GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2011-12 and

Determination of Tariff for FY 2013-14

For

Torrent Power Limited - Distribution Surat

Case No. 1268 of 2012

16th April 2013

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AHMEDABAD

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CONTENTS

LIST OF TABLES

LIST OF ANNEXURES

ABBREVIATIONS

AGP	Agriculture General Purpose
A&G	Administrative and General
AMR	Automatic Meter Reading
APDRP	Accelerated Power Development and Reform Program
APP	Ahmedabad Power Plant
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. 1268 of 2012

Date of the Order: 16/04/2013

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) Regulations, 2011 for the True up of FY 2011-12, and for determination of tariff for distribution business in Surat area for the FY 2013-14 on 31st December, 2012.

The Commission admitted the petition on 1st January, 2013.

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 purview of the Commission.

The TPSL was a sanctioned holder (in terms of sanction granted by the Government of Gujarat) under 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 transfer / assignment of license 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 Hon'ble 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 Hon'ble High Court of Gujarat vide its order dated 11th September 2006.

1.3 Commission's Order for the second control period

TPL filed its petition under the Multi-Year Tariff Framework for the 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 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 powers vested in it under sections 61, 62 and 64 of the Electricity Act, 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by TPL, the objections by various stakeholders, response of TPL, issues raised during the public hearing and all other relevant material, issued the Multi-Year tariff order on 6th September, 2011 for the control period comprising FY 2011-12 to FY 2015-16 based on the MYT Regulations, 2011. The Commission issued orders for Truing up for FY 2010-11 and Tariff for FY 2012-13 on 2nd June, 2012.

1.4 Admission of the current petition and public hearing process

TPL submitted the current petition for 'Truing up' of FY 2011-12 and determination of tariff for FY 2013-14 on 31st December, 2012. The Commission admitted the petition (Case No. 1268/2012) on 1st January, 2013.

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 08.01.2013, inviting objections / suggestions from its stakeholders on the ARR petition filed by it.

Sl.No.	Name of the newspaper	Language	Date of Publication
1	Times of India (Surat)	English	08.01.2013
2	Gujarat Mitra (Surat)	Gujarati	08.01.2013

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 07.02.2013.

The Commission received objections / suggestions from 11 consumers / consumer organizations. The Commission examined the objections / suggestions received and fixed the date of public hearing for TPL to be held at Ahmedabad on 01.03.2013 and Surat on 13.03.2013. 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 at Ahmedabad and Surat as scheduled.

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 Annexure 1.1 and 1.2, respectively.

A short note on the main issues raised by the objectors in their written submissions and 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.

1.5 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's Petition.
3. The **third** chapter deals with the public hearing process including the objections raised by various stakeholders, TPL's response and Commission's views on the response.
4. The **fourth** chapter focuses on the details of truing up of FY 2011-12.
5. The **fifth** chapter deals with the determination of tariff for FY 2013-14.
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.

1.6 Approach of this order

The MYT Regulations, 2011, provide for truing up of previous year and determination of tariff for the ensuing year. The Commission has approved ARR for five years of the control period FY 2011-12 to FY 2015-16 in the MYT order dated 6th September, 2011.

TPL has approached the Commission with the present petition for 'Truing up' for the FY 2011-12 and determination of tariff for the FY 2013-14 under GERC (Multi Year Tariff) Regulations, 2011.

The Commission has undertaken truing up for the FY 2011-12 including computation of gains and losses for the FY 2011-12 based on the submissions of the petitioner and the segregated audited annual accounts made available by the petitioner.

While Truing up of FY 2011-12 the Commission has been primarily guided by the following principles:

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

The Truing up for the FY 2011-12 has been considered based on the GERC (MYT) Regulations, 2011. For the determination of the ARR for FY 2013-14, the Commission has considered the ARR for FY 2013-14 as approved in the MYT order dated 6th September, 2011.

Annexure 1.1

List of Organizations and Individuals who filed objections / suggestions

Sl.No.	Name
1	Indus Towers Limited
2	CERS – Consumer Education and Research Society
3	UUWA – Utilities Users welfare Association
4	Gandhinagar Shaher Vasahat Mahamandal
5	Shri Mahadeo Ishvarlal Desai
6	Surat Municipal Corporation
7	Surat Citizen's Council trust & The Southern Gujarat Chamber of Commerce & Industry
8	Shri Amarsinh Chavda
9	Gujarat Chamber of Commerce & Industry
10	Surat Diamond Association
11	The Surat Textile Club

Annexure 1.2

List of participants in public hearing

Sl.No.	Name
1	Indus Towers Limited
2	CERS – Consumer Education and Research Society
3	UUWA – Utilities Users welfare Association
4	Gandhinagar Shaher Vasahat Mahamandal
5	Shri Mahadeo Ishvarlal Desai
6	Surat Municipal Corporation
7	Surat Citizen's Council trust & The Southern Gujarat Chamber of Commerce & Industry
8	Shri Amarsinh Chavda
9	Gujarat Chamber of Commerce & Industry

2. Summary of TPL's Petition

Torrent Power Limited (TPL) submitted the current petition seeking approval of True Up of ARR of FY 2011-12 and determination of tariff for the FY 2013-14. The petitioner has also submitted the tariff proposal for FY 2013-14 based on the estimated revenue gap for the FY 2011-12 and ARR of FY 2013-14.

