GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order:

Truing up for FY 2010-11

and Determination of Tariff for FY 2012-13

For

Torrent Power Limited-Distribution, Surat

Case No. 1176 of 2011

2nd June 2012

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(GERC)

AHMEDABAD

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CONTENTS

TABLES

ANNEXURES

ABBREVIATION

AGP	Agriculture General Purpose
A&G	Administrative and General
AMR	Automatic Meter Reading
APDRP	Accelerated Power Development and Reform Program
APP	Ahmedabad Power Plant
APR	Annual Performance Review
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
BHP	Brake Horse Power
BoB	Bank of Baroda
BPL	Below Poverty Line
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CGP	Commercial General Purpose
CMD	Coincident Maximum Demand
CPP	Captive Power Plant
CSS	Cross Subsidy Surcharge
CT	Current Transformer
D/C	Double Circuit
DoE	Diversion of Energy
DPC	Delayed Payment Charge
DSM	Demand Side Management
DT	Distribution Transformer
EHV	Extra High Voltage
FPA	Fuel Price Adjustment
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Asset
GIDC	Gujarat Industrial Development Corporation
GIS	Geographic Information System
GLP	General Lighting Purpose
GUVNL	Gujarat Urja Vikas Nigam Ltd
HDFC	Housing Development Finance Corporation
HT	High Tension
HTMD	High Tension Maximum Demand
HV	High Voltage
IDFC	Infrastructure Development Finance Corporation
IGP	Industrial General Purpose

IS	Indian Standards
IT	Information Technology
Kcal	Kilo Calorie
Kg	Kilo Gram
Km	Kilometre
kV	Kilo Volt
kWh	Kilo Watt Hour
LIC	Life Insurance Corporation
LT	Low Tension
LTMD	Low Tension Maximum Demand
LTP	Low Tension Power
MAT	Minimum Alternate Tax
MMBTU	Million British Thermal Unit
MOCB	Miniature Oil Circuit Breaker
MOD	Merit Order Despatch
MRI	Meter Reading Instrument
MRS	Main Receiving Station
MT	Metric Tonne
MU	Million Units
MVA	Mega Volt Ampere
MVAR	Mega Volt-Ampere Reactive
MW	Mega Watt
MYT	Multi-Year Tariff
NTCT	Night Time Concession Tariff
O&M	Operations and Maintenance
OCB	Oil Circuit Breaker
OEM	Original Equipment Manufacturer
OHL	Overhead Line
PBT	Profit Before Tax
PF	Power Factor
PGCIL	Power Grid Corporation of India Limited
PPA	Power Purchase Agreement
PPC	Power Purchase Cost
PT	Potential Transformer
R&M	Repair and Maintenance
RE	Revised Estimate
REC	Renewable Energy Certificate
RFO	Residual Fuel Oil
RGP	Residential General Purpose
RLA	Residual Life Assessment
RMU	Ring Main Unit
RoE	Return on Equity
RPO	Renewable Purchase Obligation
RTC	Round the Clock

RTI	Right to Information
SBAR	State Bank Advance Rate
SBI	State Bank of India
SBPLR	State Bank Primary Lending Rate
SCADA	Supervisory Control And Data Acquisition
SCM	Standard Cubic Meter
SD	Security Deposit
SEZ	Special Economic Zone
SLC	Service Line Charges
SMC	Surat Municipal Corporation
Sq.Km	Square Kilometer
T&D	Transmission & Distribution
TO	Tariff Order
TOU	Time of Use
TPAL	Torrent Power AEC Limited
TPGL	Torrent Power Generation Limited
TPL	Torrent Power Limited
TPL-G	TPL Generation
TPL-D	TPL Distribution
TPL-G(APP)	TPL-G (Ahmedabad Power Plants)
TPSL	Torrent Power Surat Limited
UG cable	Underground Cable
UI	Unscheduled Interchange
VCB	Vacuum Circuit Breaker
VFD	Variable Frequency Drive
Wt.Av.	Weighted Average
YoY	Year on Year

Before the Gujarat Electricity Regulatory Commission at Ahmedabad

Case No.1176 of 2011

Date of the Order: 02.06.2012

CORAM

Dr. P.K. Mishra, Chairman

Shri Pravinbhai Patel, Member

Dr. M.K. Iyer, Member

ORDER

1. Background and Brief History

1.1 Background

Torrent Power Limited (hereinafter referred to as 'TPL' or 'petitioner') has filed petition under section 62 of the Electricity Act, 2003 read with Gujarat Electricity Regulatory Commission (Multi-Year Tariff Framework) Regulations, 2007 for the True up of FY 2010-11, and MYT Regulations, 2011 for determination of tariff for its distribution business in Surat area for the FY 2012-13 on 31st December, 2011.

The Commission admitted the petition on 9th January, 2012.

1.2 Torrent Power Limited (TPL)

The Torrent Power Limited (TPL) is a company incorporated under the Companies Act, 1956 and 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 for its distribution business in Surat. TPL had assumed the business consequent to 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 overview of the Commission.

The TPSL was a sanctioned holder (in terms of sanction granted by the Government of Gujarat) under the provisions of the Indian Electricity Act, 1910. Torrent Power Limited is a deemed licensee for distribution of electricity under Section 19 (i) (d) read with section 19 (1) (i) of the Gujarat Electricity Industry (Reorganization and Regularization) Act, 2003 and under section 14 of the Electricity Act, 2003. The Commission had granted approval to the transfer / assignment of licenses to Torrent Power SEC Limited to incorporate the name of TPL as a licensee in place of TPSL without change of any terms and conditions of license.

The approval of the Commission was subject to the order and direction of the Honourable High Court of Gujarat on the scheme of amalgamation / merger of TPAL, TPSL and TPGL and TPL. The scheme of amalgamation was approved by the Honourable High Court of Gujarat vide its order dated 11th September 2006.

1.3 Commission's Order for the first control period

TPL had filed its petition under the Multi-Year Tariff Framework for FY 2008-09, FY 2009-10 and FY 2010-11 on 8th May 2008 in accordance with Gujarat Electricity Regulatory Commission (Multi-Year Tariff Framework) Regulations, 2007 notified by the Commission. The Commission, in exercise of the power vested in it under sections 61, 62 & 64 of the Electricity Act, 2003 and all other powers enabling it on 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, issued the Multi-Year tariff order on 17th January, 2009 for the control period comprising FY 2008-09, FY 2009-10 and FY 2010-11.

The Commission issued the orders on (i) Annual Performance Review and Truing up for FY 2008-09 and determination of tariff for FY 2009-10 on 9th December, 2009 and (ii) Annual Performance Review for the FY 2009-10 and determination of tariff for FY 2010-11 on 31st March, 2010.

1.4 Commissions Order for the second Control period

TPL had filed its petition under the Multi-Year Tariff Framework for control period 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 has issued the new MYT regulations notified as GERC (Multi Year Tariff) Regulations, 2011 on 22nd March, 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 power vested in it under sections 61, 62 and 64 of the Electricity Act, 2003 and all other powers enabling it on 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, 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 MYT regulation, 2011.

1.5 Admission of the current petition and public hearing process

TPL submitted the current petition for 'Truing up' of FY 2010-11 and determination of tariff for FY 2012-13 on 31st December, 2011. The Commission admitted the petition (Case No. 1176/2011) on 9th January, 2012.

In accordance with section 64 of the Electricity Act, 2003, the Commission directed TPL to publish its application in the abridged form to ensure public participation. The public notice was published in the following newspapers on 19th January, 2012 inviting objections / suggestions from its stakeholders on the petition filed by it.

Sl.No.	Name of the Newspaper	Language	Date of publication
1	Times of India	English	19th January, 2012
2	Gujarat mitra	Gujarati	19th January, 2012

The Petitioner has also placed the public notice and the petition on its website for inviting objections and suggestions on the petition. The interested parties / stakeholders were asked to file their objections / suggestions on the petition on or before 18th February, 2012.

The Commission received objections / suggestions from 7 consumers / consumer organisations. The Commission examined the objections / suggestions received and fixed the date of public hearing for TPL to be held at Commission's office, Ahmedabad on 20th March, 2012 and 31st March, 2012. Communications were sent to these consumers / consumer organizations to take part in the public hearing process for presenting their views in person before the Commission. The Public hearing was conducted as scheduled at the Commission's office premises at Ahmedabad.

The names of consumers and consumer organizations who filed their objections / suggestions and the objectors who participated in the public hearing for presenting their objections are given in Annexures 1.1 and 1.2.

A short note on the main issues raised by the objectors in written submissions in public hearing in respect of the petition along with the response of TPL and the Commission's views on the response is given in Chapter-3.

1.6 Contents of this order

The order is divided into nine chapters:

1. The **first** chapter provides a brief background regarding the Petitioner, the petition on hand and details of the public hearing process and approach adopted in this order.
2. The **second** chapter outlines the summary of TPL MYT 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 of FY 2010-11.
5. The **fifth** chapter deals with the determination of tariff for FY 2012-13.
6. The **sixth** chapter deals with compliance of directives and issue of fresh directives.
7. The **seventh** chapter deals with the FPPPA charges.
8. The **eighth** chapter deals with wheeling charges and cross subsidy surcharge.
9. The **ninth** chapter deals with the tariff philosophy and tariff proposals.

1.7 Approach of this order

The Multi-Year Tariff Regulations, 2007 provide for truing up of the previous year, Annual Performance Review (APR) for the current year and determination of tariff for the ensuing year. The Commission had approved the ARR for the three-years of the first control period from FY 2008-09 to FY 2010-11 in the MYT order dated 17th January, 2009. The Commission had approved the Annual Performance Review and 'Truing up' of the FY 2008-09 in the tariff order dated 9th December, 2009 and the 'Truing up of the FY 2009-10 in the tariff order dated 6th September 2011.

TPL has approached the Commission with the present petition for 'Truing up' for the FY 2010-11 and determination of tariff for the FY 2012-13.

The Commission has undertaken truing up for the FY 2010-11 including computation of gains and losses for the FY 2010-11 based on the submissions of the petitioner and the segregated audited annual accounts made available by the petitioner.

While Truing up of FY 2010-11 the Commission has been primarily guided by the following principles:

1. Controllable parameters have been considered at the level of approval 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 2010-11 has been considered based on the GERC MYT Regulations, 2007. For the determination of the ARR for FY 2012-13, the Commission has considered the ARR for FY 2012-13 as approved in the MYT order dated 6th September, 2011.

Annexure 1.1

List of Organisations and Individuals who filed objections / suggestions

Sr. No	Name
1	Shri Amarsinh Chavda
2	Shri Bharat Kanaiyalal Bhatt
3	Gandhinagar Shaher Vasahat Mahamandal
4	UUWA - Utilities Users' Welfare Association
5	Shri Mahadeo Ishvarlal Desai
6	Shri Mahesh B. Desai
7	Surat Municipal Corporation

Annexure 1.2

List of participants in public hearing

Sr. No	Name
1	Shri Amarsinh Chavda
2	Shri Bharat Kanaiyalal Bhatt
3	Gandhinagar Shaher Vasahat Mahamandal
4	UUWA - Utilities Users' Welfare Association
5	Shri Mahadeo Ishvarlal Desai
6	Shri Mahesh B. Desai

2. Summary of TPL's Petition

2.1 Actuals for FY 2010-11 submitted by TPL

Torrent Power Limited (TPL) submitted the petition seeking approval of True Up of ARR of FY 2010-11 and determination of tariff for the FY 2012-13. The petitioner has also submitted the tariff proposal for FY 2012-13 based on the estimated revenue gap for the FY 2010-11 and ARR of FY 2012-13.

The details of expenses under various heads of ARR are given in Table 2.1 below:

Table 2.1: Actuals claimed by TPL for FY 2010-11

(Rs. Crore)

Annual Revenue Requirement	Approved in MYT Order (Jan 17, 2009)	Actual as per TPL
Power Purchase Cost	1168.72	1,185.92
O&M Expense	**95.32**	**79.61**
Employee Cost	37.84	40.69
A&G Cost	27.69	19.85
R&M Cost	29.79	19.07
Depreciation	45.99	40.04
Interest Cost on Long-term Capital Loans	26.13	45.81
Interest on Working Capital Loans	26.30	27.71
Interest on Security Deposit	5.97	8.72
Return on Equity	78.77	71.31
Provision for Bad Debt	1.36	0.30
Contingency Reserve	0.40	0.40
Income Tax	26.09	20.79
Less:		
Non-Tariff Income	29.76	26.79
Annual Revenue Requirement	**1,445.29**	**1,453.82**

2.2 Summary of ARR, revenue at existing tariff and proposed revenue gap

Table below summarises the proposed ARR claimed by the TPL for truing up, revenue from sale of power at the existing tariff and the revenue gap/(surplus) estimated for FY 2010-11:

Table 2.2: Proposed Revenue Gap/(surplus) for the FY 2010-11

(Rs. Crore)

Particulars	FY 2010-11
ARR as per MYT order dated Jan 17, 2009	**1,445.29**
Gain/(loss) due to Uncontrollable Factors	(44.30)
Gain/(loss) due to Controllable Factors	35.76
Pass through as tariff	32.38
Revised ARR for True Up for FY 2010-11	**1,477.67**
Less:	
Revenue fom sale of energy	1,467.73
Adjustments including earlier period	13.68
Net Gap/(Surplus)	**(3.74)**

Table below summarises the total revenue projected by TPL from sale of power at the existing tariff during FY 2012-13 and the revenue gap/(surplus) estimated for FY 2012-13:

Table 2.3: Proposed Revenue Gap/(surplus) for the FY 2012-13

(Rs. Crore)

Particulars	FY 2012-13
Approved ARR as per MYT order dated Sep 6, 2011	**1,586.27**
Less:	
Revenue from sale of energy	1,369.24
FPPPA revenue @ Rs. 0.70 per unit	236.94
Net Gap/(Surplus)	**(19.91)**

Table below summarises the total revenue gap/(surplus) projected by TPL to be considered at the time of determination of tariff for FY 2012-13:

Table 2.4: Proposed Recoverable Revenue Gap/(surplus) for the FY 2012-13

(Rs. Crore)

Particulars	Surat
Net Gap/(Surplus) for FY 2010-11	**(3.74)**
Carrying Cost @ 11 % for gap/(Surplus) of FY 2010-11	**(3.78)**
Net Gap/(Surplus) for FY 2012-13	(19.91)
Cumulative Gap/(Surplus) for FY 2012-13	(27.43)

2.3 TPL's request to the Commission:

(a) To admit the petition for truing up for FY 2010-11, approval of gap for FY 2012-13 and determination of tariff for FY 2012-13.

