reversal of UNOSUGEN Cost. TPL has also claimed the actual Income Tax apportioned to the Ahmedabad distribution at Rs.101.91 crore for FY 2015-16.

It is observed that the Commission in its last true up order 1552 of 2015 dated 31st March, 2016 had taken a certain stand to treat the income tax which was claimed by the petitioner based on reversal of UNOSUGEN cost in accounts.

The relevant excerpt of the Order has been depicted below.

"*The Petitioner has submitted that PBT for FY 2013-14 and FY 2014-15 was including the provision made in the books for the purchase of power from UNOSUGEN as a source of power for TPL-D. TPL has further submitted that as regulatory approval has not come yet, TPL could not include the same in the cost. TPL has therefore reversed the provisions made in FY 2013-14 and FY 2014-15 in the current year accounts i.e., in FY 2015-16 and added that reversal amount of Rs. 235.62 Crore to PBT of FY 2014-15 and claimed Rs. 33.25 Crore towards Income Tax in proportion to the total tax paid on the total PBT of the TPL as a whole. Since, this is a notional entry, the Commission has not taken cognizance of the same.*"

The Commission observed that the matter is still sub-judice and in the absence of any decision of the Tribunal in the matter, the Commission decides not to take cognizance of the same in the True Up of ARR of 2015-16.

The Commission has verified the PBT figures with the Annual Accounts for FY 2015-16 and has found that the Petitioner has earned a PBT of Rs. 465.88 Crore. The PBT as per standalone financial statement of TPL is Rs. 1163.82 crore and the total current tax paid is Rs 247.60 crore.

The Commission has computed the income tax for the Petitioner in the ratio of income tax paid to PBT earned. The income tax apportioned to TPL-D(A) is Rs. 99.11 Crore for FY 2015-16.

Therefore, the income tax liability on TPL-D(A) is determined to be Rs 99.11 crore which needs to be further reduced by Rs 1.31 crore as submitted by Petitioner on account of inadvertent error in calculation of tax during FY 2014-15.

The Commission, accordingly, approves the income tax at Rs.97.80 crore in the truing up for FY 2015-16.

The Commission has treated the income tax as an uncontrollable expense and, accordingly, approved the gains / losses on account of income tax in the truing up for FY 2015-16, as detailed in the Table below:

Table 4.28: Income tax and gain / loss due to income tax approved in the truing up for FY 2015-16

(Rs. crore)

Particulars	As per MTR Order for FY 2015-16	Approved in truing up for FY 2015-16	Deviation +(-)	Gain / (loss) due to uncontrollable factor
Income Tax	0.00	97.80	(97.80)	(97.80)

4.5.9 Bad debts Written Off

TPL has claimed a sum of Rs. 4.92 crore towards bad debts written off in the truing up for FY 2015-16 against Rs.1.50 crore approved in the MTR order for FY 2015-16 as detailed in the table below:

Table 4.29: Bad debts claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Bad debts written off	1.50	4.92

Petitioner's submission

The Petitioner has requested to consider the actual bad debts written off as controllable item of expenditure in accordance with the Commission's stand in the Order 1552 of 2015 dated 31st March, 2016.

Commission's Analysis

The Commission has verified the bad debts written off from the annual accounts submitted by TPL for FY 2015-16.

The Commission, accordingly, approves the bad debts written off at Rs. 4.92 crore in the truing up for FY 2015-16.

The deviation in bad debts is Rs. 3.42 crore which is a loss due to controllable factors.

The Commission, accordingly, approves the gain / loss on account bad debts in the truing up for FY 2015-16 as detailed below:

Table 4.30: Bad debts and gain / loss approved in the truing up for FY 2015-16

(Rs. crore)

Particulars	As per MYT Order for FY 2015-16	Approved in truing up for FY 2015-16	Deviation +/(-)	Gain / (loss) due to controllable factor
Bad debts written off	1.50	4.92	(3.42)	(3.42)

4.5.10 Contingency Reserve

Petitioner's submission

TPL has proposed the contingency reserve at Rs. 0.60 crore in the truing up for FY 2015-16 which is the same as approved in the MTR order for FY 2015-16 as detailed in the Table below:

Table 4.31: Contingency Reserve claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Contingency Reserve	0.60	0.60

Commission's Analysis

The proposed contingency reserve is consistent with the MYT Regulations, 2011.

Table 4.32: Contingency reserve and gain/loss approved in the truing up for FY 2015-16

(Rs. crore)

Particulars	As per MYT Order for FY 2015-16	Approved in truing up for FY 2015-16	Deviation +/(-)	Gain / (loss) due to uncontrollable factor
Contingency Reserve	0.60	0.60	-	-

The Commission, accordingly, approves the contingency reserve at Rs. 0.60 crore in the truing up for FY 2015-16.

There is no deviation in the contingency reserve.

4.5.11 Prompt Payment Rebate

The Commission had approved an amount of Rs 30.36 Crore towards Prompt payment Rebate for FY 2015-16 in the MTR order. The actual, as per annual accounts is Rs 38.20 Crore. TPL has excluded the Prompt Payment Rebate from Torrent Power Limited-Distribution, Ahmedabad Truing up for FY 2015-16, the approved ARR as well as Revenue. The Commission approves the actual Prompt Payment Rebate of Rs 38.20 Crore as per annual accounts and considers the revenue, including the Prompt Payment Rebate. The variance of Rs 7.84 Crore is allowed as a deviation due to uncontrollable factors, as detailed below.

Table 4.33: Prompt Payment Rebate and Gains/(Losses) approved in the Truing Up of FY 2015-16

(Rs Cr)

Particulars	As per MTR Order for FY 2015-16	Approved in truing up for FY 2015-16	Deviation +/(-)	Gain/ (loss) due to uncontrollable factor	Gain/ (loss) due to controllable factor
Prompt payment Rebate	30.36	38.20	(7.84)	-	(7.84)

4.5.12 Non-Tariff income

TPL has claimed a sum of Rs. 78.55 crore as the non-tariff income in the truing up for FY 2015-16 against Rs. 88.10 crore approved in the MTR order for FY 2015-16 as detailed in the table below:

Table 4.34: Non-Tariff income claimed for TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Non-Tariff income	88.10	78.55

Petitioner's submission

The Petitioner has submitted that the actual non-tariff income for FY 2015-16 is Rs. 78.55 crore and has claimed it as a controllable item.

Commission's Analysis

The non-tariff income as specified in Regulation 99 of the GERC (MYT) Regulations, 2011, includes various items such as income from sale of scrap, income from statutory investment, interest on advances to supplier/contractor, Meter/metering equipment/service line rentals, Service charges, Customer charges, Recovery for theft and pilferage of energy, Prompt Payment Rebate, Miscellaneous receipts, etc. The Commission noted that the non-tariff income claimed by the petitioner for FY 2015-16 is Rs. 78.55 crores.

The Commission verified the non-tariff income from the annual accounts and found it to be Rs 81.18 crore which includes Rs 2.60 crores towards Provision of Doubtful Debts no longer required and Insurance claim receipt of Rs 0.03 crore. Since Provision of Doubtful Debt is not allowed as an expense in the ARR and insurance claim receipt is considered in O&M expense, the Commission decides to exclude these elements to arrive at the Non-Tariff Income of Rs 78.55 crore for FY 2015-16.

The Commission, accordingly, approves the non-tariff income at Rs. 78.55 crore in the truing up for FY 2015-16.

The deviation in non-tariff income assessed at Rs. 9.55 crore is a loss. In the MTR Order dated 22.04.2014, the Commission approved Non-Tariff Income for FY 2015-16 at the level of actual trued up for FY 2012-13 which considered the recovery of bad debts to the tune of Rs 2.16 crore. Accordingly, out of bad debts recovery of Rs 4.23 crore, the Commission considers Recovery of Bad Debt of Rs 2.16 crore as controllable and balance amount as uncontrollable.

The Commission, accordingly, approves the gains / losses on account of non-tariff income in the truing up for FY 2015-16 as detailed below.

Table 4.35: Non-tariff income and gains / losses approved in the truing up for FY 2015-16

(Rs. crore)

Particulars	As per MYT Order for FY 2015-16	Approved in truing up for FY 2015-16	Deviation +/(-)	Gain/ (loss) due to uncontrollable factor	Gain/ (loss) due to controllable factor
Non-tariff income	88.10	78.55	(9.55)	11.72	(2.16)

4.5.13 Revenue from sale of power

Petitioner's submission

TPL has submitted a sum of Rs. 4641.94 crore as the revenue from sale of power in the truing up for FY 2015-16 as against Rs 4686.52 approved by the Commission in the tariff order dated 31st March,2015, as detailed in the table below.

Table 4.36: Revenue with existing tariff claimed by TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	ARR Order	Actual
Revenue from existing tariff	4686.52	4641.94

Table 4.37: Reconciliation of Revenue with existing tariff claimed by TPL- Ahmedabad

(Rs Cr)

Particulars	As Claimed by TPL
As per petition (Table 30 of the Petition)	4,641.94
Add: Prompt Payment Discount (Note 18 of Annual Accounts)	38.20
Add: Adjustment in revenue as per GERC RP order dated 01.07.2016	128.46
Gross Revenue as per Audited Accounts (Note 15 of Annual Accounts)	4,808.61

Commission's Analysis

As per annual accounts submitted by TPL, the revenue from sale of power for FY 2015-16 is Rs 4808.61 crore. This includes revenue of Rs 128.46 Crore towards under recovery of FPPPA pertaining to FY 2014-15 realized in FY 2015-16 as per Order dated 08.06.2017. Thus the net revenue for FY 2015-16 of Rs 4680.14 Crore (Rs 4808.61 – 128.46) is approved by the Commission for true up of FY 2015-16.

Table 4.38: Gross revenue as approved by Commission

(Rs Cr)

Particulars	As approved by Commission
Gross Revenue as per Audited Accounts (Note 15 of Annual Accounts)	4,808.61
Less: Adjustment in revenue as per GERC RP order dated 08.06.2017	128.46
Approved Revenue by Commission	**4680.14**

The Commission, accordingly, approves the revenue from sale of power at Rs. 4680.14 Crore in the truing up for FY 2015-16.

4.5.14 Gain / Loss under truing up for FY 2015-16

The Commission has reviewed the performance of TPL-D Ahmedabad Supply Area under Regulation 22 of the GERC(MYT) Regulations, 2011, for FY 2015-16. The Commission has computed the gain / loss for FY 2015-16 based on the truing up for each of the components discussed in the above paragraphs.

The Aggregate Revenue Requirement (ARR) approved in the MTR Order dated 29th April, 2014, read with APTEL Judgement dated 16.02.2015, and the actuals claimed in truing up, approved for truing up, Gains/(Losses) computed in accordance with the GERC (MYT) Regulations, 2011 are as given in the Table below:

Table 4.39: ARR approved in respect of TPL- Ahmedabad in the truing up or FY 2015-16

(Rs. Cr)

All Figures in Rs. Crores	FY 2015-16 (MTR Order)	FY 2015-16 (Claimed)	Approved for FY 2015-16	Over(+)/Under (-) recovery	Controllable Gain/(Loss)	Uncontrollable Gain/(Loss)
Power Purchase	3,994.31	3,889.38	3880.29	114.02	72.15	41.87
O&M expenses	242.10	268.41	268.41	(26.31)	(26.31)	
Depreciation	117.71	124.64	124.64	(6.93)	-	(6.93)
Interest and Finance Charges	52.83	76.43	76.43	(23.60)		(23.60)
Interest on Working Capital	-	-	-			
Interest on SD	42.59	40.42	40.42	2.17	-	2.17
Return on Equity	163.93	169.86	169.86	(5.93)	-	(5.93)
Bad debts written	1.50	4.92	4.92	(3.42)	(3.42)	-
Contingency reserve	0.60	0.60	0.60	-	-	-
Income Tax	-	135.16	97.80	(97.80)	-	(97.80)
Prompt Payment Rebate	30.36	38.20	38.20	(7.84)	-	(7.84)
Less: Non-Tariff Income	88.10	78.55	78.55	(9.55)	2.16	(11.72)
ARR	**4,557.83**	**4,631.27**	**4,623.02**	**(65.19)**	**44.58**	**(109.78)**

4.5.15 Sharing of Gains / Losses for FY 2015-16

The Commission has analysed the gains / losses on account of controllable and uncontrollable factors.

The relevant Regulations are extracted below*:*

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

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

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

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

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

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

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

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

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

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

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

The trued up ARR for FY 2015-16 as claimed by TPL-D Ahmedabad and as approved by the Commission is summarized in Table below:

Table 4.40: Approved Trued up ARR incl. Gains/(Losses) for TPL-D Ahmedabad for FY 2015-16

(Rs. Crore)

Particulars		**Claimed in true up for FY 15-16**	**Approved in true up for FY 2015-16**
ARR as per MTR	a	4557.83	4557.83
Gain/losses due to uncontrollable factors	b	(138.46)	(109.78)
Gain/losses due to controllable factors	c	65.04	44.58
Pass through as tariff	d=-(1/3rd of b+c)	116.79	94.92
Trued up ARR	**e**	**4674.61**	**4652.75**

The Petitioner has submitted to consider the amount of Rs. 395.65 crore being the revenue against past years resulting on account of certain orders of the Commission and various judgements of APTEL as the amount was received as revenue in FY 2015-16. Therefore, the standalone revenue for FY 2015-16 is claimed to be Rs 4246.29 crore (deducting Rs 395.65 Crore from revenue from power sale of Rs 4641.94 Crore).

With reference to a Commission's query for reconciliation of Rs 395.65 crore in respect to various Judgements of the Hon'ble APTEL and consequential orders issued by the

Commission in regard to those Judgements, TPL has furnished the information which is compiled in the Table below.

Table 4.41: Reconciliation of earlier revenue gap

(Rs Crore)

Particulars	**Gap for Tariff Petition**	**Remarks**
Part-1		
Trued up Gap/ (Surplus) for FY 13-14	341.42	Tariff Order in Petition No. 1467/2014 dated 31/03/15 (table 4.42)
Adjustments as per 3rd party Audit Report	(0.08)	
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	(1.70)	
Revenue towards recovery of Earlier Years' approved Gap/ (Surplus)	38.26	
Gap/ (Surplus) for FY 13-14 considered in tariff of FY 15-16	**377.90**	
Less:		
Adjustments as per 3rd party Audit Report	-	Adjustments considered towards respective earlier years for carrying cost
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	-	
Net trued-up Gap/(Surplus) for FY 13-14	**377.90**	
Add: Impact of other Orders		
FY 13-14 Power Purchase Cost	2.03	Rectification order dated 18/11/15 (Petition No. 1510/2015)
FY 13-14 Sharing of Gains/(Loss) for Bad Debts	0.32	APTEL judgement dated 06/05/15 (Appeal No. 150 & 151/2014)
Revenue towards recovery of Earlier years' approved Gap/ (Surplus)	7.35	APTEL judgement dated 11/12/15 (Appeal No. 142, 143 & 145/2015)
Clarification/ Rectification Order	8.06	Tariff Order dated 31/03/15 (Petition No. 1467/2014 - Table 5.7) - FY 12-13 CP order to be considered towards respective year for carrying cost
Total Gap/(Surplus) for FY 13-14	**395.65**	

The Commission has considered Prompt payment Discount of Rs 38.20 crore as a part of the ARR, hence, it is not reduced it from the total revenue of Rs 4808.61 crore as shown in the financial statements.

The Commission has considered revenue of Rs 4680.14 crore as approved in para 4.5.13 for the computation of net revenue gap for FY 2015-16.

The revenue gap claimed and approved for Ahmedabad supply area for FY 2015-16 are detailed in the Table below:

Table 4.42: Approved Revenue Gap for TPL- Ahmedabad for FY 2015-16

(Rs. crore)

Particulars	**As claimed by petitioner for FY 2015-16**	**As approved for FY 2015-16**
Total revenue	4641.94	4680.14
Less: Revenue towards recovery of earlier year's approved gap	395.65	395.65
Effective Revenue	4246.29	4284.49
Trued up ARR	4674.61	4652.75
Revenue Gap	**428.32**	**368.25**

Accordingly, the Commission now considers the trued-up revenue gap of Rs. 368.25 Crore for FY 2015-16 for determination of tariff for FY 2017-18.

4.6 PSDF Support

The issue that benefit of PSDF support was not fully passed on to the consumers of Ahmedabad, Gandhinagar and Surat by Torrent was raised from time to time by several consumer associations including the State Government. It was observed that the PSDF Scheme was operative from June 2015, and the PSDF support was available only for the incremental PLF above base PLF and up to the target PLF during April 2014 to January 2015. The PSDF support was availed by TPL during the period starting from June 2015 till March 2016, and therefore it was examined during the true up for FY 2015-16. The Commission has tried to explain in brief the PSDF scheme in the following paragraphs;

Power System Development Fund (PSDF) has been constituted vide Central Electricity Regulatory Commission (Power System Development Fund) Regulations, 2010 - dated 4th June 2010. The fund is credited with the amount realised from congestion Charges, Deviation Settlement Charges and other charges as may be notified by the Central Commission from time to time. The disbursement of the funds under PSDF was to be sanctioned by an inter-ministerial Monitoring Committee headed by Secretary, Power. The scheme in question is made for utilisation of gas based power generation capacity for 2015-16 and 2016-17 by supplying imported spot RLNG to the stranded gas based plants as well as plants receiving domestic gas up to a set target PLF. The plants under both categories are shortlisted for this scheme on some eligibility criteria and were to be selected for gas allocation on reverse e-bidding basis. However, this scheme envisaged sacrifices to be made collectively by all stake holders and support from PSDF. Further the Government of India has created an Empowered Pool Management Committee (EPMC) under Special Secretary/ Additional Secretary- MOP to oversee the implementation of this scheme. Support of PSDF was to be made available to the Generators through transparent e-bid process. The scheme envisages the indicative target price which is the net purchase prices for the discoms, was originally set as Rs. 5.50 per unit for stranded plants and Rs 4.19 per unit for domestic gas. Release of the PSDF support was made available to Discoms only after verification of specified documents from several government agencies under the supervision of EPMC.

In Gujarat, Dhuvaran-I, Utaran-II (GSECL) of State owned Generating stations, GSPC Pipavav, GSEGCL Hazira under State sector. Similarly, from private sector UNOSUGEN and DGEN (Torrent) and Essar plant were shortlisted as stranded plants. For domestic gas Dhuvaran –II ,UTRAN- I and GSEGCL Hazira was made as eligible units under State sector and Paghuthan (GTEC) and SUGEN (Torrent) were from private sector.

