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

SURAT

Case No. 1628 of 2016

9th June, 2017

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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

Surat

Case No. 1628 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. 1628 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 Surat 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 on the business of Generation and Distribution of Electricity in the cities of Ahmedabad, Gandhinagar and Surat. The present petition has been filed by TPL-Distribution (Surat) for its distribution business in Surat.

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

1.3 Commission's Order for 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 (Surat)

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 Hon'ble 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.

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 Petition (Case No. 1628/2016) 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
4.	Gujarat Chamber of Commerce & Industry	Yes	Yes	Yes	No
5.	K.K. Bajaj	Yes	Yes	Yes	No
6.	Gandhinagar Shaher Vasahat Mahamandal	Yes	No	No	No
7.	Shri Gujarat Vijdi Contractor Mandal	Yes	Yes	Yes	No
8.	Sushrut Orthopaedic Hospital Pvt. Ltd.	Yes	No	No	No
9.	Utility Users' Welfare Association (UUWA)	Yes	Yes	Yes	No
10.	Jankalyan Foundation	Yes	No	No	No
11.	Laghu Udyog Bharti - Gujarat	Yes	Yes	No	Yes
12.	Surat Municipal Corporation	Yes	Yes	No	Yes
13.	Surat Citizen's Council Trust & The Southern Gujarat Chamber of Commerce & Industry	Yes	Yes	No	Yes
14.	Aam Aadmi Party, Gujarat	Yes	Yes	No	Yes
15.	Bharatiya Samyawadi Paksh (Markswadi)	Yes	Yes	Yes	Yes
16.	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 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 (S)

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	1660.02	1875.10
O&M Expenses	105.48	111.11
Interest on Loan	35.44	34.48
Interest on Security Deposit	20.73	17.90
Interest on Working Capital	-	0.37
Depreciation	50.27	46.18
Bad Debts Written off	0.36	0.33
Contingency Reserve	0.40	0.40
Return on Equity	80.29	76.45
Income Tax	-	68.03
Less: Non-Tariff Income	26.64	27.50
Annual Revenue Requirement	**1926.35**	**2202.86**

2.3 Sharing of gains and losses for FY 2015-16

Table 2.2: Summary of sharing of gains and losses

(Rs Cr)

All Figures in Rs. Crores	FY 2015-16 (MTR Order)	FY 2015-16 (Actual)	Over(+)/ Under (-) recovery	Controllable	Uncontrollable
Power Purchase	1,660.02	1875.10	(215.08)	24.60	(239.68)
O&M expenses	105.48	111.11	(5.63)	(5.63)	
Depreciation	50.27	46.18	4.09		4.09
Interest on loans	35.44	34.48	0.96		0.96
Interest on SD	20.73	17.90	2.83		2.83
Interest on working capital	0	0.37	(0.37)		(0.37)
RoE	80.29	76.45	3.83		3.8
Bad debts written off	0.36	0.33	0.03	0.03	
Contingency reserve	0.4	0.40	0.00		0.00
Income Tax		68.03	(68.03)		(68.03)
Less: Non-tariff income	26.64	27.50	(0.86)	(0.06)	(0.79)
Aggregate Revenue Requirement	1926.35	2202.86	(276.51)	19.06	(295.57)

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

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				
1	Power Purcahse Expenses	1,727.32	1,751.33	1,765.70	1,779.38	1,795.54
2	Operation & Maintenance Expenses	112.83	119.28	126.10	133.31	140.94
3	Depreciation	50.63	57.04	67.08	76.35	80.78

Sr. No.	Particulars	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Projected				
4	Interest & Finance Charges	51.43	56.29	66.79	75.91	75.81
5	Interest on Working Capital	-	-	-	-	-
6	Bad Debts written off	0.33	0.33	0.33	0.33	0.33
7	Contribution to contingency reserves	0.40	0.40	0.40	0.40	0.40
8	**Total Revenue Expenditure**	**1,942.94**	**1,984.69**	**2,026.41**	**2,065.70**	**2,093.80**
9	Return on Equity Capital	80.02	85.23	94.00	102.57	106.70
10	Income Tax	47.59	47.59	47.59	47.59	47.59
11	**Aggregate Revenue Requirement**	**2,070.55**	**2,117.50**	**2,168.00**	**2,215.86**	**2,248.09**
12	Less: Non-Tariff Income	26.77	27.40	28.09	29.18	30.26
13	Less: Income from Other Business					
14	**Aggregate Revenue Requirement of Wires Business**	**2,043.78**	**2,090.11**	**2,139.90**	**2,186.68**	**2,217.83**

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	1926.35
Gains/(loss) due to Uncontrollable Factors	B	(295.57)
Gains/(loss) due to Controllable Factors	C	19.06
Pass through as tariff	D=(B+1/3rd of C)	289.21
Revised ARR for True-up for FY 2015-16	E=A+D	2215.56

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

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

(Rs. Crore)

Particulars	Actuals
Trued-up ARR	2215.56
Revenue from Sale of Energy	2205.14
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	160.35
Balance Revenue	2044.80
Gap/ (Surplus)	170.77

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

Table 2.6: Revenue Gap of TPL-D(Surat) Supply Area for FY 2017-18

(Rs. Crore)

Particulars	TPL-D (A)
Revised ARR	2090.11
Less: Revenue from Sale of Power at Existing Tariff Rates, including FPPPA @ Rs. 1.23 per unit	
Revenue from Open access charges	2126.77
Net Gap/(Surplus)	**(36.66)**

TPL has claimed the cumulative revenue gap/ (surplus) for FY 2016-17 as detailed in the Table below:

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

(Rs. Crore)

Sl. No.	Particulars	TPL-D (A)
1	Gap/ (Surplus) of FY 2015-16	170.77
2	Clarification/ Rectification Order	
3	Carrying Cost	79.77
4	DSM	0.15
5	**Gap/ (Surplus) of FY 2017-18**	(36.66)
6	**Cumulative Gap/ (Surplus) to be recovered through tariff**	214.03

2.7 TPL's request to the Commission

a) 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.

b) Approve the trued-up Gap/ (Surplus) of FY 2015-16.

c) Approve the sharing of gains/losses as proposed for FY 2015-16.

d) Approve the ARR for FY 2016-17 to FY 2020-21

e) Approve the cumulative Gap / (Surplus).

f) Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April,2017

g) Approve the recovery through retail tariff and Regulatory charge for FY 2017-18.

h) Allow recovery of the costs as per the Judgments of the Hon'ble Tribunal on the Appeals filed by the Petitioner.

i) Allow additions / alterations / changes / modifications to the application at a future date.

j) 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.

k) Allow any other relief, order or direction which the Commission deems fit to be issued.

l) 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 of the order deals with the truing up of FY 2015-16 for TPL-D, Surat.

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 Surat area for the FY 2015-16 along with the sales approved by the Commission in MTR order dated 29th April,2014 in Petition No. 1367 of 2013 as given in the table

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

(MU)

Category	MTR Order	Actual
RGP	687	771
Non RGP	1261	1248
LTMD	981	966
HT	290	299
HT pumping	-	-
Others	28	27
DoE units	-	2
Total	**3247**	**3313**

The actual sales come to 3313 MUs to Surat area for FY 2015-16 as against 3247 MUs approved in the MTR order.

Commission's Analysis

The Commission, in the MTR order dated 29th April, 2014, had considered revised estimated of sales of 3247 MUs for Surat licensee area for FY 2015-16. The actual energy sales in Surat area were 3313 MUs, which are higher by 66 MUs than the estimated sales considered by 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 monthwise 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 Surat area totalling to 3313 MUs for truing up for FY 2015-16.

4.3 Distribution Loss

Petitioner's submission

TPL has submitted that the distribution loss for Surat distribution licensee area was assessed at 5.15% as per Tribunal's Order dated 16th February,2015 in appeal No.148 & 149 of 2014 whereas the actual distribution loss is 3.89% 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 MTR	Actual
Distribution loss	5.15	3.89

Commission's Analysis

The distribution loss reduction took place in the distribution licensee area due to the 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 70.48 crore as well as capitalisation of assets of Rs 68.18 crore 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 3.89% for FY 2015-16.

4.3.1 Energy Requirement

Petitioner's submission

The Petitioner has submitted the actual energy requirement for Surat 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 Surat 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 Surat area

Particulars	MTR Order	Actual
Energy sales (MU)	3247.00	3312.69
Distribution loss (%)	5.15	3.89
Distribution loss (MU)	176.30	134.13
Energy input at distribution level (MU)	3423.30	3446.82
Transmission loss (MU)	32.00	38.37
Energy Requirement (MU)	**3455.30**	**3485.19**

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 sale is higher 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 5.15% and the actual distribution losses as reported by TPL is 3.89%. Since the actual sales has been more than that approved in the MTR order, therefore there has been an increase in energy requirement as compared to that approved in the MTR order. However, considering there has been reduction is distribution loss from 5.15% to 3.89%, the incremental energy requirement has been lesser than what it could have been with a distribution loss of 5.15%. The actual energy requirement, being the sum of energy sales and transmission and distribution losses, works out to 3485.19 MUs for FY 2015-16.

The Commission accordingly approves the energy requirement at 3485.19 MUs for truing up of FY 2015-16 as given in the above Table 4.3.

4.3.2 Energy Availability

TPL-D has projected the energy availability from TPL-D sources 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, allocation of domestic gas was reduced by Government of India. Moreover, the utilisation of gas generation facilities majorly depends on 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 stranded gas based plant. TPL has procured 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 the TPL – D (Surat) 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

(MU)

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.	UI		(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 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 purchased 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 Surat Supply area is Rs. 1,875.10 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 shortfall during the year. TPL has also submitted that power purchase cost is an uncontrollable component except on account 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 Surat license area. The energy requirements for TPL- Surat license area works out to 32% of total energy requirement and accordingly the total power procurement cost for the TPL-Surat license area has been evaluated based on 32% of total power requirement for TPL- Surat 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 Surat the energy requirement was 29.89 MUs higher 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 savings 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 and the 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

Energy Sources	MTR Order	Actual
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 Surat license area at 3485.19 MUs, the power purchase cost for Surat license area is computed at Rs 1870.71 crore. The Commission accordingly approves the power purchase cost of Rs 1870.71 crore for Surat 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 Surat area at Rs. 24.60 Crore, as given in the Petition, on account of reduction in distribution losses. TPL furnished the details of computation of distribution loss gains for Surat area in its 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	Surat	
		Legends	Actuals
Actual energy purchased at distribution level	MU	a	3,446.82
Energy Sales	MU	b	3,312.69
Wheeling of energy	MU	c	35.59
Total energy wheeled	MU	d=b+c	3348.28
Distribution loss (approved in MTR)	%	e	5.15%
Energy required at distribution level at approved loss	MU	F=d/(1-e)	3530.07
Difference	MU	G=(f)-((a)+(c))	47.67
Units recovered as loss	MU		1.94

Particulars	Unit	Surat	
		Legends	**Actuals**
Reduction in energy requirement	MU		45.73
Average PPC	Rs/kWh		5.38
Savings	**Rs Cr**		**24.60**

Thus, TPL computed the gains due to reduction in distribution loss at Rs. 24.60 crore.

Commission Analysis

The Commission has approved distribution loss at 5.15% 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 3.89% 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

Particulars	Unit	Surat	
		Legends	**Actuals**
Actual energy purchased at distribution level	MU	a	3,446.82
Energy Sales	MU	b	3,312.69
Wheeling of energy	MU	c	35.59
Total energy wheeled	MU	d=b+c	3348.28
Distribution loss (approved in MTR)	%	e	5.15%
Energy required at distribution level at approved loss	MU	f=d/(1-e)	3530.07
Difference	MU	g=(f)-(a)-©	47.67
Units recovered as loss	MU	h	1.94
Reduction in energy requirement	MU	i=g-h	45.73
Average PPC	Rs/kWh	j	5.37
Savings	**Rs Cr**	**k=i * j**	**24.58**

The Commission, accordingly, approves the gain on account of reduction in distribution loss at Rs. 24.58 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. 111.11 Crore as O&M expenses as against the total O&M expenses of Rs. 105.48 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- Surat for FY 2015-16

(Rs. cr)

Particulars	FY 2015-16 (MTR Order)	FY 2015-16 (Actual)	Over(+)/ Under (-) recovery	Controllable	Uncontrollable
O&M expenses	105.48	111.11	(5.63)	(5.63)	-

Petitioner's submission

TPL has submitted that the actual O&M expenses of Surat supply area have exceeded the approved value mainly due to increase in employee expenses.

It is further submitted that The GERC MYT Regulations, 2016 provides that variation in O&M expenses is to be considered as controllable. The Petitioner has considered the entire variation in O&M expenses in FY 2015-16 as controllable for sharing of gains/losses in line with the Regulations.