2.1 Actuals for FY 2011-12 submitted by TPL

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

Table 2.1: Actuals claimed by TPL- D, Surat for FY 2011-12

(Rs. crore)

Annual Revenue Requirement	Approved in MYT Order	Actual as per TPL
Power Purchase Cost	1250.23	1354.50
O&M Expense	86.63	89.27
Depreciation	45.20	42.51
Interest Cost on Long-term Capital Loans	43.31	42.81
Interest on Working Capital Loans	-	0.83
Interest on Security Deposit	9.12	9.21
Return on Equity	74.47	72.70
Provision for Bad Debt	0.36	0.21
Contingency Reserve	0.40	0.40
Income Tax	4.98	23.18
Less: Non-Tariff Income	21.93	32.41
Annual Revenue Requirement	**1492.76**	**1603.21**

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

Table below summarizes 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 2011-12.

Table 2.2: Trued-up ARR and Gains/(losses) for Surat supply area for FY 2011-12

Particulars		MYT Order For FY 2011-12
ARR as per MYT order	**A**	**1492.76**
Gain/(loss) due to Uncontrollable Factors	B	(116.43)
Gain/(loss) due to Controllable Factors	C	5.97
Pass through as tariff	D=(B+1/3rd of C)	114.44
Revised ARR for True up for FY 2011-12	E=A+D	1607.20

The following Table summarizes the Gap/(surplus) for Surat supply area for FY 2011-12.

Table 2.3: Revenue Gap/(Surplus) for Surat supply Area for FY 2011-12

(Rs. crore)

Particulars	MYT Order	Actuals
Annual Revenue Requirement	1492.76	1607.20
Less: Revenue from sale of energy	1511.19	1621.31
Gap/(Surplus)	**(18.43)**	**(14.11)**
Earlier year's approved gaps		
Total Gap/(Surplus) for earlier period as per GERC (from 2007-08 to FY 2009-10)		57.18
Total Carrying Cost @11% till 31st March, 2013		36.04
Cumulative Gap/(surplus) for FY 2011-12		**79.11**

TPL requests the Commission to approve the gap of Rs. 79.11 crore arrived as part of truing up process and to allow recovery of the same.

2.3 ARR, revenue at existing tariff and revenue surplus for FY 2013-14

TPL has considered the approved ARR of Rs. 1692.37 crore for FY 2013-14 for purpose of determination of tariff for FY 2013-14. The surplus arrived at FY 2013-14 considering the revenue from sale of power including revenue from the base level of FPPPA is as given in the Table below:

Table 2.4: Revenue Surplus of Surat supply Area for FY 2013-14

(Rs. crore)

Particulars	Amount
Approved ARR	1692.37
Less: Revenue from Sale of power at existing Tariff including FPPPA revenue @ Rs. 0.70 per unit	1701.63
Net Gap/(Surplus)	(9.26)

TPL has proposed to recover the revenue gap of earlier periods up to FY 2009-10 and revenue gap for FY 2011-12 along with carrying costs and revenue gap of FY 2013-14 a total of Rs. 65.99 crore through tariff revision, amounting to average tariff increase of 3.88%.

2.4 TPL's request to the Commission:

a) To admit the petition for truing up for FY 2011-12, approval of gap for FY 2013 14 and determination of tariff for FY 2013-14.
b) To approve the gap of FY 2011-12 along with earlier years' approved gap as per the truing up and carrying cost for un-recovered gap.
c) To approve the sharing of gains/losses as proposed by TPL-D for FY 2011-12.
d) To approve the gap for FY 2013-14 based on approved estimates.
e) To consider the under-recovery of cost as per the revised estimates of FY 2013-14 for approval of retail tariff and revision in FPPPA formula.
f) To approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April, 2013.
g) To approve the Retail Supply Tariff and Additional Charge as proposed by the TPL for its Ahmedabad Supply area.
h) To modify the existing FPPPA Formula as proposed by the Petitioner
i) To allow additions/ alterations/ changes/ modifications to the application at a future date.
j) To permit the Petitioner to file all necessary pleading and documents in the proceeding and documents from time to time for effective consideration of the proceeding.
k) To condone the delay in filing the present petition.
l) To allow any other relief, order or direction which the Commission deems fit to be issued.
m) To condone any inadvertent omissions/ errors/ rounding off difference / shortcomings.

3. Brief Outline of Objections raised, response from TPL and Commission's views

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 2011-12 and determination of tariff for FY 2013-14, a number of consumers/consumer organizations 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. The Commission has, therefore, addressed the objections / suggestions issue-wise rather than objector-wise. The objections/suggestions by consumers / consumer organizations, the response from the Petitioner and the view of the Commission are as given below.

3.1: Revenue Gap of earlier years

Objection:

The objector has stated that the revenue gap for the previous three years, which includes Rs.57.18 crore and interest of Rs.36.04 crore (making a total of Rs.93.22 crore) is strongly objected to. The pending gap of last three years would have been covered under Truing-Up Mechanism of 2010-11.

TPL's response:

The pending gap of the previous years has been approved by the Commission vide its order dated 6th September, 2011 (Case No. 1092/2011) taking into effect the APTEL judgments. However, the tariff approved by the Commission for FY 2011-12 was not sufficient to recover the gap of FY 2011-12 on the stand-alone basis. Thus, the pending gap of previous years is yet to be recovered. Furthermore, the carrying cost (interest as referred to by the Objector) for the unrecovered gap is the legitimate claim of the Petitioner to recoup the financial loss incurred due to deferment in recovery of gap. The recovery of carrying cost as per the settled position of law.