(b) To approve the gap of FY 2010-11 as per the final ' truing up ' and carrying cost for un-recovered gap.

(c) To approve the sharing of gains / losses proposed by TPL for FY 2010-11.

(d) To approve the revenue gap for FY 2012-13.

(e) To approve the wheeling ARR and corresponding charges for wheeling with effect from 1st April, 2012.

(f) To approve the retail supply tariff as proposed by TPL.

(g) To allow the petitioner to make additions/ alterations/ changes/ modifications to the application at a future date.

(h) To permit the petitioner to file all necessary pleadings and documents in the proceedings and documents from time to time for effective consideration of the proceedings.

(i) To condone the delay in filing the present petition.

(j) To allow the Petitioner for any other relief, order or direction, which the Commission deems fit to be issued.

(k) To condone any inadvertent omissions/errors/rounding off difference / shortcomings.

3. Brief outline of objections raised, response from TPL and Commission's view

3.0 Public response to the petition

In response to the public notice, inviting objections/suggestions of the stakeholders on the petition filed by TPL for 'Truing up' of FY 2010-11 and determination of tariff for FY 2012-13, a number of consumers/consumer organisations filed their objections / suggestions in writing. Some of these objectors participated in the public hearing also. It is observed that the objections / suggestions filed, by and large, are repetitive in nature. Some of the objections are general in nature and some are specific to the proposal submitted by TPL for approval of ARR and Tariff revision. The Commission has, therefore, addressed the objections/suggestions issue-wise rather than objector-wise. The objections / suggestions by consumers / consumer organisations, the response from the Petitioner and the views of the Commission are as given below.

3.1 Employees Cost

3.1.1 Objection: Majority of work done by TPL is on contract basis. This has resulted in less employee cost. Working hours for clerical staff has increased. Being the employees of the company they are not paid additional income for extra hours. Thus, the work is done with 60% of amount. The number of new employees is less than the number of employees retiring.

Further, retired employees may be recruited at about half the salary. This increases profit of the company.

TPL's response: TPL has submitted that the objector's observations are misplaced. There has been substantial increase in the volume of work due to growth in number of consumers and size of the network coupled with high inflation which has resulted in increase in costs.

Further, TPL has submitted that it is one of the best performing companies in its line of business. This has been achieved because of its employees and to retain such resources and for maintaining parity with the prevailing market condition of the power sector, it has to incur necessary costs.

Commission view: *The Commission has noted the objection and petitioner's response.*

3.1.2 Objection: TPL is employing contractual workers to achieve low cost due to which the quality of work is poor, and it is also booking the employee cost of those employees who are working in some other areas in TPL Ahmadabad's account.

TPL's response: TPL has strongly refuted the allegations and would like to clarify that separate accounts are being maintained for its regulated business and it has been made available along with the petition.

Commission view: *The Commission asked the petitioner to provide the detailed methodology regarding allocation of various expenses and the same has been provided by the petitioner. However, the Commission has engaged a separate Chartered Accountant firm to audit the annual accounts in its entirety.*

3.2 Allow new players in the market

Objections: GERC has given license to TPL in 1997 for transmission and distribution of power for 28 years. Now, as new companies have entered the power market in the country, it is advisable to get tenders from open market to facilitate competition and providing low cost power supply to consumers. TPL is earning 14-16% profit. Other companies should be given chance for providing low cost power to the consumers.

Commission view: *The Electricity Act 2003 provides for more than one distribution licensee in the business of distribution of electricity in an area. If any interested party is willing to take the distribution business in any of the existing licensee area, GERC on receipt of such application would grant the license based on the prevailing Act and regulations. Moreover, the Commission has granted such type of licence in the past to some companies where there is existence of one distribution licensee.*

3.3 Calculation of Depreciation

Objection: To calculate depreciation, TPL should submit list of items of generation and distribution assets along with unit wise details of amount, price.

TPL's response: TPL has submitted that it has provided the details pertaining to assets for computation of depreciation in the formats prescribed in the Regulations.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.4 Asset register should be made public

Objection: The contracts made by private companies for purchase of coal, oil, gas etc. should be made public. The asset register of private companies showing the details of transformers, meters, switch gears, boiler, generator, etc. should also be made public.

TPL's response: TPL has stated that it has furnished all relevant details in its ARR petition along with Accounting Statements. The Commission is required to consider the objections and suggestions received from the public on the published petition in accordance with the provisions of Section 64 of Act.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.5 Details of number of consumers and amount earned from them

Objection: TPL should provide details regarding total number of consumers and the amount earned from these consumers annually. Further, TPL should submit the detail of where it spends or plans to spend the amount received from consumers.

TPL's response: TPL has furnished the details of the revenue for the FY 2010-11 and FY 2012-13 in its petition. The revenue being recovered from the consumers has been considered in the truing up of FY 2010-11 in order to arrive at the final revenue gap. The tariff hike as proposed is to recover the revenue gap during FY 2012-13.

Commission view: *The Commission has noted the objection and petitioner's response.*

3.6 Recovery of fixed charge from residential and commercial consumers

Objection: Earlier, the fixed charge was not recovered on per kW basis from residential and commercial consumers. However, with the advent of new tariff order, the same has been implemented by TPL.

Petitioner's response: TPL has submitted that the utility is required to cater to the demand of electricity of the consumers, which is in terms of KW of load. Accordingly, the existing tariff structure provides for recovery of the fixed charges on per KW basis in line with the standard tariff philosophy. The cost of serving the consumers should not be loaded to the other consumers else it amounts cross-subsidization. Thus, the changes implemented in the tariff structure is to reduce the cross subsidy in line with the provisions of Act.

Commission view: *The Commission has noted the objection and petitioner's response.*

3.7 Calculation of Tariff hike

Objection: The calculation of tariff hike is done taking into account the fuel charge. However, TPL recovers fuel cost along with the tariff from consumers. TPL should clarify this system of calculating fuel cost after doing tariff hike.

TPL's response: TPL has clarified that the FPPPA formula provides for recovery of variation with respect to the approved base price of fuel and power purchase cost in line with provisions of Tariff Policy and the Act. The FPPPA charges being recovered from the consumers is considered as part of revenue at the time of truing up.

Commission's view: *The FPPPA covers only the incremental fuel cost over and above that is accounted for in the tariff calculation.*

3.8 Non-submission of the certificate of electrical inspector

Objection: TPL has not submitted the certificate of electrical inspector for items whose commercial operation has started. Such items should not be considered as capitalised and should not be considered in assets.

TPL's response: In its response, TPL has stated that it submits the copy of the CEI certificate to the Commission for commissioning of all the major capital expenditure incurred.

Commission view: *The Commission had asked TPL to submit all the details related to certificate of Electrical inspectors which have been submitted by TPL.*

3.9 Removal of assets from service whose life is complete

Objection: TPL has not submitted details of old assets whose life has been completed or the details of new assets created side by side the old ones. Amount of those assets whose full depreciation has been recovered or which are discontinued from service should be removed from equity.

TPL's response: TPL strongly refutes the allegation of the Objector. TPL does not claim any depreciation on the assets written off.

Commission's view: *The Commission asked TPL to clarify whether it is claiming depreciation and RoE on the assets written off. In its submission TPL has clarified that it is not claiming depreciation nor claiming ROE on the assets written off.*

3.10 Checking the details in audited accounts, annual statement of accounts and capital expenditure

Objection: Commission and TPL should check the details, from year 2000 to 2011, regarding the audited accounts, annual statement of accounts, capital expenditure done in each year compared with actual expenditure by getting certificates from chief electrical inspector. It is suggested to form an inquiry committee consisting of 5 representations of consumers, 5 CA, 5 auditors and lawyers from Gujarat High Court who are proficient in matters related to power sector. It should be checked whether the capital expenditure shown by TPL is actually capitalised or adjusted with other franchisee business of TPL.

TPL's response: TPL has stated that it follows and maintains the accounts as per the accounting standards specified by the Institute of Chartered Accountants of India and the same gets duly audited by the Statutory Auditors of the Company.

The details of capital expenditure have been made available in the petition and the same is considered in the Order after following due process of vetting.

Commission's view: *Audited accounts of the petitioner and the capital expenditure are examined by the Commission during the truing up exercise.*

3.11 Booking expenses of Agra, Bhiwandi and Kanpur on consumers of Ahmedabad

Objection: TPL is putting the burden of expenses made in franchisee areas of Agra, Bhiwandi and Kanpur on the consumers of Surat. If not, TPL should submit the following details regarding (i) no. of consumers in the above mentioned franchisee areas, (ii) list of equipment changed in the above mentioned franchises, (iii) the price of equipment changed and the source from where the money for these equipment have been collected and at what interest rate, (iv) total equity in these franchises, (v) details of loss in these franchises, no. of consumers, no. of employees and total revenue, and (vi) equity of franchise when it was bought and its equity today.

TPL's response: TPL strongly refutes the allegations and clarifies that separate accounts are being maintained for regulated business and the same has been furnished by it.

Commission's view: *The Commission has decided to initiate third party verification of annual accounts of TPL of FY 2010-11 through an independent firm registered with the Institute of Chartered Accountants of India. The verification process will include the validation of capital expenditure and other expenses incurred by TPL.*

3.12 Charging money from consumers in the name of changing the working old meter with new one, change in name, registration charge, service charge

Objection: TPL is extracting money from consumers in the name of changing the working old meter with new one, change in name, registration charge, service charge when the fault is on the side of company, service line deposit, shifting charge by compulsorily making consumers to shift their meter to new location, etc. These all charges should be abolished immediately.

When the connection is disconnected, the security deposit is not returned to the consumer. The security deposit should be returned to the consumers in time along with the interest equivalent to bank deposit interest.

TPL's response: TPL has submitted that it refutes all the allegations related to operational aspects of the company. In case of any grievance related to the services, Objector has the option to approach the Independent CGRF constituted by the Commission.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.13 Mismatch of units sold by TPL as per the details submitted and annual accounts

Objection: There is mis-match of 2494 MUs for FY 2010-11 and 2401 MUs for FY 2009-10 in units sold by TPL as per the details submitted by it comparing with the audited annual accounts. This should be explained.

TPL's response: Annual report is prepared for the Company as a whole under the provisions of Companies Act, 1956 and is not part of the present proceedings. TPL has submitted the details of energy sold for its Ahmedabad and Surat supply areas in its petition. Commission is requested to consider the same while passing the order.

Commission's view: *The Commission has directed TPL to reconcile the units sold as claimed in the petition and as appeared in the annual report.*

3.14 Development of new units instead of modernizing old units

Objection: About Rs. 1300 Crore is spent on modernization. It is possible to develop new units at lower rate. Shareholders are given 14% interest on 30% equity. In this scenario, the tariff hike is irrelevant.

TPL's response: TPL incurs capex considering various aspects such as load growth, new connections, safety, reliability, modernization, etc. Demand has increased two fold during the last 10 years despite that it has reduced distribution loss to the present level. TPL has benefited the consumers at large. Contention of the objector is incorrect.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.15 Power Trading

Objection: Power trading should be done through open bidding to make the working of the company more transparent.

TPL's response: This issue is not part of the present proceedings. The Act provides for different modes of power procurement.

Commission's view: *The Commission agrees with the suggestion given by the objector. The Commission is in the process of finalising the 'power procurement guidelines' for distribution licensee. The petitioner is required to follow the same.*

3.16 Maintenance of separate audited accounts for each business

Objection: TPL is required to maintain and submit separate accounts for each of its business, which does not, subsidize any other business undertaking in any way.

TPL's response: TPL submits that it has furnished the segregated accounting statements duly certified by the Statutory Auditors of the Company.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.17 TPL has been earning more return than that permissible under the provisions of Electricity Act, 2003

Objection: TPL is earning more return than that permissible under the provisions of Electricity Act, 2003.

TPL's response: Profit shown in the Statement of Accounts of the Company cannot be related to the present petition since the existing petition and the Annual reports are different under different statutes. Annual accounts of the company pertain to the Petitioner's entire business including regulated business.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.18 Reckless Investment made by TPL

Objection: TPL is making investment recklessly. Capital expenditure should be verified with suppliers invoice, payment details etc.

TPL's response: TPL has furnished the necessary details of the capital expenditure in its petition and the same has been considered by the Commission in its Order.

Commission's view: *TPL was directed to submit cost benefit analysis for various capex schemes. In the present petition, TPL has submitted the details of expenses, status of schemes and cost benefit analysis. The Commission has analysed the details furnished by the TPL during the truing up exercise for FY 2010-11.*

3.19 Gains of excess returns have not been passed on to the consumers

Objection: TPL has been operating very efficiently and even then the gains or excess returns required to be passed through the tariff to the consumers has not been done.