Commission's Analysis

TPL has submitted the actual O&M Expenses at Rs. 111.11 Crores in the Truing up for FY 2015-16. TPL has also submitted that O&M Expenses are claimed less to the tune of Rs. 3.85 Crores which is on account of donations (Rs. 3.36 Cr), bad debts written off (Rs. 0.33 Cr) and DSM expenses (Rs. 0.15 Cr).

The Commission, accordingly, approves the O&M expenses of Rs. 111.11 Crore, as claimed by the petitioner for truing up for FY 2015-16.

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	105.48	111.11	(5.63)	(5.63)	-

4.5.2 Capital expenditure, Capitalization and Sources of Funding

TPL has furnished actual capital expenditure of Rs. 70.48 Crores in the truing up for FY 2015-16 against Rs. 62.21 Crores 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- Surat for FY 2015-16

(Rs Cr)

Particulars	MTR Order	Actual
EHV	15.53	34.85
HT Network	21.12	12.39
LT Network	14.42	12.58
Metering	5.97	6.84
Others	5.17	3.82
Total	**62.21**	**70.48**

4.5.2.1 Petitioner's submission

TPL has submitted that the capital expenditure incurred by Surat Supply Area in FY 2015-16 is Rs. 70.48 Crores which is higher than the approved value. TPL has indicated the major variances in the actual expenditure against the approval as detailed below:

(a) **EHV** – The Hon'ble Commission had approved the capital expenditure of Rs. 15.53 Crores for EHV. In this regard, the Petitioner has incurred the expenditure of Rs. 34.85 Crores. The major variation is on account of expenditure incurred towards:

- Commissioning of Power Transformer: Commissioning of 160 MVA ICT project at F station was approved in the MTR. The execution of this project was initiated in FY 2014-15 and completed in FY 2015-16 due to long delivery period of GIS bay & ICT.

- Commissioning of 66 kV Interconnectivity: Execution of cable connectivity projects (1) Between Bhatar to D SS and (2) 4th cable for Bhatar ICT were approved in MYT for FY 2015-16 and have been completed in the same year. The actual cost incurred was less as against approved expenditure due to variation in route length during execution. Project of GIS bay to terminate FGIS-B connectivity at FGIS SS was approved in MYT for FY 2014-15. The project was initiated in FY 2014-15 and completed in FY 2015-16 since the GIS bay was commissioned in FY 2015-16. Commissioning of 66 kV F-F2 connectivity project which was approved in MYT for FY 2014-15 was completed in FY 2015-16.
- Replacement of EHV equipment: The project for replacement of Power transformer at C Station (C-TR-6) has been deferred to FY 2016-17 based on test results.
- Others: Major expenditure under this head has been incurred towards carrying out shifting of 220 kV Tower near Kankar khadi and Gothan to fulfill the requirements raised by SMC and R&B Dept and installation of Nitrogen based Firefighting system for Power transformers (20 nos.) and smoke detection system in control room to enhance safety. The project for installation of 11 kV VCB panels at D SS has been deferred to FY 2016-17 based on existing feeder loading. Whereas, the project for installation of CCTV camera at Puna SS has been initiated in FY 2015-16 and will be completed in FY 2016-17.

(b) **HT** – The Hon'ble Commission had approved the capital expenditure of Rs. 21.12 Crores for HT network. However, the actual expenditure was Rs. 12.39 Crores. The major reason for variation was on account of deferment of project of new feeder from D SS based on existing feeder loading and non-materialization of SMC BRTS project. Further, lower capex was incurred due to (i) Price variation (ii) lower quantum of DT procurement due to reuse of old DT and (iii) lower RR charges than estimated. The Petitioner has also deferred the projects related to SCADA, feeder automation, AMR, Testing equipment, etc. to future years.

c) **LT** – The Hon'ble Commission had approved the capital expenditure of Rs. 14.42 Crores for LT network. However, the actual expenditure was Rs. 12.58 Crores due to higher number of tapping services released as compared to cable services based on materialization of type of project.

d) **Metering** – The Hon'ble Commission had approved capital expenditure pertaining to Metering of Rs. 5.97 Crores. The actual expenditure was higher as compared to the approved due to higher quantum of meter replacement. Further, the Petitioner has also initiated the process for NABL accreditation certificate in FY 2015-16.

e) **Others** – The Petitioner has incurred lower CAPEX under the head of IT, GIS, and Admin during FY 2015-16 due to deferment of major CAPEX to FY 2016-17.

Commission's Analysis

The Commission observed that the petitioner has incurred capital expenditure of Rs. 70.48 Crores, as against Rs. 62.21 Crores approved by the Commission in the MTR Order for FY 2015-16. The Commission has analysed the audited accounts and has verified the claimed amount of Rs 70.48 Crores as capital expenditure.

The Commission noted that the benefit of higher CAPEX is reflected in reduction of distribution losses in the licensee 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 statement submitted alongwith the Petition, the deduction in transformers cost is shown as Rs 7.95 Crores. As per the submissions of the Petitioner, it seems that number of transformers might have been replaced or removed from the existing network. However, no details pertaining to removal of number of transformers, switchgear etc., whether such transformers have completed their life or not, their historical value etc. have been reflected in the submissions. A separate directive with regard to capex has been given in this at the end of this Order.

In reference to the Commission's query regarding scheme wise details of capex, TPL has submitted list of projects where capex have been incurred in FY 2015-16. The summary of TPL's submission is shown in the Table below.

Table 4.13: Details of Capital expenditure for each scheme for FY 2015-16

(Rs Cr)

Project Title	FY 2015-16
EHV network	34.85
HT Network	12.39
LT network	12.58
Metering	6.84
Others	3.82
Total	**70.48**

The Commission therefore approves the capital investment of Rs 70.48 Crores for the FY 2015-16.

(b) Capitalization

Petitioner's Submission

TPL has claimed a sum of Rs. 68.18 Crores towards capitalization, as against the actual capital expenditure of Rs. 70.48 Crores.

Commission's Analysis

The net addition of assets during FY 2015-16 is Rs 68.18 Crore, as verified from the annual accounts of TPL-Surat for the FY 2015-16. The Commission observed that the petitioner has capitalized a greater 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 of which is depicted in the table below.

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

(Rs Crore)

Project Code	Project Title	Capitalization
EHV Network	New 220 kV EHV SS	
	220 kV EHV Line / Cable	2.60
	New 66 kV EHV SS	
	Additional 66 kV	12.03
	Additional / Augmentation / Replacement of Power Transformer & ICT	13.65
	Replacement & Renovation in existing EHV SS	5.65
	Technology Upgradation & Capacity enhancement of EHV SS	-
	Supporting Infrastructure - EHV	0.08
	Total EHV network	**34.01**
HT Network	11 kV HT Network Development & Modification	1.07
	Replacement / Shifting of HT Network	1.61
	Distribution substation automation	
	New Distribution Substations	2.28
	New HT Consumers	1.11
	Additional / Augmentation / Replacement of Dist. X'mer	1.99
	Installation / Replacement of 11 kV S/Gear / LT Panel / Breaker and Acc. for Safety	3.75
	Reactive Power compensation	
	Others	0.01
	Supporting Infrastructure - HT	0.05
	Total HT Network	**11.86**
LT Network	New Connections / Load Extension	9.14
	LT Network Development & Modification	3.08
	Supporting Infrastructure - LT	0.06
	Others	0.20
	Total LT network	**12.48**
Special Projects	Establishment of Central Store at E SS	
	Establishment of Sub Store	
	Implementation of Geographical Information system (GIS)	0.94
	Total Special projects	**0.94**
	Others	
Total		**68.18**

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 capitalization of Rs 68.18 Crore for FY 2015-16.

Funding of CAPEX

TPL has submitted the capitalisation and funding, 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	1428.87
Addition to GFA	b	68.18
Deletion from GFA	c	9.97
Closing GFA	d= a+b-c	1487.08
Less: (i) SLC additions	e	16.64
Capitalization for debt	f=b-c-e	41.57
Capitalization for equity		41.57
Normative debt @ 70%	g=f*70%	29.10
Normative equity @ 30%	h=f*30%	12.47

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. 46.18 Crores towards actual depreciation in the truing up for FY 2015-16 against Rs. 50.27 Crores approved in the MTR Order for FY 2015-16 as detailed in the Table below:

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

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Depreciation	50.27	46.18

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. 46.18 Crores.

The Commission, accordingly, approves the depreciation of Rs. 46.18 Crore in the truing up for FY 2015-16.

The deviation of Rs. 4.09 crore is assessed as a gain and the Commission has considered it 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	50.27	46.18	4.09	4.09

4.5.4 Interest expenses

TPL has claimed a sum of Rs. 34.48 Crores towards actual interest expenses in the truing up for FY 2015-16 against Rs. 35.44 Crores approved in the MTR Order for FY 2015-16 as detailed in the table below.

Petitioner's submission

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

(Rs. crore)

Particulars	Amount
Opening Balance of Loan	302.24
Less: Reduction of Loan due to retirement or replacement of assets	0.00
Addition during the year	29.10
Repayment during the year	46.18
Closing Balance of Loan	285.16
Average Balance of Loan	293.70
Weighted average Rate of Interest on actual Loans (%)	11.20%
Interest Expenses @ 11.20%	**32.90**
Finance Charges	1.58
Total Interest & Finance Charges	**34.48**

Commission's Analysis

The existing 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. 29.10 Crore is in accordance with the requirements of capitalization 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 on the opening balance of loan brought forward from the previous year's closing balance, capitalization 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 actual 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 11.20% 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. 1.58 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)

Source of Loan	True-Up Petition
Opening Balance of Loan	302.24
Less: Reduction of Loan due to retirement or replacement of assets	-
Addition of Loan due to capitalisation during the year	29.10
Repayment of loan during the year	46.18
Closing Balance of Loan	285.16
Average Balance of Loan	293.70
Weighted average Rate of Interest on actual Loans (%)	11.20%
Interest Expenses	**32.90**
Finance Charges	1.58
Total Interest & Finance Charges	**34.48**

The Commission, accordingly, approves the interest and finance charges at Rs. 34.48 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	35.44	34.48	0.96	0.96

4.5.5 Interest on security deposit

TPL has claimed a sum of Rs. 17.90 Crores towards interest on security deposit in the truing up for FY 2015-16 against Rs. 20.73 Crores approved in the MTR Order as detailed in the table below:

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

(Rs. crore)

Particulars	MTR Order	Actual
Interest rate	9.5%	8.5%
Interest on Security Deposit	20.73	17.90

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 GERC (Security Deposit) Regulations, 2005 provide for interest on security deposit at the Bank Rate, prevailing as on 1st April of the relevant financial year. TPL has accordingly paid interest on security deposit @ 8.50%.

The Commission, accordingly, approves the interest on security deposit at Rs. 17.90 crore in the truing up for FY 2015-16.

The deviation of Rs. 2.83 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	20.73	17.90	2.83	2.83

4.5.6 Interest on working capital

The working capital requirement is arrived at as per the GERC (MYT) Regulations, 2011. TPL has claimed Rs 0.37 Crores towards interest on working capital @ 14.75% rate of interest.

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

(Rs. crore)

Particulars	MTR Order	Actuals
O&M expense for 1 month	8.79	9.26
1 % of GFA for maintenance spares	13.38	14.29
Receivables for 1 months	154.23	189.12
Less: Security Deposit	218.22	210.18
Normative Working Capital	(41.82)	2.49
Interest Rate(%)	14.45%	14.75%
Interest on Working Capital	**-**	**0.37**

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, the Commission has reduced the working capital requirement by considering the average security deposit of Rs. 210.18 Crore for FY 2015-16 as per annual accounts.

The Commission, accordingly, approves the interest on working capital at Rs 0.37 Crore in the truing up for FY 2015-16.

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

(Rs Crore)

Particulars	MTR Order	Actuals
O&M expense for 1 month	8.79	9.26
1 % of GFA for maintenance spares	13.38	14.29
Receivables for 1 month	154.23	189.12
Less: Security Deposit	218.22	210.18
Total working capital	(41.82)	2.49
Interest Rate (%)	14.45%	14.75%
Interest on Working Capital	**-**	**0.37**

4.5.7 Return on equity

TPL has claimed a sum of Rs. 76.45 Crores towards return on equity @ 14% in the truing up for FY 2015-16 against Rs. 80.29 Crores approved in the MTR Order dated 29.4.2014 as detailed in the table below:

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

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Opening equity	570.49	539.86

Particulars	FY 2015-16	
	MTR Order	Actual
Equity addition during the year	5.95	12.47
Closing equity	576.45	552.33
Average of opening and closing	573.47	546.09
Rate of Return on Equity	14%	14%
Return on equity	**80.29**	**76.45**

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. 12.47 Crores during FY 2015-16 is due to net capitalization during 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 68.18 crore and deletion from GFA of Rs 9.97 crore during FY 2015-16. Thus, net capitalization during the year is Rs 58.21 crore and considering the Service Line Contribution received during the year of Rs 16.64 crore, the balance capitalization works out to Rs 41.57 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 12.47 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 76.45 crore as given in the Table below.