Commission's View:

The Commission approves the costs after prudence check of the data furnished by the Petitioner.

3.2: Increase in Power Purchase Cost due to Non-availability of gas for Sugen

Objection:

The objector has stated that the Petitioner is not able to get power supply from its Sugen plant due to non-availability of gas and therefore has to purchase expensive power from outside sources. Normally the difference in Power Purchase Cost is collected by Petitioner through FPPPA charges.

The Respondent strongly objects to additional cost of power purchase by Rs. 325.78 crores which may increase FPPPA charges by 32 paise/unit. The Petitioner may be directed to sign Fuel Supply Agreement with more than one source to avail gas supply and avoid transferring burden on consumers through FPPPA charges. The present FPPPA charges have already increased tariff by more than 25% for all category of consumers.

TPL's response:

The Petitioner understands that the Objector has objected to the proposed "Additional Charge" sought towards the unrecovered cost of H1 (FY 2012-13). In this regard, the Petitioner would like to submit that material changes have taken place in the sourcing of power in FY 2012-13 from the approved plan in MYT Order because of lower allocation of gas by the Government at SUGEN power plant. As a result, the Petitioner had to tie up power on short term basis from various bilateral sources and also procure more power from the power exchange. However, the increase in cost due to such changes is not getting recovered through the existing FPPPA formula.

It may further be noted that the Petitioner has purchased the REC during the months of June and August, 2012 to fulfil its RPO requirement. However, the same has not been recovered in the FPPPA formula. For recovery of the above mentioned unrecovered cost of mix variance and REC cost of H1 2012-13, the Petitioner has proposed "additional charge". The same is in line with the principles enshrined in the Act and the Tariff Policy regarding faster recovery of uncontrollable costs to ensure that the future consumers are not loaded with the past costs.

Commission's View:

TPL's response is noted. FPPPA recovery is allowed in accordance with the formula approved.

3.3: Power Purchase Cost for Ahmedabad and Surat for FY 2011-12

Objection:

The objector has stated that the Power Purchase Cost has increased by Rs. 225 crore amounting to an increase of 5.9%.

TPL's response:

The power purchase depends on various parameters such as the energy sales, energy requirement and the energy availability. These parameters are uncontrollable in nature and hence the variation in the power purchase cost has been classified as uncontrollable item by the Commission except for the variation in distribution loss level. The variation in the power purchase cost from the MYT Order is on account of variation in sales and variation in actual cost with respect to the base rate along with purchase of power from short-term sources to meet the shortfall during the year.

Commission's View:

Power Purchase Costs are approved after prudence check.

3.4: Open Access Charges

Objection:

The objector has stated that the cost of open access consumers should not be loaded to the retail consumers. The Electricity Act, 2003 has clearly specified that large consumers should continue to compensate the distribution licensee even if they discontinue to purchase power from the distribution licensee to the extent of existing level of cross-subsidization to protect the interest of the small consumers.

The Commission should immediately intervene and take necessary steps to protect the interest of the retail consumers.

It is evident that there is an existing level of cross subsidization by the large consumers to the small consumers. However, the existing cross-subsidy surcharge is zero.

The objector requests the Commission to look into the issues in the formula specified by the National Tariff Policy and implement the formula so as to recover the cost of existing level of cross subsidization.

TPL's response:

TPL has detailed its concerns regarding the Open Access and also made the suggestions to ensure that the retail consumers are not affected due to operationalization of OA mechanism.

Regarding the issue of Cross Subsidy Surcharge, the Petitioner has proposed to revise formula for computation of Cross-Subsidy Surcharge in its petition to ensure the recovery of the actual level of cross subsidization in accordance with the EA, 2003.

The Petitioner submits that it has dealt with the concerns of the Objector in its petition.
The Petitioner requests the Commission to appropriately address the issues.

Commission's View:

The Commission has examined the issue and taken appropriate decision.

3.5: Tariff for Non – RGP Category

Objection:

The objector has stated that:

- The proposed change in tariff slabs for Non-RGP consumer will lead to removal of incentives to consumers for reducing connected load and in turn will be in violation of Demand-Supply Regulations. 2012 by GERC.
- The consumption pattern variations of a telecom tower be taken as inputs in the tariff determination process for Ahmedabad and Surat areas in FY 2013-14.
- To consider classification of telecom towers under a separate sub-category within the existing consumer category with suitable relaxation in the applicable tariff given the essential nature of telecom industry.

- To provide direction to the utilities for supporting the proposal of installation of AMR meters and roll out of consolidated billing for large consumers with multiple connection.

TPL's Response:

- No change is proposed in the existing slabs of tariff structure of Non-RGP categories.
- The tower operators do not have USO and they are basically leasing out premises to install the equipment of the telecom service providers only on the basis of commercial consideration. The telecom providers have moved beyond the basic telephony service to the value added services and now providing update telecom services such as, internal services on mobiles, instant messaging services e-mail services video calling etc. The petitioner accordingly submitted that, the current categorization is appropriate and there is no need for segregation.
- The petitioner submitted that it has implemented the AMR for monitoring of high value consumers as a pilot project. Based on the experience and telecom commercial aspects, the petitioner does not consider it feasible to implement the proposal.