In addition to above, there were several other plants under central sector located in Gujarat were also eligible for PSDF support.

The Commission has permitted vide its letter dated 14th May 2015 the TPL to utilise the PSDF support for its SUGEN, UNO SUGEN and DGEN plants to the extent it is permissible under GOI scheme for short term purchases in lieu of approved power purchase arrangement between TPL and GUVNL with the condition that tariff under this scheme shall be either less than or equal to GUVNL price.

It is further clarified that the PPAs for UNOSUGEN and DGEN have not been approved. The power purchase arrangement from UNOSUGEN and DGEN was short term and the Commission's Regulations provide for approval of PPA only for long term and medium term power purchase arrangements.

During the proceedings of the present ARR and True up of FY 2015-16, in order to examine the PSDF implications in depth, the Commission directed the licensee to provide all relevant details including agreement with Generators, MOP, Gas Supplier etc. TPL has placed on record the documents relating to E-bid RLNG Scheme and the Tender Document of PSDF Support Agreement.

TPL's submission

TPL submitted that the documentation for PSDF support claim is to be done by the e-bid generator & not by the distribution licensee and most of such documentation relates to the activities carried out by e-bid generator. This further establishes the PSDF support is meant for the e-bid generator & not meant for distribution licensee. TPL informed that Trust & Retention Account (TRA) is opened by the e-bid generator & not by the distribution licensee. The distribution licensee is mandated to pass on the amount received under PSDF along with the purchase price of electricity generated under the e-bid Scheme to the Trust and Retention Account of e-bid generator. TPL submitted than in respect of the Distribution Licensee, it needs to be seen that the entire PSDF Support as contemplated by the Scheme has been paid to the Power Producer. The distribution licensee has therefore been a conduit in respect of the PSDF Support which has been paid in terms of the gross value of purchase of power i.e. the amount including the support from PSDF to

the Power Producer. The details of the release of PSDF amount to the Distribution Licensee and further the payment thereof to the Power Producer, were as under:

Table 4.43: Details of release of PSDF amount

(Rs)

Generator	Category	PSDF Entitlement on TIE (Rs.)	Amount Received (Rs.)
Phase-I			
SUGEN	DGP	53,58,38,292	53,58,38,292
UNOSUGEN	SGP	54,01,54,898	54,01,54,898
DGEN	SGP	1,69,45,05,065	1,69,45,05,065
Phase-II			
SUGEN	DGP	72,14,03,102	72,14,03,102
UNOSUGEN	SGP	43,72,70,507	43,72,70,507
DGEN	SGP	1,41,16,43,064	1,41,16,43,064

(as submitted by TPL)

It was further submitted by TPL that it had benefited its Consumers by receiving the incremental energy generated at the specified end use plant at the target price. The Scheme does not permit sale of electricity above the specified target price. TPL submitted the following information given in the table below shows the target price and the purchase price of per unit Round The Clock (RTC) Power and Day Power paid by Petitioner under the RLNG Scheme for which PSDF support has been granted to the Power Producer.

Table 4.44: Target price and the purchase price of per unit Round The Clock (RTC) Power and Day Power

Sr. No.	Target Price being the Net Purchase Price for DISCOM as	Revised Target Price being the Net Purchase Price for	Purchase Price per Unit of the Distribution Licensee.

	notified in the Scheme	DISCOM under the Scheme	
Phase-I			
DGP	4.19	3.39	2.28
SGP	5.50	4.70	3.97*
Phase-II			
DGP	4.19	3.39	2.28
SGP	5.50	4.70	3.97*

*Weighted average rate for procuring Day & RTC Power. *(as submitted by TPL)*

TPL submitted that for the SUGEN Plant, classified as DGP, the benefit of the RLNG Scheme in terms of reduction in variable cost has been passed on to the Consumers through quarterly FPPPA. SUGEN, being the DGP plant, recovers the fixed cost and accordingly, the Scheme has envisaged utilizing PSDF Support only towards the gas cost and in turn, the procurement cost of incremental energy from E-Bid RLNG was lower. Thus, the benefit of Scheme has been passed on the consumers by reducing the variable cost. In respect of DGEN and UNOSUGEN plants, classified as SGP under the Scheme, the benefit of the RLNG Scheme is passed on by way of Power Procurement at prices lower than the price at which the Distribution Licensee was procuring electricity from GUVNL (such power procurement from GUVNL was replaced by E-bid RLNG based power). Thus, the benefits of reduction in power purchase cost by procuring power under e-bid RLNG Scheme has been passed on to the consumers through quarterly FPPPA for FY 2015-16. TPL submitted that the price at which the power has been procured under the E-Bid RLNG Scheme has been allowed by the Commission and the entire transaction has been carried out in accordance with the GoI's E-Bid Scheme.

Commission's Observations

After careful examination of the submissions of the licensee, details as provided in FPPPA quarterly exercises in FY 2015-16 and comparison of tariff of TPL plants under E-bid subsidised RLNG and non e-bid un-subsidised RLNG, the Commission is of the view that benefit from SUGEN (Domestic Gas Plant) was passed on to consumers in the shape of reduction in FPPPA charges in 2015-16. The variable cost of SUGEN plant under subsidised PSDF scheme was Rs 2.28 to Rs 3.00 per unit in Q2 to Q4 as against variable cost of Rs. 4.32 to Rs 6.84 per unit in the same quarter from non-subsidised RLNG. Similarly, for UNOSUGEN and DGEN plants, whose PPAs are not approved by GERC so far but conditional permission was granted for short term purchase only for the GoI scheme in lieu of the approved power purchase arrangement with GUVNL, TPL was able to obtain the power from these plants @ 3.85 and Rs 4.21 per unit as against the power purchase cost of Rs 3.97 and Rs. 4.33 per unit from GUVNL. Thus there is a benefit of Rs 0.12/kWh in the power purchase cost which is passed on the consumers.

The scheme of PSDF support was for 2 years up to 31.3.2017 but for FY 2016-17, TPL has not qualified in the scheme. The Commission has already carried out the truing up exercise for FY 2015-16 wherein the benefit of PSDF support has already been factored in the power purchase cost.

5 Aggregate Revenue Requirement (ARR) for the control period FY 2016-17 to FY 2020-21 and determination of tariff for FY 2017-18

The control period is defined at Regulations 2 (17) of GERC (MYT) Regulations, 2016 to mean 1st April, 2016 to 31st March, 2021. The Petitioner has arrived at the ARR for the MYT 3rd Control Period (FY 2016-17 to FY 2020-21) for Ahmedabad and Gandhinagar Supply Area. The Petitioner TPL has filed Petition No. 1627 of 2016 on 30.11.2016 for ARR of 3rd MYT Control Period of FY 2016-17 to FY 2020-21 and proposed the determination of ARR as well as tariff for the FY 2017-18. The Commission has analyzed the proposal of TPL taking into consideration the comments and suggestions from the stakeholders, GERC (MYT) Regulations, 2016 and other relevant Regulations which include the GERC (Conduct of Business) Regulations, 2004, RPO Regulations, Distribution Licensee Regulations, etc.

5.1 Energy sales

It is necessary to have a category-wise energy sales projection for estimating the probable revenue from the sales and assess the quantum of power purchase. Realistic estimation of energy sales is, therefore, an important requirement. This section examines in detail the consumer category-wise sales projected by TPL in its MYT petition for the control period FY 2016-17 to FY 2020-21 for approval of ARR.

5.1.1 Category-wise consumers

The consumers in Ahmedabad and Gandhinagar are broadly categorized as under:

Residential-Domestic (RGP)	Applicable to lights, fans, appliances etc in residential premises
Commercial (Non RGP)	Applicable to lights, fans, appliances etc in commercial, industrial premises (other than residential)
LTMD	Applicable to motive power installations up to and including 15 BHP
	Applicable to motive power installations above 15 BHP
HT	Applicable to High tension consumers for maximum demand of

	100 kVA and above
	Applicable for supply consumers contracting maximum demand of 100 kVA and above not covered under HTMD pumping stations
HT (pumping station)	Applicable for supply to water and sewage pumping stations.
Others	Applicable to motive power for agricultural purpose
	Applicable to installations for temporary requirement of electricity supply

5.1.2 Overall approach to sales projections

TPL has submitted that Ahmedabad, after attaining "Mega city" status, saw multi fold development and consequently there has been increase in consumption of various commodities. The hike in construction and industrial activities, on account of this growth has led to sharp increase in energy consumption in residential, commercial and industrial consumers.

Even though the activities are likely to continue at the same level, the sales growth is expected moderately as observed from historical trends.

It is submitted by TPL that it has relied on past trends and given due weightage to trends in specific consumption and expected developmental plans, industrial and economic growth in Ahmedabad in arriving at sales growth.

5.1.3 Projected energy sales

Petitioner's Submission

TPL submitted that during 2nd MYT control period, the sales of HT category were substantially impacted due to open access. It is expected that similar trend will continue during 3rd MYT control period. For the rest of the categories, the growth in energy consumption is likely to remain normal and any additional spurt of growth is unlikely. Further, it is submitted that Commission has notified the Net Metering Regulations, 2016 for rooftop solar projects which encourages residential & non-residential consumers to set up rooftop solar projects. Since the scheme is at nascent stage, its impact is not known presently and TPL-D has not considered the impact on sales due to this factor.

It has been stated that Commission has carried out re-categorization of the LTP category during the 2nd MYT control period. Accordingly, the recategorized historical sales have been considered for carrying out the projections for the LT categories.

Table 5.1: Historical data for energy sales to consumers in Ahmedabad supply area

(MUs)

Category	2011-12	2012-13	2013-14	2014-15	2015-16(As claimed in true up)
RGP	1,830.15	1,965.19	2,041.87	2,309.32	2,434
Non-RGP	880.56	814.41	816.37	868.77	896
LTMD	1,303.87	1,487.02	1,513.70	1,571.66	1,633
HT	1,538.67	1,701.24	1,504.08	1,492.68	1,487
HT Pumping	88.31	103.84	110.38	117.42	120
Others	70.94	84.93	75.86	82.70	85
DOE Units	8.79		7.36	8.63	10
TOTAL:	**5,721.29**	**6,156.63**	**6,069.62**	**6,451.18**	**6,666**

5.1.4 Forecast of category-wise sales

The category-wise sales to consumers for the control period FY 2016-17 to FY 2020-21 is discussed in this section. The sales growth is based on historical trend (CAGR) with some marginal adjustments. The growth in energy consumption is likely to remain normal and any spurt in growth is unlikely. The category-wise sales forecast is as follows:

5.1.5 Residential (RGP)

Petitioner's submission

The Residential (RGP) category consists of Residential consumers and the higher growth in the past was mainly due to new construction activities in the residential/real estate projects. Further, the increase in the per capita consumption of residential consumers is mainly observed due to the increase in ambient temperature. The sales for RGP category is forecasted by considering the 4-year CAGR of 7.15%. The sales projected for the 3rd MYT Control Period and the YoY sales growth for the category is shown in the table below.

Table 5.2: Energy sales in RGP category projected for the control period FY 2016-17 to FY 2020-21

(MU)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MUs)	2608.00	2794.53	2994.41	3208.57	3438.06
YoY growth rate (%)		7.15%	7.15%	7.15%	7.15%

Commission's Analysis

The Residential category recorded a CAGR of 7.33% and 8.50% in energy sales during 4 year and 3 year periods respectively during FY 2011-12 to FY 2015-16. However it is felt the surge in electricity sales in the domestic segment would be primarily due to rise in temperature and not significantly for the growing urbanization in and around Ahmedabad. The Commission also noted that the Government of India as well as Government of Gujarat have framed the policy for Solar Rooftop projects. The Commission has also notified GERC (Net Metering Rooftop Solar PV Grid Interactive System) Regulations, 2016 which would have an impact on residential consumption to some extent during the 3rd MYT control period. Hence the Commission considers the estimate of the sales for this category during the control period as proposed by TPL.

The Commission approves the sales to the residential category for the period FY 2016-17 to FY 2020-21 growth as given in the Table below:

Table 5.3: Energy sales approved by the Commission for the residential category for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MUs)	2608.00	2794.53	2994.41	3208.57	3438.06

5.1.6 Non RGP Category

Petitioner's submission

The category consisting of the commercial consumers is expected to have lower growth in the consumption. TPL-D does not expect any major incremental activity due to reduction in new large commercial projects, offices, and malls within the licensed area.

Therefore, the growth rates in this category are expected to be moderate during the Control Period. The 4-Year CAGR of 3.35% also reflects the same trend. The sales forecast by TPL arrived at for the 3rd MYT Control Period based on CAGR is shown in the table below.

Table 5.4: Energy sales in Commercial category projected for the control period FY 2016-17 to FY 2020-21 (%)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	926.44	957.52	989.64	1022.84	1057.16
YoY growth rate (%)		3.35%	3.35%	3.35%	3.35%

Commission's Analysis

The Commission considers the forecast made by the Petitioner and approves the same as given in the Table below.

Table 5.5: Energy sales approved by the Commission for commercial category for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	926.44	957.52	989.64	1022.84	1057.16

5.1.7 Low Tension Maximum Demand (LTMD)

This category consists of the consumption from electric installations above 15 kW for residential purpose, pumping stations run by local authorities, commercial and industrial load. These are high consumption category of consumers which include the bigger commercial and industrial units.

Petitioner's submission

TPL submitted that due to recent economic slowdown and higher land cost within the licensee area and adherence to stringent environmental norms, major expansion in industrial category is not seen within the license area. Therefore, the additional growth in this category is likely to be moderate. The 4-Year CAGR of 2015-16 is 4.26%. The sales forecast for the MYT Control Period based on 4-Year CAGR for the category as projected by TPL is shown in the table below.

Table 5.6: Energy sales in LTMD category projected for the control period FY 2016-17 to FY 2020-21 (%)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	1702.90	1775.51	1851.22	1930.15	2012.45
YoY growth rate (%)		4.26%	4.26%	4.26%	4.26%

Commission's Analysis

The Commission considers the forecast as projected by the Petitioner and approves the same as given in the Table below.

Table 5.7: Energy sales approved by the Commission for LTMD category for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	1702.90	1775.51	1851.22	1930.15	2012.45

5.1.8 HT Pumping Stations (HTP)

Petitioner's submission

This category includes the water and sewerage pumping stations run by local authorities. The consumption in this category depends on the monsoon and water table in the licensed area. The YOY growth rate is assumed by the petitioner in line with the 4-Year CAGR of 7.99%. The sales forecast for the MYT control period for the category as projected by the Petitioner is shown in the table below.

Table 5.8: Projected energy for HT pumping category for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	129.70	140.06	151.26	163.34	176.40
YoY growth rate (%)		7.99%	7.99%	7.99%	7.99%

Commission's Analysis

The Commission considers the forecast as projected by the Petitioner and approves the same as given in the Table below.

Table 5.9: Sales approved by the Commission for HTP category for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MUs)	129.70	140.06	151.26	163.34	176.40

5.1.9 HT Maximum Demand (HTMD)

HTMD category includes major industries in Ahmedabad like textile, chemical process house, casting & moulding industries, and food & confectionary products. Most of these segments are facing stagnancy. Further, due to higher cost of space within the licensee area and adherence to stringent environmental norms, major expansion in this category is likely to take place outside the license area.

Petitioner's submission

In the last few years, some of the HT customers have set up their wind power generators and have availed the set-off of wind power generation against their consumption in the license area. The credit against wind power generation has been increasing over the years. This will have an impact on the actual sales of this category.

Further, the sales to this consumer category have been severely impacted due to operationalization of open access during the 2nd MYT Control Period. The growth in open access has been very high from FY 2013-14 to FY 2015-16. The net sales on this account have reduced drastically.

In this background, the gross HT sales for the MYT control period have been forecasted based on CAGR of 4.46%. The OA sales for FY 2016-17 are forecast based on current trends and thereafter a growth rate of 3% has been considered YOY.

Table 5.10: Energy sales projected by TPL for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MUs)	2084.38	2177.34	2274.44	2375.88	2481.84
YoY growth rate (%)		4.46%	4.46%	4.46%	4.46%
Less: Open Access Sales	500.00	515.00	530.45	546.36	562.75
Energy Sales(Mus)	1584.38	1662.34	1743.99	1829.51	1919.08

Commission's Analysis

The Commission considers the forecast made by the Petitioner and approves the same as given in the Table below.

Table 5.11: Sales approved by the Commission for HTMD category for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy Sales(Mus)	1584.38	1662.34	1743.99	1829.51	1919.08

5.1.10 Others

The category of others contains the sales to the GLP category, LTP (AG) and temporary units.

Petitioner's Submission

The potential for any spurt in growth is not prevalent due to the nature of consumption in the category. Therefore, the sales for the MYT period have been forecasted on the basis of 4-Year CAGR. The details of sales are shown in the table below.

Table 5.12: Projected energy sales to others for the control period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	89.48	93.72	98.17	102.83	107.71
YoY growth rate (%)		4.75%	4.75%	4.75%	4.75%

Commission's Analysis

The others category consists of the motive power for agriculture purpose and temporary installation supply. The Commission observed the growth rate in these categories vary from year to year depending upon the demand in this category. As far as the motive power for agriculture purpose is concerned, it seems there is not much variance because of limited agriculture consumers in the license area. However, the consumption of the temporary installation may vary from year to year which is dependent on various macro-economic aspects. Therefore, the CAGR proposed by the Petitioner seems more logical to accept and hence the Commission approves the sales for the control period FY 2016-

17 to FY 2020-21 with consideration of CAGR of 4.75% proposed by the Petitioner, TPL as given in table below:

Table 5.13: Sales approved by the Commission for others for the period FY 2016-17 to FY 2020-21

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	89.48	93.72	98.17	102.83	107.71

5.1.11 Summary of Energy sales

Commission's Analysis:

The category-wise energy sales for the control period for Ahmedabad and Gandhinagar license area for each of the categories as approved by the Commission is given in the Tables below:

Table 5.14: Approved Energy sales for the Ahmedabad area for the period FY 2016-17 to FY 2020-21

(MUs)

Category	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Residential	2608.00	2794.53	2994.41	3208.57	3438.06
Commercial	926.44	957.52	989.64	1022.84	1057.16
LTMD	1702.90	1775.51	1851.22	1930.15	2012.45
HT Pumping stations	129.70	140.06	151.26	163.34	176.40
HTMD	1584.38	1662.34	1743.99	1829.51	1919.08
Others	89.48	93.72	98.17	102.83	107.71
Total	**7040.90**	**7423.68**	**7828.69**	**8257.24**	**8710.86**

5.1.12 Distribution losses

Petitioner's submission

The Petitioner submitted that it has been maintaining the distribution losses at the minimum level and it is one of the best performing distribution companies across the country. It is submitted that further reduction in distribution losses would be difficult; instead, a propensity to increase would be there for the reasons explained hereunder.