Table 4.26: Return on equity approved for TPL- Surat for FY 2015-16

(Rs. Crore)

Particulars	FY 2015-16	
	MTR Order	**Actual**
Opening Equity	570.49	539.86
Equity addition during the year	5.95	12.47
Reduction in equity during the year	0.00	0.00
Closing Equity	576.45	552.33
Average of opening and closing Equity	573.47	546.09
Rate of Return on Equity	14%	14%
Return on Equity	**80.29**	**76.45**

The Commission, accordingly, approves the return on equity at Rs. 76.45 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 4.27: 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	80.29	76.45	3.84	3.84

4.5.8 Income Tax

TPL has claimed a sum of Rs. 68.03 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 4.28: Income Tax claimed by TPL- Surat for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Income Tax	0	68.03

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 Hon'ble Commission has not taken cognizance of the same. The matter is currently sub judice. In turn, the Petitioner has taken into account Rs. 20.44 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. 47.59 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. 68.03 Crore.

However, in the 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 4.05 crore for supply in Surat license area.

Commission's Analysis

TPL has claimed the actual Income Tax apportioned to the Surat distribution at Rs.47.59 crore for FY 2015-16. TPL has also claimed Income Tax of Rs 20.44 of FY 2014-15 in FY 2015-16 based on reversal of UNOSUGEN Cost. Thus, total Income Tax of Rs 68.03 crore is claimed.

It is observed that the Commission in its last true up order 1553 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. 120.90 Crore to PBT of FY 2014-15 and claimed Rs. 20.44 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. 217.57 Crore. The PBT as per stand-alone 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(S) is Rs. 46.29 Crore for FY 2015-16.

Therefore, the income tax liability on TPL-D(S) is determined to be Rs 46.29 crore which needs to be further reduced by Rs 4.05 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.42.24 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 4.29: 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	42.24	(42.24)	(42.24)

4.5.9 Bad debts Written Off

TPL has claimed sum of Rs. 0.33 crore towards bad debts written off in the truing up for FY 2015-16 against Rs.0.36 crore approved in the MTR order for FY 2015-16 as detailed in the table below:

Table 4.30: Bad debts claimed by TPL- Surat for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Bad debts written off	0.36	0.33

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 Petition. No 1553 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. 0.33 crore in the truing up for FY 2015-16.

The deviation in bad debts is Rs. 0.03 crore due to controllable factor.

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

Table 4.31: 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	0.36	0.33	0.03	0.03

4.5.10 Contingency Reserve

Petitioner's submission

TPL has proposed the contingency reserve at Rs. 0.40 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 4.32: Contingency Reserve claimed by TPL- Surat for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Contingency Reserve	0.40	0.40

Commission's Analysis

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

Table 4.33: 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	0.40	0.40	-	-

The Commission, accordingly, approves the contingency reserve at Rs. 0.40 crore in the truing up for FY 2015-16.

There is no deviation in the contingency reserve.

4.5.11 Non-Tariff income

TPL has claimed a sum of Rs. 27.50 crore as the non-tariff income in the truing up for FY 2015-16 against Rs. 26.64 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- Surat for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	MTR Order	Actual
Non-Tariff income	26.64	27.50

Petitioner's submission

The Petitioner submitted that the actual non-tariff income for FY 2015-16 is Rs. 27.50 crore and has claimed it as a controllable item.

Commission's Analysis

The non-tariff income is specified in Regulation 99 of GERC (MYT) Regulations, 2011, which 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 Rs. 27.50 crores.

Further, the Commission has verified the non-tariff income from the annual accounts and found that non-tariff income shown by the Petitioner for FY 2015-16 is correct.

The Commission, accordingly, approves the non-tariff income at Rs. 27.50 crore in the truing up for FY 2015-16.

The deviation in non-tariff income is assessed at Rs. 0.86 crore is a gain. 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 the tune of Rs 0.33 crore. Accordingly, out of bad debts recovery of Rs 0.39 crore, the Commission considers Recovery of Bad Debt of Rs 0.33 crore as controllable and therefore 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	26.64	27.50	(0.86)	(0.53)	(0.33)

4.5.12 Revenue from sale of power

Petitioner's submission

TPL has submitted a sum of Rs. 2205.14 crore as the revenue from sale of power in the truing up for FY 2015-16 as against Rs 1982.62 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- Surat for FY 2015-16

(Rs. crore)

Particulars	FY 2015-16	
	ARR Order	Actual
Revenue from existing tariff	1982.62	2205.14

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

(Rs Cr)

Particulars	As Claimed
As per petition (Table 30 of the Petition)	2,205.14
Add: Adjustment in revenue as per GERC RP order dated 01.07.2016	64.29
Gross Revenue as per Annual Accounts (Note 16 of Annual Accounts)	**2,269.43**

Commission's Analysis

As per annual accounts submitted by TPL, the revenue from sale of power for FY 2015-16 is Rs 2269.43 crore as against Rs 2205.14 crore depicted in Table 30 of the Petition. On reconciliation of these two figures it is observed that the revenue from sale of energy at Rs. 2269.43 Crore in Note 16 of annual accounts includes Adjustment in revenue as per Commission's Review Petition order dated 08.06.2017 in Review Petition as shown in Table below.

Table 4.38: Reconciliation of gross revenue

(Rs Cr)

Particulars	As approved by Commission
Gross Revenue as per Annual Accounts (Note 16 of Annual Accounts)	**2,269.43**
Less: Adjustment in revenue as per GERC RP order dated 08.06.2017	64.29
Approved Revenue by Commission	**2,205.14**

The Commission, accordingly, approves the revenue from sale of power at Rs. 2,205.14 Crore in the truing up for FY 2015-16.

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

The Commission has reviewed the performance of TPL-D Surat Supply Area under Regulation 22 of 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- Surat 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	Uncontrollable
Power Purchase	1660.02	1875.10	1870.71	(210.69)	24.58	(235.27)
O&M expenses	105.48	111.11	111.11	(5.63)	(5.63)	-
Depreciation	50.27	46.18	46.18	4.09	-	4.09
Interest & Finance charges	35.44	34.48	34.48	0.96	-	0.96
Interest on Security Deposit	20.73	17.90	17.90	2.83	-	2.83
Interest on Working Capital	0.00	0.37	0.37	(0.37)	-	(0.37)
RoE	80.29	76.45	76.45	3.84	-	3.84
Bad debts written off	0.36	0.33	0.33	0.03	0.03	-
Contingency reserve	0.40	0.40	0.40	0.00	-	0.00
Income Tax	0.00	68.03	42.24	(42.24)		(42.24)
Less: Non-Tariff Income	26.64	27.50	27.50	(0.86)	(0.33)	(0.53)
ARR	**1926.35**	**2202.85**	**2172.67**	**(246.32)**	**19.31**	**(265.63)**

4.5.14 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 utilized 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 Surat and as approved by the Commission is summarized in Table below:

Table 4.40: Trued up ARR incl. Gains/(Losses) for TPL-D Surat 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	1926.35	1926.35
Gain/losses due to uncontrollable factors	b	(295.57)	(265.63)
Gain/losses due to controllable factors	c	19.06	19.31
Pass through as tariff	d=-(1/3rd of b+c)	289.21	259.19
Trued up ARR	**e**	**2215.57**	**2185.54**

The Petitioner has submitted to consider the amount of Rs. 160.35 of past revenue which is a result of certain commission orders and various judgements of APTEL but the amount was accrued as revenue in FY 2015-16. Therefore, the stand-alone revenue for FY 2015-16 is claimed to be Rs 2044.79 crore (Deducting Rs 160.35 Crore from revenue from power sale of Rs 2205.14 Crore).

With reference to a Commission's query for reconciliation of Rs 160.35 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**
Part-1		
Trued up Gap/ (Surplus) for FY 13-14	a0 = a-a1-a2-a3	152.17
Adjustments as per 3rd party Audit Report	a1	(0.09)
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	a2	(1.56)
Revenue towards recovery of Earlier Years' approved Gap/ (Surplus)	a3	3.52
Gap/ (Surplus) for FY 13-14 considered in tariff of FY 15-16	**a**	**154.04**
Less:		
Adjustments as per 3rd party Audit Report	b = a1	-
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	c = a2	-
Net trued-up Gap/(Surplus) for FY 13-14	**d = a-b-c**	**154.04**
Add: Impact of other Orders		
FY 13-14 Power Purchase Cost	e	1.03
FY 13-14 Sharing of Gains/(Loss) for Bad Debts	f	(0.30)
Revenue towards recovery of Earlier years' approved Gap/ (Surplus)*note	g = v	2.77
Clarification/ Rectification Order	h	2.80
Total Gap/(Surplus) for FY 13-14	**i = d+e+f+g+h**	**160.35**

The Commission has considered revenue of Rs 2205.14 crore as approved in Table 4.38 for the computation of net revenue gap for FY 2015-16.

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

Table 4.42: Revenue Gap for TPL- Surat for FY 2015-16

(Rs. crore)

Particulars	**As claimed by petitioner for FY 2015-16**	**As approved for FY 2015-16**
Total revenue	2205.14	2205.14
Less: Revenue towards recovery of earlier year's approved gap	160.35	160.35
Effective Revenue	2044.79	2044.79
Trued up ARR	2215.57	2185.54
Revenue Gap	**170.78**	**140.75**

Accordingly, the Commission now considers the true-up revenue gap of Rs. 140.75 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 notified in the Scheme	Revised Target Price being the Net Purchase Price for DISCOM under the Scheme	Purchase Price per Unit of the Distribution Licensee.
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. As per the aforesaid regulations the control period means 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 Surat Supply Area. The Petitioner TPL has filed Petition No. 1628 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 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 Surat 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 ------------------------
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

The sales of Surat Supply Area are principally driven by major industrial segments namely textile, diamond & other allied industries. The growth in commercial and residential segments generally depends on the weather condition and development of colonies in certain pockets of the license area.

The historical trend of sales in Industrial segment is downward and same trend is likely to continue during the MYT control period. This will restrict overall growth of sales in license area.

Further, TPL 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 TPL-D has not considered the impact on sales due to this factor.

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 Surat in arriving at sales growth.

5.1.3 Projected energy sales

Petitioner's Submission

TPL 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 MYT 2nd 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 Surat supply area

(MU)

Category	2011-12	2012-13	2013-14	2014-15	2015-16(As claimed in true up)
RGP	625.21	669.12	672.17	740.91	771
Non-RGP	905.42	1,222.88	1,218.95	1,238.86	1,248
LTMD	1,276.17	956.59	979.29	1,009.82	966
HT	248.57	261.38	267.96	290.13	299
HT Pumping					
Others	24.26	27.83	24.45	26.15	27
DOE Units	2.87		2.21	2.41	2
TOTAL:	**3,082.50**	**3,137.80**	**3,165.03**	**3,308.28**	**3,313.00**

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) and with some marginal adjustments. The category-wise sales forecast is as follows:

5.1.5 Residential (RGP)

Petitioner's submission

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 3.95%. The sales projected for the MYT 3rd 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 2011-12 to FY 2015-16

(MU)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	801.24	832.90	865.82	900.03	935.60
YoY growth rate (%)		3.95%	3.95%	3.95%	3.95%

Commission's Analysis

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 Surat. The Commission, therefore, approves the energy sales projected for the period FY 2016-17 to FY 2020-21 and any variation will be considered during 'truing up'.

The Commission approves the sales to the residential category for the period FY 2017-18 to FY 2020-21 at 3.95% 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

(MU)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	801.24	832.90	865.82	900.03	935.60

5.1.6 Non RGP Category

Petitioner's submission

Sales contribution is from industrial and non-industrial services. Further, industrial services comprises of textile, diamond & embroidery segments whereas non-industrial services comprises of shops, showrooms, offices, etc.

Due to development of new commercial complexes in the license area and the present industrial scenario, moderate growth is expected in this category. With advent of technology the usage of energy efficient gadgets/ equipment is increasing. The same also results into reduction in sales.

The YoY growth rate for FY 2015-16 is about 0.71% and 5 Year CAGR is of 0.55%. The energy forecasted for the MYT Control Period based on 5 Year 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)	1254.53	1261.45	1268.41	1275.40	1282.44
YoY growth rate (%)		0.55%	0.55%	0.55%	0.55%

Commission's Analysis

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

Table 5.5: Energy sales approved by the Commission for commercial category for the period FY 2011-12 to FY 2015-16

(MUs)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales	1254.53	1261.45	1268.41	1275.40	1282.44

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

The Petitioner has submitted that this category includes sales contribution from industrial and non-industrial services. Further, industrial services comprises of textile, diamond & embroidery segments whereas non-industrial services comprises of shops, showrooms, offices, etc.