Commission's View:

All relevant factors have been taken into consideration while categorizing the various categories of consumers and tariff.

3.6: High Fixed Charges

Objection:

The objector has stated that the fixed charges being proposed by the Petitioner are very high and the consumers are being forced to pay such high charges.

Fixed charges do not reflect the utilization of energy by consumers and the level of services provided by supply agency and hence increase in fixed charges will be a comfort to Petitioner.

There has not been any significant increase in expenditure in transmission and distribution network. The distribution area of the Petitioner is almost fixed and for any increase in load, the customer who takes new connection has to bear majority of the expenditure. Hence, increase in fixed charges must not be accepted.

TPL's response:

As a distribution licensee, TPL incurs the fixed costs for supplying electricity to its consumers, in addition to the fixed cost component of power purchase arrangements. The existing fixed charges are not commensurate with the fixed cost being incurred by the Petitioner. Hence, the recovery from energy charges compensates lower recovery from fixed charges so as to earn total revenue. This amounts to cross-subsidization by the consumers having better utilization to inefficient / lower utilization of the contracted capacity and the same is contrary to the principles of Section 61(g) of the EA, 2003.

The Petitioner has therefore proposed to increase its recovery of fixed cost through fixed charges by revising the rates of fixed/demand charges. At present, the revenue from fixed/ demand charges are about 5% of total sales revenue at existing tariff. It is proposed to increase fixed/demand charges to the extent of about 11% of total sales revenue at proposed tariff. This will lead to reduction in cross-subsidization on account of lower utilization of the capacity.

Service line contribution recovered from the customers is only towards the last mile connectivity with the network in order to release the particular connection. However, the Petitioner has to create and maintain the entire upstream network to cater to the demand. Further, the Petitioner gives the appropriate treatment to the service line charges collected from the consumers in accordance with the Regulations, while arriving at ARR.

Commission's View:

The fixed charges are to recover fixed cost component in Power Purchase Cost and costs of distribution network to supply power. The fixed charges levied do not fully recover the fixed cost element.

3.7: Flat rate for Demand Charges

Objection:

The objector has stated that the Petitioner is charging the flat rate as the demand charges for HT and LT categories instead of levying the demand charges with telescopic feature.

TPL's response:

The existing demand charges specified in tariff provides for telescopic feature for HTMD category and non-telescopic feature for LTMD category and it recovers the demand charges in line with the provisions of the Tariff schedule approved by the Commission

Commission's View:

TPL's response is noted.

3.8: Delayed Payment Charges

Objection:

The objector has stated that the levy of delayed payment charge (DPC) is not provided in any section of the Act.

TPL's response:

The allegations of recovering excess DPC charges are refuted and it is submitted that under the provisions of Section 50 of Electricity Act 2003, the Commission has notified the 'Electricity Supply Code'. The Section 6.4.1 of Supply Code specifically provides for the payment of electricity bills and also delayed payment charges.

Commission's View:

The Commission agrees with the response of Petitioner.

3.9: Connected vis-à-vis LT Distribution Network

Objection:

The objector has stated that the LT distribution network is designed based on connected load, ignoring the load factor parameters due to which the Capex increases unnecessarily and that substations are acquired needlessly.

TPL's response:

The need for investment in network creation is being assessed by the expert engineers and the same is reviewed by the senior officers based on the existing network, existing and future loading conditions, load growth, reliability and quality of supply. All investments are made after detailed due diligence based on the need besides best industry practices, guidelines specified by various regulations and the authority.

Commission's View:

The Capital investments are approved after examining the need for development of network to meet the growth of consumers and demand.

3.10: Consumer Redressal Forum

Objection:

The objector has stated that the experience of complaining to Forum is frustrating because of partisan attitude of Forum in favour of licensee (TPL).

TPL's response:

The redressal Forum has been constituted under the provisions of the Act. A consumer having a grievance can approach the Consumer Grievance Redressal Forum constituted under section 42(5), of the Electricity Act, 2003 by the Commission or approach the Electricity Ombudsman constituted by the Commission under the provisions of Section 42(6) of the Electricity Act, 2003.

Commission's View:

The Commission agrees with the response of Petitioner.

3.11: Raise in Tariff for Water and Sewage Pumping Stations (HTMD - II)

Objection:

The objector has stated that the Commission has approved special concessional tariff category for water and savage pumping station (HTMD-II). In spite of this, the Petitioner has proposed an increase of 150% up to first 500 KVA and 127% above 500 KVA.

Increase in demand charges shall discourage the usage of renewable sources such as wind energy as the rebate received will be reduced by considerable percentages. A proper balance should be there between energy and demand charges. so that the energy conservation and use of renewable energy will become feasible.

TPL's response:

The Petitioner recovers about 26% of the total fixed cost in HT category by way of the demand charges and the balance fixed cost is being recovered through the energy charges. Hence, the recovery of fixed cost due to non-utilization of electricity is being borne by other consumers. This amounts to cross-subsidization by the other consumers to the consumers having lower utilization of the contracted capacity. The same is contrary to the principles of Section 61(g) of the EA, 2003.

The Petitioner, therefore, submits that the rationalization of demand charges is imperative.