TPL's response: The sharing of gains and losses is being proposed in the present petition in accordance with the provisions of Chapter 11 of GERC (MYT Framework) Regulations, 2007. The contention of retaining excess returns by TPL is incorrect.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.20 Non-compliance of the directives

Objection: TPL should be penalized for non-compliance of the directives.

TPL's response: TPL has complied with all the directives except the study of category-wise cost of supply. It will submit the category-wise cost of supply.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.21 Per unit cost of power purchased from SUGEN power plant

Objection: Sugen tariff determined by CERC vide order no. 109 is Rs. 2.23/kwh whereas the per unit cost for Surat distribution from Sugen is Rs. 3.42/kwh. The Commission is requested to find out the correct price for Sugen power for Surat.

TPL's response: Tariff of SUGEN being inter-state generating station, has been decided by the CERC. Regarding rate of Rs. 2.23/kWh as mentioned in CERC order no. 109/2009, it is only base energy charge mentioned in the Order. In addition to energy charge, TPL is also required to bear the Capacity charge and Transmission charges.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.22 Renewable power purchase obligation

Objection: TPL has not fulfilled RPPO for the FY 2010-11

TPL's response: TPL has submitted that this is because of supply constraints. TPL believes that because of the same problem even GUVNL Discoms have not been able to fulfil their RPPO for FY 2010-11.

Commission's view: *The Commission has noted the objection and petitioner's response. The petitioner is required to comply with the RPPO Regulations.*

3.23 Delayed Payment Surcharge

Objection: DPC is calculated at 15% whereas interest on security deposit is calculated at 6%. This injustice should be removed. Interest on security deposit should be same as DPC.

TPL is levying DPC on other dues of assessed bill and even the recovery amount arising out of service line charges deposit and actual costs. TPL is charging DPC for amounts not paid to period pertaining to the last thirty years which have arisen due to TPL's inefficiency. Therefore, all bad debt amounts must be written off as they violate S-56(2) due to inaction of TPL for years.

TPL's response: TPL has submitted that it pays the interest on security deposit at the Bank Rate notified by the RBI as per GERC (Security Deposit) Regulations, 2005. Interest rate on security deposit cannot be compared with that of DPC as the same is charged from the defaulted consumers as a deterrent.

TPL is recovering the pending dues amount in line with the provisions of the Supply Code, GERC Regulations and Act. Regarding the interpretation of section 56 (2) of the Act, it does not bar TPL from recovering old dues in case the same has been shown as outstanding and necessary action has been taken for recovery such as disconnection of service. Objector has wrongly interpreted the provisions of the Act.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.24 Granting of permanent supply to building construction activity

Objection: Permanent supply should be granted to building construction activity as the supply is required for couple of years.

TPL's response: TPL has submitted that it provides permanent supply for construction activity.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.25 Charging fixed charges of LTMD category at flat single rate

Objection: In Tariff Order case No.: 1092 of 2011 dated 6th September, 2011 the LTMD demand charges are proposed giving telescopic structure. Whereas, TPL is charging fixed charges of LTMD category at flat single rate. All such extra levy of charges should be ordered to be refunded with 15% interest to the consumers.

TPL's response: TPL has refuted the allegation and submitted that it is recovering all the charges and amounts in line with the provisions of the Tariff schedule approved by the Commission.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.26 Evaluation of Capital Expenditure incurred for 66 kV ring network

Objection: Capital expenditure already incurred and being incurred for 66 kV ring network by underground cable needs to be evaluated for Cost Benefit.

TPL's response: TPL has stated that the need for investment is being assessed based on the existing network, future load growth and reliability of supply. All investments are made after detailed due diligence based on the need for the same besides best industry practices, guidelines specified by various regulations and the authority. The proposed capex is also in conformity with the Grid Code.

Commission's view: *The Commission has noted the objection and petitioner's response.*

3.27 Fixed charges should not be increased

Objection: The objector has submitted that the fixed charges should not be increased because:

It will discourage the use of renewable energy as the rebate received will be reduced by considerable percentages.

Increase in fixed charges increases the comfortability of supply agency, as whatever kind of service they provide, they will get at least some minimum amount of charges.

There has been no significant expense incurred by TPL on its distribution network in the last one year and thus there is no increase in fixed charges.

TPL's response: TPL has submitted that the entire fixed cost should be recovered by the supply agency through fixed charges and energy charges should reflect only the variable cost pertaining to the utilization in accordance with the principles defined by the objector. The consumer is required to pay for the service made available irrespective of the lower utilisation else it amounts to cross-subsidization. The existing fixed/demand charges allow TPL to recover about 4.3% of its total revenue through fixed/demand charges and the proposal is to increase it to 7.4% of the total revenue. TPL has proposed to increase the same marginally as the existing fixed charges need to be reviewed and realigned.

Commission's view: *The Commission has noted the objection and petitioner's response.*

4. Truing up of FY 2010-11

4.0 Introduction

This chapter of the order deals with the truing up of FY 2010-11 for TPL-D, Surat.

The Commission has studied and analyzed each component of the ARR for the FY 2010-11 in the following paragraphs.

4.1 Energy Sales to the Consumers

Petitioner's submission:

TPL has submitted the category-wise actual energy sales for Surat area for the FY 2010-11 along with the sales approved by the Commission in MYT order dated 17th January, 2009 and APR order dated 6th September, 2011 as given in the table below:

Table 4.1: Energy sales for FY 2010-11 for Surat area

(MU)

Sl. No.	Category	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
1	Residential	642	588.62	594.79
2	Commercial	516	497.31	495.71
3	LTP	1929	854.57	847.59
4	LTMD	271	958.11	881.13
5	HTMD	259	241.05	236.45
6	Others	30	26.40	25.27
7	DoE units	-	1.84	3.63
8	Total	3647	3167.90	3084.57

The actual sales come to 3084.57 MU in the Surat area for FY 2010-11 against 3647 MU as per MYT order and 3167.90 MU as per APR order.

Commission's Analysis

The Commission, in the tariff order dated 6th September, 2011, had considered revised estimate of sales of 3167.90 MU for Surat area for FY 2010-11 based on actuals for six (6) months and estimates for the remaining six (6) months. The actual energy sales in Surat area is lower (83.33 MU) than the revised estimated sales considered by the Commission in the APR. The sales, however, are lower by 562.42 MU compared to the sales approved in MYT order for FY 2010-11.

The Commission approves the energy sales for Surat area totalling to 3084.57 MU for truing up for FY 2010-11.

4.2 Distribution Loss

Petitioner's submission

The TPL has submitted the distribution loss at 4.64% in the Surat area for FY 2010-11. The distribution loss approved in the MYT order FY 2010-11 and APR order FY 2011 and the actuals for FY 2010-11 are given below:

Table 4.2: Distribution loss for FY 2010-11

(%)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Audited Actual
Distribution loss	6.00	5.15	4.64

It is submitted by TPL that it had made considerable efforts to reduce the distribution loss.

4.3 Energy Requirement

Petitioner's submission

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 2010-11 is given below:

Table 4.3: Energy Requirement for FY 2010-11 for Surat supply area

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
Sales(MU)	3647	3167.90	3084.57
Distribution Losses (%)	6.00%	5.15%	4.64%
Distribution Losses(MU)	232.79	172.10	150.11
Energy Required at Periphery(MU)	3879.79	3340.00	3234.68
Transmission loss(MU)	51.00	30.97	29.63
Energy Requirement(MU)	3930.79	3370.97	3264.31

Commission's Analysis

The energy requirement submitted by the Petitioner for FY 2010-11 along with energy requirement as per MYT order has been examined. The actual energy sales is lower than that approved in the MYT Order which has resulted into the reduction in the overall energy requirement during FY 10-11 in the licensee area.

The Commission has observed that one of the reasons for lower actual energy sales during FY 2010-11 is due to reduction in sales in the LTMD category. For the LTMD category, the actual sales shown by the petitioner is 881.13 MU as against 958.11 approved by the Commission in the APR Order. The total energy requirement being the sum of actual energy sales and transmission and distribution losses is 3264.31 MUs for the FY 2010-11.

The Commission, accordingly approves the energy requirement at 3264.31 MU for truing up for FY 2010-11 as summarised in Table 4.3.

4.4 Energy Availability

Petitioner's submission

It is submitted by the petitioner that TPL sourced power from its own plant at TPL-G (SUGEN), Wind Energy under RPO obligation besides other sources such as bilateral / power exchange. However, the primary requirement is met from TPL SUGEN power plant as the renewable power is a post scheduled power. The TPL has submitted that it purchased power from Power Exchange to meet its peak demand for reliable supply of power. The source-wise power procured for Surat supply area is as given in the table below:

Table 4.4: Energy Availability (Net) for FY 2010-11 for Surat area

(MU)

Sl. No.	Energy Sources	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 2010-11
1	TPL-G (SUGEN)	3639.00	3295.53	3169.88
2	Power Exchange	-	93.80	184.84
3	RPO (wind energy)	291.76	48.39	38.68
4	UI	-	(66.76)	(129.09)
	Total	**3930.76**	**3370.97**	**3264.31**

Commission's Analysis

It is observed from the table above that TPL has procured power from TPL-G (SUGEN) power plant, Power Exchange and RPO-Wind Energy. SUGEN and Wind energy (RPO) are approved sources of power by the Commission in the MYT order. The TPL had made short-term purchase of power (184.84 MU) from sources such as bilateral and power exchange. It is submitted that the short-term purchase was on account of shortfall in power supply. Commission observed that TPL has sold 129.09 MU of energy under UI (unscheduled inter-change) on account of deviation from the scheduled purchase and energy procured.

The Commission approves the source-wise power procured as given below:

Table 4.5: Approved source-wise power purchase for truing up for FY 2010-11

(MU)

Sl. No.	Energy Sources	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Approved in Truing Up FY 2010-11
1	TPL-G (SUGEN)	3639.00	3295.53	3169.88
2	Power Exchange	-	93.80	184.84
3	RPO (wind energy)	291.76	48.39	38.68
4	**Total**	**3930.76**	**3437.72**	**3393.40**

4.5 Power Purchase Cost

The TPL has submitted the actual power purchase cost for the FY 2010-11 along with power purchase approved in MYT order and considered in APR for FY 2010-11 as given in table below:

Table 4.6: Power Purchase cost projected by TPL for Surat area for FY 2010-11

(Rs. Crore)

Sl. No.	Energy Sources	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
1	TPL-G (SUGEN)	1066.23	1048.98	1082.58
2	Power Exchange	-	46.17	90.12
3	RPO (wind energy)	102.49	16.57	13.22
	Total	**1168.72**	**1111.72**	**1185.92**

It is submitted by the Petitioner that the variation in the power purchase cost from the approved levels of APR order is due to the following factors:

- Increase in fuel cost of SUGEN
- Additional power procured through short-term sources in order to meet the short- fall during the year.

It is further submitted that power was sourced from SUGEN, RPO and short-term sources. Variable charges from SUGEN have increased on account of increase in fuel costs.

It is also submitted that the variation in power purchase cost is an uncontrollable factor except on account of variation in distribution losses.

Commission's Analysis

The Commission had approved the quantum of power purchase at 3930.76 MUs for FY 2010-11 in MYT order and considered 3437.72 MUs in APR order. TPL has purchased 3393.40 MU for FY 2010-11.

The Commission approved power purchase cost at Rs. 1168.72 Crore in MYT order and Rs.1111.72 Crore in APR order. However, the actual power purchase as submitted by TPL is Rs.1185.92 Crore.

TPL has submitted power purchase cost of Rs. 1082.58 Crore for procurement of 3169.88 MU power from Sugen in its petition. Subsequently TPL also submitted detailed computation of total power purchase cost of Sugen as given below.

Table 4.7: Power Purchase cost claimed by TPL from TPL(G)-Sugen for FY 2010-11

Particulars	Energy (MU)	Amount (Rs. Cr)	Rate (Rs./U)
Contracted capacity	3060.54	969.47	3.17
Short term purchase	277.41	142.08	5.12
Credit from sale of surplus power	(168.10)	(62.70)	3.73
Transmission charge		33.67	
Net drawl	3169.85	1082.52	3.42

The Commission noticed that the TPL claimed power purchase cost of Rs. 142.08 Crore for the procurement of short-term power of 277.41 MU at the tariff rate of Rs. 5.12 per unit. The Commission had directed TPL to consider the short term power procurement from Sugen plant at the benchmark rate of CERC market monitoring report and accordingly TPL adjusted Rs. 38.92 Crore by enhancing revenue.

TPL has stated that it had purchased 184.84 MUs on short-term basis from power exchange at the cost of Rs. 90.12 Crore to meet the shortfall in order to provide continuous supply to its consumers which has resulted in the increase in power purchase cost.

While approving the power purchase cost for FY 2010-11, Commission has considered the details furnished by the petitioner in its segregated and annual audited accounts and details furnished in the true-up petition.

The Commission approves the total power purchase cost at Rs. 1185.92 Crore during FY 2010-11 for truing up as given in the Table below:

Table 4.8: Power Purchase cost approved for Surat area for FY 2010-11

(Rs. Crore)

Energy Sources	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Approved for FY 2010-11
TPL-G (SUGEN)	1066.23	1048.98	1082.58
Power Exchange	-	46.17	90.12
RPO (wind energy)	102.49	16.57	13.22
Total	**1168.72**	**1111.72**	**1185.92**

The Commission also directs TPL to meet its Renewable power purchase obligation.

4.6 Gain due to reduction in energy requirement due to reduction in distribution loss

TPL has computed the distribution loss gains for Surat area at Rs. 17.20 Crore as given in the petition.