De-growth is witnessed in this category. The YoY growth rate for FY 2015-16 is about

(-) 4.35% and 5 Year CAGR is (-) 0.16%. Accordingly, the sales forecast for the MYT Control Period for this category based on 5 Year CAGR 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)	964.41	962.91	961.41	959.91	958.42
YoY growth rate (%)		-0.16%	-0.16%	-0.16%	-0.16%

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)	964.41	962.91	961.41	959.91	958.42

5.1.8 HT Maximum Demand (HTMD)

The sales in the HTMD category is attributable to the textile, diamond industries, and commercial establishment in the HTMD – 1 category and water works and pumping stations run by local authority in the HTMD- 2 category.

Petitioner's submission

TPL submitted that there is a trend of the textile process houses to shift to the outskirts of the city which is expected to continue for the future years. This is driven by stringent pollution norms and economic consideration like higher valuation of land. The consumption would be affected because these textile houses of higher load factor are likely to get replaced by occupants of lower load factor.

In the last few years, HT customers have set up the renewable energy generation and have availed the set-off of such generation against their consumption in the license area.

This will impact the actual sales of this category. For the MYT control period, Petitioner has given due consideration to the RE capacity addition.

The 5 Year CAGR for this category is 4.84%. The sales forecast for the MYT Control Period for this category based on 5 Year CAGR with net off impact as explained hereinabove is shown in the table below:

Table 5.8: 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 (MU)	308.03	321.26	337.17	353.86	371.35

Commission's Analysis

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

It is important to note that there is a mismatch in total sales projected for this category for FY 2020-21. In the petition it is given as 371.35 MUs whereas in the formats, it is submitted 371.82 MUs. The Commission has considered 371.82 MUs for the purpose of determination of energy requirement and hence power procurement cost.

Table 5.9: 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 (MU)	308.03	321.26	337.17	353.86	371.82

5.1.9 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 individual 5 year CAGR of each sub-category. The details of sales are shown in the table below.

Table 5.10: Projected energy sales to others for the control period FY 2011-12 to FY 2015-16

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Energy sales (MU)	28.25	29.16	30.10	31.07	32.08

Commission's Analysis

The sales for this category are likely to follow the past trends and being of very low proportion does not have major correction factors to be accounted for. Accordingly the Commission approves the sales of others category for the control period FY 2016-17 to FY 2020-21 as given in the table below:

Table 5.11: 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)	28.25	29.16	30.10	31.07	32.08

5.1.10 Summary of Energy sales

Commission's Analysis:

The category-wise energy sales for the control period for Surat supply licensee area is discussed in the above paragraphs. The sales for each of the categories as projected by TPL and as approved by the Commission are given in the tables below:

Table 5.12: Approved Energy sales for the Surat 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

RGP	801.24	832.90	865.82	900.03	935.60
Non-RGP	1254.53	1261.45	1268.41	1275.40	1282.44
LTMD	964.41	962.91	961.41	959.91	958.42
HTMD	308.03	321.26	337.17	353.86	371.82
Others	28.25	29.16	30.10	31.07	32.08
Total	**3356.46**	**3407.68**	**3462.91**	**3520.27**	**3580.36**

5.1.11 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 reason 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 5.13: Projected Distribution Loss for the Surat area for the period FY 2016-17 to FY 2020-21

(MU)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Distribution Loss	4.50%	4.50%	4.50%	4.50%	4.50%

Commission's Analysis

The Commission has observed that the distribution loss proposed in the MTR order was 5.15% for FY 2015-16 against which TPL has actually reduced the loss up to 3.89% during FY 2015-16. Thus, the Commission has approved an actual loss of 3.89 % 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 for 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 3.89% may not be possible in the near future. The Commission also noticed the fact that TPL has proposed a flat 4.50% distribution loss constant throughout the control period. Given the fact, that the Commission has approved capital expenditure and subsequently capitalization for almost all major projects over the years, the Commission therefore does not agree with the reasons for increase in distribution losses from 3.89% to 4.50% as proposed by TPL.

The Commission has further observed that a significant capital expenditure plan in TPL-Surat area is proposed by TPL which has been detailed in later chapters. 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 the 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 807.49 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. Hence the Commission feels, TPL should continue its sustained efforts to reduce the distribution loss percentage.

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

Table 5.14: Distribution losses approved by the Commission for TPL-D Surat 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	3.89	3.74	3.69	3.64	3.59

5.1.12 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 5.15: Energy requirement projected by TPL-D for Surat 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	3356.47	3407.68	3,462.91	3,520.28	3,579.88
Distribution loss (%)	4.50%	4.50%	4.50%	4.50%	4.50%
Distribution loss	158.16	160.57	163.17	165.88	168.69
Energy required at distribution periphery	3514.62	3,568.25	3,626.08	3,686.15	3,748.57
Transmission loss	44.19	33.22	33.67	34.16	34.63
Energy requirement at TPL-D(S)	**3558.81**	**3,601.47**	**3,659.75**	**3,720.31**	**3,783.20**

Commission's Analysis

Based on the energy sales approved in Table 5.12 and distribution losses as approved in Table 5.14 the Commission has computed the energy requirement of Surat distribution area and at its periphery with the transmission loss % as per True Up of FY 2015-16 as given in Table below:

Table 5.16: Energy requirement approved by the Commission for TPL-D Surat 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	3356.47	3407.68	3462.91	3520.28	3580.31
Distribution loss (%)	3.89%	3.74%	3.69%	3.64%	3.59%
Distribution loss	135.85	132.40	132.68	132.98	133.32
Energy required at distribution periphery	3492.32	3540.08	3595.59	3563.26	3713.68
Transmission loss	39.19	39.74	40.36	41.00	41.68
Energy requirement at TPL-D(S)	3531.51	3579.82	3635.95	3694.26	3755.36
Non Solar RPO component	291.31	295.36	299.97	304.75	309.79
Solar RPO	61.79	62.65	63.63	64.64	65.71

The Commission approves the energy requirement of TPL-D Surat supply area at its periphery as in the table above.

5.1.13 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 MYT 3rd 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 proposed the power purchase quantum as under.

Table 5.17: 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 5.18: 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 5.19: 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 Surat is entitled to change the source of power supply. However, on completion of such event TPL-D Surat shall require post facto approval from the Commission for change in quantum and source of energy supply and the power procurement cost.

5.1.14 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 5.20: 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 5.21: Annual Fixed cost as approved 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 5.22: 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 5.23: 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 5.24: 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 Surat area for the 3rd control period.

Table 5.25: Approved power purchase cost for TPL-D Surat

(Rs Cr)

Description	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Power purchase Cost	1,629.65	1,663.12	1,695.95	1,733.32	1,777.70

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 MYT 3rd 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 Surat Supply Area as shown in the table below.

Table 5.26: O&M expenses projected by TPL-D Surat for the control period

(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	O&M Expenses					
1.1	Employee Expenses	48.08	50.83	53.74	56.81	60.06
1.2	R&M Expenses	31.24	33.03	34.92	36.91	39.03
1.3	A&G Expenses	33.51	35.42	37.45	39.59	41.86
3	**Total Operation & Maintenance Expenses**	**112.83**	**119.28**	**126.10**	**133.31**	**140.94**

TPL has submitted that the above O & M expenses does 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 has requested that 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 5.27: O&M expenses approved by the Commission for TPL-D Surat

(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	37.84	35.57	48.66	40.69	45.48	48.08	50.83	53.74	56.81	60.06
2	A&G Expenses	24.98	26.52	27.82	26.44	29.55	31.24	33.03	34.92	36.91	39.03
3	R & M Expenses	26.46	29.52	29.09	28.36	31.69	33.51	35.42	37.45	39.59	41.86
4	**Total O&M Expenses**	**89.28**	**91.61**	**105.57**	**95.49**	**106.72**	**112.83**	**119.28**	**126.10**	**133.31**	**140.94**

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

The Petitioner submitted that Surat city is considered as a hub for textile and diamond industries. The electricity demand has increased from 557 MW in FY 2011-12 to 636 MW in FY 2016-17 i.e. at a 5 yr CAGR rate of about 3%. Surat city has been witnessing rapid vertical growth since past several years. The existing load density of Surat license area is about 12 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 Surat city 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.

The capital expenditure for Surat Supply Area consists of expenditure in planning redundancy 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, expenditure on Special projects, and other miscellaneous items such as automation, IT, etc.

The details of planned capital expenditure for the MYT 3rd Control Period are shown in the table below:

Table 5.28: Proposed Capital Expenditure for Surat Supply Area for MYT Control Period

(Rs Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Projected	Projected	Projected	Projected	Projected
EHV Network	39.00	148.77	174.26	69.59	33.76
HV Network	23.93	27.20	23.17	22.14	26.83
LV Network	14.85	15.65	15.91	16.30	16.54
Special Projects	10.64	1.38	2.55	0.31	0.31
Civil related work	0.78	0.26	0.26	0.26	0.26
220 kV connectivity with GENSU	30.00	0.00	0.00	0.00	0.00
Meter Management	12.01	11.32	12.11	7.24	6.04
Customer Care	1.31	1.25	0.26	0.16	0.10
IT Related Expenditure	3.79	1.48	3.47	1.14	1.64
Miscellaneous	4.10	3.45	4.93	4.47	12.32
Total	**140.42**	**210.76**	**236.93**	**121.59**	**97.79**

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

EHV Network:

TPL-D has been carrying out periodic expansion of the existing distribution network to cater to the existing demand. However, aging, optimal loading levels, growing demand, challenging physical environment and high reliability requirements have put strain on the existing network. Therefore, it is necessary to invest in enlarging, supplementing, modernizing, and overhauling the EHV network.

- Establishment of new 220 kV GIS substation at C station along with 220 kV line interconnectivity: The present 220 kV network feeding power to Surat City is having radial configuration where reliability of the power is highly affected in case of failure/tripping of the 220 kV line. TPL-D has 66 kV Interconnectivity between its 66 kV Receiving Station to maintain the reliability to the extent possible. The margin for load transfer in 66 kV Network is gradually diminishing. Hence, creation of ring main system in 220 kV Network (Interconnectivity between all the three 220 kV Import points) is necessary. This will require establishment of Central 220 kV Switching Station at 'C' Receiving Station being a load center.

  Looking to the cost and paucity of land availability within the city, it is proposed to convert the existing 66 kV AIS to GIS at C Station to create space for accommodating 220 kV GIS Switching Station. This 220 kV GIS Switching Station at 'C' Receiving Station will be connected with the existing 220 kV Puna, Bhatar and FGIS Import points to form a Ring Main System through 220 kV Cable network since laying of overhead 220 kV Line across the city is not possible in densely populated area. The project is expected to be completed by FY 2019-20.

- Commissioning of New 66 kV substations: Based on status of existing major projects underway, loading of the network & SS, and potential of residential and commercial development, TPL-D has proposed to establish 66 kV Substations at Puna SS, Lalita Chokdi, and near Bhathena. These substation are intended with following objectives:
  - Future load growth can be met effectively
  - Loading of existing network shall be relieved and redundancy shall be created
  - Long length of existing feeders shall be minimized

- Additional 66 kV connectivity to cater to load growth: Since the peak loading of 66 kV incoming source at E, B, H, and K are expected to reach beyond 70% during peak period and looking to difficulty in load transfer in case of fault in B2 & K, additional 66 kV connectivity is being proposed to cater to future load growth and to maintain n-1 redundancy at:

- 220 kV Puna SS to 66 kV E SS
- 220 kV Bhatar SS to 66 kV H SS
- 220 kV Puna SS to 66 kV K SS

- Additional/ Augmentation/ Replacement of Power Transformer: Based on projected loading and n-1 criteria, additional 4 nos. of power transformer are planned to be installed at F, H, K, and Puna SS. The capacity enhancement in 5 nos. of power transformer is planned at A, B, and F2 SS. Further, based on internal physical condition, frequent problem, test result, and aging, replacement of 2 nos. of power transformer is planned at C and G SS. Available spare transformers after capacity augmentation is proposed to be utilized within in the system. Therefore, the net requirement of transformers is 8 numbers.
- Replacement & Renovation in existing EHV SS: Replacement of equipment like capacitor, MOCB, CT, LA, Isolator, NER, Control Panel, Battery Charger, Battery set have been considered based on aging, obsolete technology, test results, frequent breakdown, and maintenance problems. It is also proposed to install nitrogen based firefighting system for power transformers and VCB earthing trolley to enhance safety.
- Technology upgradation & capacity enhancement of EHV SS at B station: The B station is catering to the peak demand of 85 MW and serving 60,000 consumers. It is envisaged that there will be higher load growth around the surrounding area of B station. The power transformers at the B station are operating at optimum loading and there is no space for capacity enhancement. Further, operational difficulties are being faced in 66 kV single bus system. To overcome these constraints, it is proposed to convert AIS based B station to GIS with state of the art technology thereby creating space to be utilized for proposed expansion in existing installed capacity from 120 MVA to 175 MVA to meet future load growth and conversion of 66 kV single bus to double bus to enhance power reliability.