Regarding the observation of higher demand charges in HT Category for the demand in excess of 500 KVA, the Petitioner would like to clarify that it has given due consideration to HTMD-II category by proposing telescopic feature in demand charges to provide benefit of lower demand charges of first slab to all the connections having demand above 500 KVA.

Commission's View:

The proposal is examined and appropriate decision taken.

3.12: TOU Charges

Objection:

The objector has stated that the Petitioner has proposed to increase in TOU charges by 14%. HT connections taken by Surat Municipal Corporation for water supply, sewage disposal or offices are such, the hours of usage cannot be shifted, as water supply hours or removing sewage disposal from wet well of sewage pumping station cannot be shifted. Hence, relaxation to SMC / local authorities should be given from additional burden in TOU charges.

TPL's response:

The flattening of load through implementation of time differentiated tariff is in line with GERC (DSM) Regulations, 2012. Hence, the Petitioner prays to the Commission to approve the TOU scheme as proposed in the tariff schedule.

Commission's View:

The Time of Use tariff is required as a Demand Side Management measure to reduce peak demand of the system.

3.13: Not to recover the entire revenue gap through increase in Tariff

Objection:

The objector has stated that in accordance with Clause 8.1 (5) of NTP the gap should be met through tariff charges and through alternative means that could inter-alia include financial restructuring and transition financing. Since tariff increment is not the only way as a Tariff Policy, other means also should be explored by the Petitioner.

TPL's response:

TPL is one of the efficient utilities in the country and requested the Commission to approve the gap. The Clause 5.2 (h) (4) of the National Tariff Policy (NTP) specifies that all the uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. As other mechanisms such as transition financing leads to burdening of the future consumers with the past costs, the Petitioner has requested the Commission to approve the recovery of the entire gap through the tariff revision.

Commission's View:

This is examined and appropriate decision taken.

3.14: Modification in FPPPA formula

Objection:

The objector has stated that the Petitioner has prayed to modify the FPPPA formula and demanded to recover the identified under - recovery of H1 (2012-13) in the form of Additional Charge which should not be accepted. Present FPPPA formula is declared by the Commission after considering all aspects.

TPL's response:

TPL has requested to allow recovery of cost which has been incurred in power purchase and REC purchase during H1 of FY 2012-13 but not recovered through the existing FPPPA formula. Such under-recovery in the existing FPPPA formula leads to the accumulation of unrecovered cost at the end of the year. Hence, to avoid the unrecovered cost along with carrying cost, the Petitioner has proposed the Additional Charges in line with the provisions of the Tariff Policy. The Petitioner requests the Commission to allow the recovery through Additional Charge as prayed for.

Commission's View:

The Commission has retained the existing FPPPA formula for FY 2013-14.

3.15: Segregated Accounting Statements

Objection:

The objector has stated that there are doubts about the segregated accounting statements submitted along with the petition.

TPL's response:

TPL prepares and maintains the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the Companies Act, 1956. The segregated Accounting Statements for the FY 2011-12, duly certified by the Statutory Auditors' of the Company, have been made available along with the Petition.

Commission's View:

TPL's response is noted.

3.16: Capital Expenditure

Objection:

The Objectors have raised certain issues in relation to capital expenditure and stated the Petitioner is incurring high imprudent Capital Expenditure.

TPL's response:

The Petitioner strongly refutes all the allegations. The Petitioner further submits that the need for investment is being assessed based on the existing network, future load growth, safety and reliability of supply. All investments are made after detailed due diligence based on the need for the same besides best industry practices and guidelines specified by various regulations and the authority.

Commission's View:

The Commission approves the capital investment after examining the need for such investment. However, the interest and depreciation are allowed only on actual capitalization and asset put to use.

3.17: Checking the Sales Figures

Objection:

The Objectors have requested the Commission to check the figures of Sales to Consumers with that of the returns filed in the office of Commissioner of electricity duty.

TPL's response:

Overall sales data are same. It may kindly be noted that the categorization of consumers for Electricity Duty is different than the tariff schedule.

Commission's View:

The objection and the response of Petitioner are noted.

3.18: Transmission Losses

Objection:

The objector has stated that a clear statement is required as to which transmission entity, the purported transmission loss is chargeable.

TPL's response:

The transmission loss mentioned in the Petitions is pertaining to GETCO and TPGL network for sourcing power at Ahmedabad and 220 kV network for Surat supply area. The losses of 220 kV network have been dealt with separately at the actual level as per the MYT Order.

Commission's View:

TPL's response is noted.

3.19: Relationship between the purchase of electrical component and wheeling of energy from energy sources

Objection:

The objector has stated that the relationship between the purchase of electrical component and wheeling of energy from renewable energy sources, is to clarified.

TPL's response:

The purchase of electrical component is pertaining to the purchase of physical electricity from the renewable sources on payment only towards the electrical component in accordance with the CERC (RE) Regulation, 2010. In the referred para, the wheeling electricity is related to wheeling of electricity generation from the wind generating stations to the captive consumers.

Commission's View:

TPL's response is noted.

3.20: Purchase of power from Power Exchange and UI

Objection:

The Objector has sought clarification regarding purchase from power exchange and UI. It may also be stated if UI resulted in net gain or loss during the year.

It may be disclosured as to who were the buyers and at what average price the power was sold? This would set the doubts of "round trip purchase" to rest.