Commission Analysis

The Commission has computed the distribution loss considering wheeling of energy at input as well as at output level of distribution network. Computation for sharing of gain on account of reduction in energy requirement would be as shown in Table below:

Table 4.9: Computation for reduction in energy requirement of TPL-D (Surat) due to reduction in distribution loss

(MU)

Particulars		Gains calculation
Energy sales	a	3084.57
Setoff wheeled energy	B	20.15
Total energy output	c=(a+b)	3104.72
MYT approved distribution loss	d	6.00%
Energy requirement at distribution level as per MYT approved loss	e=(c/1-d)	3302.89
Normative energy requirement at distribution level at MYT approved loss	f	3282.16
Actual energy purchased at distribution level	g	3234.68
Reduction in energy requirement	h=f-g	47.48

The total units received at TPL periphery for wheeling were 25.41 MUs, out of which 4.68 MUs were purchased by TPL under the renewable power purchase obligation. Hence, balance 20.73 MU received by TPL for wheeling is considered in the above computation. TPL has further clarified that the difference between 20.73 MU and set off given to consumer as 20.15 MU is due to recovery of losses.

The power purchase cost approved by the Commission for FY 2010-11 as shown in Table 4.8 for purchase of 3393.40 MU was Rs. 1185.92 Crore.

Computation for sharing of gain on account of reduction in energy requirement due to improvement in distribution loss for TPL-D (Surat) is as given in table below:

Table 4.10: Computation for sharing of gain due to reduction in energy requirement of TPL-D (Surat)

Particulars		Amount
Reduction in energy requirement (MU)	a	47.48
Average power purchase cost (Rs./kWh)	b	3.49
Gain due to improvement in distribution loss (Rs. Crore)	c=a x b	16.59

The total power purchase cost and gain/(loss) considered in the truing up for FY 2010-11 are summarized in the table below:

Table 4.11: Power purchase cost and gain/(loss) approved in Truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Power purchase cost	1168.72	1185.92	(17.20)	16.59	(33.79)

4.7 Fixed Charges

4.7.1 Operations and Maintenance (O&M) expenses

TPL has claimed a sum of Rs. 79.61 Crore towards actual O&M expenses in the truing up for FY 2010-11 as against Rs. 95.32 Crore approved in the MYT order dated 17th January, 2009 and also in the APR order for FY 2010-11 as detailed in the table below:

Table 4.12: O&M expenses claimed by TPL- Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
Employee Cost	37.84	37.84	40.69
R&M Cost	29.79	29.79	19.07
A&G Cost	27.69	27.69	19.85
Total O&M	**95.32**	**95.32**	**79.61**

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

(i) Employee expenses

TPL has claimed a sum of Rs. 40.69 Crore towards actual employee cost in the truing up for FY 2010-11 against Rs. 37.84 Crore approved in the MYT order as well as in the APR order for FY 2010-11.

Petitioner's submission

TPL has submitted that the employee expenses of Surat area has exceeded the approved values due to the impact of Rs. 2.85 Crore on account of provision of wage revision settlement arrived at under Section 12(3) of the Industrial Dispute Act, 1947. The revision will be applicable with effect from 1st January 2010 and the impact of the revision was to be considered as uncontrollable factors and need to be trued up at actual in accordance with GERC (MYT Framework) Regulations, 2007 read with the judgment of the Hon'ble Appellate Tribunal for Electricity in Appeal No. 68 of 2009.

Commission's Analysis

TPL has claimed an employee cost of Rs. 40.69 Crore net of capitalisation for the FY 2010-11.The Commission has verified the employee cost with the segregated annual accounts and found that the gross employee cost is Rs. 47.86 Crore. Subsequently, TPL has reported Rs. 7.17 Crore pertaining to capitalisation of employee cost is deducted from the gross employee cost to achieve employee cost of Rs. 40.69 Crore.

While truing up of employee cost for FY 2010-11, the Commission has considered the capitalisation of employee cost of Rs. 7.17 Crore.

The Commission has approved the net employee cost of Rs. 40.69 Crore as against Rs. 37.84 Crore considered by the Commission in the MYT order. The deviation of Rs. 2.85 Crore in employee cost is on account of wage revision and is considered as uncontrollable.

The Commission, accordingly, approves the employee expenses at Rs. 40.69 Crore in the truing up for FY 2010-11.

(ii) Repairs & Maintenance (R&M) expenses

TPL has claimed a sum of Rs. 19.07 Crore towards R&M expenses in the truing up for FY 2010-11 against Rs. 29.79 Crore approved in the MYT Order as well as in the APR Order for FY 2010-11.

Petitioner's submission

TPL has submitted that the variance in R&M expenses compared to the MYT approved cost is mainly due to controllable factors and that the variation is to be dealt with in accordance with the MYT Framework Regulations for sharing of gains / losses.

Commission's Analysis

The Commission verified the actual R&M expenses with the segregated and audited annual accounts for FY 2010-11 and found them to be correct. The deviation worked out at Rs.10.72 Crore is considered a gain due to controllable factors.

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The Commission, accordingly approves the R&M expenses at Rs. 19.07 Crore in the truing up for FY 2010-11.

(iii) Administration & General (A&G) expenses

TPL has claimed a sum of Rs. 19.85 Crore towards the actual A&G expenses in the truing up for FY 2010-11 as against Rs. 27.69 Crore approved in the MYT Order as well as in the APR order for FY 2010-11.

Petitioner's submission

TPL has submitted that the variation in A&G expenses is due to controllable factors. The deviation of Rs. 7.84 Crore needs to be shared in accordance with the regulations.

Commission's Analysis

The actual A&G expenses are verified with reference to the segregated and audited accounts for FY 2010-11. The actual A&G expenses are Rs. 19.85 Crore.

The Commission, accordingly, approves the A&G expenses at Rs. 19.85 Crore in the truing up for FY 2010-11.

The deviation of Rs. 7.84 Crore is said to be a net gain. The Commission considers Rs. 7.84 Crore gain due to controllable factor.

The total O&M expenses and gain / loss considered in the truing up for FY 2010-11 are summarized in the table below:

Table 4.13: O&M expenses and gain / loss approved in truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Employee Cost	37.84	40.69	(2.85)		(2.85)
R&M Cost	29.79	19.07	10.72	10.72	
A&G Cost	27.69	19.85	7.84	7.84	
Total O&M	**95.32**	**79.61**	15.71	18.56	(2.85)

4.7.2 Capital expenditure, Capitalization and Sources of Funding

TPL has furnished the actual capital expenditure at Rs. 33.71 Crore in the truing up for FY 2010-11 against Rs. 73.21 Crore approved in the MYT order and Rs. 56.88 Crore considered in the APR order for FY 2010-11 as detailed in the table below:

Table 4.14: Capital expenditure claimed by TPL- SURAT for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 2010-11
EHV	1.34	2.03	1.15
HT Network	32.60	20.68	11.63
LT Network	17.14	14.04	13.05
Metering	19.03	8.01	4.11
220kV line	-	3.64	2.73
Customer Care & IT Initiatives	3.11	8.46	1.04
Total	**73.21**	**56.88**	**33.71**

Petitioner's submission

Capital Expenditure and Capitalisation

Capital Expenditure

TPL has submitted that the capital expenditure incurred in Surat Supply Area has been lower than the approved value with actual expenditure at Rs. 33.71 Crore against the approval of Rs. 56.88 Crore in the APR order. The TPL has indicated the major variances in the actual expenditure against the approval as detailed below:

EHV Network: The Commission in its order in Case No. 1092/2011 has approved capital expenditure pertaining to EHV Network of Rs. 2.03 Crore. The actual expenditure is lower due to deferment of replacement of CTs to FY 2011-12.

HT Network: The Commission in its order in Case No. 1092/2011 has approved capital expenditure of Rs. 20.68 Crore towards HT network on which the TPL has incurred the capital expenditure of Rs. 11.63 Crore. The variation in expenses is on account of deferment in capital expenditure related to BRTS. The BRTS Project of SMC, which necessitates shifting/modification of network, has not made expected progress in the FY 2010-11 resulting into lower capex.

220 kV line: The Capital expenditure amounting to Rs 2.73 Crore has been incurred towards the release of outstanding payment of 220KV F GIS receiving station commissioned last year.

Customer Care & IT Initiatives: The Commission in its order in Case No. 1092/2011 has approved capital expenditure under the above head for Rs. 8.46 Crore. However, the expenditure for the year is pegged at Rs. 1.04 Crore due to deferment.

Capitalization

TPL has claimed a sum of Rs. 33.71 Crore towards capitalization against the actual capital expenditure of Rs. 33.71 Crore.

Commission's Analysis

Capital Expenditure and Capitalisation

The net addition of assets during FY 2010-11 is Rs. 28.77 Crore as verified from the segregated audited accounts of TPL-Surat for the FY 2010-11.

The Commission observed that the petitioner has capitalized a lower amount as against approved by the Commission in the APR order for FY 2010-11. The Commission also noticed that the actual capitalization claimed by the TPL in previous years was also lesser than that of approved by the Commission in the original Tariff orders as can be seen in the table given below:

Table 4.15: Capitalisation claimed by TPL-D, Surat in previous years

(Rs. Crore)

Particulars	Approved in ARR (Net of SLC)	Approved in Truing up (Net of SLC)
FY 2008-09	210.00	102.00
FY 2009-10	202.00	96.00
FY 2010-11	79.17	18.83

The Commission would like to highlight that the unrealistic capital expenditure projections made by the TPL in the past has impacted the overall ARR of the TPL. The Commission directs the petitioner to prepare an optimum capital expenditure plan along with proper timelines for the ensuing years so that there should not be any unnecessary hike in the ARR.

Considering the submissions made by the TPL for FY 2010-11, the Commission, approves the capitalisation at Rs. 28.77 Crore in the truing up for FY 2010-11.

Table 4.16: Approved capitalization and sources of funding for FY 2010-11

(Rs. Crore)

Particulars	Actual claimed for FY 10-11	Approved in Truing Up FY 2010-11
Capital expenditure	33.71	-
Capitalization during the year	33.71	28.77
Less: SLC	9.94	9.94
Balance capitalization	23.77	18.83
Normative Debt @ 70%	16.64	13.18
Normative equity @ 30%	7.13	5.65

4.7.3 Interest expenses

TPL has claimed a sum of Rs. 45.81 Crore towards actual interest expenses in the truing up for FY 2010-11 as detailed in the table below against Rs. 26.13 Crore approved in the MYT Order and Rs. 45.52 Crore considered in the APR order for FY 2010-11.

Table 4.17: Interest claimed in the truing up for FY 2010-11

(Rs. Crore)

Particulars	Amount
Existing loans	
APDRP	
Opening Balance	23.73
Repayments	1.21
Closing Balance	22.52
Interest Rate	9.00%
Interest Expense	2.09
IDFC – I	

Particulars	Amount
Existing loans	
Opening Balance	35.71
Repayments	14.29
Closing Balance	21.43
Interest Rate	8.23%
Interest Expense	2.25
IDBI	
Opening Balance	73.39
Repayments	15
Additions	1.62
Closing Balance	60.01
Interest Rate	11.00%
Interest Expense	7.76
HDFC II	
Opening Balance	32.69
Repayments	7.69
Closing Balance	25
Interest Rate	11.50%
Interest Expense	2.97
LIC	
Opening Balance	87.5
Repayments	10
Closing Balance	77.5
Interest Rate	11.00%
Interest Expense	9.23
IDFC II	
Opening Balance	225
Repayments	25
Closing Balance	200

Particulars	Amount
Existing loans	
Interest Rate	11.00%
Interest Expense	20.05
Total interest expense on the above loans	**44.24**

Table 4.18: Interest expenses for new borrowings during FY 2010-11

(Rs. Crore)

Particulars	Amount
Loans drawn in FY 2010-11	
Capitalization during the year	33.71
Less: SLC additions	9.94
Normative Debt @ 70%	16.64
Opening balance	-
New borrowings	16.64
Repayments	4.78
Closing balance	11.86
Interest Expense	1.57

Petitioner's submission

TPL has submitted that the Commission in its order in case No. 1092/2011 had revised the interest expenses based on TPL's proposal to consider the actual loans at the starting of the year and additional loan due to estimated capital expenditure during FY 2010-11. TPL further submitted that the actual loan schedule for FY 2010-11 and the corresponding interest expenses are an uncontrollable item, since they are dependent on the actual capital expenditure. The total interest claimed by TPL on long term loans is Rs. 45.81 Crore for the FY 2010-11. Out of Rs. 45.81 Crore, Rs. 44.24 Crore is the actual interest on the existing loans as on April 1st, 2010 and Rs. 1.57 Crore is the actual interest on the new Bank of Baroda loan borrowed by TPL during FY 2010-11.

Commission's Analysis

The existing loans outstanding as on 01/04/2010 and the details of repayment and interest charges on these loans are given in Form D-3B (TPL-D Surat Licensee Area) are verified.

The additional loan of Rs. 13.18 Crore is in accordance with the requirements of capitalization of CAPEX and funding the CAPEX as approved in Table 4.16 above. TPL has calculated the interest on the normative loan of Rs. 16.64 Crore at Rs. 1.73 Crore. Further, it is noted from the Form D-3B (TPL-D Surat Licensee Area) in the petition, that TPL had borrowed a new loan of Rs. 15.01 Crore from Bank of Baroda and paid an interest of Rs. 1.57 Crore on the same. The interest on this additional loan of Rs. 1.57 Crore has been claimed by TPL in the petition. The Commission has recomputed the interest on the new loan and the total interest on loan for FY 2010-11 works out to Rs. 44.98 Crore as shown in the table below.