- Supporting infrastructure for EHV network: Major cost involved in this head pertains to ABT and SCADA system replacement. In addition, provisions are being kept for replacement/ new requirement of EHV/ ABT meters, MRI, RF amplifier & modem, UPS battery & other hardware for SCADA, Testing, measuring equipment's. Further, it is proposed to install ladder on 220 kV tension tower to enhance safety to working on tower during preventive/ breakdown maintenance.

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

Table 5.29: Proposed Capital Expenditure for EHV network in MYT Control Period

(Rs Cr)

Particulars	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
	Projected	**Projected**	**Projected**	**Projected**	**Projected**
New 220 kV EHV SS	0.50	92.22	151.66	13.51	-
New 66 kV EHV SS	24.13	27.00	0.00	7.49	32.12
Additional 66 kV	-	-	5.78	19.96	0.00
Additional / Augmentation / Replacement of Power Transformer & ICT	7.56	17.45	2.91	3.00	-
Replacement & Renovation in existing EHV SS	5.90	2.95	1.23	1.27	1.31
Technology Upgradation & Capacity enhancement of EHV SS	-	4.79	8.31	23.56	-
Supporting Infrastructure - EHV	0.91	4.37	4.37	0.80	0.33
Total	**39.00**	**148.77**	**174.26**	**69.59**	**33.76**

HT Network

- 11 kV network development & modification: 11 kV new feeders have been considered to mitigate the future load growth of surrounding area, relieving existing feeders and power transformers, creating redundancy, and to reduce long length of network. About 79 km cable for laying new feeders have been proposed. Network development and ring modification are proposed based on load balancing of existing feeders, creating of ready to serve network, and enhancement of load transfer flexibility.

- Replacement/ Shifting of HT network: Based on aging of existing PILC network, infrastructure projects like BRTS/canal corridor proposed by local authority, and reliability requirements, it is proposed to replace/ shift HT cable on the route. Accordingly, the cost of replacement/shifting has been considered.

- Distribution substation automation: Automation of distribution substation facilitates remote load transfer of 11 kV feeders in case of 66 kV SS failure and 11 kV feeder tripping which reduces the restoration time and enhances customer satisfaction. It enables remote identification of faulty feeder section and effective load management of 11 kV feeders. During MYT 3rd control period, the Petitioner has proposed distribution automation of an approximate 100 nos. of distribution substation.

- New distribution 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 center. The substation needs to be planned in load center 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/breaker/Extensible Outdoor Switchgears/LT panels.

- New HT consumers: Based on the expected number of new HT consumers, the Petitioner has proposed expenditure for processing 9 nos. of HT consumer connections each year.

- Additional/ Augmentation/ Replacement of Distribution transformer: In order to relieve overloaded distribution transformers and for creating margin for catering to the future load growth, 30 nos. of augmentation of distribution transformers are considered per year. Further, based on internal physical condition, frequent problem, test results, 10 to 15 nos. of distribution transformers are proposed to be replaced.

- Installation/ Replacement of 11 kV switchgear/ LT panel/ Breaker and Accessory for Safety: As part of replacement of deteriorated and unsafe switchgear/ panels/

breakers, it is proposed to carry out replacement of 7 nos. of switchgear/BMC, 30 nos. of LT panel, and 15 nos. of LT breakers.

- Reactive Power Compensation: In order to maintain power factor and to reduce export kVAr in system, it is proposed to install 138 nos. of 11 MVAr auto switching units/ Automatic Power Factor Correction Panels (APFC).
- Supporting Infrastructure: This includes expenses related to procurement of equipment's such as HT fault locating van, meter reading instrument, earth tester, power quality analyzer, and other testing/measuring equipment.

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

Table 5.30: Proposed capex in HT network

(Rs Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Projected	Projected	Projected	Projected	Projected
11 kV HT Network Development & Modification	6.37	6.88	3.88	3.22	7.40
Replacement / Shifting of HT Network	1.83	1.80	1.84	1.92	1.97
Distribution substation automation	0.91	0.96	0.99	1.02	1.05
New Distribution Substations	5.76	7.99	8.19	7.45	7.65
New HT Consumers	3.19	0.79	0.81	0.84	0.86
Additional / Augmentation / Replacement of Dist. X'mer	3.97	4.20	4.87	5.02	5.17
Installation / Replacement of 11 kV S/Gear / LT Panel / Breaker and Acc. for Safety	0.37	0.89	0.99	1.02	1.05
Reactive Power compensation	1.17	1.31	1.35	1.39	1.43

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Projected	Projected	Projected	Projected	Projected
Supporting Infrastructure - HT	0.36	2.38	0.26	0.26	0.26
Total	**23.93**	**27.20**	**23.17**	**22.14**	**26.83**

LT Network

- New Connection/Load Extension: The LT capital expenditure is planned to provide network for the last mile connectivity as well as for maintaining "ready to serve" network. Around 23,000 applications year on year, for new connection/extension with approximate 80 MW load are expected to be released. This forms the basis for planning the expenditure for the LT network.
- LT network development & modification: LT network is required to be developed and modified suitably to cater to load growth, create branch network to reduce faults, balancing network to relieve distribution transformer, and shifting network & related accessories for rerouting/ replacement of cable due to infrastructure projects like BRTS/ Canal corridor, etc.
- Supporting Infrastructure: This includes expenses on equipment such as LT cable fault locator, megger, earth tester, measuring equipment.

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

Table 5.31: Proposed capex in LT network

(Rs Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Projected	Projected	Projected	Projected	Projected
New Connections / Load Extension	11.53	11.38	11.54	11.76	11.89
LT Network Development & Modification	3.13	4.22	4.32	4.49	4.59

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Projected	Projected	Projected	Projected	Projected
Supporting Infrastructure - LT	0.20	0.05	0.05	0.05	0.05
Total	**14.85**	**15.65**	**15.91**	**16.30**	**16.54**

Special Projects

- Stores: A state of the art central storage facility is proposed at E substation having facilities of compactors, racks, weighbridge, EOT crane, Hydra, Forklift, etc. to store all materials centrally and reduce travel time for material transport. This will enable better scrap/waste management and inventory management. Similarly, sub stores have been proposed at B and C station to make area offices self-sufficient for day to day material requirement and providing faster services by reducing transit time.
- GIS: It includes CAPEX for procurement of instruments, various hardware and software for implementation of Geographic Information System (GIS).

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

Table 5.32: Proposed Capital Expenditure for special projects in MYT Control Period

(Rs Cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	Projected	Projected	Projected	Projected	Projected
Establishment of Central Store at E SS	7.16	0.97	0.21	0.00	0.00
Establishment of Sub Store	0.20	0.00	2.04	0.00	0.00
Implementation of Geographical Information system (GIS)	3.28	0.41	0.31	0.31	0.31
Total	**10.64**	**1.38**	**2.55**	**0.31**	**0.31**

Commission's Analysis

The capital investment is required to be made by TPL Distribution for various purposes like the 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, higher return on equity and higher depreciation which ultimately affects the tariffs payable by consumers.

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

Table 5.33: Summary of proposed capex & capitalisation according to technology

(Rs Cr)

Sr. No.	Particulars	Total capital expenditure during the control period	Total capitalisation of assets proposed during the control period
1	EHV Network	465.38	466.22
2	HT Network	123.27	123.80
3	LT Network	79.25	79.46
4	Special projects	15.19	15.94
5	Civil	1.81	1.81
6	220 KV connectivity with GENSU Solar Plant	30.00	30.00
7	Meter Management	48.73	48.77
8	Customer Care	3.07	3.07
9	IT and related expenditure	11.52	11.52
10	Miscellaneous	29.28	29.33
11	**Total**	**807.48**	**809.89**

The Commission therefore, directs TPL to take in principle approval of the Commission prior to incurring the capital expenditure of Rs. 10 Crores and above for the new works/projects proposed during the 3rd MYT control period along with the source of funding, cost benefit analysis etc.

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 5.34: 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	140.42	210.76	236.93	121.59	97.79

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 5.35: Capitalisation as proposed by TPL

(Rs Cr)

Project Title	Capitalization				
	Projected FY 2016-17	Projected FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21
EHV	39.84	71.30	248.38	71.95	34.76
HT network	24.46	27.20	23.17	22.14	26.83
LT network	15.06	15.65	15.91	16.30	16.54
Special Projects	11.38	1.38	2.55	0.31	0.31
Civil	0.78	0.26	0.26	0.26	0.26
220 kV connectivity with GENSU solar plant	30.00	-	-	-	-
Normal Load Growth	12.05	11.32	12.11	7.24	6.04
Renovation/Upgradation of exisitng customer centre /Call centre/Clloection centre	1.31	1.25	0.26	0.16	0.10
IT	3.79	1.48	3.47	1.14	1.64
Miscellaneous	4.15	3.45	4.93	4.47	12.32
Total	**142.82**	**133.28**	**311.05**	**123.95**	**98.79**

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 5.36: 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	83.53	69.89	50.38	106.65	62.21
Capitalization during the year	56.26	18.66	18.17	42.42	68.18
Interest during construction period (IDC)	-	-	-	-	-
Capitalisation plus IDC	56.26	18.66	18.17	42.42	68.18
% of capitalization to capex	**67.35%**	**26.70%**	**36.07%**	**39.77%**	**109.60%**

From the aforesaid table it can be observed that TPL has been able to capitalise only 67% of approved capital expenditure in FY 2011-12, 27% in to FY 2012-13, 36% in FY 2013-14, 40% in FY 2014-15, and 110% in FY 2015-16. It is also observed that only in FY 2015-16 the Petitioner TPL was able to capitalize the expenses against the approved capex more than 100 %, i.e. 110% of approved CAPEX. In the last year of 2nd MYT control period, i.e. FY 2015-16, the capitalization has been quite high as compared to the previous years. The average capitalisation undertaken against the proposed capex from FY 2011-12 to FY 2015-16 works out is 55%. Therefore, the Commission decides to approve the capitalisation of assets at 55% of proposed CAPEX by the Petitioner, TPL, which is stated in the table below:

Table 5.37: Approved capitalisation 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
1	Capital Expenditure	140.42	210.76	236.93	121.59	97.79
2	Capitalisation	76.75	115.20	129.50	66.46	53.45
3	IDC					
4	Capitalisation + IDC	76.75	115.20	129.50	66.46	53.45

It is pertinent to note here that for FY 2014-15 and FY 2015-16, the capex projected 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 details the technical relevance 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 investment at this stage pending a detailed technical review.

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

TPL may seek midterm 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 5.38: 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	140.42	210.76	236.93	121.59	97.79
Capitalization	142.82	133.28	311.05	123.95	98.79
Less: SLC Additions	14.58	13.47	13.31	13.27	12.91
Less: Grant in aid					
Balance capitalization	128.24	119.81	297.74	110.68	85.88
Normative Debt @ 70%	89.77	83.87	208.42	77.48	60.12
Normative Equity @ 30%	38.47	35.94	89.32	33.20	25.76

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

Table 5.39: GFA as approved by Commission

(Rs Cr)

Particulars	**FY 2016-17**	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
Opening GFA	1,325.44	1,402.19	1,517.39	1,646.89	1,713.35
Add: Capitalization during the year	76.75	115.20	129.50	66.46	53.45
Less: Deletion during the year	-	-	-	-	-
Closing GFA	**1,402.19**	**1,517.39**	**1,646.89**	**1,713.35**	**1,766.80**

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

Table 5.40: 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	140.42	210.76	236.93	121.59	97.79
Capitalization	76.75	115.20	129.50	66.46	53.45
Less: SLC Additions	7.84	11.76	13.22	6.79	5.46
Less: Grant in aid					
Balance capitalization	**68.91**	**103.44**	**116.28**	**59.67**	**47.99**
Normative Debt @ 70%	**48.24**	**72.41**	**81.40**	**41.77**	**33.59**
Normative Equity @ 30%	**20.67**	**31.03**	**34.88**	**17.90**	**14.40**

5.2.3 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 Assets (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 year to year depreciation proposed by the Petitioner for the 3rd MYT control period, i.e. FY 2016-17 to FY 2020-21 is as under.

Table 5.41: Depreciation projected by TPL- D Surat for the control period FY 2016-17 to 2020-21

(Rs. crore)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Depreciation	50.63	57.04	67.08	76.35	80.78

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 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 5.42: 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	51.48	52.78	56.04	62.43	65.01

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

5.2.4 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 GERC (MYT) Regulations, 2016.