TPL's response:

UI is not included in the purchase of power from power exchange. Regarding the UI, it is to be stated that it considers the diurnal & seasonal factors along with trends for scheduling purpose. However, UI depends upon various factors which are beyond the control of the Petitioner. The Petitioner makes all endeavours to reduce the cost. It has resulted into net gain for the year under consideration. The UI deviation pertaining to Ahmedabad Supply Area is not loaded to Surat.

Commission's View:

Unscheduled Interchange (UI) is the underdrawl or overdrawl against the scheduled power. UI mechanism is developed to improve grid discipline by imposing charges on those who defer from their scheduled drawl.

3.21: REC

Objection:

The objector has stated that the Petitioner states that REC of Rs 119.31 Crore was purchased. TPL may disclose the average rate of REC. The context is that power news lines are blaring that market for REC is crashing and no takers for REC.

TPL's response:

Clause 4.1 of the GERC (Procurement of Energy from Renewable Energy Sources) Regulation, 2010 specifies the Renewable Power Purchase Obligation (RPPO) for the obligated entities. The Petitioner has made all efforts to fulfil its RPPO. The Petitioner sources renewable power as per the PPA signed with M/s GPEC and surplus power from the captive renewable consumers. Despite efforts, the Petitioner does not receive the sufficient renewable power at the preferential tariff. Hence, the Petitioner has no option but to purchase REC to fulfil its RPO. The average purchase rate of REC was Rs. 2.84 per unit for FY 2011-12.

Commission's View:

REC rate depends on market conditions.

3.22: Working Capital

Objection:

The objector has stated that the working capital eligible for interest consideration, be reduced by APDRP grants and loans if obtained and Service line contribution of prospective consumers in line with accounting principles are followed.

TPL's response:

APDRP grants, loans and SLC are capital receipts. The appropriate treatment to such capital receipts have been specified in the GERC (MYT) Regulations, 2011 and the same has been followed by the Petitioner.

Commission's View:

TPL's response is noted.

3.23: Injection of additional equity

Objection:

The objectors ask for disclosure how additional equity has been injected? Is it notional, like proportioning new and additional capital expenditure or issued in real terms? If CAPEX is proportioned in to debt and equity as per the norms, then service line contribution and SD also go to finance capital assets and cannot be part of Rate Base. GERC may discount addition based on capital receipts equity level if petition does not consider so.

TPL's response:

TPL has injected equity through the internal accrual. The Objector has suggested to consider addition of equity after netting off SLC and Security Deposit. In this regard the Petitioner would like to submit that SLC has been deducted from the assets for the calculation of eligible debt and equity. With reference to Security Deposit, it may kindly be noted that Security Deposit, which is the current liability, has nothing to do with the treatment of Capital expenditure.

Commission's View:

TPL's response is noted.

3.24: Considering 85% of Contract demand as coincident demand with system demand

Objection:

The objector has stated that the basis of considering 85% of contract demand as coincident demand with system demand needs in good measure to be explained and proved with data and down loads of meter data of consumers. The objectors assert it is actual recorded demand and intra category diversity, which is proper measure of evaluation. If 85 % of the CD is considered as coincident and subtracted from system demand, the remaining demand and connected load ratio present weird picture. The argument must fail on credibility test.

TPL's response:

HT consumers have contracted for the demand capacity which they exert on the system irrespective of their connected load. The HT consumers are required to pay the minimum demand charges at 85% of the contract demand. The coincident peak takes place during the day and generally all the HT consumers exert their demand during day time. Thus, considering the 15% margin for the demand, the Petitioner has considered the 85% of the sum Contract Demand of HT consumers as the contribution to the peak demand. The voltage wise peak demand is relevant as the ARR is segregated into HT & LT voltage level to reflect the cost of the relevant voltage level network.

Commission's View:

TPL's response is noted.

3.25: Suitability of the petition format

Objection:

The objector has stated that the petition format is not suitable as it does not reflect the real facts and figures for the distribution licensee area as the Petitioner is involved in other multiple businesses at multiple locations.

TPL's response:

All the requisite information for the present proceedings are already provided in the Petition as required under the GERC (MYT) Regulations, 2011. The baseless allegations are therefore emphatically denied. The Petitioner further submits that it prepares and maintains the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the Companies Act, 1956. The segregated Accounting Statements for the FY 2011-12, duly certified by the Statutory Auditors' of the Company, have also been made available along with the Petition.

Commission's View:

TPL's response is noted.

3.26: Petition not maintainable

Objection:

The objector has stated that the Petition is not maintainable it is in violation of the Electricity Act, 2003.

TPL's response:

It has prepared and filed the Petition in accordance with the provisions of the GERC (MYT) Regulations, 2011 read with the Electricity Act, 2003. Therefore, the objection does not have any merit.

Commission's View:

TPL's response is noted.

3.27: Compliance of Directives

Objection:

The objector has stated that the Petitioner has not complied with the directives of the Commission and stated that the Petitioner has not submitted cost benefit analysis for the capital expenditure proposed for the FY 2011-12 to FY 2015-16.

TPL's response:

It is committed to comply with all the directives issued by the Commission. Accordingly, the Petitioner has submitted the cost benefit analysis for the major expenditure proposed for the FY 2013-14 in compliance to the Commissions directives in its order dated 2nd June, 2012.

Commission's View:

The Commission monitors the compliance of directives by licensees.

3.28: Need to investigate the amount of Equity arrived at by TPL

Objection:

The objector has stated that the amount of equity arrived at by TPL after amalgamation needs to the investigated.