Table 4.19: Interest approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	Loan Details
Existing loans	
APDRP	
Opening Balance	23.73
Repayments	1.21
Closing Balance	22.52
Interest Rate	9.00%
Interest Expense	2.09
IDFC - I	
Opening Balance	35.71
Repayments	14.29
Closing Balance	21.43
Interest Rate	8.23%
Interest Expense	2.25
IDBI	

Particulars	Loan Details
Existing loans	
Opening Balance	73.39
Repayments	15
Additions	1.62
Closing Balance	60.01
Interest Rate	11.00%
Interest Expense	7.76
HDFC II	
Opening Balance	32.69
Repayments	7.69
Closing Balance	25
Interest Rate	11.50%
Interest Expense	2.97
LIC	
Opening Balance	87.5
Repayments	10
Closing Balance	77.5
Interest Rate	11.00%
Interest Expense	9.23
IDFC II	
Opening Balance	225
Repayments	25
Closing Balance	200
Interest Rate	11.00%
Interest Expense	20.05
Total interest expense on the above loans	**44.24**
Capitalization during the year	28.77
Less: SLC additions	9.94
Normative Debt @ 70%	13.18

Particulars	Loan Details
Existing loans	
Opening balance	-
New borrowings	13.18
Repayments	1.32
Closing balance	11.86
Rate of interest	**12.50%**
Interest Expense	**0.74**

The Commission, accordingly, approves the interest and finance charges at Rs. 44.98 Crore in the truing up for FY 2010-11.

The deviation of Rs.18.85 Crore is a loss and said to be due to uncontrollable factors.

The Commission, accordingly, approves the gain / loss on account of interest and finance charges in the truing up for FY 2010-11 as detailed in the Table below:

Table 4.20: Interest and gain / loss due to interest approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Interest on Loans	26.13	44.98	(18.85)	-	(18.85)

4.7.4 Interest on security deposit

The TPL has claimed a sum of Rs. 8.72 Crore towards interest on security deposit in the truing up for FY 2010-11 against Rs. 5.97 Crore approved in the MYT Order and Rs. 8.78 Crore considered in the MYT order for FY 2010-11 as detailed in the table below:

Table 4.21: Interest on security deposit claimed in respect of TPL-Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
Interest Rate	6%	6%	6%
Interest on Security Deposit	5.97	8.78	8.72

Petitioner's submission

The TPL has submitted that the actual interest expense on the security deposit is higher than that of the approved values in the MYT order as actual security deposit during FY 2010-11 is higher than the estimates.

Commission's Analysis

The Commission verified the actual interest on security deposit with the segregated and audited accounts and found that the actual interest is Rs. 8.72 Crore.

The Commission, accordingly, approves the interest on security deposit at Rs. 8.72 Crore in the truing up for FY 2010-11.

The deviation of Rs.2.75 Crore is considered to be a loss on account of uncontrollable factor as detailed in the table below:

Table 4.22: Approved gain / loss due interest on security deposit in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Interest on Security Deposit	5.97	8.72	(2.75)	-	(2.75)

4.7.5 Interest on working capital

The TPL has claimed a sum of Rs. 27.71 Crore towards interest on working capital as against Rs. 26.30 Crore approved in the MYT Order and Rs. 25.80 Crore approved in the APR order for FY 2010-11 as detailed in the table below:

Table 4.23: Interest on working capital claimed by for TPL-D (Surat Area) for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
O&M expense for 1 month	7.94	7.94	6.63
1 % of GFA for maintenance spares	15.53	12.65	12.65
Receivables for 2 months	240.88	231.16	251.11
Normative Working Capital	264.35	251.75	270.39
Interest Rate	10.25%	10.25%	10.25%
Interest on Working Capital	26.30	25.80	27.71

Petitioner's submission

The TPL has submitted that the interest on working capital is computed @ 10.25% in accordance with the GERC (Terms and Conditions of Tariff) Regulations, 2005.

Commission's Analysis

The Commission has examined the computation of normative working capital and interest thereon under GERC (Terms and Conditions for Determination of Tariff) Regulations, 2005. Based on the expenses approved in the truing up the working capital is recomputed as detailed in the table below:

Table 4.24: Interest on working capital approved for FY 2010-11

(Rs. Crore)

Particulars	Actual claimed for FY 2010-11	Approved in Truing Up FY 2010-11
O&M expense for 1 month	6.63	6.63
1 % of GFA for maintenance spares	12.65	12.65
Receivables for 2 months	251.11	244.62
Normative Working Capital	270.39	263.90
Interest Rate	10.25%	10.25%
Interest on Working Capital	**27.71**	**27.05**

The Commission, accordingly, approves the interest on working capital at Rs. 27.05 Crore in the truing up for FY 2010-11 as detailed in the above table.

The deviation is Rs. 0.75 Crore and assessed as a loss. The Commission considers the interest on working capital as uncontrollable as the components contributing for working capital are mostly uncontrollable.

The Commission, accordingly, approves the gain/loss on account of interest on working capital in the truing up for FY 2010-11 as detailed in the table below:

Table 4.25: Approved gain/loss on Interest on working capital for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Interest on Working Capital	26.30	27.05	(0.75)	-	(0.75)

4.7.6 Depreciation

The TPL has claimed a sum of Rs. 40.04 Crore towards depreciation in the truing up for FY 2010-11 against Rs. 45.99 Crore approved in the MYT Order and Rs. 41.10 Crore considered in the APR order for FY 2010-11 as detailed in the table below:

Table 4.26: Depreciation claimed by TPL- Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 2010-11
Depreciation	45.99	41.10	40.04

Petitioner's submission

The 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 2010-11 and for addition of assets from 1st April, 2009 onwards the depreciation has been computed at rates specified in the Appendix III to the CERC (Terms and Conditions of Tariff) Regulations, 2009. TPL has claimed depreciation as an uncontrollable item.

Commission's Analysis

The Petitioner has computed the depreciation for FY 2010-11 by applying CERC depreciation rates and assets classification-wise. The details of opening balance of assets as on 1st April, 2010, addition and deduction to the Gross Block during FY 2010-11 and the depreciation on the assets, asset classification- wise, are given in the petition. The opening and closing balance are as per the segregated and audited accounts for FY 2010-11.

The Commission, accordingly, approves the depreciation at Rs. 40.04 Crore in the truing up for FY 2010-11.

The deviation is Rs. 5.95 Crore and assessed as a gain. The Commission has considered the capital expenditure as an uncontrollable item. Since depreciation is dependent on CAPEX and capitalization, the deviation is considered as an uncontrollable item.

The Commission, accordingly, approves the gain/loss on account of depreciation in the truing up for FY 2010-11 as detailed in the table below:

Table 4.27: Depreciation and gain / loss due to depreciation approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Depreciation	45.99	40.04	5.95	-	5.95

4.7.7 Return on equity

The TPL has claimed a sum of Rs. 71.31 Crore towards return on equity @ 14% in the truing up for FY 2010-11 as against Rs. 78.77 Crore approved in the MYT Order and Rs. 71.92 Crore approved in the APR order for FY 2010-11 as detailed in the table below :

Table 4.28: Return on equity claimed for TPL- Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 2010-11
Opening equity	558.86	506.53	506.53
Equity addition during the year	17.68	14.33	5.65
Closing equity during the year	576.54	520.87	512.18
Return on equity	78.77	71.92	71.31

Petitioner's submission

The TPL has submitted that the closing balance of equity has been arrived at considering additional equity of 30% of the capitalization during the year. The return on equity has been thus computed applying a rate of 14% on the average of the opening and closing balance of equity for FY 2010-11.

Commission's Analysis

The opening equity for FY 2010-11 is as per the closing equity for FY 2009-10 approved in the True Up for FY 2009-10. The same approach has been adopted by TPL while computing the Return on Equity for the FY 2010-11.

The Commission, accordingly approves the return on equity at Rs. 71.31 Crore in the truing up for FY 2010-11.

The return on equity depends on the amount of capitalization 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 gain / loss on account of return on equity in the truing up for FY 2010-11 as detailed below.

Table 4.29: Return on equity and gain / loss approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Return on equity	78.77	71.31	7.46	-	7.46

4.7.8 Income Tax

The TPL has claimed a sum of Rs. 20.79 Crore towards income tax in the truing up for FY 2010-11 as against Rs. 26.09 Crore approved in the MYT Order and Rs.9.81 Crore approved in the APR order for FY 2010-11 as detailed in the table below:

Table 4.30: Income Tax claimed for TPL- Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
Income Tax	26.09*	9.81	20.79

***Revised to Rs. 9.81 Crore in Review Order dated 5th September, 2011**

Petitioner's submission

The TPL has revised the income tax by applying the MAT rate of 19.93% on the PBT to earn post tax ROE at 14% as per the Regulations. TPL has also submitted to consider the variation in Income Tax as uncontrollable.

Commission's Analysis

The Commission directed the petitioner to furnish the income tax details along with the PBT of the entire TPL vide its letter dated February 17, 2012 TPL has stated that the tax for FY 2010-11 is Rs.274.54 Crore for the entire TPL. Further, TPL has submitted the PBT of TPL for FY 2010-11 is Rs. 1428.52 Crore as per the published audited accounts.

The Commission verified the PBT figures with the segregated and audited accounts for FY 2010-11 and has found that the petitioner has shown a PBT of Rs. 103.90 Crore. The Commission has computed the income tax for the petitioner based on the proportion of total share of the petitioner in the total PBT of the entire TPL. The income tax apportioned to the Surat distribution is Rs.19.96 Crore for FY 2010-11.

The Commission, accordingly, approves the income tax at Rs. 19.96 Crore in the truing up for FY 2010-11.

The Commission has treated the income tax as an uncontrollable expense and accordingly approved the gain / loss on account of income tax in the truing up for FY 2010-11 as detailed in the table below:

Table 4.31: Income Tax and gain / loss due to income tax approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Income Tax	9.81*	19.96	(10.15)	-	(10.15)

***Revised to Rs. 9.81 Crore in Review Order dated 5th September, 2011**

4.7.9 Bad debts

The TPL has claimed a sum of Rs. 0.30 Crore towards written off debts in the truing up for FY 2010-11 against Rs.1.36 Crore approved in the MYT order and Rs. 1.39 Crore considered in the APR for FY 2010-11 as detailed in the table below:

Table 4.32: Bad debts claimed for TPL- Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 2010-11
Provision for Bad Debts	1.36	1.39	0.30

Petitioner's submission

The Petitioner has requested the commission to consider the actual bad debts written off as uncontrollable item of expenditure in accordance with the GERC (Terms and Conditions of Tariff) Regulations, 2005.

Commission's Analysis

The Commission has verified the bad debts written off with reference to the segregated and audited annual accounts for FY 2010-11 as submitted by TPL and found to be at Rs. 0.30 Crore only.

The Commission, accordingly, approves the bad debts written off at Rs. 0.30 Crore in the truing up for FY 2010-11.

The Commission assessed the deviation in bad debts at Rs. 1.06 Crore as a gain and considered it as a controllable item.

The Commission, accordingly, approves the gain / loss on account of bad debts in the truing up for FY 2010-11 as detailed below.

Table 4.33: Bad debts and Gain / loss approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Provision for Bad Debts	1.36	0.30	1.06	1.06	-

4.7.10 Contingency Reserve

Petitioner's submission

TPL has proposed the contingency reserve at Rs. 0.40 Crore in the truing up for FY 2010-11 which is the same as approved in the MYT order as well as APR order for FY 2010-11 as detailed in the table below:

Table 4.34: Contingency Reserve claimed for TPL- Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 10-11
Contingency Reserve	0.40	0.40	0.40

Commission's Analysis

The proposed contingency reserve is consistent with the approval accorded in the past.

The Commission, accordingly, approves the contingency reserve at Rs. 0.40 Crore in the truing up for FY 2010-11 and also states that there was no deviation in the contingency reserve.

Table 4.35: Contingency Reserve and Gain / loss approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Contingency Reserve	0.40	0.40	0.00	-	0.00

4.7.11 Non-Tariff income

The TPL has furnished the non-tariff income at Rs. 26.79 Crore in the truing up for FY 2010-11 against Rs. 29.76 Crore approved in the MYT order and Rs. 19.59 Crore considered in the APR for FY 2010-11 as detailed in the table below:

Table 4.36: Non-Tariff income claimed for TPL- Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual claimed for FY 2010-11
Non-Tariff Income	29.76	19.59	26.79

Petitioner's submission

The Petitioner has submitted that the actual non-tariff income for FY 2010-11 is Rs. 26.79 Crore only, which is an uncontrollable item.

Commission's Analysis

The Commission has verified the non-tariff income with the segregated and audited accounts for FY 2010-11 and found to be Rs. 26.79 Crore.

The Commission, accordingly, approves the non-tariff income at Rs. 26.79 Crore in the truing up for FY 2010-11.

The deviation in non-tariff income at Rs. 2.97 Crore is assessed as a loss and is considered as an uncontrollable item.

The Commission, accordingly, approves the gains / losses on account of non-tariff income in the truing up for FY 2010-11 as detailed below.

Table 4.37: Non-tariff income and gain /loss approved in the truing up for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Gain/(loss) due to controllable factor	Gain/(loss) due to uncontrollable factor
Non-Tariff Income	29.76	26.79	2.97	-	2.97

4.8 Revenue from sale of power

Petitioner's submission

The TPL has furnished the revenue from sale of power at Rs. 1467.73 Crore in the truing up for FY 2010-11 against Rs. 1355.68 Crore approved in the MYT order for FY 2010-11 as detailed in the Table below.

Table 4.38: Revenue from existing tariff claimed for TPL-D (Surat Area) for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	As per APR Order for FY 2010-11	Actual for FY 2010-11
Revenue from existing tariff	1355.68	1386.94	1467.73

Commission's Analysis

The Commission has received the segregated audited annual accounts for FY 2010-11 from the TPL. As per the audited accounts, the revenue from power supply is Rs.1467.73 Crore.