TPL has submitted that the interest expenses are calculated by applying the Weighted Average Rate of interest of the opening 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 5.43: Interest expenses projected by TPL- D Surat 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
	Projected	Projected	Projected	Projected	Projected
Opening Balance of Loans	285.16	324.30	351.12	492.46	493.58
Less: Reduction of Loans due to retirement or replacement of assets	-	-	-	-	-
Addition of Loans due to capitalisation during the year	89.77	83.87	208.42	77.47	60.11
Repayment of loans during the year	50.63	57.04	67.08	76.35	80.78
Closing Balance of Loans	324.30	351.12	492.46	493.58	472.92
Average Balance of Loans	304.73	337.71	421.79	493.02	483.25
Weighted average Rate of Interest on actual Loans (%)	11.13%	11.19%	11.22%	11.26%	11.27%
Interest Expenses	**33.91**	**37.79**	**47.34**	**55.50**	**54.44**
Interest on Security Deposit from Consumers and Distribution system Users	17.52	18.50	19.46	20.42	21.37
Finance Charges	-	-	-	-	-
Total Interest & Finance Charges	**51.43**	**56.29**	**66.79**	**75.91**	**75.81**

Commission's Analysis

The Commission has considered the opening balance of loans for FY 2016-17 as the approved trued up closing balance of loans 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 worked out at 9.5% for FY 2017-18 to FY 2020-21.

The interest expense thus approved for Surat Supply area is shown in the table below.

Table 5.44: Interest expenses approved for TPL- D Surat for control period FY 2016-17 to FY 2020-21

(Rs. cr)

Sr. No.	Source of Loan	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Approved				
1	Opening Balance of Loans	285.16	281.92	301.55	326.91	306.25
2	Less: Reduction of Loans due to retirement or replacement of assets					
3	Addition of Loans due to capitalization during the year	48.24	72.41	81.40	41.77	33.59
4	Repayment of loans during the year	51.48	52.78	56.04	62.43	65.01
5	Closing Balance of Loans	281.92	301.55	326.91	306.25	274.83
6	Average Balance of Loans	283.54	291.73	314.22	316.58	290.54
7	Weighted average Rate of Interest on actual Loans (%)	11.13%	9.50%	9.50%	9.50%	9.50%
8	Interest Expenses	31.55	27.71	29.85	30.07	27.60

Sr. No.	Source of Loan	MYT Control Period				
		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
		Approved				
9	Interest on Security Deposit from Consumers and Distribution system Users	17.52	18.50	19.46	20.42	21.37
10	Finance Charges					
11	**Total Interest & Finance Charges**	**49.07**	**46.21**	**49.31**	**50.49**	**48.97**

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

5.2.5 Interest on Security Deposit

TPL has claimed a sum of Rs. 97.26 Crores towards interest on security deposit for the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.45: Interest on security deposit projected for TPL-D Surat for the control period FY 2011-12 to FY 2015-16

(Rs. cr)

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Amount held as security deposit	226.08	238.71	251.07	263.42	275.73
Interest % applicable as per regulation	7.75%	7.75%	7.75%	7.75%	7.75%
Interest cost on security deposit	**17.52**	**18.50**	**19.46**	**20.42**	**21.37**

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 5.46: Projected 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	226.08	238.71	251.07	263.42	275.73
Interest Rate % applicable as per regulation	7.75%	7.75%	7.75%	7.75%	7.75%
Interest cost on security deposit	**17.52**	**18.50**	**19.46**	**20.42**	**21.37**

The interest cost on security deposit has been clubbed in the interest and finance components in the ARR.

5.2.6 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 applied in accordance with the GERC(MYT) Regulations,2016 to work out the interest on working capital shown in the table below.

Table 5.47: Interest on working capital projected by TPL- Surat for control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	Norm	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Computation of Working Capital						

Particulars	Norm	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
O&M expenses	1 month	9.40	9.94	10.51	11.11	11.75
Maintenance Spares	1% GFA	14.87	16.30	17.63	20.74	21.98
Receivables	1 month	170.32	174.18	178.33	182.22	184.82
Working Capital requirement		**194.59**	**200.41**	**206.47**	**214.08**	**218.55**
Less:						
Amount held as security deposit from Distribution System Users		226.08	238.71	251.07	263.42	275.73
Total Working Capital		**-**	**-**	**-**	**-**	**-**
Computation of working capital interest						
Interest rate (%)		11.80%	11.80%	11.80%	11.80%	11.80%
Interest on Working Capital		**-**	**-**	**-**	**-**	**-**

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 5.48: Interest on working capital approved for TPL-D Surat for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Particulars	Norm	MYT Control Period				
		2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Computation of Working Capital						
O&M expenses	1 month	9.40	9.94	10.51	11.11	11.71
Maintenance Spares	1% GFA	14.87	15.64	16.79	18.09	18.75

Particulars	Norm	MYT Control Period				
		2016-17	2017-18	2018-19	2019-20	2020-21
Receivables	1 month	170.32	174.18	178.33	182.22	184.82
Working Capital requirement		**194.59**	**199.75**	**205.62**	**211.42**	**215.28**
Less:						
Amount held as security deposit from Distribution System Users		226.08	238.71	251.07	263.42	275.73
Total Working Capital		**(31.50)**	**(38.95)**	**(45.44)**	**(52.01)**	**(60.45)**
Interest Rate (%)		11.70%	11.70%	11.70%	11.70%	11.70%
Interest on Working Capital		**-**	**-**	**-**	**-**	**-**

As can be observed 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 as per the aforesaid working.

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.

5.2.7 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 the Return on Equity for each year of the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.49: Return on Equity projected for TPL- D Surat 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
Regulatory Equity at the beginning of the year	552.33	590.81	626.75	716.07	749.27
Equity portion of capitalization during the year	38.47	35.94	89.32	33.20	25.76
Regulatory Equity at the end of the year	590.81	626.75	716.07	749.27	775.04
Average of opening and closing equity	571.57	608.78	671.41	732.67	762.15
Return on Equity	**80.02**	**85.23**	**94.00**	**102.57**	**106.70**

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. 5.38 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 5.50: 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	552.33	573.01	604.04	638.92	656.82

Particulars	MYT Control Period				
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Equity portion of capitalization during the year	20.67	31.03	34.88	17.90	14.40
Regulatory Equity at the end of the year	573.01	604.04	638.92	656.82	671.22
Average of opening and closing equity	562.67	588.52	621.48	647.87	664.02
Return on Equity	**78.77**	**82.39**	**87.01**	**90.70**	**92.96**

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.

5.2.8 Income Tax

TPL has estimated the income tax at Rs. 47.59 Crores for each year of the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.51: Income Tax projected for TPL- D Surat 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	47.59	47.59	47.59	47.59	47.59

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. 47.59 Crores considering the total tax paid and the ratio of PBT of TPL-D (S) and PBT of the company as a whole as per audited accounts of FY 2015-16.

Commission's Analysis

The Commission has approved the Income Tax of Rs 42.24 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 5.52: 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	42.24	42.24	42.24	42.24	42.24

5.2.9 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 0.40 Crores for Surat Supply Area.

Based on the same principle, the Petitioner has proposed to allow same amount for the contingency reserve for each year of the 3rd MYT Control Period as was approved in the previous Control Period.

Commission's Analysis

The Contingency Reserve projected by the Petitioner as Rs. 0.40 Crores for Surat 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 5.53: Approved contingency reserve for TPL-D Surat 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	0.40	0.40	0.40	0.40	0.40

5.2.10 Provision for Bad Debts

TPL has estimated the bad debts written off for each year of the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.54: Bad debts written off projected for TPL-D Surat 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	0.33	0.33	0.33	0.33	0.33

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 of 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 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 per approved in the true up is Rs.0.33 crore.

The Commission, accordingly, approves the provision for bad debts at Rs.0.33 crore per each year of the control period FY 2016-17 to FY 2020-21 based on the actual bad debts written off as approved for FY 2015-16 as detailed in the table below:

Table 5.55: 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	0.33	0.33	0.33	0.33	0.33

5.2.11 Non-Tariff Income

TPL has estimated non-tariff income for the control period FY 2016-17 to FY 2020-21 as detailed in the table below:

Table 5.56: Non-Tariff income projected for TPL-D Surat 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	26.77	27.40	28.09	29.18	30.26

Petitioner's submission

The non-tariff income for the MYT 3rd Control Period is shown in the table above consists of income mainly from meter rent, street light maintenance, sale of scrap, DPC recovery, bad debts recovery, etc.

The Petitioner has forecasted the non-tariff income considering the best estimates and current trend.

Commission's Analysis

The non-tariff income specified in Regulation 97 of GERC (MYT) Regulations, 2016, 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 Petitioner has claimed the non-tariff income by considering the best estimates and current trend. The Commission noted the non-tariff income approved in the FY 2011-12 to FY 2015-16 in the true up of respective year as stated in table below:

Table 5.57: Trend of Non-tariff income for the control period FY 2011-12 to FY 2015-16

(Rs Cr)

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Non-Tariff Income	32.41	26.64	36.02	47.34	27.50

The average of the non-tariff income for five years i.e FY 2011-12 to FY 2015-16 works out to Rs 33.98 Crores, for four years, i.e. FY 2011-12 to FY 2014-15 it works out to Rs. 35.60 Crores and average of for three years, i.e. FY 2012-13 to FY 2014-15 works out to Rs. 31.69 Crores. The average of non-tariff income for FY 2012-13 to FY 2015-16 works out to Rs. 34.38 Crores. From the above, it is clear that the non-tariff income proposed by TPL is lower than the actual non-tariff income earned during previous years.

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
2.36%	2.54%	3.87%	3.70%

The Commission has considered the average of four years of FY 2012-13 to FY 2015-16, which works out as Rs. 34.38 as non-tariff income of FY 2016-17 and the same has been escalated at the rate at which TPL has projected the escalation in non-tariff income 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 5.58: 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	34.38	35.18	36.08	37.47	38.86

5.2.12 Aggregate Revenue Requirement

The Aggregate Revenue Requirement (ARR) for the control period as projected by TPL-Distribution Surat and as approved by the Commission is given in the following tables.

Table 5.59: Projected ARR for TPL-D Surat 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**
		Projected				
1	Power Purchase Expenses	1727.32	1751.33	1765.70	1779.38	1795.54
2	Operation & Maintenance Expenses	112.83	119.28	126.10	133.31	140.94
3	Depreciation	50.63	57.04	67.08	76.35	80.78
4	Interest & Finance Charges*	51.43	56.29	66.79	75.91	75.81
5	Interest on Working Capital	-	-	-	-	-
6	Bad Debts written off	0.33	0.33	0.33	0.33	0.33
7	Contribution to contingency reserves	0.40	0.40	0.40	0.40	0.40
8	**Total Revenue Expenditure**	**1942.94**	**1984.69**	**2026.41**	**2065.70**	**2093.80**
9	Return on Equity Capital	80.02	85.23	94.00	102.57	106.70
10	Income Tax	47.59	47.59	47.59	47.59	47.59
11	**Aggregate Revenue Requirement**	**2070.55**	**2117.50**	**2168.00**	**2215.86**	**2248.09**
12	Less: Non-Tariff Income	26.77	27.40	28.09	29.18	30.26
13	**Aggregate Revenue Requirement of Wires Business**	**2043.78**	**2090.11**	**2139.90**	**2186.68**	**2217.83**

**Interest on security deposit is clubbed*

The ARR as approved by the Commission is given in the table below.

Table 5.60: Approved ARR for TPL-D Surat for the control period FY 2016-17 to FY 2020-21

(Rs. cr)

Sr. No.	**Particulars**	**MYT Control Period**				
		2016-17	**2017-18**	**2018-19**	**2019-20**	**2020-21**
1	Power Purchase Expenses	1,629.65	1,663.12	1,695.95	1,733.32	1,777.70

Sr. No.	Particulars	MYT Control Period				
		2016-17	2017-18	2018-19	2019-20	2020-21
2	Operation & Maintenance Expenses	112.83	119.28	126.10	133.31	140.94
3	Depreciation	51.48	52.78	56.04	62.43	65.01
4	Interest & Finance Charges	49.07	46.21	49.31	50.49	48.97
5	Interest on Working Capital	-	-	-	-	-
6	Bad Debts written off	0.33	0.33	0.33	0.33	0.33
7	Contribution to contingency reserves	0.40	0.40	0.40	0.40	0.40
8	**Total Revenue Expenditure**	**1,843.77**	**1,882.13**	**1,928.14**	**1,980.28**	**2,047.91**
9	Return on Equity Capital	78.77	82.39	87.01	90.70	92.96
10	Income Tax	42.24	42.24	42.24	42.24	42.24
11	**Aggregate Revenue Requirement**	**1,964.78**	**2,006.76**	**2,057.39**	**2,113.22**	**2,168.56**
12	Less: Non-Tariff Income	34.38	35.18	36.08	37.47	38.86
13	**Aggregate Revenue Requirement of distribution Business**	**1,930.40**	**1,971.58**	**2,021.31**	**2,075.75**	**2,129.69**

**Interest on security deposit is clubbed*

5.2.14 Revenue from sale of power

The TPL has estimated the revenue from sale of power with existing tariff for FY 2017-18 as shown in the table below.