TPL's response:

It has calculated return on the equity as determined by the Commission as per the provisions of the GERC (MYT) Regulations, 2011. The Petitioner does not consider the service line contributions received from the consumers as part of its equity, while calculating the return on equity.

Commission's View:

The return on equity is allowed as per Regulations.

3.29: Reckless Investments

Objection:

The objector has stated that the consumers are not at all benefited by reckless investments as there is no increase in the capacity of production of electricity and there is no considerable reduction in T&D losses.

TPL's response:

It has made investments to cater to consumers' load demand and to provide reliable and quality supply to its consumers. The augmentation, up gradation and modernization made in the network have helped the Petitioner in reducing and containing the T&D losses in addition to meeting the load growth and maintaining / enhancing the system reliability.

Commission's View:

The Commission approves the capital investment after examining the need for such investment. However, the interest and depreciation is allowed only on actual capitalization and asset put to use.

3.30: Discrepancy in Power Procurement from GUVNL

Objection:

The objector has stated that there is difference in the quantum and cost shown in the Petition of power procurement from GUVNL and the data obtained by it through RTI from M/S GUVNL and alleged that the data in the petition is wrong.

TPL's response:

The difference of 60 MUs and the corresponding cost is pertaining to the sale of power to TEL-D (Dahej SEZ). It may kindly be noted that GUVNL has entered into power purchase arrangement for 150 MW on medium term basis. Out of 150 MW, 10 MW is allocated to TEL-D (Dahej Supply area), which has been approved by the Commission.

Commission's View:

TPL's response is noted.

3.31: High O&M Costs

Objection:

The objector has stated that the O&M costs of Ahmedabad and Surat are very high.

TPL's response:

The O&M costs are the actual costs incurred by it. The Petitioner has explained the reason for variation between the actual and approved O&M costs due to factors such as wage revision, high inflation and minimum wage revision due to change in law, etc.

Commission's View:

The O&M costs are approved after prudence check and as per provisions in Regulations.

3.32: Difference in revenue figures between Annual Accounts as the petition

Objection:

The objector has stated that the figure of revenue reflected in the petition is not correct and does not match with the Annual Report.

TPL's response:

The revenue figures for Ahmedabad and Surat license areas are correct and same is reflected in the Accounting Statement. It may kindly be noted that revenue for Ahmedabad area shown in the petition is Rs. 3097.21 Crore i.e. net off Prompt Payment Discount (PPD) of Rs. 38.65 Crore.

Commission's View:

TPL's response is noted.

4. Truing up of FY 2011-12

4.0 Introduction

This chapter of the order deals with the truing up of FY 2011-12 for TPL-D, Surat.

The Commission has studied and analysed each component of the ARR for the FY 2011-12 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 2011-12 along with the sales approved by the Commission in MYT order dated 6th September, 2011 as given in the Table below:

Table 4.1: Energy sales for FY 2011-12 for Surat Area

(MU)

Sl.No	Category	As per MYT Order for FY 2011-12	Actuals claimed for FY 2011-12
1	Residential	620	625.21
2	Commercial	532	905.42
3	LTP	871	374.38
4	LTMD	976	901.79
5	HTMD	246	248.57
6	Others	29	24.26
7	DoE Units	-	2.87
8	Total	3274	3082.51

The actual sales come to 3082.51 MU in the Surat area for FY 2011-12 against 3274 MU as per MYT order.

Commission's Analysis

The Commission, in the MYT order dated 6th September, 2011, had considered estimated sales of 3274 MU for Surat area for FY 2011-12. The actual energy sales in Surat area are 3082.51 MU, which is lower (191.49 MU) than the estimated sales considered by the Commission in the MYT Order.

The Commission approves the energy sales for Surat area totalling to 3082.51 MU for truing up for FY 2011-12.

4.2 Distribution Loss

Petitioner's submission

The TPL has submitted that the actual distribution loss is 4.64% in the Surat area for FY 2011-12. The distribution loss approved in the MYT order for FY 2011-12 and the actuals for FY 2011-12 are given below:

Table 4.2: Distribution loss for FY 2011-12

(%)

Particulars	As per MYT Order for FY 211-12	Audited Actual
Distribution Loss	5.15	4.64

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

The Commission approves the Distribution loss at 4.64% for Truing up of FY 2011-12.

4.3 Energy Requirement and Power Purchase

Petitioner's submission

TPL – D has submitted that the power purchase for its Ahmedabad and Surat licence areas has been carried out on collective basis and the latest power purchase cost has been apportioned between Ahmedabad and Surat on the basis of drawal of power.

Accordingly, energy requirement of Ahmedabad and Surat areas, availability of power from various sources and power purchase cost are considered together for Ahmedabad and Surat areas as below.