The category-wise sales and revenue for FY 2010-11 are as given in the table below:

Table 4.39: Category-wise sales and revenue for FY 2010-11

(Rs. Crore)

Category	Sales (MU)	Fixed Charges	Energy Charges	Reactive Charges	NTCT	Time of Use Charges	PF Adjustment	Total
SURAT SUPPLY AREA								
Residential	594.79	2.53	195.94					198.47
Commercial	495.71	9.63	217.88					227.51

Category	Sales (MU)	Fixed Charges	Energy Charges	Reactive Charges	NTCT	Time of Use Charges	PF Adjustment	Total
LTP	847.59	8.81	301.43					310.24
LTMD	881.13	17.88	343.63	0.27				361.78
HTMD-1	186.46	7.21	72.67		(0.02)	1.23	-2.38	78.71
HTMD-2	49.99	1.86	19.33		0.00	1.22	-0.79	21.62
Agri	0.72	0.01	0.04					0.05
GLP	22.02	0.04	7.15					7.19
Temp	2.53		1.24					1.24
DOE	3.63		3.65					3.65
FPPPA								218.33
Revenue – UI								38.95
Total	**3084.57**	**47.97**	**1162.96**	**0.27**	**(0.02)**	**2.45**	**(3.17)**	**1467.73**

The Commission, accordingly, approves the revenue from sale of power at Rs. 1467.73 Crore in the truing up for FY 2010-11.

4.9 Past Period Adjustment

The Commission had asked TPL to furnish the details of the past period adjustments of Rs. 13.68 Crore claimed in the petition. TPL vide its letter dated April 9, 2012 has stated that the past adjustment of Rs. 13.68 Crore mentioned is on account of the following:

a. Decrease in revenue on account of reversal of provisions already effected in the truing up of FY 2009-10 (Rs. 25.24 Crore). The same is in line with the last Tariff Order in Case No. 1092/2011.

b. Increase in revenue to factor the disallowance of SUGEN short-term power purchase cost (Rs. 38.92 Crore)

The net effect of the above adjustments amounts to increase in revenue by Rs. 13.68 Crore.

The Commission, accordingly, approves the past period adjustment at Rs. 13.68 Crore in the truing up for FY 2010-11 by increasing revenue from Rs. 1467.73 Crore to Rs. 1481.41 Crore.

4.10 Gains / Losses based on truing up for FY 2010-11

The Commission has reviewed the performance of TPL-D Surat Supply Area under Regulation 9.3 of MYT Regulations, 2007, with reference to segregated and audited annual accounts for FY 2010-11. The Commission has computed the gains / losses for FY 2010-11 based on the truing up for each of the components discussed in the above paragraphs.

The Aggregate Revenue Requirement (ARR) approved in the MYT order dated 17th January, 2009 and the actual claimed in truing up, approved for truing up, gains / losses computed in accordance with the MYT Regulations are as given in the Table below:

Table 4.40: ARR approved in respect of TPL-D Surat Supply area in the truing up or FY 2010-11

(Rs. Crore)

Annual Revenue Requirement	As per MYT Order for FY 2010-11	Actual claimed for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Controlla-ble (Loss)/ Gain	Uncontroll-able (Loss)/ Gain
Power Purchase Cost	1168.72	1,185.92	1,185.92	(17.20)	16.59	(33.79)
O&M Expense	**95.32**	**79.61**	**79.61**	15.71		
Employee Cost	37.84	40.69	40.69	(2.85)		(2.85)
R&M Cost	29.79	19.07	19.07	10.72	10.72	
A&G Cost	27.69	19.85	19.85	7.84	7.84	
Depreciation	45.99	40.04	40.04	5.95		5.95
Interest Cost on Long-term Capital Loans	26.13	45.81	44.98	(18.85)		(18.85)
Interest on Working Capital Loans	26.30	27.71	27.05	(0.75)		(0.75)
Interest on Security Deposit	5.97	8.72	8.72	(2.75)		(2.75)

Annual Revenue Requirement	As per MYT Order for FY 2010-11	Actual claimed for FY 2010-11	Approved in Truing Up FY 2010-11	Deviation +/(-)	Controlla-ble (Loss)/ Gain	Uncontroll-able (Loss)/ Gain
Return on Equity	78.77	71.31	71.31	7.46		7.46
Provision for Bad Debt	1.36	0.30	0.30	1.06	1.06	
Contingency Reserve	0.40	0.40	0.40	-		
Income Tax	9.81*	20.79	19.96	(10.15)		(10.15)
Less:				-		
Non-Tariff Income	29.76	26.79	26.79	2.97		2.97
Annual Revenue Requirement	**1,429.01**	**1,453.82**	**1,451.50**	**(22.49)**	**36.21**	**(58.71)**

***Revised from Rs. 26.09 Crore to Rs. 9.81 Crore in Review Order dated 5th September, 2011**

4.11 Sharing of Gains / Losses for FY 2010-11

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

The relevant Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations are extracted as below:

Regulation 10.1 "The approved aggregate gain or loss to the Generating Company or Licensee on account of uncontrollable factors shall be passed through as an adjustment in the tariff of the Generating Company or licensee over such period as may be specified in the Order of the Commission passed under Regulation 9.7 (a)."

Regulation 11.1 "The approved aggregate gain to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:

(a) *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 9.7;*

(b) *One third of amount of such gain shall be retained in a special reserve by the Generating Company or Licensee for the purpose of absorbing the impact of any future losses on account of controllable factors under clause (b) of Regulation 11.2; and* *(c) The balance amount of gain may be utilized, at the discretion of the Generating Company or Licensee".*

Regulation 11.2 "The approved aggregate loss to the Generating Company or Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be specified in the Order of the Commission under Regulation 9.7; and

(b) The balance amount of loss shall be absorbed by the Generating Company or licensee."

The gain on account of controllable factors is arrived at Rs. 36.21 Crore for FY 2010-11. Out of this one-third gain of Rs.12.07 Crore is to be passed on to the consumers and one-third gain of Rs. 12.07 Crore is to be credited to the special reserve. The entire loss of Rs.58.71 Crore on account of uncontrollable factors shall be passed on to the consumers through an adjustment in the tariff. The revenue gap as compared to the MYT approved in the Tariff order dated 14th December, 2009 is summarized in Table below:

Table 4.41: Revised ARR approved for TPL-D (Surat Area) for FY 2010-11

(Rs. Crore)

Sr. No.	Particulars	Amount
1	ARR approved in the MYT Order for FY 2010-11	1429.01
2	Less: Gain on account of controllable factor to be passed on to the consumers (1/3rd)	12.07
3	Add: Loss on account of uncontrollable factor to be passed on to the consumers	58.71
4	Revised ARR for FY 2010-11	1,475.65

The following table summarizes the revenue gap for Surat supply area for FY 2010-11.

Table 4.42: Revenue Gap for TPL-Surat for FY 2010-11

(Rs. Crore)

Particulars	As per MYT Order for FY 2010-11	Actual claimed for FY 10-11	Approved in Truing Up FY 2010-11
Surat Supply area			
Net Annual Revenue Requirement	1,445.21	1,477.67	1,475.65

Particulars	As per MYT Order for FY 2010-11	Actual claimed for FY 10-11	Approved in Truing Up FY 2010-11
Revenue from sale of power	1355.68	1467.73	1467.73
Adjustments including earlier period	0.00	13.68	13.68
Gap/ (Surplus)	89.53	(3.74)	(5.76)

5. Aggregate Revenue Requirement for FY 2012-13

5.1 Introduction

This chapter deals with the determination of revenue gap/surplus for the FY 2012-13 for TPL-Surat area. The Commission has considered the ARR approved in the MYT order dated Sep 6, 2011 for FY 2012-13 and the adjustment on account of true up for FY 2010-11 while determining the revenue gap/surplus and tariff for FY 2012-13.

5.2 Approved ARR for FY 2012-13

Based on the above approach, Table below summarises the Annual Revenue Requirement as approved by the Commission for the FY 2012-13 in the MYT Order dated Sep 6, 2011. Detailed analysis of each expense head has already been provided in the MYT Order.

Table 5.1: Approved ARR for FY 2012-13

(Rs. Crore)

Particulars	FY 2012-13
Power Purchase cost	1332.43
O&M expenses	91.58
Depreciation	48.85
Interest on loan	43.28
Interest on security deposit	9.51
Interest on working capital	-
Return on equity	77.27
Income Tax	4.98
Bad Debts	0.36
Contingency Reserve	0.4
Less: Non-tariff income	22.4
Net ARR	**1,586.27**

5.3 Proposed revenue gap/surplus for FY 2012-13

The petitioner has submitted that the ARR for FY 2012-13 is Rs. 1586.27 Crore and the revenue from sale of power is Rs. 1606.18 Crore. The petitioner has estimated the revenue of Rs. 1606.18 Crore for FY 2012-13 based on the existing tariff including base FPPPA of Rs. 0.70 per unit. The petitioner has considered the approved sales for FY 2012-13 and has applied the existing tariff while computing the revenue for the FY 2012-13.The petitioner has estimated a revenue surplus of Rs. 19.91 Crore for the FY 2012-13. The revenue surplus estimated for FY 2012-13 is shown below:

Table 5.2: Proposed Revenue gap/ surplus for FY 2012-13 determined by the TPL

(Rs. Crore)

Particulars	FY 2012-13
Approved ARR	1,586.27
Less: Revenue from sale of power at existing tariff	1369.24
Less: FPPPA revenue @ 0.70 per unit	236.94
Net gap/(surplus)	**(19.91)**

The petitioner has also provided a carrying cost on the revenue surplus estimated for the FY 2010-11. TPL has provided a total carrying cost of Rs. 3.78 Crore and the same has been considered while computing the total revenue surplus for FY 2012-13. The total revenue surplus proposed by the petitioner including carrying cost is shown in the table below:

Table 5.3: Proposed Revenue (surplus)/loss considered for Determination of Tariff for FY 2012-13

(Rs. Crore)

Particulars	FY 2012-13
Total Gap/ (Surplus) pertaining to FY 2010-11	(3.74)
Carrying Cost @ 11% considered for Gap/(Surplus) for FY 2010-11	(3.78)
Gap/(surplus) for FY12-13	(19.91)
Cumulative gap/(surplus) for determination of Tariff for FY 2012-13	**(27.43)**

Commission's Analysis

The Commission observed that the petitioner has not considered the approved category-wise sales in the MYT order while estimating the revenue for the FY 2012-13. The petitioner has considered the total sales as approved in the MYT order but has made a few changes within the category-wise sales.

Considering the above facts, the Commission has computed the total revenue for the FY 2012-13. The Commission has considered the total category-wise sales as approved in the MYT Order and has applied the existing tariff on the approved sales for each category of consumers. The revenue from sale of power computed by the Commission at the existing tariff is Rs.1602.93 Crore including FPPPA. The estimated gap for FY 2012-13 is given in the Table below:

Table 5.4: Estimated Revenue gap of TPL- Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Projected by TPL	Estimated by the Commission
1	Net: Aggregate Revenue Requirement	1,586.27	1,586.27
2	Revenue from sale of power at existing tariff rates	1369.24	1365.95
3	FPPPA revenue @ Rs. 0.70 per unit	236.94	236.98
4	Net (surplus) / gap [1- (2 + 3)]	(19.91)	(16.66)
5	Add: Approved (Surplus) due to truing up of FY 2010-11	(7.52)	(5.76)
6	**Total revenue (surplus)/gap estimated for FY 2012-13 (4 +5)**	**(27.43)**	**(22.42)**

5.4 Consolidated revenue gap for the TPL Distribution

As shown in Table no. 5.4 the Commission has estimated the total revenue surplus of TPL Surat at Rs. 22.42 Crore. Similarly, the Commission has estimated the revenue gap of TPL Ahmedabad area in Tariff Order of petition no. 1175 of 2011 at Rs. 221.30 Crore.

The Commission has noticed some anomaly in the quarterly submission of FPPPA charges, regarding computation of incremental cost related to Sugen fixed cost and transmission charges. In the Tariff order dated 6th September, 2011 fixed cost and transmission charge for purchase of power from Sugen are approved by the

Commission for each year of the MYT control period. The said Tariff order is applicable from 1st September, 2011. For the period from September 2011 and onwards the incremental fixed cost of purchase of power from Sugen and transmission charge were to be worked out comparing the actual fixed cost and transmission charge with the base value approved in the said Tariff order. The Commission found that TPL continued its previous practise of calculating incremental fixed cost and transmission charges by comparing the actual costs with the fixed cost and the transmission charges in Rs./unit terms. Due to this, there is an over-recovery of Rs. 82.49 Crore.

In view of the above, the Commission decided to adjust this over-recovery of Rs. 82.49 Crore against the consolidated projected revenue gap of FY 2012-13 for TPL. The table below summarises the consolidated revenue gap for the FY 2012-13:

Table 5.5: Consolidated revenue gap/(surplus) for TPL – Ahmedabad and TPL- Surat

(Rs. Crore)

Sl. No.	Particulars	TPL-Ahmedabad	TPL-Surat	Total
1	Total revenue gap/(surplus) estimated for FY 2012-13	221.30	(22.42)	198.88
2	Less: Additional recovery by TPL from FPPPA			82.49
3	**Net revenue gap estimated for FY 2012-13 (1-2)**			116.39

6. Directives

6.1 Compliance of earlier Directives

The Commission, in its Tariff Order dated 6th Sep 2011 had issued various directives to TPL. TPL has submitted a report on compliance of the directives issued by the Commission. The comments of the Commission on the submission/compliance of the TPL are given below. The Commission has also given fresh directives to the licensee wherever required.

Directive 1: Quality of Service

TPL is directed to submit an updated version of the Customer Charter every year.