Table 5.61: Projected Revenue with existing tariff for the Control Period FY 2017-18

(Rs Cr)

Surat Supply Area	**FY 2017-18**
Revenue from sale of power with existing tariff	2126.77

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 categories 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 Surat Supply Area and approved the category wise sale in the Table No.5.12.

The Commission has computed the revenue from sale of power with existing tariff rates as detailed in the table below:

Table 5.62: Revenue with existing tariff for the Control Period FY 2017-18

(Rs Cr)

Surat Supply Area	**FY 2017-18**
Revenue from sale of power with existing tariff	**2127.87**

The Commission, accordingly, approves the revenue from sale of power at Rs. 2127.87 crore with existing tariff rates inclusive of 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 (S). 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 2015-18, 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 2,126.77 Crores. The ARR for Surat Supply Area in FY 2017-18 is Rs. 2,090.11 Crores. Accordingly, the Petitioner has arrived at the Surplus of Rs. 36.66 Crores.

Table 6.1: Projected Revenue Gap/(Surplus) of Surat Supply Area for FY 2017-18

Particulars	**Rs Crore**
ARR for FY 2017-18	2,090.11
Revenue from sale of power	2,126.77
Revenue from OA charges	-
Revenue Gap/(Surplus)	**(36.66)**

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. 5.70 Crores for Surat supply Area. The Petitioner has incurred the expense of Rs. 0.15 Crores during FY 2015-16.

The Petitioner has calculated carrying cost for the Gap/ (Surplus) of FY 2015-16 which works out to Rs. 31.71 Crores for Surat Supply Area. Also, the Petitioner has considered the pending carrying cost for FY 2013-14 which results in a further claim of Rs. 48.06 Crores for Surat Supply Area. The Petitioner, therefore, requests 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. 214.03 Crores as shown in the following table.

Table 6.2: Projected cumulative revenue gap/ (surplus) for determination of tariff for TPL-D (Surat)

(Rs Cr)

Particulars	**Rs Crore**
Gap/(Surplus) for FY 2015-16	170.77
Gap/(Surplus) for FY 2017-18	(36.66)
Carrying Cost	79.77
DSM	0.15
Total Gap to be recovered through tariff	**214.03**

Commission's Analysis

The Commission has gone through merits of the Petition and determined the various components of the tariff in this order and accordingly the Commission has independently carried out the ARR as well as revenue for TPL-D (Surat) 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 156.29 crore for FY 2017-18 as shown in the table below.

Table 6.3: Approved Revenue Gap/ (Surplus) of Surat Supply Area for FY 2017-18

(Rs Cr)

Particulars	**Rs Crore**
ARR for FY 2017-18	1971.58
Revenue from sale of power	2127.87
Revenue from OA charges	0.00
Revenue Gap/(Surplus)	**(156.29)**

Treatment of Carrying Cost

The Petitioner has calculated carrying cost of Rs31.71 Crores for the gap/surplus of FY 2015-16 for Surat Supply Area. The Petitioner has also considered pending carrying cost for FY 2013-14 of Rs. 48.06 Crores for Surat Supply Area. The Petitioner has submitted that the Commission may consider total carrying cost of Rs. 79.77 Crores receivable by the Petitioner and factor the same in the total gap of FY 2017-18.

On a query of the Commission with regard to bifurcation of the Carrying Cost, the Petitioner submitted the bifurcation of Carrying Cost 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	**Legend**	**Gap for Carrying Cost**
Part-1		
Trued up Gap/ (Surplus) for FY 13-14	a0 = a-a1-a2-a3	152.17
Adjustments as per 3rd party Audit Report	a1	(0.09)
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	a2	(1.56)
Revenue towards recovery of Earlier Years' approved Gap/ (Surplus)	a3	3.52
Gap/ (Surplus) for FY 13-14 considered in tariff of FY 15-16	**a**	**154.04**
Less:		
Adjustments as per 3rd party Audit Report	b = a1	(0.09)
Adjustments as per 3rd party Audit Report in FY 13-14 Non-tariff Income	c = a2	(1.56)
Net trued-up Gap/(Surplus) for FY 13-14	**d = a-b-c**	**155.69**
Add: Impact of other Orders		
FY 13-14 Power Purchase Cost	e	1.03
FY 13-14 Sharing of Gains/(Loss) for Bad Debts	f	(0.30)
Revenue towards recovery of Earlier years' approved Gap/ (Surplus)*note	g = v	59.28
Clarification/ Rectification Order	h	-
Total Gap/(Surplus) for FY 2013-14	**i = d+e+f+g+h**	**215.70**

As submitted by the Petitioner, the gap of Rs 215.70 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 141.54 has been approved in FY 2015-16's ARR, but the same would be accrued in FY 2017-18's tariff. Hence on the gap of Rs 141.54 Crores carrying cost is claimed for FY 2016-17 and FY 2017-18.Computation of Rs 141.54 has been shown in the Table below.

Table 6.5: Summary of Gap for FY 2015-16 for carrying cost computation

(Rs Cr)

Trued-up ARR	**j**	**2,195.12**
Revenue from sale of Energy	k	2,269.43
Less: Revenue towards recovery of earlier years' approved Gap/ (Surplus)	L = i	215.70
Balance Revenue	m = k-L	2,053.73
Gap/(Surplus) for FY 15-16	**n = j-m**	**141.39**
DSM	o	0.15
Total Gap/(Surplus) for FY 15-16	**p = n+o**	**141.54**

The carrying cost is claimed for FY 2016-17 and FY 2017-18 on above two parts is shown in the Table below.

Table 6.6: Summary of carrying cost claimed by TPL-D (Surat)

(Rs Cr)

Particulars	**FY 2013-14**	**FY 2015-16**
Total Gap/(Surplus)	**215.70**	**141.54**
Interest Rate	11.63%	11.20%
Interest cost	25.09	15.86
FY 2014-15	22.96	
FY 2015-16	25.09	
FY 2016-17		15.86
FY 2017-18		15.86

Particulars	FY 2013-14	FY 2015-16
Carrying Cost	**48.06**	**31.71**
Total Carrying Cost		**79.77**

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 79.77 crores recovery from Surat 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 18.10.202 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 or provide for 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 79.77 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 39.09 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 55.84 crore from Surat license area in its order dated 01.07.2016, Rs 16.75 crore still remains to be recovered considering the estimated recovery till March end. Considering the total estimated recovery of Rs 39.09 crore in nine months, the recovery works out to Rs 4.34 crore per month. With this assumption, the recovery in the month of April and May would have been Rs 8.68 Crore thereby leaving a balance of Rs 8.06 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 8.06 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) to be recovered through tariff

Particulars	**Rs Crore**
Gap/(Surplus) for FY 2015-16	140.75
Gap/(Surplus) for FY 2017-18	(156.29)
DSM	0.15
Total Gap/(Surplus) for FY 2017-18	15.39
Adjustment of balance regulatory charges @ Rs 0.17/kWh	8.06
Net Gap/(Surplus)	**(7.33)**

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 Petition 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 and @Rs 0.17 per unit for Ahmedabad and Surat 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 licence 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 submit the details consisting of technical, commercial, financial aspects 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 on the lines of GUVNL.

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:

Table 8.1: Power purchase cost per unit

Year	Total Energy Requirement (MUs)	Approved Power Purchase Cost (Rs. Crore)	Power Purchase Cost per unit (Rs./kWh)
FY 2017-18	11618.87	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: Summary of Allocation matrix for segregation to Wheeling and Retail Supply submitted by TPL-D Surat 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	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 Surat 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		1751.33
Employee Expense	30.50	20.33
Administrative & General Expenses	16.52	16.52
Repair & Maintenance Expenses	31.88	3.54
Depreciation	51.34	5.70
Interest on long term loan	34.02	3.78
Interest on Consumer Deposit	1.85	16.65
Interest on Working Capital	-	-
Bad Debt	-	0.33
Income Tax	42.83	4.76
Contingency reserve	0.40	-
Return on Equity	76.71	8.52
Non-Tariff Income	2.74	24.66
Aggregate Revenue Requirement	**283.29**	**1,806.62**

On the basis of the above allocation matrix TPL segregated total ARR of Surat supply area into ARR for wheeling and retail supply business as shown below:

a) ARR of Wheeling Business – Rs. 283.29 Crores

b) ARR of Retail Supply Business – Rs. 1,806.62 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 Surat Supply Area.

TPL submitted that:

- The GFA (excluding assets related to retail supply i.e. SLC and Meters) for Surat Supply Area as on 31st March, 2016 is Rs 1,280.79 Crores. In case of Surat Supply Area, the GFA identified for HT & LT business are Rs. 955.89 Crores & Rs. 324.90 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 Surat Supply Area for the year FY 2015-16 was 632.9 MW. In case of Surat Supply Area, the contract demand for all the HT consumers is about 82.53 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 550.37 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: Proposed Wheeling charges in case of Surat Supply Area for FY 2017-18

(Rs Cr)

First Level of apportionment on the basis of GFA	
ARR for HT Assets	211.43
ARR for LT Assets	71.86
Total	**283.29**
Second Level of apportionment on the basis of Contract Demand	
ARR for HT Assets	27.57
ARR for LT Assets	255.73
Total	**283.29**
Wheeling Tariff Rs / kWh	
HT Category	0.86
LT Category	0.83

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 Surat Supply Area for FY 2017-18

(%)

Category	Value
HT Category	4.00
LT Category	4.50

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 allocation as approved by the Commission, the approved ARR for wires business and retail supply business are computed as shown below:

Table 9.5: Approved segregation of expenses by the Commission for FY 2017-18

(Rs Cr)

ARR Components	Wire Business	Retail Business
Power Purchase Expense	0.00	1663.12
Employee Expense	30.50	20.33
Administrative & General Expenses	16.52	16.52
Repair & maintenance Expenses	31.88	3.54
Depreciation	47.50	5.28
Interest on long term loan	24.94	2.77
Int on Consumer Deposit	1.85	16.65
Interest on Working capital	0.00	0.00
Bad Debt	0.00	0.33
Income Tax	38.02	4.22
Contingency reserve	0.40	0.00
return on Equity	74.15	8.24
Non-Tariff Income	3.52	31.67
Aggregate Revenue Requirement	**262.24**	**1709.34**

Based on the approved wheeling ARR, the wheeling charge for Surat Supply Area has been determined by the Commission as shown in the Table below.

Table 9.6: Wheeling charges in case of Surat Supply Area for FY 2017-18

(Rs Cr)

First Level of apportionment on the basis of GFA	
ARR for HT Assets	195.72
ARR for LT Assets	66.52
Total	**262.24**
Second Level of apportionment on the basis of Contract Demand	
ARR for HT Assets	25.49
ARR for LT Assets	236.75
Total	**262.24**
Wheeling Tariff Rs / kWh	
HT Category	0.11
LT Category	0.47

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 Surat Supply Area for FY 2017-18

Category	Value
HT Category	4.00%
LT Category	4.50%

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 150 Paisa/kWh and 151 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	HTMD Industry
1	T - Tariff for HT Category (Rs./kWh)*	6.85
2	C - Wt. Avg. Power Purchase Cost (Rs./kWh)	4.65
3	D - Wheeling Charge (Rs./kWh)	0.11
4	L - Aggregate T&D Loss (%)	4%
5	R - per unit cost of carrying regulatory assets (Rs./kWh)	-
6	S = Cross subsidy surcharge (Rs./kWh)	1.90

**Excluding regulatory charge*

Thus, Cross subsidy surcharge as per Tariff Policy, 2016 works out to Rs. 1.90/kWh for HTMD category. However, Tariff Policy, 2016 provides that the surcharge shall not exceed 20% of the tariff applicable to the category of the consumers seeking open access.

In view of above, the Commission decided to restrict the Cross Subsidy Surcharge leviable from the consumers of TPL- D (A) seeking Open Access, for FY 2017-18 at Rs. 1.37 /kWh.

Accordingly, Cross subsidy surcharge for HT Category = 1.37 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. 0.18 per unit during FY 2017-18 without making any change in the tariff structure. The proposed tariff schedule for Surat supply area is attached as **Annexure 1**.