TPL submitted that the losses in a distribution system are dependent on various factors like network load, voltage level at which energy is drawn, feeder lengths, load balance, etc. The system loss being a function of square of the system average load, the losses would tend to rise in geometric proportion if the technical system is not upgraded to cater to the higher load. The Petitioner submitted that the capital expenditure proposed during MYT 3rd Control Period to upgrade the infrastructure is intended to maintain the load density, which would contain increase in technical losses in the system to a great extent.

It is also submitted that the network would have inherent distribution losses because of technical parameters, which is unavoidable, and further the distribution loss would tend to increase. Therefore, in this scenario, the distribution loss would vary in a band close to the existing distribution loss level.

However, the Petitioner has claimed that it is making all efforts to maintain the existing distribution loss levels. Details of the efforts made by the Petitioner are as under:

a) Vigilance drive;

b) Slum Electrification;

c) Replacement of old/defective and mechanical meters;

d) Monitoring of closed and nil consumption services;

e) Mapping of consumer with distribution transformers for sale gap analysis;

f) Optimisation of length of feeders and distribution transformer sizes;

g) Relieving overloaded LT distributors;

h) Revamping and securitisation of service apparatus;

i) Power Factor Improvement;

Considering the above, the Petitioner projected the distribution loss for the control period as shown in the Table below.

Table 5-15: Projected Distribution Loss for the Ahmedabad area for the period FY 2016-17 to FY 2020-21

(%)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Distribution Loss	7.50	7.50	7.50	7.50	7.50

Commission's Analysis

The Commission has observed that the distribution loss proposed in the MYT order was 8.50% for FY 2015-16 against which TPL has actually reduced the loss to 7.15% during FY 2015-16. The Commission has approved the actual loss of 7.15 % for true up of FY 2015-16 as can be observed in the earlier chapters. The Commission also lauds the utility for its sustained efforts in bringing down the loss levels. But it is noticed that due to reasons as stated by TPL in the earlier paragraphs, it has been claimed that maintaining loss levels at 7.15% may not be possible in the near future. The Commission also noticed the fact that TPL has proposed 7.50% distribution loss constant throughout the control period. Given the fact, that substantial amount of capital expenditure is proposed by TPL and also capitalization for almost all major projects over the years, the Commission therefore does not agree with the reasons for increase in distribution losses from 7.15% to 7.50% as proposed by TPL.

The Commission has further observed that a significant capital expenditure plan in TPL-Ahmedabad area is proposed by TPL which has been detailed in later part of this chapter. The Capital Expenditure proposed by the TPL consists of uprating/upgrading of existing distribution system from 66 KV to 132 KV and 132 KV/220 KV to 220KV/400KV. Moreover, the Commission also noted the plan to augment the existing transformers capacity or the line capacity by replacement of old conductor/cables etc. Further, new sub-stations have been proposed to cater the existing and incremental demand of the consumers. The proposed expenditure by TPL during FY 2016-17 to FY 2020-21 is Rs 4214 Crores. The aforesaid capital expenditure should result in the benefit to the consumers due to reduction in the distribution losses. Schemes like augmentation of S/s capacity, replacement of energy meter are also beneficial with accurate measuring of energy supply to the consumers and avoiding errors in measuring the energy. Therefore, the Commission is of the opinion that there should be reduction in distribution loss in the license area and the

benefit of the same must be passed on to the consumers who ultimately bear all the expenses.

Accordingly, the Commission approves the distribution loss over the third MYT control period as given in the Table below.

Table 5.16: Distribution losses approved by the Commission for TPL-D Ahmedabad area for the period FY 2016-17 to FY 2020-21

(%)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Distribution losses	7.50	7.00%	6.85%	6.70%	6.55%

5.1.13 Energy Requirement

Petitioner's submission

Energy requirement is the sum of total of energy sales and the transmission and distribution losses. Based on the projected energy sales and T & D losses, TPL has projected the energy requirement as given in the Table below:

Table 5.17: Energy requirement projected by TPL-D for Ahmedabad area for the period FY 2016-17 to FY 2020-21

(MU)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total sales	**7040.89**	**7423.68**	**7828.68**	**8257.26**	**8710.86**
Distribution Loss (%)	7.50%	7.50%	7.50%	7.50%	7.50%
Distribution Loss	570.88	601.92	634.76	669.51	706.29
Energy required at distribution periphery	7611.77	8025.60	8463.44	8926.77	9417.55
Transmission Loss	100.98	117.77	133.22	146.23	159.24
Energy Requirement of TPL-D(A)	**7712.75**	**8143.38**	**8596.66**	**9073.00**	**9576.39**

Commission's Analysis

Based on the energy sales approved in Table 5.14 and distribution losses as approved in Table 5.16 the Commission has computed the energy requirement of Ahmedabad

distribution area and at its periphery with the transmission loss % as per True Up of FY 2015-16 as given in Table below:

Table 5.18: Energy requirement approved by the Commission for TPL-D Ahmedabad area for the period FY 2016-17 to FY 2020-21

(MU)

Particulars	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20 -21
Total sales	7040.90	7423.68	7828.69	8257.24	8710.86
Distribution loss(%)	7.50%	7.00%	6.85%	6.70%	6.55%
Distribution loss	570.85	558.77	575.70	592.96	610.55
Energy required at distribution periphery	7611.37	7982.45	8404.39	8850.20	9321.41
Transmission loss	53.66	56.27	59.25	62.39	65.71
Energy requirement at TPL-D(A)	**7665.03**	**8038.72**	**8463.64**	**8912.59**	**9387.12**
Non Solar RPO component	632.36	663.19	698.25	735.29	774.44
Solar RPO	134.14	140.68	148.11	155.97	164.27

The Commission approves the energy requirement of TPL-D Ahmedabad supply area at its periphery as shown in the Table 5.18 above.

5.1.14 Energy Availability

Petitioner's Submission

The energy sourcing is planned to be done from two types of sources, i.e., (a) Long Term Sources and (b) Short Term Sources. The long term sources include TPL – G (APP), SUGEN and Renewable Energy sources. The short term sources include bilateral sources/power exchange. TPL submitted that sourcing of power from UNOSUGEN will be done upon adoption of tariff by the Commission.

The Petitioner has estimated the renewable energy requirement for the MYT control period based on RPO of FY 2016-17.

The balance power would be sourced from short-term sources as and when required. Further, the Petitioner has planned to source the power for the 3rd MYT Control Period subject to minimum technical/must run criteria and ageing of plants while ensuring reliability of power giving due consideration to optimization of cost.

Based on the above, the Petitioner submitted to the Commission to approve the power purchase quantum as proposed in the Table below.

Table 5.19: Energy availability as projected by Petitioner

(MU)

Source of Power (Station wise)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
AMGEN	2,470.20	2393.46	2393.27	2398.13	2444.43
SUGEN	5,935.00	6479.27	6729.57	6726.60	6671.85
Bilateral & Others	2,287.19	1773.40	1900.32	2431.95	3010.06
Renewables	579.17	1098.71	1233.25	1236.63	1233.25
REC	-				
Total	**11,271.57**	**11,744.84**	**12,256.41**	**12,793.31**	**13,359.58**

Commission's analysis

The Commission observed that TPL-D has projected power procurement from SUGEN plant at 88.59% PLF. However, the Commission has also observed that SUGEN does not have any long term FSA other than the existing FSA with GAIL and IOCL. However, considering the power procured from SUGEN during the three quarters of financial year 2016-17, the Commission has considered 65% PLF.

Further, TPL has projected the power requirement and availability of power from various sources. The Commission observed from previous years true up that TPL has been facing shortage of power since last four years as the availability of generation from SUGEN reduced drastically and the shortfall is either met by procurement under bilateral arrangement or short-term purchase through exchange or e-bidding as per MoP notification . The Commission feels that some flexibility may be given to TPL to procure power from market to meet the demand of power for the consumers.

The Commission has considered the price for procurement of power for the balance energy which is a direct impact of shortfall of the energy of SUGEN at Rs 3.15/kWh based on the weighted average actual short term power purchase cost incurred by TPL during first three quarters of FY 2016-17. This quantum of energy shall be purchased by TPL-D(Ahmedabad) through the E-bid/competitive bidding well in advance depending upon the requirement.

The Commission has also analysed the power procurement carried out by various entities through the Power Exchange established under the market development mechanism under the Electricity Act, 2003.

The Commission also noted that there may be shortfall of energy in the procurement of power through tied up sources which shall be made up by TPL through Power Exchange or e-bid procurement through MSTC.

The Commission also noted that the power procurement cost is about 80 % of ARR of the licensees. Therefore, it will be prudent that the licensees procure the power at competitive rates available in the market.

The Commission observed that TPL has proposed the procurement of renewable energy for non-solar at 8.25% and solar at 1.75% of the total consumption in the distribution licensee area for various years of the MYT control period, i.e. FY 2016-17 to FY 2020-21. The Govt. of India has directed that the consumption of solar energy needs to be enhanced upto 8% of total consumption by FY 2021-22. Moreover the Electricity Act, 2003 and National electricity policy and tariff policy provide for promotion of renewable energy sources including wind, biomass, solar, bagasse etc. Tariff Policy provides for procurement of energy from MSW based generation. Accordingly, the Commission has considered RPO targets for TPL-D (A) on the lines of state distribution utilities.

The RPO targets are given in the following table.

Table 5.20: RPO target approved by Commission for TPL-D

Description	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Solar	1.75%	3.00%	4.25%	5.50%	6.75%
Wind	7.75%	7.85%	7.95%	8.05%	8.15%
Others (Biomass, Small Hydro, Bagasse, MSW)	0.50%	0.50%	0.50%	0.75%	0.75%
RPO	**10.00%**	**11.35%**	**12.70%**	**14.30%**	**15.65%**

With the above RPO target, the energy availability projection as approved by the Commission is given below.

Table 5.21: Energy availability as approved by Commission

(MUs)

Source of Power (Station wise)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
AMGEN	2,470.20	2,393.46	2,393.27	2,398.13	2,444.43
SUGEN	4,754.49	4,754.49	4,754.49	4,754.49	4,754.49
Procurement of power through E-bid option or bilateral to meet the shortfall of energy (SUGEN)	1,180.51	1,724.78	1,975.08	1,971.51	1,917.36
Power Exchange and Others	1,671.25	1,427.40	1,440.18	1,679.69	1,969.09
Non Solar	923.67	970.18	1,022.42	1,109.38	1,169.65
Solar	195.93	348.57	514.24	693.36	887.09
Total	**11,196.05**	**11,618.87**	**12,099.68**	**12,606.56**	**13,142.11**

TPL-D is advised to adhere to the above power procurement sources and quantum as approved by the Commission. Commission is of the view that in case of urgent requirement of fulfilling its USO, TPL-D Ahmedabad is entitled to change the source of power supply. However, on completion of such event TPL-D Ahmedabad shall require post facto approval from the Commission for change in quantum and source of energy supply and the power procurement cost.

5.1.15 Power Purchase Cost

Petitioner's Submission

Based on the energy quantum estimated in table above, the power purchase cost for each of the sources is computed by the Petitioner. The source-wise estimated power purchase cost is provided hereunder:

- TPL-G (APP) – The power purchase cost is based on the costing arrived at from the ARR computation in the petition filed for TPL-G (APP).

- SUGEN Plant – The power purchase cost is as per the Hon'ble CERC approved tariff and operating norms from 2014-2019.
- Bilateral Sources/ Power Exchange – The power purchase rate for bilateral sources/power exchange is arrived at by considering the likely short term market conditions.
- Renewable Power Purchase Cost-The Petitioner has estimated the purchase of power from the tied up capacity of renewable energy sources to fulfil the Renewable Power Purchase Obligation in accordance with the GERC (Procurement of Energy from Renewable Sources) Regulations, 2010 read with the Amendment to the Regulations. Accordingly, the Petitioner has arrived at the renewable power purchase cost at the tariff rates approved by the Commission.

The power purchase cost as projected by the Petitioner is given below.

Table 5.22: Power Purchase Cost trajectory

(Rs Cr)

Source of Power (Station wise)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
AMGEN	1123.23	1111.40	1120.11	1132.77	1165.78
SUGEN	3126.06	3351.22	3449.12	3447.72	3426.92
Bilateral & Others	755.91	620.69	665.11	851.18	1053.52
Non Solar	383.40	616.65	678.95	680.81	678.95
Solar	82.20	11.37	0.00	6.41	15.41
Total	**5470.80**	**5711.33**	**5913.29**	**6118.89**	**6340.57**

Commission's analysis

The power procurement cost of TPL varies from source to source. In case of procurement of TPL-G AMGEN, the same has been derived from the power generation cost as determined by the Commission in Tariff Petition No. 1627 of 2016.

SUGEN tariff has been determined by the CERC and the Commission has adopted the same and factored in the power procurement cost. SUGEN cost also consists of the fixed cost as well as variable cost. Considering the availability of this plant to be more than 85% during the FY 2016-17 to 2020-21, the Commission observed that, TPL-D Ahmedabad

needs to pay fixed charge for the whole year if the generator has long term FSA and declare availability based on gas availability. The Commission has considered the same as payable to SUGEN. TPL has proposed variable charges of Rs 3.89/kWh as a weighted average cost of fuel from different sources for SUGEN plant. The Commission has accordingly considered Rs 3.89/kWh as the variable charges for SUGEN plant.

On the fixed cost component of SUGEN plant, the Commission has observed that CERC in its order dated 06.10.2015 in Petition No.186/GT/2014 has approved the annual fixed cost for SUGEN plant as under.

Table 5.23: Annual Fixed cost as given by CERC

(Rs Cr)

Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Annual Fixed Cost	1028.52	1037.61	1048.94	-	-

The Commission has further observed that as per the PPA, 74.62% capacity is contracted for Ahmedabad and Surat license areas. Hence, to determine the fixed cost for SUGEN applicable for TPL-D Ahmedabad and Surat license areas, Commission has worked out the annual fixed cost in proportion of the contracted capacity to total capacity for TPL-D as per PPA. Besides, for FY 2019-20 and FY 2020-21, Commission has considered the fixed cost to remain same as FY 2017-18 since CERC has not determined the AFC for these two years, which is line with the assumption made by TPL. The approved fixed costs are shown in the table below.

Table 5.24: Annual Fixed cost as approved by Commission

(Rs Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
CERC approved cost	1028.52	1037.61	1048.94	1048.94	1048.94
Approved for TPL-D	767.48	774.27	782.72	782.72	782.72

The Commission has also considered the power procurement cost under E-bid procured by the Petitioner TPL through MSTC during FY 2016-17 for power procurement through

the E-bid under competitive bidding. The Commission has also considered the power procurement from the Power/Energy Exchanges for meeting the shortfall energy during various years of the control period. To arrive at the per unit cost of the power procurement through energy exchange the Commission has considered the price discovered at Energy Exchanges during last three years. The Commission has considered on the basis of workings of first three quarters of FY 2016-17's FPPPA and has determined the average power purchase cost from the bilateral market at Rs 3.12/kWh.

The Commission has considered the weighted average tariff for solar at Rs 8.40/kWh and for wind at Rs 4.10/kWh for determination of power procurement cost from renewable energy. Considering above, the total procurement cost for power from different sources for TPL-D during FY 2016-17 to FY 2020-21 works out as given in the table below:

Table 5.25: Summary of approved power procurement sources with cost/kWh for FY 2017-18

Power Sources	Energy Received (MU)	Capacity Charges paid/ payable by Utility (Rs Crore)	Variable Cost per unit (Rs/kWh)	Total Variable Charges (Rs Crore)	Total Cost of Energy purchased (Rs Crore)	Unit/ Cost (Rs/ kWh)
AMGEN	2,393.46	307.46	3.29	786.98	1,094.44	4.57
SUGEN	4,754.49	774.27	3.89	1,849.50	2,623.76	5.52
Shortfall in SUGEN generation to be purchased through competitive bidding	1,724.78		3.15	543.31	543.31	3.15
Power Exchange	1,427.40	-	3.12	445.35	445.35	3.12
Non Solar	970.18	-	4.10	398	397.77	4.10
Solar	348.57		8.40	293	292.80	8.40
Total	**11,618.87**	**1,081.73**		**4,315.70**	**5,397.43**	4.65

Based on above the power procurement cost for the 3rd MYT control period FY 2016-17 to FY 2020-21 has been tabulated below.

Table 5.26: Approved power procurement cost for 3rd MYT period

(Rs Cr)

Source of Power (Station wise)	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
AMGEN	1,113.67	1,094.44	1,088.78	1,100.78	1,131.13
SUGEN	2,616.98	2,623.76	2,632.22	2,632.22	2,632.22
Shortfall in SUGEN generation to be purchased through competitive bidding	371.86	543.31	622.15	621.03	603.97
Power Exchange	521.43	445.35	449.34	524.06	614.36
Non Solar	378.71	397.77	419.19	454.84	479.56
Solar	164.58	292.80	431.96	582.42	760.56
Total	5167.23	5397.43	5643.63	5915.36	6221.79

The above power procurement cost is reflective of power requirement of both Ahmedabad and Surat area. For arriving at individual power purchase cost, the total power purchase cost is apportioned in the ratio of power requirement between the two cities. The following table depicts the power purchase cost of Ahmedabad area for the 3rd control period.

Table 5.27: Approved power purchase cost for TPL-D Ahmedabad

Description	2016-17	2017-18	2018-19	2019-20	2020-21
Power Purchase Cost	3,537.58	3,734.30	3,947.68	4,182.04	4,444.09

5.2 Fixed Charges

5.2.1 Operation and Maintenance (O&M) expenses

The O&M expenses comprise of (i) Employee expenses, (ii) Administration and General (A&G) expenses and (iii) Repairs and Maintenance (R&M) expenses.

Petitioner's Submission

The main drivers of O&M expenses are business growth, inflation, standard of performance, exposure of the assets to general public & safety norms.

The GERC (MYT) Regulations, 2016 provide that the O&M expenses for 3rd MYT Control Period shall be derived on the basis of the average of actual O&M expenses for three years ending on March 31, 2015. The average of such O&M expenses shall be considered as O&M expenses for the financial year ended March 31, 2014 and shall be escalated @5.72% to arrive at the O&M expenses for the subsequent years.

Accordingly, the Petitioner has submitted the O&M expenses arrived at through this methodology for Ahmedabad and Gandhinagar Supply Area as shown in the table below.