Compliance

TPL has complied with the directive and submitted the Customer Charter for approval.

Commission's comments

Action taken by TPL is noted. TPL is directed to submit the updated customer charter every year to the Commission.

Directive 2: Capital Expenditure

TPL shall submit the cost-benefit analysis for the FY 2010-11 as well as for the period FY 2011-12 to FY 2015-16 by November, 2011.

Compliance

TPL has submitted the cost-benefit analysis for the FY 2011-12 to FY 2015-16.

Commission's comments

TPL was directed to submit the cost benefit analysis for various capex schemes. In response, TPL submitted details of expenses, status of various capex schemes and the summarised cost benefit analysis. TPL is directed to submit the detailed cost-benefit analysis for the major schemes separately.

Directive 3: Cost of Supply

TPL is directed to expedite the study of cost of supply for each consumer category by December 2011, as the cost of supply depends on the contribution to peak load and load usage pattern of each category and it would be different for each category of consumers.

Compliance

It is submitted by TPL that it will submit the study shortly.

Commission's Comments

TPL is directed to expedite the study and furnish the details of category-wise cost of supply by July, 2012.

Directive 4: Separate Books of Account

TPL has not submitted the separate accounts duly audited for Ahmedabad distribution for FY 2010-11. They should submit the segregated accounts immediately, as auditing of the accounts would have been completed by this time.

Compliance

TPL has stated that it has submitted the segregated audited accounts for Ahmedabad distribution area for FY 2010-11.

Commission's comments

Action taken by TPL is noted.

Directive 5: Voltage Fluctuations, Installations of Capacitors and Reactive Compensation

Awareness programmes for reactive compensation may be conducted periodically for awareness amongst the existing consumers and the new consumers and appraise the Commission on the action taken.

Compliance

It is submitted by TPL that it has made various efforts to create awareness amongst the consumers about the benefits of reactive compensation and appraised the Commission about the same.

Commission's comments

The action taken is noted. TPL should continue to conduct such type of awareness programmes in the future.

6.2 New Directives

Directive 1: Reconciliation of units sold by TPL shown in the petition with annual audited accounts

TPL is directed to reconcile the units sold as claimed in the petition and as shown in the annual report.

7. Fuel Price and Power Purchase Cost Adjustment

7.1 Fuel Price and Power Purchase Cost Adjustment

The Commission has approved the formula for Fuel Price and Power Purchase Adjustment for TPL separately vide order under case No. 915/2007 dated 31st July, 2007. The formula approved by the Commission covers both, fuel price adjustment and power purchase adjustment components.

The FPPPA formula approved by the Commission vide its order dated 31st July, 2007 is presented below:

FPPPA = [F_{OT}+PPP_1 + PPP_2] ÷ [S.E]

Where,

F_{OT}	Adjustment on account of variations in delivered cost of Fuel at TPL's thermal power stations (Rs. Millions).
PPP_1	Adjustment on account of variable cost of power purchased in (Rs. Millions).
PPP_2	Adjustment on account of fixed cost of power purchased in (Rs. Millions).
S.E. (in MU)	[Total sales in MU + Excess T&D loss in MU]

(a) Fuel cost adjustment of own generating stations:

$$F_{OT} = \sum_{n=1}^{k} [(H_B \times OTD_A) \times (\text{Fuel } C_A - \text{Fuel } C_B)]$$

where,

n	1 to k, the thermal power station in TPL
OTD_A	is the actual level of delivered energy at the bus bar (net generation) from TPL's thermal plants in million units during the control period.

H_B	is the base station heat rate in K.Cal./kWh calculated on the net output using permitted auxiliary consumption.
Fuel C_A	is the new landed price of fuel at relevant TPL's generating stations, expressed in Rs./K.Cal calculated after allowing increase (or decreases) in the price of fuel/railway freight, taxes and duties on fuel as well as fuel price increase by fuel suppliers.
Fuel C_B	is the base landed price of fuel at relevant TPL's generating stations, expressed in Rs./K.Cal calculated using the base data. This parameter is constant (frozen) for the various quarters (periods) for which increases in fuel price is being permitted.

(b) $$PPP_1 = \sum_{m=1}^{k} [(VC_A - VC_B) \times Q_A] ;$$

Where,

PPP_1	Adjustment on account of variable cost of power purchased in Rs. Millions
m	1 to k, the sources from which power is purchased
VC_A	Is the variable cost per unit of delivered energy, computed based on the principles laid down in the power purchase agreements in Rs. / kWh
VC_B	Is the base variable cost per unit of delivered energy from each source in Rs. / kWh
Q_A	Is the actual level of power purchases from each source in million units.

(c) $$PPP_2 = \sum_{m=1}^{k} [(FC_A - FC_B)]$$

Where,

PPP_2	Adjustment on account of fixed cost of power purchased in Rs. Millions
m	1 to k, the sources from which power is purchased
FC_A	Is the actual fixed cost paid in Rs. Millions
FC_B	Is the base fixed costs payable in Rs. Millions

and

S.E.(in MU) = [(Total Sales in MU + Excess T & D loss in MU)]

Where,

Total Sales = Actual energy sold to metered categories in MU + Estimated energy supplied to un-metered consumers based on norms approved, in MU

Excess T & D loss in MU=
{(Net Generation in MU + Power Purchase in MU – Total sales in MU)} -
{(Net Generation in MU + Power Purchase in MU) X (%T& D loss Norm)}
Where,

%T & D loss Norm = % T & D loss level approved by the Commission.

7.2 Base Price of Fuel of TPL Stations

The fuel costs of TPL's generating stations approved in this order are based on weighted average price and weighted average GCV of fuels (coal and secondary fuel oil) and cost of gas / MMBTU. These are as per the actuals for the FY 2010-11. The mix of the indigenous and imported coal for different stations is considered as approved in the tariff order for the FY 2012-13. The station-wise weighted average delivered price of fuel for main line coal and imported coal, secondary fuel, and the weighted average calorific value and the mix of indigenous and imported coal as approved for 2012-13 are given below: In the case of gas cost of gas /MMBTU as approved is given below:

Sl. No.	Station	Mix of indigenous and imported coal (ratio)	Weighted Average Cost of Coal		Weighted average GCV of Coal (K.Cal/ kg)	Weighted average GCV secondary oil (K.cal/ Litre)	Cost of secondary fuel (Rs./KL)	Cost of gas (Rs./ MMBU)
			Main line indigenous Coal (Rs./MT)	Imported Coal (Rs./ MT)				
	Coal Based Stations							
1	C. Station	100:00	3385.00	-	4251	9909	30092.00	
2	D. Station	76:24	3385.00	5162.00	4469	9909	30092.00	
3	E. Station	76:24	3385.00	5162.00	4469	9909	30092.00	
4	F. Station	76:24	3385.00	5162.00	4469	9909	30092.00	
	Gas Based Station							
5	Vatva	-	-	-	-	-	-	289.76

The cost per MT for mainline indigenous coal is exclusive of Transit loss. The fuel costs are to be arrived at based on the operational parameters, station heat rate, specific oil consumption of secondary fuel, transit loss etc., approved by the Commission for FY 2012-13 in the MYT order dated 6th September, 2011.

The TPL may claim fuel price increase from the consumers in accordance with the formula approved by the Commission in the order referred to above. Prior approval of the Commission shall be taken, if any change is required in station operational parameters approved by the Commission in calculating adjustments of fuel cost.

The calorific values mentioned in the aforesaid table are in terms of GCV (as claimed by TPL).

The weighted average calorific values indicated above for each station is based on assumed quantity of mainline indigenous coal, and imported coal as indicated in the tariff order for the year 2012-13.

7.3 Power Purchase Adjustment

The company has an arrangement with GUVNL for supply of required power to meet the demand of its consumers. The company has entered into an arrangement / agreement for supply of power by GUVNL and the same is approved by the Commission. The power purchase costs, according to the agreement, are projected at Rs.4.35/unit, which should be the base price for power purchase. TPL may claim the increase in the power purchase cost, if any, in accordance with the formula approved by the Commission, in the order referred to above. The rate of Rs.4.35/unit includes variable and fixed costs and other charges.

For different sources of power purchase, the capacity charges, transmission cost, variable cost per unit approved by the Commission for FY 2012-13 in MYT order dated 6th September, 2011 is shown in the Table given below:

Table 7.1: Capacity charges, Transmission cost and Variable charges approved by the Commission for FY 2012-13 (as per MYT order)

Particulars	Capacity charges/Transmission cost (Rs. Crore)	Variable charges (Rs./unit)
TPL - G(Sugen)	696.23	2.04
Transmission cost	102.97	-
Bilateral power purchase	-	4.35
Power Exchange market	-	5.59
Purchase from renewable sources		
Wind	-	3.52
Biomass	-	4.40
Solar	-	15.00

TPL may claim the difference between the actual purchase price and the price indicated in above table as per approved formula.

7.4 Base FPPPA charge fixed at 70 paise/unit.

Information regarding FPPPA recovery and the FPPPA calculations submitted to the Commission for approval shall be kept on website of TPL as and when such proposal is submitted by TPL.

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

For any claim of FPPPA, the documents for approval of FPPPA shall be submitted to the Commission within one month from end of the relevant quarter.

8. Wheeling charges and cross-subsidy surcharge

8.1 Introduction

Regulation 88.1 of MYT Regulations, 2011, stipulates that the Commission shall specify the wheeling charges of distribution wires business of the distribution licensee in its ARR & Tariff order.

8.2 Wheeling charges

Petitioner's Submission

The TPL has allocated the total ARR expenditure of TPL-Surat Supply Area to wheeling and retail supply business considering the distribution infrastructure up to the service line as part of wheeling business and the distribution infrastructure from service line to consumer premises as part of the retail supply business. The segregation of components into wheeling and retail supply business has been done by TPL based on the following allocation matrix:

Table 8.1: Allocation matrix for segregation to "Wheeling and Retail Supply" submitted by TPL-Surat Supply Area for FY 2012-13

ARR components	Wire business (%)	Retail Supply business (%)
Power purchase expenses	0	100
Employee expensed	60	40
Administrative & General Expenses	50	50
Repair and Maintenance Expenses	90	10
Depreciation	90	10
Interest on long term loan capital	90	10
Interest on working capital and consumer security deposit	10	90
Bad debt written off	0	100
Income tax	90	10

ARR components	Wire business (%)	Retail Supply business (%)
Contribution to contingency reserve	100	0
Return on equity	90	10
Non-tariff income	10	90

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

a. ARR of Wheeling Business – Rs. 216.52 Crore
b. ARR of Retail Supply Business – Rs. 1369.75 Crore

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 segregate between HT and LT voltage levels as per peak load of the Surat Supply Area. Based on this approach, TPL-D has proposed the following wheeling charges for HT and LT voltage levels.

- HT Voltage - Rs 245.03 / kW/ month
- LT Voltage - Rs 348.61 / kW/ month

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, 2011.

The allocation matrix and the basis of allocation of various cost components of the ARR as per GERC (MYT) Regulations, 2011 are shown below:

Table 8.2: Allocation matrix for segregation to "Wheeling and Retail Supply" for TPL-Surat Supply Area for FY 2012-13 as per GERC Regulations

ARR components	Wire business (%)	Retail Supply business (%)
Power purchase expenses	0	100
Employee expenses	60	40
Administrative & General Expenses	50	50
Repair and Maintenance Expenses	90	10
Depreciation	90	10
Interest on long term loan capital	90	10
Interest on working capital and consumer security deposit	10	90
Bad debt written off	0	100
Income tax	90	10
Contribution to contingency reserve	100	0
Return on equity	90	10
Prompt payment rebate	0	100
Non-tariff income	10	90

Based on the above allocation, the approved ARR for wires business and retail supply business are computed as shown below. The O&M expenses are segregated into employee, A&G and R&M expenses in the ratio of average of FY 2008-09, FY 2009-10 and FY 2010-11 actual expenses.

Table 8.3: Allocation ARR between wheeling and retail supply business for Surat for FY 2012-13

ARR components	Total	Wire business	Retail Supply business
Power purchase expenses	1332.43	0.00	1332.43
Employee expensed	43.20	25.92	17.28
Administrative & General Expenses	24.46	12.23	12.23
Repair and Maintenance Expenses	23.92	21.53	2.39

ARR components	Total	Wire business	Retail Supply business
Depreciation	48.85	43.97	4.89
Interest on long term loan capital	43.28	38.95	4.33
Interest on working capital and consumer security deposit	9.51	0.95	8.56
Provision for bad debt	0.36	0.00	0.36
Income tax	4.98	4.48	0.50
Contribution to contingency reserve	0.40	0.40	0.00
Return on equity	77.27	69.54	7.73
Less: Non-tariff income	22.40	2.24	20.16
Net ARR	**1586.27**	**215.73**	**1370.54**

The above allocations of ARR are used for determination of charges and cross subsidy surcharge for FY 2012-13.

The wheeling charges at 11kV voltage level for FY 2012-13 are given in the table below:

Table 8.4: Wheeling charges for 11kV voltage level

Sl. No.	Particulars	Surat Area
1	Energy input into 11kV system (MU)	3569
2	Total distribution cost Wired Business (Rs. Crore)	215.73
3	Distribution cost for wheeling at 11kV (HT) (Rs. Crore) at 30% of total distribution cost	64.72
4	Wheeling charge at 11kV (Paise / kWh) (3/1)	18

Accordingly, the Commission approves the wheeling charges of 18 paise / kWh for Surat distribution area. In addition, 4% of energy in kind will be deducted from the energy input towards assumed loss in EHT / HT network of distribution licensee.