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 Hon'ble 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. 214.03 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. 214.03 Crore through "Regulatory Charge" @ Rs 0.45 per unit and tariff revision of Rs 0.18 per unit totalling to Rs 0.63/unit from consumers of Surat. The Commission has, after prudence check, worked out the net surplus of Rs 7.33 Crore for Surat license area after adjustment of balance recovery of regulatory charge. Accordingly, 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 (Surat) for FY 2017-18, as shown in the Table below:

Approved ARR for TPL-D (Surat) for FY 2017-18

(Rs. Crore)

Sl. No.	Particulars	FY 2017-18
1	Power Purchase Cost	1,663.12
2	Operations and Maintenance Expenses	119.28
3	Depreciation	52.78
4	Interest on Loans	27.71
5	Interest on working Capital	-
6	Interest on Security Deposit	18.50
7	Bad debts Written off	0.33
8	Contingency Reserve	0.40
9	Prompt Payment Rebate	
10	Return on equity	82.39
11	Income Tax	42.24
12	**Total Expenditure**	**2,006.76**
13	Less: Non-Tariff income	35.18
14	**Aggregate Revenue Requirement**	**1,971.58**

The retail supply tariffs for Surat 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 the 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 SURAT LICENSE AREA OF TORRENT POWER LIMITED-SURAT

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 Surat 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 may decide the period of billing and adjust the rates accordingly.

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, kilo -Watt, kilo- Volt -Ampere (HP, kW, kVA), as the case may be. The fraction of less than 0.5 shall be rounded to next 0.5. The billing of energy charges will be done on complete 1.0 (one) kilo-watt-hour (kWh) or kilo-volt-ampere-hour (kVAh) or kilo-volt-ampere-reactive hour (kVARh), as the case may be.

9. Contract Demand shall mean the maximum kW or kVA for the supply of which TPL undertakes to provide facilities to the consumer from time to time.

10. Maximum Demand in a month means the highest value of average kVA or kW as the case may be, delivered at the point of supply of the consumer during any consecutive 15/30 minutes in the said month.

11. TPL may install KWh and kVARh meter for ascertaining power factor, reactive units and KWh units.

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 .ToU charges wherever applicable unless otherwise notified shall be levied for

the energy consumption during the period between 07.00 hours and 11.00 hours; and between 18.00 hours and 22.00 hours, termed as PEAK HOURS. Night hours concession wherever applicable will be given for the energy consumption during the period between 22.00 hours and 06.00 hours next day, termed as 'OFF PEAK HOURS'.

15. 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.

16. No Regulatory Charges shall be billed to the consumers.

17. Delayed Payment Charges
    a. No delayed payment charges will be levied if the bill is paid on or before due date indicated in the bill.
    b. Delayed payment charges, if the bill is paid after due date, will be levied at the rate of 15% per annum (computed on daily basis) on the outstanding bill from the due date till the date of payment.

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

RATE SCHEDULE - LOW /MEDIUM TENSION

230/400 VOLTS

1. RATE: RGP

This tariff is applicable for supply of electricity to residential premises.

Single-phase supply- Aggregate load up to 6 kW

Three-phase supply- Aggregate load above 6 kW

1.1 FIXED CHARGES:

For Other than BPL consumers

(a)	Single Phase Supply	Rs. 25 per installation per month
(b)	Three Phase Supply	Rs. 65 per installation per month

For BPL household consumers*

(a)	Fixed Charges	Rs. 5.00 per month per installation

PLUS

1.2 ENERGY CHARGES:

For Other than BPL consumers

(a)	First 50 units during the month	320 Paise/unit
(b)	Next 50 units during the month	365 Paise/unit

(c)	Next 100 units during the month	425 Paise/unit
(d)	Next 50 units during the month	435 Paise/unit
(d)	Above 250 units during the month	505 Paise/unit

For BPL household consumers*

(a)	First 30 units consumed per month	150 Paise per Unit
(b)	For remaining units consumed per month	Rate as per Residential

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

2. RATE: GLP

This tariff will be applicable for use of energy for lights, fans, heating, general load and motive power in premises:

i. Crematoriums and Government and Municipal Hospitals.

ii. Charitable Institutions like hospital, dispensary, educational and Research Institute and Hostel attached to such Institution, religious premises exclusively used for worship or community prayers, registered with Charity Commissioner and specifically exempted from levy of general tax under section 2 (13) of Bombay Trust Act, 1950 read with section 9 of The Income Tax Act, 1961.

iii. Public streets Lights, gardens and conveniences.

iv. Water works and sewerage pumping services operated by Municipal Corporations.

Note: Halls or gardens or any portion of the above premises let out for consideration or used for commercial activities at any time shall be charged at Non-RGP tariff.

Single-phase supply- Aggregate load up to 6 kW

Three-phase supply- Aggregate load above 6 kW

2.1 FIXED CHARGES:

Fixed Charges	Rs. 55.00 per installation per month

PLUS

2.2 ENERGY CHARGES:

Energy Charges	405 Paise/unit

3. <u>RATE: NON-RGP</u>

This tariff is applicable for supply of electricity to premises which are not covered in any other LT tariff categories, up to and including 15 kW of connected load.

3.1 FIXED CHARGES:

(a)	First 10 kW	Rs. 70 Per kW per month

(b)	Next 5 kW	Rs. 90 Per kW per month

3.2 ENERGY CHARGES:

(a)	For installations having connected load up to 10 kW	435 Paise/unit
(b)	For installations having connected load above 10 kW and up to 15 kW	455 Paise/unit

4. RATE: LTMD

This tariff is applicable for supply of electricity to premises which are not covered in any other LT tariff categories, having connected load above 15 kW.

4.1 DEMAND CHARGES:

(a)	Up to 20 kVA of billing demand	Rs. 115 per kVA /month
(b)	Above 20 kVA & up to 60 KVA billing demand	Rs. 155 per kVA /month
(c)	Above 60 kVA of billing demand	Rs. 225 per kVA /month
(d)	In excess of contract demand	Rs. 250 per kVA /month

Note: BILLING DEMAND: Billing demand during the month shall be the highest of the following:

i. Maximum demand recorded during the month.
ii. 85 % of the contract demand.
iii. 6 kVA

PLUS

4.2 ENERGY CHARGES:

Energy charges	485 Paise/unit

PLUS

4.3 REACTIVE ENERGY CHARGES (KVARH UNITS):

For installation having contracted load of 40 kVA and above

For all the reactive units drawn during the month	10 Paise/kVARh

5. RATE: TMP

Applicable to installations for temporary requirement of electricity supply.

5.1. FIXED CHARGE

Fixed Charge per Installation	Rs. 25 per kW per Day

5.2. ENERGY CHARGE

A flat rate of	500 Paise per Unit

6. RATE: AGP

This tariff is applicable to motive power services used for irrigation purpose.

The rates for following group are as under

6.1 FIXED CHARGES:

Fixed Charges	Rs. 20.00 per HP per month

PLUS

6.2 ENERGY CHARGES:

Energy Charges	60 Paise/unit

Note:

1. The agricultural consumers shall be permitted to utilize one bulb or CFL up to 40 watts in the Pump House without recovering any charges. Any further extension or addition of load will amount to unauthorized extension.
2. No machinery other than pump for irrigation will be permitted under this tariff.

PART-II

RATE SCHEDULE FOR SERVICE AT HIGH TENSION

7 RATE HTMD-1

This tariff shall be applicable for supply of energy to consumers at 3.3 KV and above for contracting the demand of 100 KVA and above for purposes other than pumping stations run by Local Authorities.

7.1 DEMAND CHARGES:

7.1.1 **For billing demand up to contract demand**

(a)	First 500 KVA of billing demand	Rs. 170 per KVA
(b)	Above 500 KVA	Rs. 285 per KVA

7.1.2 For billing demand in excess over contract demand

For billing demand in excess over contract demand	Rs. 395/- per KVA

Note:

BILLING DEMAND: Billing demand shall be the highest of the following:

i. Actual maximum demand established during the month
ii. 85 per cent of the Contract Demand, and
iii. 100 KVA

PLUS

7.2 ENERGY CHARGES:

(a)	First 400 units per kVA billing demand per month	480 Paise/unit
(b)	Remaining units consumed per month	470 Paise/unit

PLUS

7.3 TIME OF USE CHARGE:

For energy consumption during the two peak periods, Viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.	
For Billing Demand up to 500 kVA	65 Paise per Unit
For Billing Demand above 500 kVA	100 Paise per Unit

PLUS

7.4 POWER FACTOR:

7.4.1 Power Factor Adjustment Charges: -

a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 7.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 7.2 of this schedule, will be charged.

7.4.2 Power Factor Adjustment Rebate:

If the average power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 7.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

7.5 NIGHT TIME CONCESSION:

The energy consumed during night hours between 22.00 hours and 06.00 hours next day (recorded by the tariff meter operated through time switch or built in feature of time segments, if incorporated) shall be eligible for concession of 30 Paise per KWH. The meter and time switch shall be procured and installed by consumer at his cost, if required by TPL-Surat. In such case, TPL-Surat will seal the metering equipment.

7.6 REBATE FOR SUPPLY AT EHV:

Sr. No.	On Energy Charges:	Rebate @
(a)	If supply is availed at 33/66 KV	0.5 %
(b)	If supply is availed at 132 KV and above	1.0 %

8 RATE: HTMD-2

This tariff shall be applicable for supply of energy at 3.3 KV and above and contracting for demand of 100 KVA and above for water works and pumping stations run by Local Authorities.

8.1 DEMAND CHARGES:

8.1.1 For billing demand up to contract demand

(a)	First 500 KVA of billing demand	Rs. 140/- per KVA per month
(b)	Above 500 KVA of billing demand	Rs. 225/- per KVA per month

8.1.2 For billing demand in excess of contract demand

For Billing demand in excess over Contract demand	Rs. 360/- per KVA per month

Note: BILLING DEMAND: Billing demand shall be the highest of the following:

i. Actual maximum demand established during the month
ii. 85 per cent of the Contract Demand, and
iii. 100 KVA

PLUS

8.2 ENERGY CHARGES:

(a)	First 400 units per kVA billing demand per month	475 Paise/unit
(b)	Remaining units consumed per month	470 Paise/unit

PLUS

8.3 TIME OF USE CHARGES:

For energy consumption during the two peak periods, Viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.		
(a)	For Billing Demand up to 500 kVA	45 Paise per Unit
(b)	For Billing Demand above 500 kVA	80 Paise per Unit

PLUS

8.4 POWER FACTOR:

Power Factor Adjustment Charges:

1. The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 8.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.
2. In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 8.2 of this schedule, will be charged.

Power Factor Adjustment Rebate:

If the average power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 8.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

8.5 NIGHT TIME CONCESSION:

The energy consumed during night hours between 22.00 hours and 06.00 hours next day (recorded by the tariff meter operated through time switch or built in feature of time segments, if incorporated) shall be eligible for concession of 30 Paise per KWH. The meter and time switch shall be procured and installed by consumer at his cost, if required by TPL-Surat. In such case, TPL-Surat will seal the metering equipment.

8.6 REBATE FOR SUPPLY AT EHV:

Sr. No.	On Energy Charges:	Rebate @
(a)	If supply is availed at 33/66 KV	0.5 %
(b)	If supply is availed at 132 KV and above	1.0 %

9 RATE: HTMD-3

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

9.1 FIXED CHARGE

For billing demand up to contract demand	Rs. 25/- per kVA per day
For billing demand in excess of contract demand	Rs. 35/- per kVA per day

Note:

BILLING DEMAND: Billing demand shall be the highest of the following:

i. Actual maximum demand established during the month
ii. 85 per cent of the Contract Demand, and
iii. 100 KVA

PLUS

9.2 ENERGY CHARGE

For all units consumed during the month	695 Paise/Unit

PLUS

9.3 TIME OF USE CHARGES:

For energy consumption during the two peak periods, Viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.	
(a) For Billing Demand up to 500 kVA	45 Paise per Unit
(b) For Billing Demand above 500 kVA	80 Paise per Unit

9.4 POWER FACTOR:

Power Factor Adjustment Charges:

1. The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 9.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.
2. In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 9.2 of this schedule, will be charged.

Power Factor Adjustment Rebate:

If the average power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 9.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

10 RATE- NTCT (NIGHT TIME CONCESSIONAL TARIFF)

This is night time concessional tariff for consumers for regular power supply who opt to use electricity **EXCLUSIVELY** during night hours between 22.00 hours and 06.00 hours next day. The consumer shall provide the switching arrangement as shall be acceptable to TPL-Surat to regulate supply hours.

10.1 FIXED CHARGE

Fixed Charges	30% of the Demand Charges under relevant Tariff Category

10.2 ENERGY CHARGE

A flat rate of	340 Paise per unit

10.3 POWER FACTOR

Power Factor Adjustment Charges:

1 The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 10.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.

2 In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 10.2 of this schedule, will be charged.

Power Factor Adjustment Rebate:

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

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 10.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 10.0 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 7.1 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 7.2 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 7.1 and 7.2 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.*