Table 5.28: O&M expenses projected by TPL-D Ahmedabad for FY 2016-17 to FY 2020-21

(Rs. Cr)

Sr. No.	Particulars	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Normative	Normative	Normative	Normative	Normative
1	Employee Expenses	115.25	121.84	128.81	136.17	143.96
2	A&G Expenses	76.42	80.79	85.41	90.30	95.46
3	R & M Expenses	82.89	87.63	92.65	97.95	103.55
4	**Total O&M Expenses**	**274.56**	**290.26**	**306.87**	**324.42**	**342.97**

TPL has submitted that the above O & M expenses do not take into account the uncontrollable expenses, such as the wage revision, change in law, change in levies, duties, taxes and charges etc. The Petitioner requested the Commission to treat this as uncontrollable expenses and that such expenses are to be allowed over and above the normal allowable components.

Commission's Analysis

The Commission has examined the O&M expenses proposed by TPL on composite basis for the control period for FY 2016-17 to FY 2020-21. As given in the GERC (MYT) Regulations, 2016, the Commission has computed the three years average value of actual O&M expenses for FY 2012-13 to FY 2014-15 as approved in the respective years true up orders. The figures derived from the above method is considered as the O & M expenses for the financial year ended on 31st March, 2014 and thereafter the said amount is escalated year on year with escalation factor of

5.72% to work out the operation and maintenance expenses for the 3rd MYT control period of FY 2016-17 to FY 2020-21 as shown in the Table below.

Table 5.29: O&M expenses approved by the Commission for TPL-D Ahmedabad & Gandhinagar for FY 2016-17 to FY 2020-21

(Rs Cr)

Sr. No.	Particulars	Approved O&M Expenses			3-Year Average	Normative	MYT Control Period				
		FY 2012-13	FY 2013-14	FY 2014-15		FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		(a)	(b)	(c)	(d) = [(a)+(b)+(c)]/3	(e)	Normative				
1	Employee Expenses	82.56	96.72	113.32	97.53	109.01	115.25	121.84	128.81	136.17	143.96
2	A&G Expenses	59.77	61.56	72.69	64.67	72.29	76.42	80.79	85.41	90.30	95.46
3	R & M Expenses	62.56	74.51	73.39	70.15	78.41	82.89	87.63	92.65	97.95	103.55
4	**Total O&M Expenses**	**204.89**	**232.79**	**259.40**	**232.36**	**259.70**	**274.56**	**290.26**	**306.87**	**324.42**	**342.97**

The Commission approves the O&M expenses for the control period FY 2016-17 to FY 2020-21 as per above Table.

5.2.2 Capital expenditure

Petitioner's submission

Ahmedabad and Gandhinagar city are being developed as the hub for commercial and service sector. The electricity demand has increased from 1272 MW in FY 2011-12 to 1720 MW in FY 2016-17 i.e. at a 5 Yr CAGR rate of about 6%. Further, the existing load density of Ahmedabad/Gandhinagar license area is about 5 MW/sq.km which is likely to increase in the coming years and there is potential for further horizontal and vertical development.

The rapid urbanization of the twin cities of Ahmedabad & Gandhinagar has resulted in increasing issues of availability of corridor for creation of evacuation network.

Further, new initiatives such as Smart City, infrastructure projects like BRTS/Metro, modern water/sewage systems will necessitate creation of state of the art electrical network with ability of handling large quantum of power at the highest levels of reliability.

While the Petitioner has been maintaining the existing network efficiently and is one of the best performing utilities in the country, it plans to undertake capital expenditure for augmentation and up-gradation of distribution network to meet the future load growth while ensuring reliability & quality of power along with safety measures.

The capital expenditure for Ahmedabad & Gandhinagar Area consists of expenditure to create capacity and reliability in EHV network to provide un-interrupted supply, additional EHV & HV substations to cater to the load growth, LT network to meet the consumer connectivity, customer connect centre, power supply centre, and other miscellaneous items such as automation, IT etc.

Table 5.30: Proposed Capital Expenditure for Ahmedabad Supply Area for MYT Control Period

(MU)

Project Title	CAPITAL EXPENDITURE				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Projected				
EHV Network	411.01	555.43	401.35	270.31	243.18
HT Network	258.84	192.67	188.30	182.15	104.76
LT Network	177.43	196.02	199.62	203.34	173.57
Meter Management	27.15	27.21	20.80	21.03	21.05
Other Departments	52.48	28.43	11.68	12.81	10.67
PSC	4.00	28.00	51.25	31.50	21.50
Miscellaneous	0.00	6.75	7.50	8.00	4.75
IT & Related Expenditure	16.98	11.01	15.14	8.08	8.34
	947.89	**1,045.51**	**895.64**	**737.21**	**587.82**

The Petitioner has further detailed the importance of the projects proposed to be taken up.

EHV Network:

For the Control Period, EHV capex has been framed keeping in view required supply points to be established at various locations with the assumption that last mile connectivity to TPL-D existing network will be made available by GETCO, being the State Transmission Utility. The cost to be incurred for setting up EHV substation for receiving power from GETCO is proposed to be borne by TPL-D and is therefore part of the control period estimates.

- Bulk Supply Points: Capital City of Gandhinagar is radially fed from AMGEN with standby source of 22 MW, at 66kV voltage level, from GETCO. Present loading of the transmission line to Gandhinagar is 78 MW and is expected to rise to 103 MW in 2019-20. For meeting contingency on event of any outage of AMGEN or transmission line, it is proposed to establish a 220 kV supply point at Gandhinagar. TPL has claimed that it will improve the loading conditions of existing supplying points 220 KV additional supply points at thaltej and vadaj. It is also proposed to identify and purchase the land near Ghuma to set up 400 KV S/S for sourcing power from CTU/STU to cater to the demand of the western part of the city. Moreover, the upgradation of existing 220 KV Nikol – 2 sub-stations to 400 KV and uprating of 132 KV Sabarmatri Ranasan line which were initiated in second MYT control period is expected to be completed in 3rd control period.
- EHV Lines: The following sections provide the details of individual expenditure items under the head of EHV lines.
  - *Increasing evacuation capacity of Nicol-2*: At present connectivity at Nicol-2 is of 220 kV with GETCO. Looking to the anticipated demand of the Ahmedabad Supply Area, it is proposed to enhance the 220 kV Nicol - 2 substation to 400 kV with Loop In Loop Out with CTU network.
  - Additional evacuation will also be required from Nicol-2 substation which will help in strengthening 132 kV network for meeting future load demand. The Odhav substation being fed from Nicol-2 will be initially upgraded to 132 kV GIS and thereafter to 220 kV. This will help to phase out existing 66 kV network and will also enable us to meet the power requirement of METRO.

- *GIS at Thaltej with Line LILO*: The 220kV evacuation cable from GETCO 400/220 kV substation will be extended upto Thaltej substation. Presently there is no space in the existing 132 kV switchyard. Hence, it is proposed to convert the existing 132 kV Air insulated switchyard at Thaltej to GIS.
- *Upgrading Vinzol to Amraiwadi, Odhav to Amraiwadi feeders and Amraiwadi substation*: For meeting load growth and supply demand of Amraiwadi area as well as to cater to the demand of METRO, it is proposed to upgrade the substation at Amraiwadi to 132 kV with 132 kV GIS. The associated panel boards and cable/lines are also required to be upgraded. The work on this scheme has been initiated during the MYT 2nd Control Period and is going to be completed during the MYT 3rd Control period.
- *Ongoing Schemes*: The work of 400 kV LILO of Dehgam-Pirana line at Nicol-2, Upgradation of Vasna Substation along with connectivity with ISRO, 132 kV line uprating between Jamalpur and Pirana, 132 kV Airport- Naroda- Nicol 1 connectivity, and conductor replacement between Nicol- 2 to Vastral which have been initiated during the MYT 2nd Control Period are expected to be completed during the MYT 3rd Control Period.

- EHV Substations: Ahmedabad & Gandhinagar City constitute mainly the urban area and has residential, commercial, & important government establishment. The system demand of Ahmedabad & Gandhinagar City is increasing year on year. In order to cater to these requirements, it is necessary to undertake capacity augmentations. Accordingly, the Petitioner proposes to acquire land at strategic locations and establish substations to meet future requirements.

The Petitioner has proposed to establish 132 kV substation at Lambha and acquire land for 132 kV substation at Ghodasar and Riverfront. Further, additional transformers of 132/33 kV and 132/11 kV are also required to be installed to cater to the load demand of nearby areas and to feed the upcoming 33 kV/11 kV substations respectively.

TPL has also received the application from one 132 kV customer which will be processed during the Control Period. In addition to the above, ongoing schemes of 132 kV substations at IT Park, Gandhinagar, Vadaj, Naranpura, Sabarmati, Nicol-1, and Vinzol

are expected to be completed during MYT 3rd Control Period. Further, the work of reshuffling of power transformers for optimisation is also expected to be completed during this period.

- 33 KV Substations: Considering the proposed expansion of existing network and the additional load growth in the supply area, 33 kV substations have been planned at Riverfront, GST, Sarkhej, Gita Mandir, Maninagar, GIDC Phase IV, Sumel-6, Transstadia, Shahwadi, Ashram Road, Electronics SEZ, GHB, New Naroda, ShahAlam, Gota, and IIT Gandhinagar. Further, additional transformers are proposed at 33 kV substations at Girdharnagar and IIM amongst others. It is also proposed to replace the existing transformers at various 33 kV substations. Ongoing schemes of 33 kV substations at New Naroda, Sumel-8, Shahpur, CTM, New Ranip, Motera, CG Road-2, Devraj Estate are expected to be completed during MYT 3rd Control Period. Further, installation work of additional 33 kV/11 kV transformer at Rakhial substation is also going to be completed in this period.
- Renovation & Replacement: It is proposed to incur capex for phasing out obsolete assets under the head of renovation and replacement.
- Safety: Safety schemes are proposed for ensuring general public safety, environment safety, and safety for employees. Some of the major safety schemes proposed pertain to providing underground cable connectivity between 132 kV Jamalpur to Vinzol SS and Dudheshwar to Naroda SS which are located in densely populated area. TPL-D has proposed to incur expenses for providing emulsifying system for EHV/33 kV substations, procurement of safety tools, revamping of earthing systems, replacement of old conductors, safeguarding of towers, replacement of switchyard equipment, earthing system for towers, and providing additional cross/arms and towers etc.
- Support infrastructure: Support infrastructure expenditure is proposed for general working, and purchase of advance tools & tackles, battery charger and relays.

The summary of expenditure planned for the above described items is provided in the table below.

Table 5.31: Proposed Capital Expenditure for EHV network in MYT Control Period

(Rs Cr)

Project Particulars	Projected FY 2016-17	Projected FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21
EHV					
Bulk Supply Points	52.38	62.44	27.68	-	82.20
EHV Lines	177.00	137.99	66.70	32.24	-
EHV SS Projects	85.63	102.39	120.37	123.40	74.04
33 kV SS Projects	74.59	192.83	155.98	106.96	79.62
Renovation and Replacement	4.95	3.89	4.19	4.44	5.09
Safety	8.69	51.14	24.67	1.00	0.90
Support Infrastructure	6.81	3.79	0.81	1.25	0.52
Automation	0.95	0.95	0.95	1.02	0.80
Total EHV	**411.01**	**555.43**	**401.35**	**270.31**	**243.18**

HT Network

- New Substations: To meet the additional load requirement of existing as well as new consumers the distribution transformers (DT's) need to be upgraded and new DT's need to be installed at the load centre. The substation needs to be planned in load centre to ensure lower LT length of lines to maintain the existing level of losses. This also involves the development of necessary network by laying new 11 kV cable and installation of switchgear.
- HT Consumers: Based on the expected number of new HT consumer as well as load enhancement of the existing consumers, the Petitioner has proposed expenditure for

creating necessary network infrastructure including HT cable, RMU and Other Accessories.

- Transformer Augmentation: In order to meet the load growth in the supply area, it is proposed to replace existing distribution transformers by higher size. Based on peak loading condition observed during May, 2016, the majority of replacement work is proposed to be carried out during FY 2016. Thereafter, around 85 transformers are proposed to be augmented, year on year.
- 11 kV Normal Load Growth/OHL Schemes: It is proposed to carry out network modification schemes including laying of new feeders from existing and proposed EHV substations. During the control period, network modification schemes are proposed in order to remove bottlenecks from existing system.
- Reliability, Renovation & Modernization: This includes expenses towards PILC cable replacement, taking of radial feed distribution substation into ring system, bifurcation of overcrowded feeders and implementation of Distribution Automation. Motorised RMU, RTU with Modems are to be installed on identified feeders for remote operation as a pilot project on 80 Distribution substations during FY 2016-17. From FY 2017-18 to FY 2018-19, it is proposed to carry out feeder Automation on around 420 Distribution substations year on year.

Table 5.32: Proposed capex in HT network

(Rs Cr)

Project Particulars	Projected FY 2016-17	Projected FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21
HT					
New Substations	30.00	30.90	31.83	32.78	33.77
New HT Consumers	24.59	25.33	26.09	26.87	27.68
Transformer Replacement	19.98	8.02	8.26	8.51	8.76
11kV Normal Load Growth	50.96	52.49	54.06	55.69	8.82

Reliability, Renovation & Modernization	55.78	56.99	48.51	40.76	14.07
Safety	77.03	18.40	18.96	16.90	10.96
Supporting Infrastructure	0.50	0.55	0.60	0.65	0.70
Reactive Power Compensation					
Total HT	**258.84**	**192.67**	**188.30**	**182.15**	**104.76**

LT Network

- New Connection/Load Extension/Reduction/ Slum Electrification Project: The LT capital expenditure is planned to provide network for the last mile connectivity as well as for maintaining “ready to serve” network. Around 85,000 applications year on year, for new connection/extension/reduction and slum electrification are expected to be released. This forms the basis for planning the expenditure for the LT network.
- Relieving Overload Distributions, Load Balancing/ Interlinking of New Substations: There are continuous changes in the load or demand requirement of the customers due to which the loading of the LT cables increase and this result into outages or breakdowns. Accordingly, it is proposed to undertake distributor load relieving/balancing and network modification schemes year on year for relieving overloaded distributors. It is also proposed to undertake interlinking of distributors year on year to enhance the system reliability.
- Supporting Infrastructure: This includes expenses on equipment’s such as Meggers, Cable Fault Locators, Thumpers, Reference Standard Meters, MRIs, etc.
- Reliability and Renovation: It is proposed to undertake schemes for old and obsolete network up gradation (T-off network removal/ Bifurcation of overcrowded distributors) for network improvement. This will increase the system reliability. Further, road widening work is being carried out at various places in and around the Supply area. This has necessitated shifting work of LT network & assets.

Table 5.33: Proposed capex in LT network

(Rs Cr)

Project Particulars	Projected FY 2016-17	Projected FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21
LT					
Normal Load Growth	42.39	45.89	45.85	45.81	45.77
Services on extension/reduction	28.21	27.09	27.06	27.04	27.01
SEP Services	4.18	0.00	0.00	0.00	0.00
Relieving Overload Distributors, Load Balancing & Distributor for Interlinking of New Substations	9.07	34.46	37.90	39.03	40.20
Reliability, Renovation & Replacement	6.48	31.23	43.99	45.31	46.67
Safety	2.67	38.03	40.47	41.68	42.93
Supporting Infrastructure	0.23	0.74	0.75	0.75	0.75
Total LT	**93.23**	**177.43**	**196.02**	**199.62**	**203.34**

TPL has also submitted that it has planned a capital expenditure of Rs 117.24 crore for upgradation of metering infrastructure over the next control period. Apart from that, TPL has planned a capital expenditure of Rs 338.86 crore on other items like safety, customer care, GIS, stores, power supply centre, IT and related expenditure etc.

Commission's Analysis

The capital investment is required to be made by TPL Distribution for various purposes like creation of new infrastructure to meet the load growth, to strengthen the existing system and increase its operational efficiency, replace old and obsolete assets etc. But 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 payable by the consumers. The Petitioner has proposed capital expenditure of Rs 4214.08 Crore along with capitalisation of Rs 4296.13 Crores during the control period.

Thus, the petitioner has proposed capitalization of 102% of the CAPEX during the third MYT control period. It is necessary that the benefit of such expense is available to the consumers. The Commission therefore finds it necessary to ensure that the proposed capital investment schemes do not impose avoidable burden on the consumers with increase in tariff and that the CAPEX should be utilized at optimum level.

Moreover, during examination of the capital investment proposed by the licensee in the 3rd control period, the Commission has noted that the actual investments as against approved investments in the MYT control period starting from 2011 onward is significantly lower, in-spite of the fact that the Commission has taken due care while allowing the cost of capitalization of the new investment in the tariff. The Commission feels that infusion of fresh capital in running the distribution system is also required so as to supply consistent and quality power to all its consumers. But at the same time, the Commission is of the view that there should be a scheme wise reconciliation for the capital expenditure sanctioned so far and actual investment made. Accordingly in this MYT order, the Commission is provisionally allowing the proposal of the licensee, subject to furnishing of a proper report at the time of true up exercise for the relevant year.

A separate Directive in this regard is given in this order.

The Petitioner has proposed to incur the capital expenditure towards various items as stated below:

Table 5.34: Summary of proposed capex according to technology

(Rs Cr)

Sr. No.	Particulars	Total capital expenditure during the control period (in Rs. Crores)	Total capitalisation of assets proposed during the control period
1	EHV Network	1881.27	1916.56
2	HT Network	926.73	953.48
3	LT Network	949.98	963.45
4	Meter Management	117.24	117.42
5	Other Departments,PSC,Misc	279.32	284.37
8	IT and related expenditure	59.54	60.85
	Total	**4214.08**	**4296.13**

The Commission approves the Capital Expenditure proposed by the TPL during the 3rd MYT control period of FY 2016-17 to FY 2020-21 as shown in the table below.

Table 5.35: Capex approved by the Commission

(Rs.Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Capex of the year	**947.89**	**1045.51**	**895.64**	**737.21**	**587.82**

Capitalisation/Gross fixed asset addition etc.

In reference to a query regarding scheme wise proposed capitalization over third control period, the petitioner has submitted the following.