Wheeling charges worked out for LT voltage level for FY 2012-13 for Surat distribution area is summarised in the table below:

Table 8.5: Wheeling charges at LT voltage level

Sl. No.	Particulars	Surat area
1.	Energy in put into 11kV system (MU)	3452
2.	Losses in 11kV system (at 4%) (MU)	138
3.	Energy sales in 11kV system (MU)	251
4.	Energy input into LT system (MU) [1-(2+3)]	3175
5.	Total distribution cost for wheeling business (Rs. Crore)	215.73
6.	Distribution cost at 11kV voltage (HT) level (Rs. Crore) (at 30%)	64.72
7.	Distribution cost at LT voltage level (Rs. Crore) (5-6)	151.01
8.	Wheeling charges at LT voltage level (paise / kWh)	48

The open access consumer will also have to bear the following losses in addition to the wheeling charges.

Table 8.6: Wheeling charges in kind

Particulars	FY 2012-13
	Surat area
HT category	4.00%
LT category	5.15%

8.3 Cross subsidy surcharge

Petitioner's Submission

Determination of Cross-Subsidy Surcharge

The TPL-D has proposed the following methodology for computation of Cross-Subsidy Surcharge.

$$\textbf{CSS = T – \{[PPC/ (1- L)] +Avg W+ Avg RS\}}$$

Where:

CSS is the surcharge in Rs. per unit;

T is the Average Tariff payable by the relevant category of consumers in Rs. per unit;

PPC is the weighted average cost of power purchase in Rs. per unit

Avg. W is the average Wheeling charge in Rs. per unit

L is the system loss for the applicable voltage level, expressed as a percentage; and

Avg. RS is the average Retail Supply charge in Rs. per unit

Commission's Analysis

The Commission has decided to continue the cross subsidy surcharge as zero determined in the MYT Order dated 6th September, 2011. It will be reviewed during the mid - term review.

9. Tariff Philosophy and Tariff Proposals

9.1 Introduction

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

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

The Commission has carried forward the process of rationalization of tariff in order to ensure that the tariffs reflect, as 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 consumers – while rationalizing tariff structure.

The mandate of the Tariff Policy that the tariff should be within plus or minus 20% of the average cost of supply has been the guiding principle. In working out the cost of supply the Commission has worked out on the basis of average cost of supply, in the absence of relevant data for working out consumer category-wise cost of supply.

9.2 Issues in the existing tariff structure highlighted by TPL-D and Retail Tariff Proposal of TPL-D

Petitioner's Submission

The TPL has highlighted the following issues in the existing tariff structure:

(i) **Recovery of majority of fixed cost through energy charges:** TPL-D has highlighted that the fixed charges as approved in the current tariff structure are not commensurate with the fixed cost being incurred by TPL-D. Hence, the recovery from energy charges compensates lower recovery from fixed charges so as to earn total revenue. TPL-D has submitted that at present, the revenue from fixed/ demand charges are about 4% of its total sales revenue at the existing tariff. TPL-D has proposed to increase the fixed/demand charges to the extent of about 7% of total sales revenue at proposed tariff for all categories of consumers.

(ii) **Applicability of DSM measures in LT category:** TPL submitted that for implementation of DSM measures requires commercial interventions through the Regulatory process. Accordingly, TPL-D has proposed to increase the TOU charges for the HT Consumers and introduce TOU charges for the LTMD consumers having Billing Demand more than 50 KVA.

(iii) **Temporary Tariff Category & rationalization of its rate:** TPL submitted that in the existing tariff structure for temporary supply, there are no separate categories for HT and LT consumers. This may lead to dispute while releasing the connection / providing facilities and in turn applicability of tariff.

Commission's Analysis and decision

In the last Tariff order dated 6th September 2011 the Commission introduced major changes in the tariff structure. The categories of a significant number of consumers were changed due to change in tariff structure. The process is in the transition phase and full year data to review the impact of change in tariff structure is not available. In such a situation it is not advisable to make any further change at this stage in the tariff structure. However, as there is no provision of HT tariff rates for the temporary connection, the Commission has decided to introduce a separate category for HT Temporary as suggested by TPL.

9.3 Revenue Gap/Surplus

Gap / Surplus of TPL – Surat for FY 2012-13

The total revenue based on the existing tariff for TPL- Surat for FY 2012-13 is Rs.1602.93 Crore and the net revenue surplus estimated by the Commission for FY 2012-13 is Rs. 22.42 Crore as shown in Table 5.4.

The consolidated revenue gap for the TPL- Ahmedabad and TPL-Surat for the FY 2012-13 including the truing up of FY 2010-11 is estimated at Rs. 116.39 Crore as shown in Table 5.5. The Commission has considered the consolidated revenue gap for the TPL- Ahmedabad and TPL-Surat in determination of tariff for FY 2012-13.

The MYT Regulations, 2011 provide that while determining the tariff for the FY 2012-13, the Commission should consider the ARR for the FY 2012-13 as approved in the MYT Order. During the first control period, the Commission had revised the ARR every year at the time of tariff determination and at that time the actual capitalization of the previous year was captured. But, in this second control period, as the Commission is not to revise ARR for the FY 2012-13 and considering the past performance of the petitioner in implementing the approved CAPEX and capitalization, it is anticipated that the ARR of the FY 2012-13 based on the audited figures will be lower than the approved ARR in the MYT Order.

The Commission has received representations from the consumers / consumer associations regarding increase in FPPPA charges during the FY 2011-12. It is observed that the FPPPA charges for the billing month of April 2011 was 59 paise per unit which increased to 151 paise per unit for the billing month of April 2012. In view of this increase in fuel price as well as power purchase price, the total billing amount for a typical residential consumer having monthly consumption of 100 units has increased from Rs. 435 in April 2011 to Rs. 552 in April 2012. Hence, there is almost 27% hike in electricity bill of an average residential consumer. In view of this, there is a need to protect the consumer from the tariff shock.

Further, in accordance with the tariff policy, the Commission has initiated third-party verification of the segregated audited accounts of the petitioner for the FY 2010-11 and audit of the fuel cost of the Sabarmati and Vatva generating stations for the FY 2010-11. The commercial implication, if any, resulting from these audit exercises is also required to be captured.

In view of the above, it is decided to increase the tariff rates for the FY 2012-13 to meet only a part of gap of FY 2012-13 and accordingly the energy charge for all the categories of the consumers is increased by 10 paise per unit, except for BPL

Consumers, for the first 50 units of consumption per month of residential consumers and for agricultural consumers. With this increase, it is estimated that the additional revenue will be Rs. 89 crore for both the licensee areas – TPL Surat and TPL Ahmedabad. The remaining gap of the FY 2012-13, if any, will be addressed at the time of truing up on the basis of audited figures.

9.4 Electricity Duty

During the public hearing, several consumer organisations and others once again brought to the notice of the Commission about the ad-valorem structure of the Electricity Duty. Distribution utilities pointed out to the Commission regarding structure of the Electricity Duty levied from various consumer categories. It may be noted that imposition of Electricity Duty is the prerogative of the government. However, the Commission has noted the issues raised and feels that there is a need to rationalise Electricity Duty structure.

The Commission feels that the system of ad-valorem duty increases the impact of any tariff increase even further. The ad-valorem structure increases the burden on the consumer, impact the finances of the utilities and distorts the tariff structure.

There is a need to revisit the structure of the Electricity Duty in order to make it in consonance with the tariff order issued by the Commission on 6th September, 2011. In the last tariff order of the Commission, motive power and commercial categories were merged and a new category was created in order to have one meter for one premises. But distribution companies are not in a position to remove the meter provided earlier for recording commercial consumption because consumers are required to pay different duties under the Electricity Duty provisions.

Consequently there is a need to revisit the categorisation and slabs relating to electricity duty. There is scope for simplification of the structure of Electricity Duty keeping in view the recent development. It is also necessary and desirable to do away with the ad-valorem nature of Electricity Duty. The Electricity Duty may be in absolute terms, i.e. paise per unit of electricity, which can be reviewed from time to time with the annual budget.

The Commission therefore, suggested that the government should consider rationalising Electricity Duty structure, keeping in view the above aspects, so that it is in line with the tariff structure and becomes stable, predictable and more transparent.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement for FY 2012-13 for TPL-Surat as shown in the table below:

Approved ARR for TPL-D Surat area for FY 2012-13

(Rs. Crore)

Particulars	FY 2012-13
Power Purchase cost	1332.43
O&M expenses	91.58
Depreciation	48.85
Interest on loan	43.28
Interest on security deposit	9.51
Interest on working capital	-
Return on equity	77.27
Income Tax	4.98
Bad Debts	0.36
Contingency Reserve	0.40
Less: Non-tariff income	22.4
Net ARR	**1586.27**

The retail supply tariffs for Surat distribution area for FY 2012-13 approved by the Commission are annexed to this order.

This order shall come into force with effect from the 1st June 2012. The revised rate shall be applicable for the electricity consumption from the 1st June 2012 onwards.

Sd/-	Sd/-	Sd/-
DR. M.K. IYER	**SHRI PRAVINBHAI PATEL**	**DR. P.K. MISHRA**
Member	Member	Chairman

Place: Ahmedabad

Date: 2nd June 2012

ANNEXURE: TARIFF SCHEDULE

TARIFF SCHEDULE EFFECTIVE FROM 1st June 2012

(B) Tariff Schedule for Surat License Area of Torrent Power Limited

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

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. 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. 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.

17. Statutory Levies:

    a. 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.

18. 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 6kW

Three-phase supply- Aggregate load above 6kW

1.1 FIXED CHARGES:

For Other than BPL consumers

A	Single Phase Supply	Rs. 10 per installation per month
B	Three Phase Supply	Rs. 30 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

i	First 50 units during the month	300 Paise/unit
ii	Next 50 units during the month	330 Paise/unit
iii	Next 150 units during the month	380 Paise/unit
iv	Above 250 units during the month	445 Paise/unit

For BPL household consumers*

i	First 30 units consumed per month	150 Paise per Unit
ii	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 6kW

Three-phase supply- Aggregate load above 6kW

2.1 FIXED CHARGES:

A	Fixed Charges	Rs.20.00 per installation per month

PLUS

2.2 ENERGY CHARGES:

i	Energy Charges	360 Paise/unit

3. Rate: Non-RGP

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

3.1 FIXED CHARGES:

A	First 10 kW	Rs. 35/- Per kW per month
B	Next 5 kW	Rs. 50/- Per kW per month

3.2 ENERGY CHARGES:

i	For installations having connected load up to 10 kW	380 Paise/unit
ii	For installations having connected load above 10kW and up to 15 kW	400 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 15kW.

4.1 DEMAND CHARGES:

A	Up to 20 KVA of billing demand	Rs. 45/- per KVA/month
B	Above 20 KVA & up to 50 KVA billing demand	Rs. 75/- per KVA/month
C	Above 50 KVA & up to 60 KVA billing demand	Rs. 90/- per KVA/month
D	Above 60 KVA of billing demand	Rs.105/- per KVA/month
E	In excess of contract demand	Rs. 180/- 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:

i	Energy charges	420 Paise/unit

PLUS

4.3 REACTIVE ENERGY CHARGES (KVARH units):

For installation having contracted load of 40 kVA and above

(a)	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.14 per kW per Day

5.2. ENERGY CHARGE

A flat rate of	435 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:

A	Fixed Charges	Rs. 10.00 per BHP per month

PLUS

6.2 ENERGY CHARGES:

i	Energy Charges	50 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 100/-per KVA
B	Above 500 KVA	Rs 180/- per KVA

7.1.2 For billing demand in excess over contract demand

For billing demand in excess over contract demand	Rs.360/- per KVA

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

a. Actual maximum demand established during the month

b. 85 per cent of the Contract Demand, and

c. 100 KVA

PLUS

7.2 ENERGY CHARGES:

I	First 400 units per kVA billing demand per month	415 Paise/unit
Ii	Remaining units consumed per month	405 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.	
(a) For Billing Demand up to 500kVA	35 Paise per Unit
(b) For Billing Demand above 500kVA	70 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 “ 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 “, 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 “, 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) as is in excess of one third of total energy consumed during the month, shall be eligible for concession of 50 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 3.3KV 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. 80/- per KVA per month
B	Above 500 KVA of billing demand	Rs 165/- per KVA per month

8.1.2 For billing demand in excess of contract demand

a)	For Billing demand in excess over Contract demand	b)	Rs. 335/- per KVA per month

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

a. Actual maximum demand established during the month
b. 85 per cent of the Contract Demand, and
c. 100 KVA

PLUS

8.2 ENERGY CHARGES:

i	First 400 units per kVA billing demand per month	410 Paise/unit
ii	Remaining units consumed per month	405 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 500kVA	35 Paise per Unit
(b) For Billing Demand above 500kVA	70 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 " 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 ", 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 ", 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) as is in excess of one third of total energy consumed during the month, shall be eligible for concession of 50 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.462/- per kVA per month
For billing demand in excess of contract demand	Rs. 550/- per kVA per month

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

a. Actual maximum demand established during the month
b. 85 per cent of the Contract Demand, and
c. 100 KVA

PLUS

9.2 ENERGY CHARGE

For all units consumed during the month	640 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.	
(c) For Billing Demand up to 500kVA	35 Paise per Unit
(d) For Billing Demand above 500kVA	70 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 " 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 ", 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 ", 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	320 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 " 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 ", 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 ", for every 1% rise or part thereof in the average power factor during the month above 95%.

NOTE:

1. *10% of total units consumed and 15% of the contract demand can be availed beyond the prescribed hours.*
2. *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.*
3. *The option can be exercised to switch over from HTMD tariff to this category and vice versa twice in a calendar year by giving not less than one month's notice in writing.*
4. *In case the consumer is not fulfilling the conditions of this tariff category, then such consumer for the relevant billing period will be billed under tariff category HTMD.*