Table 5.36: Capitalisation as proposed by TPL

(Rs Cr)

Particulars	Capitalization				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
EHV	329.92	561.05	491.53	277.72	256.34
HT	285.59	192.67	188.30	182.15	104.76
LT	190.90	196.02	199.62	203.34	173.57
Total Meters	27.34	27.21	20.80	21.03	21.05
Special Projects					
CS	29.07	13.98	0.21	11.91	5.01
Stores	22.62	8.86	10.21	-	5.25
GIS	3.06	3.80	0.85	0.85	0.35
QA/QC	1.73	0.35	-	-	-
Safety	0.85	1.44	0.41	0.05	0.06
IT	18.29	11.01	15.14	8.08	8.34
Others	-	6.75	7.50	8.00	4.75
PSC	4.00	28.00	51.25	31.50	21.50
RPRC	0.21	-	-	-	-
Grand Total	**913.57**	**1,051.13**	**985.82**	**744.63**	**600.98**

The capital expenditure proposed by the Petitioner during the last MYT control period of FY 2011-12 to 2015-16 and capitalisation of assets during the aforesaid period is stated in table below:

Table 5.37: Capitalisation trends of previous years

(Rs. Cr)

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Capex of the year	826.57	1450.70	806.99	279.34	356.45
Capitalization during the year	257.53	214.36	216.87	225.96	542.04
Interest during construction period (IDC)	-	-	-	-	-
Capitalisation plus IDC	257.53	214.36	216.87	225.96	542.04
% of capitalization to capex	31.16%	14.78%	26.87%	80.89%	152.07%

From the aforesaid table it can be observed that TPL has been able to capitalise only 31% of approved capital expenditure in FY 2011-12, 15% in to FY 2012-13, 27% in FY 2013-14, 81% in FY 2014-15, and 152% in FY 2015-16. It is also observed that only in FY 2015-16 the Petitioner was able to capitalize the expenses against the approved capex more than 100 %,. The Commission also noted that if capitalization against CAPEX for the initial three years of 2nd MYT control period is considered, the same works out to 22% and for four years, it works out to 27%. In the last year of 2nd MYT control period, i.e. FY 2015-16, both capex and capitalization has been quite high as compared to the previous years. It is observed that capitalisation of assets against approved CAPEX from FY 2011-12 to FY 2015-16 is 39%. Therefore, the Commission decides and approves the capitalisation of assets at 39% of proposed CAPEX by the Petitioner, TPL, as stated in the table below:

Table 5.38: Approved capitalisation for FY 2016-17 to FY 2020-21

(Rs. Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Capex of the year	947.89	1045.51	895.64	737.21	587.82
Capitalization during the year	**371.19**	**409.42**	**350.73**	**288.69**	**230.19**

It is pertinent to note here that for FY 2014-15 and FY 2015-16, the projected capex value has been taken from MTR Order, and the actual capitalization values are taken from respective year's true up orders.

TPL has envisaged huge Capex for various schemes *inter alia* special initiatives on almost all aspects of infrastructure upgradation that involves EHV, HT,LT, Meter as well as other provisions like customer care, safety etc. Although, as stated earlier, the Commission facilitates upgradation of infrastructure to ensure reliable and economic supply to the consumers, but at the same time, the Commission needs to analyse in detail the technical, economical, commercial relevance and also cost benefit analysis of such projects to be undertaken. A directive to this effect is issued separately in this order.

Keeping in view the objective of providing reliable and quality power, the Commission would not like to prune down the proposed capital expenditure at this stage pending a detailed technical,commercial,economical and cost benefit analysis review.

However, the capitalisation of CAPEX on various projects have not been considered as claimed by the petitioner as it would load the ARR purely on notional basis.

TPL may seek mid-term review of the capital investment plan along with others, if any, in accordance with GERC (MYT) Regulations, 2016.

The overall summary of the capex and capitalisation as projected by TPL is shown below.

Table 5.39: Summary of Projected capital expenditure and capitalization and funding for the control period FY 2016-17 to FY 2020-21

(Rs Cr)

Particulars	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
Capex of the year	947.89	1,045.51	895.64	737.21	587.82
Capitalization	913.57	1051.13	985.82	744.63	600.98
Less: SLC Additions	170.70	182.89	192.76	254.23	278.35
Less: Grant in aid					
Balance capitalization	742.86	868.25	793.06	490.40	322.63

Normative Debt @ 70%	520.00	607.77	555.14	343.28	225.84
Normative Equity @ 30%	222.86	260.47	237.92	147.12	96.79

The cumulative GFA as approved by the Commission is given in the Table below.

Table 5.40: Summary of GFA approved for the control period FY 2016-17 to FY 2020-21

(Rs Cr)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Opening GFA	4014.97	4386.16	4795.58	5146.31	5435.00
Add: Capitalization during the year	371.19	409.42	350.73	288.69	230.19
Less: Deletion during the year	0.00	0.00	0.00	0.00	0.00
Closing GFA	**4386.16**	**4795.58**	**5146.31**	**5435.00**	**5665.19**

The CAPEX, capitalization and funding approved by the Commission are given in the Table below:

Table 5.41: Approved capital expenditure and capitalization and funding for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Capex of the year	947.89	1,045.51	895.64	737.21	587.82
Capitalization	371.19	409.42	350.73	288.69	230.19
Less: SLC Additions	70.53	77.79	66.64	54.85	43.74
Less: Grant in aid	-	-	-	-	-
Balance capitalization	300.67	331.63	284.09	233.84	186.45
Normative Debt @ 70%	210.47	232.14	198.86	163.69	130.52
Normative Equity @ 30%	90.20	99.49	85.23	70.15	55.94

5.2.1 Depreciation

Petitioner's submission

TPL has submitted that the depreciation rates as per the CERC (Terms and Conditions of Tariff Regulations), 2004 are applied on the opening Gross Fixed Asset (GFA) of FY 2009-10 and for addition of assets from 1st April 2009 onwards depreciation has been computed at the rates specified in the GERC Regulations. The depreciation proposed by the Petitioner for the 3rd MYT control period, i.e. FY 2016-17 to FY 2020-21 is given in the table below.

Table 5.42: Depreciation projected by TPL- D Ahmedabad for the control period FY 2016-17 to FY 2020-21

(Rs. crore)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Depreciation	155.46	192.88	232.15	252.35	269.16

Commission's Analysis

The details of opening balance of assets as on 1st April, 2016, addition and deduction to the Gross Block during each year of the control period and the depreciation on the assets, asset classification-wise are as given in Form F5 of the petition. The Commission has considered the approved capitalisation of assets as the base for determination of depreciation for each item of the GFA. The Commission has considered the depreciation rates and the methodology adopted by TPL to work out the depreciation for the control period as under.

Table 5.43: Approved Depreciation for control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Depreciation	135.30	155.22	172.81	204.56	216.02

The Commission, accordingly, approves the depreciation for the control period FY 2016-17 to FY 2020-21 as detailed in the above table.

5.2.2 Interest expenses

The Petitioner submitted that the interest expenses for the 3rd MYT control period of FY 2016-17 to FY 2020-21 has been worked out as per the GERC (MYT) Regulations, 2016.

TPL has submitted that the interest expenses are calculated by applying the estimated opening Weighted Average Rate of interest of the 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 expense thus proposed for Ahmedabad and Gandhinagar Supply area is shown in the table below.

Table 5.44: Interest expenses projected by TPL- D Ahmedabad for control period FY 2016-17 to FY 2020-21

(Rs. cr)

Source of Loan	MYT Control Period				
	2016-17	2017-18	2018-19	2019-20	2020-21
	Projected				
Opening Balance of Loan	709.27	1,073.81	1,488.70	1,811.69	1,902.62
Less: Reduction of Loan due to retirement or replacement of assets	-	-	-	-	-
Addition of Loan due to capitalisation during the year	520.00	607.77	555.14	343.28	225.84
Repayment of loan during the year	155.46	192.88	232.15	252.35	269.16
Closing Balance of Loan	1,073.81	1,488.70	1,811.69	1,902.62	1,859.30
Average Balance of Loan	891.54	1,281.25	1,650.20	1,857.16	1,880.96
Weighted average Rate of Interest on actual Loans (%)	11.23%	11.26%	11.28%	11.28%	11.29%
Interest Expenses	100.14	144.32	186.11	209.57	212.32
Interest on Security Deposit from Consumers and Distribution system Users	43.37	48.42	53.58	58.85	64.22
Finance Charges	-	-	-	-	-
Total Interest & Finance Charges	**143.51**	**192.75**	**239.69**	**268.42**	**276.54**

Commission's Analysis

The Commission has considered the opening balance of loan for FY 2016-17 as the approved trued up closing balance of loan of FY 2015-16. Thereafter, the loan addition has been considered based on the capitalization approved for FY 2016-17 to FY 2020-21 in the earlier paragraphs of this order. For applicable rate of interest, the Commission has applied the weighted average rate of interest as on 1.04.2016, for FY 2016-17.

During the pendency of the proceedings the Petitioner, TPL submitted that the interest on loan shall be renegotiated with the financial institutions from whom the loan has been availed by the Petitioner. The Petitioner has in support of the same submitted a letter from State Bank of India (SBI), the lead bank, agreeing in principle for reduction in the rate of interest to 9.5% p.a.

The interest on loan has, therefore, been considered at 9.5% for FY 2017-18 to FY 2020-21.

Table 5.45: Interest expenses approved for TPL- D Ahmedabad for control period FY 2016-17 to FY 2020-21

(Rs. cr)

Source of Loan	MYT Control Period				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Approved				
Opening Balance of Normative Loan	709.27	784.44	861.36	887.21	846.34
Less: Reduction of Loan due to retirement or replacement of assets	-				
Addition of Loan due to capitalisation during the year	210.47	232.14	198.86	163.69	130.52
Repayment of loan during the year	135.30	155.22	172.81	204.56	216.02
Closing Balance of Loan	784.44	861.36	887.21	846.34	764.84
Average Balance of Loan	746.86	822.90	874.28	866.78	803.59
Weighted average Rate of Interest on actual Loans (%)	11.23%	9.50%	9.50%	9.50%	9.50%
Interest Expenses	83.87	78.18	83.06	82.34	76.34

Interest on Security Deposit from Consumers and Distribution system Users	43.37	48.42	53.58	58.85	64.22
Finance Charges	0.00	0.00	0.00	0.00	0.00
Total Interest & Finance Charges	**127.24**	**126.60**	**136.64**	**141.19**	**140.56**

The Commission, accordingly, approves the interest expenses as detailed in the above table for the control period FY 2016-17 to FY 2020-21.

5.2.3 Interest on Security Deposit

TPL has claimed a sum of Rs. 268.44 crore towards interest on security deposit for the control period for FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.46: Interest on security deposit projected for TPL-D Ahmedabad for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Interest Rate %	7.75%	7.75%	7.75%	7.75%	7.75%
Interest on Security Deposit	**43.37**	**48.42**	**53.58**	**58.85**	**64.22**

Petitioner's submission

TPL has submitted that it has estimated the interest on security deposit for each year considering the interest rate of 7.75% consistent with the approved rate on the average of opening and closing balance of security deposit for Ahmedabad Supply Area. The addition of deposit has been projected on the basis of growth during FY 2015-16 in the supply area.

Commission's Analysis

TPL has calculated the interest @ 7.75% P.A, being the Bank Rate prevailing as on 1st April, 2016, on the security deposit as projected for the control period and found to be correct.

The Commission, accordingly, approves the interest on security deposit for the control period FY 2016-17 to FY 2020-21 as detailed in the Table below:

Table 5.47: Approved interest on security deposit

(Rs Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Amount held as security deposit	559.56	624.23	691.41	759.32	828.59
Interest Rate %	7.75%	7.75%	7.75%	7.75%	7.75%
Interest cost on security deposit	**43.37**	**48.42**	**53.58**	**58.85**	**64.22**

The interest cost on security deposit has been clubbed in the interest & finance charges component in the ARR.

5.2.4 Interest on Working Capital

Petitioner's Submission

The interest on working capital is computed as per the GERC (MYT) Regulations, 2016. The interest rate, being the SBBR (State Bank Base Rate) on 1st April, 2016 plus 250 basis points, of 11.80% is to be applied on the working capital requirement arrived at in accordance with the Regulations.

The estimate of interest on working capital as projected by TPL is shown in the table below.

Table 5.48: Interest on working capital projected by TPL- Ahmedabad for control period FY 2016-17 to FY 2020-21

(Rs. cr)

Sr. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
1	O&M expenses for 1 month	22.88	24.19	25.57	27.03	28.58
2	1% of GFA for maintenance spares	40.15	49.29	59.80	69.65	77.10
3	Receivables for 1 month	378.08	407.34	434.12	457.49	479.23
4	Less: Security Deposit	559.56	624.83	691.41	759.32	828.59

5	Normative Working Capital	-	-	-	-	-
6	Interest Rate	11.80%	11.80%	11.80%	11.80%	11.80%
7	**Interest on working Capital**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Commission's Analysis

The Commission has computed the working capital requirement of TPL as specified in GERC (MYT) Regulations, 2016 after considering the security deposit amount available during the year. Interest rate has been considered as 11.70% being 1 year SBI MCLR with a spread of 250 basis points thereon as per Regulation 40.4(b) of the GERC (MYT) Regulations, 2016.

Table 5.49: Interest on working capital approved for TPL-D Ahmedabad for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Sr. No	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
1	O&M expenses for 1 month	22.88	24.19	25.57	27.03	28.58
2	1% of GFA for maintenance spares	40.15	43.86	47.96	51.46	54.35
3	Receivables for 1 month	378.08	407.34	434.12	457.49	479.23
4	Less: Security Deposit	559.56	624.83	691.41	759.32	828.59
5	Normative Working Capital	(118.45)	(149.44)	(183.75)	(223.34)	(266.43)
6	Interest Rate	11.80%	11.70%	11.70%	11.70%	11.70%
7	**Interest on working Capital**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

As can be observed from the above the total working capital requirement for each year of the control period is lesser than security deposit projected to be held in cash, therefore no interest on working capital is payable.

The Commission, accordingly, approves the interest on working capital for the control period for FY 2016-17 to FY 2020-21 as 'nil' as detailed in the Table above.

5.2.5 Return on Equity

Petitioner's submission

TPL has submitted that the Return on Equity has been calculated based on the opening and closing balance of equity arrived at considering the estimated capitalization in each year of the control period. The Return on Equity is claimed at 14% on the average of opening and closing balance of equity.

Accordingly, TPL has claimed a sum of Rs. 1281.71 crore towards Return on Equity for the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.50: Return on Equity projected by TPL- D Ahmedabad for the control period FY 2016-17 to FY 2020-21

(Rs. Cr)

Particulars	MYT Control Period				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Equity at the beginning of the year	1,275.34	1,498.20	1,758.67	1,996.59	2,143.71
Equity addition during the year	222.86	260.47	237.92	147.12	96.79
Closing Equity at the end of the year	1,498.20	1,758.67	1,996.59	2,143.71	2,240.50
Average of opening and closing Equity	1,386.77	1,628.43	1,877.63	2,070.15	2,192.10
Rate of Return	14%	14%	14%	14%	14%
Return on Equity	**194.15**	**227.98**	**262.87**	**289.82**	**306.89**

Commission's Analysis

The Commission has considered the opening balance of equity as on 01/04/2016 same as the trued up closing balance of equity as on 31/03/2015. Further, the Commission has considered 30% of the net capitalization of capital expenditure in different years of 3rd MYT control period, i.e. FY 2016-17 to FY 2020-21 as approved in Table No. 5.39 above as equity addition during the year. The Commission has considered 14% as the rate of Return on Equity as specified in Regulation 37 of the GERC (MYT) Regulations, 2016. The Return on Equity has been calculated as detailed in the Table below:

Table 5.51: Return on Equity approved for control period FY 2016-17 to FY 2020-21

(Rs. Cr)

Particulars	MYT Control Period				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Regulatory Equity at the beginning of the year	1,275.34	1,365.54	1465.03	1550.26	1620.41
Equity portion of capitalization during the year	90.20	99.49	85.23	70.15	55.94
Regulatory Equity at the end of the year	1,365.54	1,465.03	1,550.26	1,620.41	1,676.35
Average of opening and closing equity	1,320.44	1,415.28	1,507.65	1,585.34	1,648.38
Return on Equity	**184.86**	**198.14**	**211.07**	**221.95**	**230.77**

Accordingly the Return on Equity is approved by the Commission, as detailed in the above Table for the control period FY 2016-17 to FY 2020-21.

5.2.6 Income Tax

TPL has estimated the income tax at Rs. 509.55 crore for the control FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.52: Income Tax projected for TPL- D Ahmedabad for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Income Tax	101.91	101.91	101.91	101.91	101.91

Petitioner's submission

For the purpose of estimation of Income Tax for the MYT control period, the Petitioner has considered the Income Tax of Rs. 101.91 Crores considering the total tax paid and the ratio of PBT of TPL-D (A) and PBT of the company as a whole as per audited accounts of FY 2015-16.

Commission's Analysis

The Commission approved the Income Tax of Rs 97.80 in true up of FY 2015-16. Accordingly, the Commission has considered the provision for Income Tax for the control period for FY 2016-17 to FY 2020-21 as approved in the Truing Up for FY 2015-16. Any variation in Income Tax actually paid and approved shall be considered based on the documentary evidence at the time of Truing Up for each year of the control period in accordance with Regulation 41.2 of GERC (MYT) Regulations, 2016.

The Commission, accordingly, approves the income tax for the control period for FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.53: Approved Income tax for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Income Tax	97.80	97.80	97.80	97.80	97.80

5.2.7 Contingency Reserve

Petitioner's submission

The Commission in the previous Control Period had allowed contingency reserve for each of the supply area. The contingency reserve approved by the Commission for each year in the previous Control Period was Rs 0.60 Crores for Ahmedabad Supply Area.

Based on the same principle, the Petitioner has proposed to allow same amount as contingency reserve for each of the years in the MYT 3rd Control Period as was approved in the previous Control Period.

Commission's Analysis

The Contingency Reserves projected by the Petitioner as Rs. 0.60 Crores for Ahmedabad supply license area is in accordance with Regulation 86.3 of GERC (MYT) Regulations, 2016. Therefore, Commission approves the same as proposed by the Petitioner for the 3rd MYT control period, i.e. FY 2016-17 to FY 2020-21.

The Commission, accordingly, approves the contingency reserve for the control period for FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.54: Approved contingency reserve for TPL-D Ahmedabad for control period FY 2016-17 to FY 2020-21

(Rs. Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Contingency Reserve	0.60	0.60	0.60	0.60	0.60

5.2.8 Provision for Bad Debts

TPL has estimated the bad debts written off totalling to Rs. 24.60 crore for the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.55: Bad debts projected for TPL-D Ahmedabad for FY 2016-17 to FY 2020-21

(Rs. Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Bad debts written off	4.92	4.92	4.92	4.92	4.92

Petitioner's submission

The GERC MYT Regulations, 2016 provide that the Commission may allow bad debts written off as a pass through in the ARR based on the trend of amount written off as bad debts in previous years.

In this background, the Petitioner has estimated the bad debts for the MYT 3rd Control Period at par with the approved figure of previous control period.

Commission's Analysis

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 Aggregate Revenue Requirement (ARR) subject to prudence check. The actual bad debts written off during FY 2015-16 as approved in true up is Rs 4.92 Crore.

The Commission, accordingly, approves the provision for bad debts at Rs.4.92 crore for each year of the control period FY 2016-17 to FY 2020-21 based on the actual bad debts written off as per trued up for FY 2015-16 as detailed in the table below:

Table 5.56: Approved bad debts for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Provision for bad debts	4.92	4.92	4.92	4.92	4.92

5.2.9 Non-Tariff income

TPL has estimated non-tariff income totalling Rs. 441.23 crore for the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.57: Non-Tariff income projected for TPL-D Ahmedabad for FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Non-Tariff income	81.57	83.21	87.10	92.08	97.28

Petitioner's submission

The non-tariff income for the MYT 3rd Control Period as shown in the table above consists of income mainly from meter rent, street light maintenance, sale of scrap, DPC recovery, bad debt recovery, etc.

The Petitioner has forecasted the non-tariff income by considering current trend for FY 2016-17 and FY 2017-18 and about 4% YOY growth from FY 2017-18 onwards.

Commission's Analysis

The non-tariff income is specified in Regulation 97 of GERC (MYT) Regulations, 2016, which includes various items like income from sale of scrap, income from statutory investment, income from interest on contingency reserve investment, Miscellaneous receipts, Deferred Income from grant, subsidy, etc. The Commission noted that the non-tariff income approved in the FY 2011-12 to FY 2015-16 in the true up of respective year is stated in table below:

Table 5.58: Trend of Non-tariff income for the control period FY 2011-12 to FY 2015-16

(Rs Cr)

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Non-Tariff income	71.11	88.10	90.73	108.68	78.55

The average of the non-tariff income for four years, i.e. FY 2011-12 to FY 2014-15 works out to Rs. 89.65 Crores and average of for three years, i.e. FY 2012-13 to FY 2014-15 works out to Rs. 95.83 Crores. The average of non-tariff income for FY 2012-13 to FY 2015-16 works out to Rs. 91.51 Crores. From the above, it is clear that the non-tariff income proposed by TPL for FY 2016-17 is quite lower than the actual non-tariff income earned during previous years except FY 2015-16.

The Commission has observed that TPL has sought an YoY hike in non tariff income as given in the Table below.

FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
2.02%	4.67%	5.72%	5.65%

The Commission has considered the average of four years of FY 2012-13 to FY 2015-16, which works out to Rs. 91.51 Crores as non-tariff income of FY 2016-17 and the same has been escalated at the rate at which TPL has sought hike for the remaining years of the control period.

The Commission, accordingly, approves the non-tariff income for the control period for FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.59: Approved Non-tariff income for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Non-Tariff income	91.51	93.36	97.72	103.31	109.14

5.2.10 Aggregate Revenue Requirement

The Aggregate Revenue Requirement (ARR) for the control period as projected by TPL-Distribution Ahmedabad and Gandhinagar is given in the following table.

Table 5.60: Projected ARR by TPL-D Ahmedabad for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Sr. No.	Particulars	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Projected	Projected	Projected	Projected	Projected
1	Power Purchase Expenses	3,743.49	3,959.99	4,147.59	4,339.51	4,545.04
2	Operation & Maintenance Expenses	274.56	290.26	306.87	324.42	342.97
3	Depreciation	155.46	192.88	232.15	252.35	269.16
4	Interest & Finance Charges*	143.51	192.75	239.69	268.42	276.54
5	Interest on Working Capital	-	-	-	-	-
6	Bad Debts written off	4.92	4.92	4.92	4.92	4.92
7	Contribution to Contingency Reserves	0.60	0.60	0.60	0.60	0.60
9	**Total Revenue Expenditure**	**4,322.53**	**4,641.40**	**4,931.81**	**5,190.22**	**5,439.22**
10	Return on Equity Capital	194.15	227.98	262.87	289.82	306.89
11	Income Tax	101.91	101.91	101.91	101.91	101.91

Sr. No.	Particulars	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Projected	Projected	Projected	Projected	Projected
12	**Aggregate Revenue Requirement**	**4,618.58**	**4,971.29**	**5,296.59**	**5,581.94**	**5,848.02**
13	Less: Non-Tariff Income	81.57	83.21	87.10	92.08	97.28
14	**Aggregate Revenue Requirement**	**4,537.01**	**4,888.07**	**5,209.49**	**5,489.86**	**5,750.74**

**Interest on security deposit is clubbed together*

The ARR as approved by the Commission is given in the table below.

Table 5.61: Approved ARR for TPL-D Ahmedabad for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

SR. NO.	Particulars	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Approved				
1	Power Purchase Expenses	3,537.58	3,734.30	3,947.68	4,182.04	4,444.09
2	Operation & Maintenance Expenses	274.56	290.26	306.87	324.42	342.97
3	Depreciation	135.30	155.22	172.81	204.56	216.02
4	Interest & Finance Charges	127.24	126.60	136.64	141.19	140.56
5	Interest on Working Capital		-	-	-	-
6	Bad Debts written off	4.92	4.92	4.92	4.92	4.92
7	Contribution to contingency reserves	0.60	0.60	0.60	0.60	0.60
9	**Total Revenue Expenditure**	**4,080.19**	**4,311.90**	**4,569.52**	**4,857.72**	**5,149.16**
10	Return on Equity Capital	184.86	198.14	211.07	221.95	230.77
11	Income Tax	97.8	97.8	97.8	97.8	97.8
12	**Aggregate Revenue Requirement**	**4,362.85**	**4,607.84**	**4,878.39**	**5,177.47**	**5,477.73**

13	Less: Non-Tariff Income	91.51	93.36	97.72	103.31	109.14
14	**Aggregate Revenue Requirement**	**4,271.34**	**4,514.48**	**4,780.67**	**5,074.16**	**5,368.59**

**Interest on security deposit is clubbed*

5.2.11 Revenue from sale of power

TPL has estimated the revenue from sale of power with existing tariff for FY 2017-18 as shown in the Table below.

Table 5.62: Projected Revenue with existing tariff for the Control Period FY 2017-18

(Rs Cr)

Ahmedabad Supply Area	**FY 2017-18**
Revenue from sale of power	4927.30

Petitioner's submission

The Petitioner has estimated the revenue from sale of power only for FY 2017-18 for which the tariff is proposed. The revenue from sale of power has been computed considering the sales & existing tariff rates for different category of consumers which are detailed out in the respective formats.

The Petitioner further submitted that the said revenue from sale of power has been worked out considering the existing tariff which includes revenue from FPPPA charges @ Rs 1.23 per unit.

Commission's Analysis

The Commission has analysed the sales projected by TPL for the Ahmedabad Supply Area and estimated the sales category-wise in the Table No 5.14

The revenue has been computed in accordance with the approved sales.

The Commission has computed the revenue from sale of power with existing tariff rates as detailed in the table below:

Table 5.63: Revenue with existing tariff for the Control Period FY 2017-18

(Rs Cr)

Ahmedabad Supply Area	**FY 2017-18**
Revenue from sale of Power	4926.87

The Commission, accordingly, approves the revenue from sale of power at Rs. 4926.87 crore with existing tariff rates which includes FPPPA charges @ Rs 1.23 per unit for the FY 2017-18.

6 Determination of Tariff for FY 2017-18

This chapter deals with the determination of revenue gap/surplus, as well as consumer tariff for the FY 2017-18 for TPL-D (A). The Commission has considered the ARR approved in the last chapter for FY 2017-18 and the adjustment on account of True-up for FY 2015-16, while determining the revenue gap/surplus for FY 2017-18.

6.1 Gap/ (Surplus) Analysis

Petitioner's Submission

The revenue for FY 2017-18, arrived at considering the projected sales and existing tariff, is Rs 4,927.30 Crores which includes revenue of Rs. 105.58 from the Open Access consumers who may utilize the network of the Petitioner, TPL. The ARR for Ahmedabad and Gandhinagar Supply Area in FY 2017-18 is Rs. 4,888.07 Crores. Accordingly, the Petitioner has arrived at the Surplus of Rs. 39.22 Crores.

Table 6.1: Projected Revenue Gap/(Surplus) of Ahmedabad Supply Area for FY 2017-18

Particulars	Rs Crore
ARR for FY 2017-18	4888.07
Revenue from sale of power	4821.72
Revenue from OA charges	105.58
Surplus Revenue	**(39.22)**

As per the GERC (Demand Side Management) Regulations, 2012, the Petitioner had formulated and submitted to the Commission a DSM Plan for the license areas of Ahmedabad, Gandhinagar and Surat. The Commission has approved Rs. 4.45 Crores for Ahmedabad/Gandhinagar supply area. The Petitioner has incurred the expense of Rs. 1.25 Crores during FY 2015-16.

The Petitioner has calculated carrying cost for the Gap/ (Surplus) of FY 2015-16 which works out to Rs. 76.68 Crores for Ahmedabad/Gandhinagar supply area. Also, the Petitioner has considered the pending carrying cost for FY 2013-14 which results in a further claim of Rs. 100.15 Crores for Ahmedabad/Gandhinagar supply area. The

Petitioner, therefore, requested the Commission to consider the aforementioned outstanding amount in addition to the Gap/ (Surplus) of FY 2015-16 & FY 2017-18 for the purpose of determination of tariff for FY 2017-18. The total gap is thus arrived at Rs. 567.18 Crores as shown in the following table.

Table 6.2: Projected cumulative revenue gap/ (surplus) for determination of tariff for TPL-D (Ahmedabad)

Particulars	**Rs Crore**
Gap/(Surplus) for FY 2015-16	428.32
Gap/(Surplus) for FY 2017-18	-39.22
Carrying cost	176.83
DSM	1.25
Total Gap to be recovered through tariff	**567.18**

Commission's Analysis

The Commission has gone through merits of the Petition and determined the various components of the tariff in the previous paras of this order and accordingly the Commission has independently worked out the ARR as well as revenue for TPL-D (Ahm) for FY 2017-18. The Commission has also considered the revenue receivable from the Open Access consumers as Cross Subsidy Surcharge, Transmission Charges, wheeling charges, losses to the Petitioner and the same has been factored in the total revenue receivable by the Petitioner. This has resulted in surplus revenue of Rs 387.36 crore for FY 2017-18 as shown in the table below.

Table 6.3: Approved Revenue Gap/ (Surplus) of Ahmedabad Supply Area for 2017-18

Particulars	Rs Crore
ARR for FY 2017-18	4514.48
Revenue from sale of power	4821.29
Revenue from OA charges	105.58
Revenue Gap/(Surplus)	**(412.39)**

Treatment of Carrying Cost

The Petitioner has calculated carrying cost of Rs 76.88 Crore for the gap/surplus of FY 2015-16 for Ahmedabad/Gandhinagar Supply Area. The Petitioner has also considered pending carrying cost for FY 2013-14 of Rs. 100.15 Crores for Ahmedabad/Gandhinagar Supply Area. Considering the aforesaid carrying cost the Petitioner has submitted that the Commission may consider Rs. 176.83 Crores towards the carrying cost receivable by the Petitioner and factored the same in the total gap of FY 2017-18.

On query of the Commission with regard to bifurcation of the carrying cost the Petitioner submitted the details for FY 2013-14 and FY 2015-16 as stated below:

Table 6.4: Summary of Gap of FY 2013-14 for carrying cost

(Rs Cr)

Particulars		**Gap for Carrying Cost**
Part-1		
Trued up Gap/ (Surplus) for FY 13-14	a0 = a-a1-a2-a3	341.42
Adjustments as per 3rd party Audit Report	a1	(0.08)
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	a2	(1.70)
Revenue towards recovery of Earlier Years' approved Gap/ (Surplus)	a3	38.26
Gap/ (Surplus) for FY 13-14 considered in tariff of FY 15-16	**a**	**377.90**
Less:		
Adjustments as per 3rd party Audit Report	b = a1	(0.08)
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	c = a2	(1.70)
Net trued-up Gap/(Surplus) for FY 13-14	**d = a-b-c**	**379.68**
Add: Impact of other Orders		
FY 13-14 Power Purchase Cost	e	2.03
FY 13-14 Sharing of Gains/(Loss) for Bad Debts	f	0.32
Revenue towards recovery of Earlier years' approved Gap/ (Surplus)	g = v	75.29

Clarification/ Rectification Order	h	-
Total Gap/(Surplus) for FY 13-14	**i = d+e+f+g+h**	**457.32**

As submitted by the Petitioner, the gap of Rs 457.32 crore has been recovered in FY 2015-16. But the Petitioner has claimed the carrying cost on the said amount for FY 2014-15 and FY 2015-16.

With a similar principle, the Petitioner has submitted that the revenue gap amounting to Rs 329.53 has been approved in FY 2015-16's ARR, but the same would be accrued in FY 2017-18's tariff.

Table 6.5: Summary of Gap for FY 2015-16 for carrying cost computation

(Rs Cr)

Table 30 of the Present Petiton -		
Trued-up ARR	**j**	**4,641.36**
Revenue from sale of Energy	k	4,770.40
Less: Revenue towards recovery of earlier years' approved Gap/ (Surplus)	L = i	457.32
Balance Revenue	m = k-L	4,313.08
Gap/(Surplus) for FY 15-16	**n = j-m**	**328.28**
DSM	o	1.25
Total Gap/(Surplus) for FY 15-16	**p = n+o**	**329.53**

Hence the carrying cost is claimed for FY 2016-17 and FY 2017-18 on above parts as calculated in the Table below.

Table 6.6: Summary of carrying cost claimed by TPL-D (Ahm)

(Rs Cr)

Particulars	**FY 2013-14**	**FY 2015-16**
Total Gap/(Surplus)	**457.32**	**329.53**
Interest Rate	11.44%	11.63%
FY 2014-15	47.85	
FY 2015-16	52.30	
FY 2016-17		38.32
FY 2017-18		38.32

Carrying Cost	**100.15**	**76.65**
Total Carrying Cost		**176.80**

The Petitioner submitted that the carrying cost is derived by the Petitioner based on the earlier year gaps which was deferred from time to time and the same has not been recovered by the Petitioner. Interest payable on the gap is considered as weighted average rate of interest of loan for calculating the carrying cost. Thus, the carrying cost is an element of interest amount payable to the licensee on the expenses which could not be recovered at the appropriate time.

TPL has, as stated above claimed the carrying cost of Rs 176.80 crores recovery from Ahmedabad consumers. Some of the objectors have contended that TPL has not submitted any details for justifying the carrying cost as a legitimate expenditure as held by the Hon'ble APTEL. Further, the Commission has also directed TPL to submit the details as to how this gap was financed by providing necessary evidence/documents in support of the claim.

However, TPL has not provided any documentary evidence in this regard.

The Commission noted that in para 83 of the Judgment in Appeal Nos. 190 of 2011 and 162 and 163 of 2012, the Hon'ble APTEL laid down the principles with regard to carrying cost:

"83. The relevant principles which have been laid down in these decisions are extracted below:

(a) We do appreciate that the State Commission intents to keep the burden on the consumer as low as possible. At the same time, one has to remember that the burden of the consumer is not ultimately reduced by under estimating the cost today and truing it up in future as such method also burdens the consumer with carrying cost.

(b) The carrying cost is allowed based on the financial principle that whenever the recovery of cost is deferred, the financing of the gap in cash flow arranged by

the distribution company from lenders and/or promoters and/or accruals, has to be paid for by way of carrying cost.

(c) The carrying cost is a legitimate expense and therefore recovery of such carrying cost is legitimate expenditure of the distribution company.

(d) The utility is entitled to carrying cost on its claim of legitimate expenditure if the expenditure is:

i) accepted but recovery is deferred e.g. interest on regulatory assets,

ii) claim not approved within a reasonable time, and

iii) Disallowed by the State Commission but subsequently allowed by the Superior authority.

iv) Revenue gap as a result of allowance of legitimate expenditure in the true up.

Further, the Hon'ble APTEL has ruled as under in its Judgment dated 28.05.2009 in Appeal No. 111 of 2008:

"7) ... It is true that internal funds also deserve interest in as much as the internal fund when employed as working capital loses the interest it could have earned by investment elsewhere. Further the licensee can never have any funds which has no cost. The internal accruals are not like some reserve which does not carry any cost. Internal accruals could have been inter corporate deposits, as suggested on behalf of the appellant. In that case the same would also carry the cost of interest. When the Commission observed that the REL had actually not incurred any expenditure towards interest on working capital it should have also considered if the internal accruals had to bear some costs themselves. ***The Commission could have looked into the source of such internal accruals and the cost of generating such accruals. The cost of such accruals or funds could be less or more than the normative interest. In arriving at whether there was a gain or loss the Commission was required to take the total picture into consideration which the Commission has not done. It cannot be said that***

> ***simply because internal accruals were used and there was no outflow of funds by way of interest on working capital and hence the entire interest on working capital was gain which could be shared as per Regulation No. 19****. Accordingly, the claim of the appellant that it has wrongly been made to share the interest on working capital as per Regulation 19 has merit."(****emphasis added****)*

As per the above principles, the said claim needs to be substantiated by TPL specifying clearly that the revenue gap was financed by him either by (i) obtaining loan from the lenders, and/or (ii) promoters, and/or, (iii) internal accruals.

While determining the Annual revenue requirement and truing up the Commission carefully considered the legitimate claims of Distribution licensee and allowed such claims regularly. However, the Commission on the direction of Hon'ble APTEL in its order dated 28.11.2013 in appeal no. 190 of 2011 has worked out the carrying cost. The Hon'ble Tribunal has also held that the carrying cost should be treated as a legitimate expenditure incurred by the licensee and accordingly the Commission asked TPL to substantiate their claim of carrying cost.

This is also amply clear from Hon'ble APTEL Judgement in NDPL vs DERC in Appeal no. 152 of 2009 dated 30.7.10 where it was held that the carrying cost is allowed based on the financial principle that whenever the recovery of cost is to be deferred, the financing of the gap in cash flow arranged by distribution licensee from lenders or promoters and or accruals has to be paid by way of carrying cost. Under the law and regulations, the Commission is permitted to use evidence or justifications to verify how the gap in cash flows was financed by arranging funds through lenders/promoters/accruals. It is difficult for the Commission to accept without any basis that licensee's claim for carrying costs are presumed to be prudent and simply passed on to consumers.

Further, Hon'ble APTEL has in its judgement dated 18.10.2012 in Appeal Nos .7of 2011,

46 of 2011 and 122 of 2011 decided about the Carrying cost as under:

----------58 (iv). The carrying cost is a legitimate expense and therefore recovery of such carrying cost is legitimate expenditure of the distribution company.

42. The above judgments of the Tribunal lay down the dictum regarding entitlement of carrying cost for deferred recoveries. However, in the present appeal, the Appellant has raised carrying cost as a general issue without reference to any finding of the State Commission in the impugned order or specific claim of interest on deferred recovery. Therefore, while holding the principle of carrying cost on deferred recovery, we are not in a position to give any specific direction to the State Commission in this regard except to take decision on the claim of the Appellant on carrying cost keeping in view of the above judgments of the Tribunal. However, we would like to add that the Appellant is entitled to carrying cost on his claim of legitimate expenditure if the expenditure is:

(a) accepted but recovery is deferred, e.g. interest on regulatory assets;

(b) claim not approved within a reasonable time; and

(c) disallowed by the State Commission but subsequently allowed by the superior authority".

11.5 On the basis of the above findings of the Tribunal we decide as under:

i) When the utility gives its projected expenditure under a head in the ARR, the Commission either accepts it or decides a lower expenditure. However, if in the true up of the ARR subsequently the Commission finds that the expenditure which was denied/reduced earlier under that head needs to be approved then carrying cost may be allowed for such additional expenditure under that particular head which was denied earlier.

ii) The utility is entitled to carrying cost on his claim of legitimate expenditure if the expenditure is:

a) accepted but recovery is deferred e.g. interest on regulatory assets, Combined Judgment of Appeal No.7, 46 and 122 of 2011

b) claim not approved within a reasonable time, and c) disallowed by the State Commission but subsequently allowed by the Superior Authority.

*11.**6 If the revenue gap is as a result of routine true up carried out in the time frame specified in the Regulations and not on account of genuine expenditure denied on a claim by the appellant earlier or on account of deferred recoveries then no carrying cost may be admissible as the claim was made for the first time at the time of true up**. The State Commission shall decide the claim of the appellant on the above principles. Decided accordingly."*

Thus in the said judgement Hon'ble APTEL has decided that when the revenue gap arises for the first time as a result of routine True-up and not on account of genuine expenditure denied on a claim or on account of deferred recoveries, then in such case no carrying cost may be admissible.

The Commission do not accept the contention of the licensee given in its response on Commission query vide its letter dated 30.1.2017 that carrying cost for the unrecovered gap is the legitimate claim and once the cost is allowed then utility is entitled for carrying cost and it does not require verification of the funding of the revenue gap.

In absence of the necessary evidence and information, how the gap in cash flow is bridged by TPL whether by arranging the funds from lenders or deployment of internal accruals or through promoters funds cannot be established. Under the circumstances, the Commission decides to defer the carrying cost of Rs 176.80 Crores claimed by TPL till such time the necessary documents are furnished.

Recovery of Regulatory Charge – impact of Hon'ble APTEL order dated 30.03.2017

The Commission has observed that earlier it has issued the order dated 31st March, 2016 in Petition No. 1552 of 2015 and 1553 of 2015 and decided that TPL is entitled to recover Rs 0.45/kWh as regulatory charge from the consumers. On the said order, some of the consumers filed R.P No. 1568,1572,1573,1574 of 2016 and allied matters on which the Commission passed order dated 16th June,2016 and 1st July,2016 and decided that the regulatory charge is required to be recovered @ Rs 0.18/kWh till the total amount of Rs 136.72 Crore is recovered. Accordingly TPL is recovering the regulatory charge from the consumers since July 2016. TPL vide email dated 20th March, 2017, submitted that till the end of March, it is expected to collect approximately Rs 81.48 Crores.

The Commission also note that TPL had challenged the order dated 16th June,2016 and 1st July,2016 in R.P 1568 of 2016 and allied matters before Hon'ble APTEL. The Hon'ble APTEL passed order dated 30th March, 2017 and quashed and set aside the order dated 16th June, 2016 and 1st July, 2016 and remanded back the original R.P to the Commission and directed that the members who passed the original tariff order dated 31st March 2016 in Petition No. 1552 of 2015 and 1553 of 2015 to hear the matter afresh and pass appropriate order within a period of four months from the date of receipt of order.

In view of the Order of the Hon'ble APTEL dated 30th March,2017, the remanded matter was reheard by two members of the Commission and Order was passed on 09.06.2017. In the said Order, TPL has been allowed to recover the regulatory charge at the rate of Rs 0.18/kWh and Rs 0.17/kWh for Ahmedabad and Surat respectively till further Order.

Since the Commission had approved TPL to recover Rs 136.72 crore from Ahmedabad license area in its order dated 01.07.2016, Rs 55.24 crore still remains to be recovered considering the estimated recovery till March end. Considering the total estimated recovery of Rs 81.48 crore in nine months, the recovery works out to Rs 9 crore per month. With this assumption, the recovery in the month of April and May would have been Rs 18 Crore thereby leaving a balance of Rs 37.24 Crore to be recovered from the consumers as regulatory charge.

The Commission has now decided to address the balance recovery of regulatory charge totaling Rs 37.24 Crore in the current Tariff Order against the net surplus for FY 2017-18.

The summary of revenue gap/ (surplus) for determination of tariff FY 2017-18 as approved by the Commission is shown in the following table.

Table 6.7: Summary of total gap/(surplus)

Particulars	**Rs Crore**
Gap/(Surplus) for FY 2015-16	368.25
Gap/(Surplus) for FY 2017-18	(412.39)
DSM	1.25
Total Gap/(Surplus) for FY 2017-18	(42.89)
Adjustment of balance regulatory charges @ Rs 0.18/kWh	37.24
Net Gap/(Surplus)	**(5.65)**

TPL is now hereby directed to discontinue the recovery of regulatory charge with immediate effect.

7 Compliance of Directives

7.1 Earlier Directives

a) Recovery of "Regulatory Charge"

TPL-D was directed to submit a statement of actual recovery of "Regulatory Charge" along with units sold on bi-monthly basis to the Commission duly certified by the Statutory Auditors and shall also host these details on their website.

Compliance by Petitioner dated 29th Nov, 2016

The Commission had stayed the recovery of "Regulatory charge" vide its oral order dated 22.04.2016 in RP No. 1568/2016. Subsequently, vide its Order dated 01.07.2016 in Review Petitions, the GERC has allowed the recovery @ Rs. 0.18 per unit for Ahmedabad Supply Area. The "Regulatory Charge" recovered by TPL-D in the month of April-2016 has been credited to the respective consumers. Accordingly, there is no recovery of Regulatory charge till 30.06.2016. The Certificate of Regulatory Charge billed for the month of July and August 2016 has been placed on the website.

Commission's comment:

The Commission noted that the TPL has not submitted a statement of actual recovery of Regulatory Charge separately for Ahmedabad/Gandhinagar and Surat license area alongwith units sold on bi-monthly basis to the Commission duly certified by the Statutory Auditors of the company. Moreover, on verification of website of TPL in the Month of March 2017, the aforesaid details are not found. The Commission takes serious note of the actions/inactions of TPL and directs it to ensure strict compliance of the Commission's directives.

b) Interest Cost Reduction

TPL-D was directed to negotiate with the lenders for reduction in the rate of interest on the borrowings failing which they should replace high cost debt with low cost debt so that the net benefit of interest cost reduction is available to the consumers.

TPL-D shall furnish Quarterly Progress Report about the action taken and results thereof.

Compliance by Petitioner

TPL has submitted that it has always received support from its consortium of lenders to have term loans at most competitive terms. However, in compliance to the directive of the GERC, TPL has discussed the same with Lead Banker. TPL has requested Lead Banker to consider suitable reduction in interest rate for long term loans. Upon confirmation of the Lead Banker, TPL will have to approach other lenders in the consortium for similar reduction. As it is a consortium lending for long term loans, the decision for reduction in interest rate will be by consensus amongst all lenders. TPL shall make all efforts to reduce the interest rate.

Commission's comments:

TPL has submitted that it had discussed with SBI for reduction in interest rate which will require approval of SBI Board of Directors. Once SBI confirmation is received, TPL will approach other lenders in the consortium for similar reduction. TPL has also submitted a letter dated 20.10.2016 from State Bank of India, the lead bank, agreeing 'in principle' for reduction in the rate of interest to 9.50% p.a. Thus, the TPL has tried to renegotiate for with the banks/lenders to reduce the interest on loan.

Further Directive: Since TPL has consortium arrangement for its borrowings, it should obtain corresponding reduction in the rate of interest from all the consortium members at the earliest. TPL should keep the Commission updated about its efforts and results at quarterly intervals.

7.2 Fresh Directives

Directive 1: Approval from Commission for capex of projects

TPL is directed to take in principle approval for any CAPEX more than Rs. 5 Crores by furnishing information to Commission prior to undertaking any work/projects that needs a capital investment of Rs. 10 crore or more. TPL shall furnish details about such projects in the form of 'Detailed Project Report' which shall include the information regarding project cost, source of fund, cost benefit analysis, timelines, technical significance, supplier/vendor selection mechanism etc. Further, the procurement of materials, selection of EPC contractors etc. shall be carried out by following competitive biddings.

Directive 2: Provide the details while claiming the capitalization of assets in the respective years of 3rd MYT Control Period.

TPL is directed to provide the details consisting of technical, commercial, financial aspects (including funding) justifying the capitalization of assets. Further the cost benefit analysis shall be submitted with consideration of technical and financial benefits available from such capitalization of assets to the consumer as well as retail tariff.

Directive 3: Power Procurement

The Commission has in this order has decided the source of power procurement and its quantum, price etc. The petitioner is directed to adhere to the aforesaid quantum of power procurement from the approved source as far as possible. If the Petitioner is able to reduce the power procurement cost as approved in this order from specific source, in that case, the Petitioner may procure the same.

Directive 4: Procurement of renewable energy through competitive bidding

The Commission has observed that TPL Distribution Ahmedabad and Gandhinagar has signed PPAs for Wind and solar generation procurement without calling expression of interest from the generators. The tariff of wind energy generators as well as solar energy discovered under the competitive bidding carried out in the country has been lower than the preferential generic tariff determined by the Commission. Therefore, TPL is directed to ensure that the procurement of renewable energy specifically wind and solar is carried out in transparent manner by following competitive bidding.

Directive 5: Additional Surcharge

The Commission notes that there are some of the consumers who are availing the open access in the license area of TPL-Ahmedabad and Gandhinagar. They are paying the Cross Subsidy Surcharge as determined by the Commission and also paying transmission and wheeling charges as the case may be. The Commission has also noted that Section 42(4) of the Electricity Act, 2003 provides that whenever any consumer avails the open access it is liable to pay the an additional surcharge on the charges of the wheeling as may be specified by the Commission. Regulation 25 of the GERC (Terms and Conditions of Intra-state Open Access) Regulations, 2011 also provides that the open access consumers are liable to pay the additional surcharge. The additional surcharge is an amount payable by the open access customer against the stranded cost required to be borne by the open access customers. Therefore, it is necessary to determine the additional surcharge for the open access customer, otherwise the cost of stranded capacity of the licensee is borne by the other consumers. TPL Ahmedabad has not filed any Petition for determination of the additional surcharge. Therefore, TPL – Ahmedabad is directed to file a Petition with complete details within 3 months from the passing of this order for determination of additional surcharge in the license area of TPL.

Directive 6: Renegotiation of PPA for stranded generating stations due to non-availability of fuel or costly fuel

Some of the stakeholders represented that there is an adverse impact on the tariff rates of the consumers because of fixed cost liability of some generating stations which are not working either due to non-availability of fuel or costly fuel. In view of the above, the Distribution Licensee is hereby directed to explore the possibilities of reduction in fixed cost elements e.g. normative O&M charges, Return on Equity, normative interest on working capital etc. by renegotiating existing PPAs of such stranded generating stations. The Distribution Licensee is also directed to submit action taken report in this regard by 30th September, 2017.

Directive 7: Review of existing fuel purchase agreement

TPL-D should impress upon SUGEN as well as AMGEN to seek better terms in their existing fuel purchase agreements and try to reduce the cost as far as possible.

8 Fuel and Power Purchase Price Adjustment

8.1 Fuel Price and Power Purchase Price 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:

8.2 Formula

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

Where,

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

	four DISCOMs / GUVNL and TPL of the previous year for which true-up have been done by the Commission, whichever is lower.

8.2.1 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 2017-18 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 2017-18	11,618.87	5397.43	4.65

As mentioned above the base Power Purchase cost for TPL-D is Rs. 4.65 per kWh and the base FPPPA charge is Rs. 1.23/kWh.

TPL may claim difference between actual power purchase cost and base power purchase cost approved in the table above as per the approved FPPPA formula mentioned in para 8.2 above.

Information regarding FPPPA recovery and the FPPPA calculations shall be kept on 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 end of the relevant quarter.

9 Wheeling Charges and Cross Subsidy Surcharge

9.1 Wheeling charge

Regulation 87 of GERC MYT Regulations, 2016 stipulates 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 the service line is part of the wheeling business and the distribution infrastructure from service line to consumer premises is a part of the retail supply business.

The allocation matrix as specified by Commission for segregation of expenses between wire and supply is shown in table below.

Table 9.1: Allocation matrix for segregation to Wheeling and Retail Supply submitted by TPL-D Ahmedabad supply area for FY 2017-18

ARR Components	Wire Business (%)	Retail Business (%)
Power Purchase Expense	0%	100%
Employee Expense	60%	40%
Administrative & General Expenses	50%	50%
Repair & Maintenance Expenses	90%	10%
Depreciation	90%	10%
Interest On Long Term Loan	90%	10%
Interest On Working Capital R Interest On Security Deposit	10%	90%
Bad Debt	0%	100%
Income Tax	90%	10%
Contingency Reserve	100%	0%
Return On Equity	90%	10%
Non-Tariff Income	10%	90%

Based on the above allocation matrix, TPL has segregated the ARR of Ahmedabad Supply Area for wheeling and supply business as shown in tables below.

Table 9.2: Segregation of expenses as projected by Petitioner

ARR Components	Wire Business (Rs Cr)	Retail Business(Rs Cr)
Power Purchase Expense	0.00	3959.99
Employee Expense	73.10	48.74
Administrative & General Expenses	40.40	40.40
Repair & Maintenance Expenses	78.87	8.76
Depreciation	173.59	19.29
Interest On Long Term Loan	129.89	14.43
Interest On Security Deposit	4.84	43.58
Interest On Working Capital	0.00	0.00
Bad Debt	0.00	4.92
Income Tax	91.71	10.19
Contingency Reserve	0.60	0.00
Return On Equity	205.18	22.80
Non-Tariff Income	8.32	74.89
Aggregate Revenue Requirement	**789.87**	**4098.20**

On the basis of the above allocation matrix TPL segregated total ARR of Ahmedabad supply area into ARR for wheeling and retail supply business as shown below:

a) ARR of Wheeling Business – Rs. 789.87 Crores
b) ARR of Retail Supply Business – Rs. 4098.20 Crores

Determination of Wheeling Charges

Due to difficulties in segregating costs at HT and LT level, the ARR for wheeling business, TPL-D has proposed to apportion the cost between the HT and LT level in proportion to the ratio of their GFA. The HT level assets were further proposed to be segregated between HT and LT voltage levels as per peak load of the Ahmedabad Supply Area.

TPL submitted that:

- The GFA (excluding assets related to retail supply i.e. SLC and Meters) for Ahmedabad Supply Areas as on 31st March, 2016 is Rs. 3067.05 Crores. In case of

Ahmedabad Supply Area, the GFA identified for HT & LT business are Rs. 2308.97 Crores & Rs. 758.08 Crores, respectively. The ratio of HT assets to LT assets is 75:25, which is considered for the apportionment of ARR for the wheeling business into HT and LT businesses.

- Further as the HT level assets cater to the requirement of customers at both HT and LT levels, the ARR for HT is again apportioned between HT and LT voltage based on their ratio of contribution to the peak
- The system peak demand for Ahmedabad and Gandhinagar Supply Area for the year FY 2015-16 was 1,543.8 MW. In case of Ahmedabad & Gandhinagar Supply Area, the contract demand for all the HT consumers is about 546 MW. Assuming that 85% of the contact demand of HT consumers contributes to the system peak demand, the total demand of LT contributing to the system peak is computed as 997.76 MW.
- To determine the wheeling charges for the HT & LT voltage levels, the ARR of the respective voltage level is divided by the sales handled at the respective voltage level. Accordingly, the wheeling charge determined in terms of Rs/ kWh/ Month has been tabulated below:

Table 9.3: Wheeling charges in case of Ahmedabad Supply Area for FY 2017-18

Particulars	Value
First Level Segregation of ARR (in Rs. Crores)	
HT Voltage	594.64
LT Voltage	195.23
Total	**789.87**
Second Level Segregation of ARR (in Rs. Crores)	
HT Voltage	210.32
LT Voltage	579.55
Total	**789.87**
Wheeling Charge (in Rs/ kWh)	
HT Voltage	0.91
LT Voltage	1.13

- The Petitioner had further stated that an open access consumer will also have to bear the following wheeling losses in addition to the wheeling charges:

Table 9.4: Proposed wheeling charges in kind of Ahmedabad Supply Area for FY 2017-18

Category	Value
HT Category	4.00%
LT Category	7.50%

Commission's Analysis

The Commission, in order to compute the wheeling charges and cross subsidy surcharges, has considered the allocation matrix between the wheeling and retail supply business as per GERC (MYT) Regulations, 2016.

Based on the ARR approved by the Commission, the allocation thereof as per the matrix provided in GERC(MYT) Regulation,2016 for wires business and retail supply business is computed as shown below:

Table 9.5: Approved segregation of expenses by the Commission for FY 2017-18

ARR Components	Wire Business (Rs Cr)	Retail Business(Rs Cr)
Power Purchase Expense	0.00	3734.30
Employee Expense	73.10	48.74
Administrative & General Expenses	40.40	40.40
Repair & Maintenance Expenses	78.87	8.76
Depreciation	139.70	15.52
Interest On Long Term Loan	70.36	7.82
Interest On Security Deposit	4.84	43.58
Interest On Working Capital	0.00	0.00
Bad Debt	0.00	4.92
Income Tax	88.02	9.78
Contingency Reserve	0.60	0.00
Return On Equity	178.33	19.81
Non-Tariff Income	9.34	84.02
Aggregate Revenue Requirement	664.87	3849.60

Table 9.6: Wheeling charges in case of Ahmedabad Supply Area for FY 2017-18

Particulars	Value
First Level apportionment of ARR (in Rs. Crores)	498.66
HT Voltage	166.22
LT Voltage	**664.87**
Total	
Second Level apportionment of ARR (in Rs. Crores)	
HT Voltage	176.37
LT Voltage	488.50
Total	**664.87**
Wheeling Charge (in Rs/ kWh)	
HT Voltage	0.76
LT Voltage	0.96

The Commission has accordingly approved the wheeling charges for HT and LT voltages as shown in the table above.

The Commission has also agreed with the Petitioner and approves the following losses for Open Access consumer in addition to the wheeling charges:

Table 9.7: Approved wheeling charges in kind of Ahmedabad Supply Area for FY 2017-18

Category	Value
HT Category	4.00%
LT Category	7.50%

9.2 Cross Subsidy Surcharge

Petitioner's Submission

Determination of Cross-Subsidy Surcharge

TPL-D has proposed the cross subsidy for HTMD-1 and HTMD-2 category consumer as 161 Paisa/kWh and 162 Paisa/kWh.

Commission's Analysis

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

S = T – [C / (1 - L/100) + D + R]

Where,

S is the surcharge

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

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

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

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

R is the per unit cost of carrying regulatory assets.

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

Table 9.8: Cross subsidy surcharge for FY 2017-18

Sl. No.	Particulars	HT Industry
1	T - Tariff for HT Category (Rs./kWh)	7.27
2	C - Wt. Avg. Power Purchase Cost (Rs./kWh)	4.65
3	D - Wheeling Charge (Rs./kWh)	0.76
4	L - Aggregate T&D Loss (%)	4%
5	R - per unit cost of carrying regulatory assets (Rs./kWh)	0
6	S = Cross subsidy surcharge (Rs./kWh)	1.62

S = 7.27 - [4.65 / (1-4/100) + 0.76 + 0.00]

= 1.62 Rs./kWh

Thus, Cross subsidy surcharge as per Tariff Policy, 2016 works out to Rs. 1.62 /kWh. However, Tariff Policy, 2016 provides that the surcharge shall not exceed 20% of the tariff applicable to the category of the consumers seeking open access.

In view of above, the Commission decides to restrict the Cross Subsidy Surcharge leviable from the consumers of TPL- D (A) seeking Open Access, for FY 2017-18 at Rs. 1.45 /kWh.

Accordingly, Cross subsidy surcharge for HT Category = 1.45 Rs./kWh for FY 2017-18.

10 Tariff Philosophy and Tariff Proposals

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 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 of TPL for increase in Retail Tariffs for Ahmedabad & Surat for FY 2017-18

Tariff Philosophy

The Petitioner submits 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. Consumers' 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

Determination of Retail Tariff

The Petitioner proposes to recover part of the cumulative gap by way of Regulatory Charge of Rs. 0.45 per unit during FY 2017-18. The Petitioner proposes Regulatory Charge mainly to recover the gap arising on account of past years' under-recovery.

The Petitioner proposes to recover the balance cumulative gap by way of tariff revision of Rs. 0.31 per unit during FY 2017-18 without making any change in the tariff structure. The proposed tariff schedule for Ahmedabad/Gandhinagar supply area is attached as **Annexure 1 to Petition**.

The Petitioner would like to clarify that any variation in recovery of the said gap shall be dealt with during Truing up exercise for FY 2017-18. The Petitioner further submits that, if for any reason, the Commission does not allow the recovery of gap by way of Regulatory Charge w.e.f. 1st April, 2017, the tariff rates need to be appropriately adjusted to allow the Petitioner to recover the cumulative gap of Rs. 567.18 Crores during the year.

10.3 Commission's Analysis

The Commission has carried forward the process of rationalization of tariff in order to ensure that the tariffs reflect, as per far as practicable, the cost of supply. The Commission has also tried to address operational and field level issues – keeping in view the interest of the consumers – while rationalising tariff structure. Hence, the Commission decides to continue with the existing tariff structure.

TPL-D has proposed to recover Rs. 567.18 Crore through "Regulatory Charge" which translates into 76 Paise/unit from consumers of Ahmedabad and Gandhinagar. The Commission has, after prudence check, worked out the net surplus of Rs 5.65 Crore for Ahmedabad license area after adjustment of balance recovery of regulatory charge. The licensee shall not recover regulatory charge from the effective date of this Order.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for TPL-D (Ahmedabad) for FY 2017-18, as shown in the Table below:

Approved ARR for TPL-D (Ahmedabad) for FY 2017-18

(Rs. Crore)

Sl. No.	Particulars	2017-18
1	Power Purchase Cost	3,734.30
2	Operations and Maintenance Expenses	290.26
3	Depreciation	155.22
4	Interest on Loans	78.18
5	Interest on working Capital	-
6	Interest on Security Deposit	48.42
7	Bad debts Written off	4.92
8	Contingency Reserve	0.60
9	Prompt Payment Rebate	0
10	Return on equity	198.14
11	Income Tax	97.8
12	**Total Expenditure**	**4,607.84**
13	Less: Non-Tariff income	93.36
14	**Aggregate Revenue Requirement**	**4,514.48**

The retail supply tariffs for Ahmedabad distribution area for FY 2017-18 determined by the Commission are annexed to this order. The licensee shall not recover regulatory charge from the effective date of this Order.

This order shall come into force with effect from 10th June, 2017. The revised rates shall be applicable for the electricity consumption from 10th June, 2017 onwards.

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

Place: Gandhinagar

Date: 09/06/2017

11 Annexure: Tariff Schedule

TARIFF SCHEDULE FOR AHMEDABAD - GANDHINAGAR LICENSE AREA OF TORRENT POWER LIMITED- AHMEDABAD

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

Effective from 10th June, 2017

GENERAL CONDITIONS

1. This tariff schedule is applicable to all the consumers of TPL in Ahmedabad-Gandhinagar area
2. All these tariffs for power supply are applicable to only one point of supply.
3. Meter charges shall be applicable as prescribed under GERC (licensee's power to recover expenditure incurred in providing supply and other miscellaneous charges) Regulations, 2005 as in force from time to time.
4. Except in cases where the supply is used for purposes for which a lower tariff is provided in the tariff schedule, the power supplied to any consumer shall be utilized only for the purpose for which supply is taken and as provided for in the tariff.
5. The charges specified in the tariff are on monthly basis, TPL shall adjust the rates according to billing period applicable to consumer.
6. The various provisions of the GERC (licensee's power to recover expenditure incurred in providing supply and other miscellaneous charges) Regulations will continue to apply.
7. Conversion of Ratings of electrical appliances and equipments from kilowatt to B.H.P. or vice versa will be done, when necessary, at the rate of 0.746 kilowatt equal to 1 B.H.P.
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. Contract Demand shall mean the maximum kW for the supply of which TPL undertakes to provide facilities to the consumer from time to time.
11. Maximum Demand in a month means the highest value of average kW as the case may be, delivered at the point of supply of the consumer during any consecutive 15/30 minutes in the said month.
12. 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.
13. The fixed charges, minimum charges, demand charges, meter rent and the slabs of consumption of energy for energy charges mentioned shall not be subject to any adjustment on account of existence of any broken period within billing period arising from consumer supply being connected or disconnected any time within the duration of billing period for any reason.
14. Prompt payment discount on the total bill excluding all types of levies, duties or taxes levied by the Government or any other competent authorities and meter rent but including fixed charges, energy charges and minimum charge may be allowed at the 1% rate for all tariff categories provided that the payment is made within 7 days of presentation of bill and that no previous amount is outstanding as on the date of the bill.
15. The energy bills shall be paid by the consumer within 14 days from the date of billing, failing which the consumer shall be liable to pay the delayed payment charges @15% p.a. for the number of days from the due date to the date of payment of bill.

16. Fuel Price and Power Purchase Adjustment (FPPPA) charges shall be applicable in accordance with the formula approved by the Gujarat Electricity Regulatory Commission from time to time.

17. No Regulatory Charges shall be billed to all the consumers.

18. Statutory Levies: These tariffs are exclusive of Electricity Duty, Tax on Sales of Electricity, Taxes and other Charges levied/may be levied or such other taxes as may be levied by the Government or other Competent Authorities on bulk/retail supplies from time to time.

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

PART- I

SUPPLY DELIVERED AT LOW OR MEDIUM VOLTAGE

(230 VOLTS- SINGLE PHASE, 400 VOLTS- THREE PHASE, 50 HERTZ)

1. RATE: RGP

This tariff is applicable to supply of electricity for:

i. residential purpose, and
ii. Installations having connected load up to and including 15 kW for common services like elevators, water pumping systems, passage lighting in residential premises and pumping stations run by local authorities.

1.1. FIXED CHARGE

For Other than BPL consumers

(a)	Single Phase Supply	Rs. 25 per month per installation
(b)	Three Phase Supply	Rs. 65 per month per installation

For BPL household consumers*

(a)	Fixed Charges	Rs. 5 per month per installation

1.2. ENERGY CHARGE

For Other than BPL consumers

(a)	First 50 units consumed per month	320 Paise per Unit
(b)	For the next 150 units consumed per month	390 Paise per Unit
(c)	Remaining units consumed per month	490 Paise per Unit

For BPL household consumers*

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

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

2. RATE: GLP

Applicable for supply of electricity to 'other than residential' premises used for charitable purposes like: public hospitals, dispensaries, educational and research institutions and hostels attached to such institutions, youth hostels run by Government, religious premises exclusively used for worship or community prayers, electric crematorium etc. Such premises should be in the use of 'Public Trust" as defined under section 2(13) of the Bombay Public Trust Act, 1950.

2.1. FIXED CHARGE

(a)	Single Phase Supply	Rs. 30 per month per installation
(b)	Three Phase Supply	Rs. 70 per month per installation

2.2. ENERGY CHARGE

(a)	First 200 units consumed per month	410 Paise per Unit
(b)	Remaining units consumed per month	480 Paise per Unit

3. RATE: NON-RGP

Applicable for supply of electricity to premises which are not covered in any other LT tariff categories, up to and including 15 kW of connected load.

3.1. FIXED CHARGE

(a)	For installations having Connected Load up to and including 5 kW	Rs. 70 per kW per month
(b)	For installations having Connected Load more than 5 kW and up to 15 kW	Rs. 90 per kW per month

3.2. ENERGY CHARGE

A flat rate of	450 Paise per Unit

4. RATE: LTP (AG)

Applicable to motive power installations for agricultural purposes

4.1. ENERGY CHARGE

A flat rate of	330 Paise per Unit

4.2. MINIMUM CHARGE

Minimum Charge per BHP of Connected Load	Rs. 10 per BHP per Month

Note:

1. The agricultural consumers shall be permitted to utilize one bulb or CFL up to 40 watts in the Pump House. Any further extension or addition of load will amount to unauthorized extension.
2. No machinery other than pump for irrigation will be permitted under this tariff.

5. Rate: LTMD-1

Applicable for supply of electricity to installations above 15 kW of connected load used for common services like elevators, water pumping systems and passage lighting for residential purpose and pumping stations run by local authorities.

5.1. FIXED CHARGE

1. For Billing Demand up to and including Contract Demand

(a)	First 50 kW of Billing Demand per month	Rs. 150 per kW
(b)	Next 30 kW of Billing Demand per month	Rs. 185 per kW
(c)	Rest of Billing Demand per month	Rs. 245 per kW

2. For Billing Demand in excess of the Contract Demand

Fixed Charge per kW of Billing Demand per month	Rs. 350 Per kW

Note: The Billing Demand will be taken as under:

i. The Maximum Demand recorded during the month OR

ii. 85% of the Contract Demand OR

iii. 6 KW

Whichever is the highest.

5.2. ENERGY CHARGE

(a)	For Billing Demand up to and including 50 KW	455 Paise per unit
(b)	For Billing Demand above 50 KW	470 Paise per unit

5.3. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

6. RATE: LTMD-2

Applicable for supply of electricity to premises which are not covered in any other LT tariff categories, having above 15 kW of connected load.

6.1. FIXED CHARGE

A. For Billing Demand up to and including Contract Demand

(a)	First 50 kW of Billing Demand per month	Rs. 175 per kW
(b)	Next 30 kW of Billing Demand per month	Rs. 230 per kW
(c)	Rest of Billing Demand per month	Rs. 300 per kW

B. For Billing Demand in excess of the Contract Demand

Fixed Charge per kW of Billing Demand per month	Rs. 425 Per kW

Note: The Billing Demand will be taken as under:

i. The Maximum Demand recorded during the month OR

ii. 85% of the Contract Demand OR

iii. 6 KW

Whichever is the highest.

6.2. ENERGY CHARGE

(a)	For Billing Demand up to and including 50 KW	470 Paise per unit
(b)	For Billing Demand above 50 KW	490 Paise per unit

6.3. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

7. RATE: SL

Applicable to lighting systems for illumination of public roads.

7.1. ENERGY CHARGE

A flat rate of	420 Paise per Unit

7.2. OPTIONAL kVAh CHARGE

For all the kVAh units consumed during the month	325 Paise per Unit

8. RATE: TMP

Applicable to installations for temporary requirement of electricity supply.

8.1. FIXED CHARGE

Fixed Charge per Installation	Rs. 25 per kW per Day

8.2. ENERGY CHARGE

A flat rate of	500 Paise per Unit

PART- II

SUPPLY DELIVERED AT HIGH VOLTAGE

(11000 VOLTS- THREE PHASE, 50 HERTZ)

9. RATE: HTMD-1

Applicable for supply of energy to High Tension consumers contracting for maximum demand of 100 kW and above for purposes other than pumping stations run by local authorities.

9.1. FIXED CHARGE

A. For Billing Demand up to and including Contract Demand

Fixed Charge per kW of Billing Demand per Month for Billing demand up to 1000 KW	Rs. 260 per kW
Fixed Charge per kW of Billing Demand per Month for Billing demand 1000 KW and above	Rs. 335 per KW

B. For Billing Demand in excess of the Contract Demand

Fixed Charge per kW of Billing Demand per month	Rs. 385 per kW

Note: The Billing Demand will be taken as under:

i. The Maximum Demand recorded during the month OR

ii. 85% of the Contract Demand OR

iii. 100 KW

Whichever is the highest.

9.2. ENERGY CHARGE

(a)	First 400 units consumed per kW of Billing Demand per Month	445 Paise per unit

(b)	Remaining Units consumed per Month	435 Paise per unit

9.3. TIME OF USE (TOU) CHARGE

For the Consumption during specified hours as mentioned here below: (i) For April to October period- 1200 Hrs. to 1700 Hrs. & 1830 Hrs. to 2130 Hrs. (ii) For November to March period- 0800 Hrs. to 1200 Hrs. & 1800 Hrs. to 2200 Hrs.	
(a) For Billing Demand up to 300 kW	80 Paise per Unit
(b) For Billing Demand Above 300 kW	100 Paise per Unit

9.4. NIGHT TIME CONCESSION

The energy consumed during night hours between 22.00 hours and 06.00 hours next day recorded by the tariff meter having built in feature of time segments shall be eligible for rebate at the rate of 30 Paise per KWH.

9.5. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

10. RATE: HTMD-2

Applicable for supply of energy to Water and Sewage Pumping Stations run by local authorities and contracting for maximum demand of 100 kW and above.

10.1. FIXED CHARGE

A. For Billing Demand up to and including Contract Demand

Fixed Charge per kW of Billing Demand per Month	Rs. 225 per kW

B. For Billing Demand in excess of the Contract Demand

Fixed Charge per kW of Billing Demand per month	Rs. 285 Per kW

Note: The Billing Demand will be taken as under:

i. The Maximum Demand recorded during the month OR

ii. 85% of the Contract Demand OR

iii. 100 KW

Whichever is the highest.

10.2. ENERGY CHARGE

A flat rate of	400 Paise per unit

10.3 TIME OF USE (TOU) CHARGE

For the Consumption during specified hours as mentioned here below- (i) For April to October period- 1200 Hrs. to 1700 Hrs. & 1830 Hrs. to 2130 Hrs. (ii) For November to March period- 0800 Hrs. to 1200 Hrs. & 1800 Hrs. to 2200 Hrs.	60 Paise per unit

10.4 NIGHT TIME CONCESSION

The energy consumed during night hours between 22.00 hours and 06.00 hours next day recorded by the tariff meter having built in feature of time segments shall be eligible for rebate at the rate of 30 Paise per KWH.

10.5 POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

11. RATE: HTMD-3

This tariff shall be applicable to a consumer taking supply of electricity at high voltage, contracting for not less than 100 kW 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.

11.1. FIXED CHARGE

For billing demand up to contract demand	Rs. 25/- per kW per day
For billing demand in excess of contract demand	Rs. 30/- per kW per day

Note: The Billing Demand will be taken as under:

i. The Maximum Demand recorded during the month OR

ii. 85% of the Contract Demand OR

iii. 100 KW

Whichever is the highest.

11.2. ENERGY CHARGE

For all units consumed during the month	695 Paise/Unit

11.3. TIME OF USE (TOU) CHARGE

For the Consumption during specified hours as mentioned here below- (i) For April to October period- 1200 Hrs. to 1700 Hrs. & 1830 Hrs. to 2130 Hrs. (ii) For November to March period- 0800 Hrs. to 1200 Hrs. & 1800 Hrs. to 2200 Hrs.	60 Paise per unit

11.4. POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

12. RATE: NTCT (NIGHT TIME CONCESSIONAL TARIFF)

This is night time concessional tariff for consumers for regular power supply who opt to use electricity EXCLUSIVELY during night hours between 22.00 hours and 06.00 hours next day.

12.1 FIXED CHARGE

Fixed Charges	30% of the Demand Charges under relevant Tariff Category

12.2 ENERGY CHARGE

A flat rate of	340 Paise per unit

12.3 POWER FACTOR ADJUSTMENT CHARGE

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per Unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per Unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per Unit

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 12.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 12.0 above.*
3. *In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per HTMD category demand charge rates given in para 9.1 of this schedule.*
4. *In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant billing month shall be billed as per HTMD category energy charge rates given in para 9.2 of this schedule.*
5. *In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy consumption during the relevant billing month shall be billed as per HTMD category demand charge and energy charge rates given in para 9.1 and 9.2 respectively, of this schedule.*
6. *This tariff shall be applicable if the consumer so opts to be charged in place of HTMD tariff by using electricity exclusively during night hours as above.*
7. *The option can be exercised to switch over from HTMD tariff to HTMD Night tariff and vice versa twice in a calendar year by giving not less than one month's notice in writing.*