Energy Requirement for Ahmedabad and Surat Areas

Based on the actual energy sales and Transmission and Distribution losses, for the energy requirement of TPL – D (Ahmedabad and Surat) are given in the Table below:

Table 4.3: Energy Requirement of TPL – D for FY 2011-12

Sl.No.	All figures in Nos.	MYT Order	Actual
1	**Ahmedabad Supply Area**		
2	Energy Sales (MU)	5783.00	5721.29
3	Distribution Loss (%)	8.50%	7.53%
4	Distribution Loss (MU)	537.22	465.96
5	Energy input at distribution level (MU)	6320.22	6187.26
6	Transmission Loss (MU)	140.60	115.71
7	**Energy Requirement (A)**	**6460.82**	**6302.97**
8	**Surat Supply Area**		
9	Energy Sales (MU)	3274.00	3082.51
10	Distribution Loss (%)	5.15%	4.64%
11	Distribution Loss (MU)	177.77	149.99
12	Energy input at distribution level (MU)	3451.77	3232.52
13	Transmissions Loss (MU)	32.93	30.34
14	**Energy Requirement (B)**	**3484.70**	**3262.84**
15	**Total energy Requirement (A+B)**	**9945.52**	**9565.81**

Energy Availability for TPL – D (Ahmedabad and Surat)

TPL-D has projected the energy availability from TPL - D sources collectively for Ahmedabad and Surat license areas from its own plant at Sabarmati and Vatva of TPL-G (APP), TPL (SUGEN) Plant, wind energy for RPO obligation and other sources bilateral purchase / power exchange. The source-wise power procured for TPL-D is provided in the Table below.

Table 4.4: Energy Availability (Net) for FY 2011-12 for TPL – D supply Area (Ahmedabad and Surat)

(MU)

Sl.No.	Energy Sources	MYT Order	Actual
1	TPL – G (APP)	3370.46	3128.25
2	TPL – G (SUGEN)	5867.71	5435.28
3	GUVNL / Bilateral	861.00	697.73
4	Power Exchange	136.53	689.61
5	RPO /Wind Energy	551.31	109.25*
6	Sub-Total	10787.01	10060.12
7	Less: Sales of Surplus Power / UI	(841.49)	(494.31)
10	Total	9945.51	9565.81

** Includes the adjustments on account of wheeling and purchase of Electrical Component.*

The quantum of UI power on account of deviation from the schedule purchase has been deducted from the total energy procured. The power purchase from power exchange is mainly to meet the shortfall in power supplies.

Power Purchase Cost for Ahmedabad and Surat Areas

The TPL has submitted that power purchase depends on energy sales, distribution loss, energy requirement and the energy availability. The cost of power purchase from various sources as provided by TPL is given in the Table below.

Table 4.5: Power Purchase Cost for TPL–D supply Area for FY 2011-12

(Rs. crore)

Sl.No.	Energy Sources	MYT Order	Actual
1	TPL – G (APP)	1138.68	1212.81
2	TPL – G (SUGEN)	1988.95	2054.49
3	GUVNL	374.50+14.18	313.06
4	Power Exchange	76.32	295.27
5	RPO /Wind Energy	211.96	35.91*
6	REC	-	119.31
7	Total	3804.59	4030.85

** Includes the adjustments on account of wheeling and purchase of Electrical Component.*

Out of total power purchase cost of Rs. 4030.85 crores, TPL claimed Rs. 1354.50 crores for Surat distribution area and balance for the Ahmedabad distribution area.

Commission's Analysis

Energy Requirement

The energy requirement for Surat area submitted by the Petitioner for FY 2011-12 along with energy requirement of MYT Order has been examined. The actual energy sale is lower than approved in MYT Order and also the T&D losses. The lower sales and lower T&D losses have resulted in the reduction of energy requirement during FY 2011-12. The Commission has observed that one of the reasons for lower energy sales during FY 2011-12 is reduction in sales to LTP category, as discussed above and the other reason for lower energy requirement is reduction of T&D Loss. T&D Loss approved in MYT Order was 5.15% (177.77 MU) and the actual T&D Loss achieved is 4.64% (149.99 MU). The total energy requirement being the sum of energy sales and transmission and distribution losses is 3262.84 MU for FY 2011-12.

The Commission, accordingly, approves the energy requirement of Surat distribution area at 3262.84 MU for truing up for FY 2011-12 as summarised in Table 4.3 above.

Energy Availability

TPL has submitted that the power purchase for its Ahmedabad and Surat license areas has been carried out on collective basis. TPL has purchased power from TPL-G (APP), TPL – G SUGEN, GUVNL, Power exchange, RPO / wind energy to meet the requirement of Ahmedabad and Surat areas. All the sources are approved sources of power in the MYT order. TPL has made short-term purchase of power (1387.34 MU) from GUVNL and power exchange against 997.53 MU approved in the MYT order. This additional short-term purchase is due to shortfall in generation at TPL – G (APP) and TPL (SUGEN). The Commission observed that TPL has sold 494.31 MU of energy under sale of surplus/ UI (Unscheduled Interchange).

The Commission approves the source-wise power procured for by TPL - D for Ahmedabad and Surat areas as given in Table below:

Table 4.6: Approved Source-wise Power purchase for Truing up for FY 2011-12 for TPL – D Surat

(MU)

Sl.No.	Energy Sources	MYT Order	Actual
1	TPL – G (APP)	3370.46	3128.25
2	TPL – G (SUGEN)	5867.71	5435.28
3	GUVNL	861.00	697.73
4	Power Exchange	136.53	689.61
5	RPO /Wind Energy *	551.31	109.25
6	Sub-Total	10787.01	10060.12
7	Less: Sales of Surplus Power / UI	(841.49)	(494.31)
8	**Total**	**9945.51**	**9565.81**

Out of total power purchase of 9565.81 MU, the requirement of Surat license area is 3262.84 MU as seen from Table 4.3 above.

Power Purchase Cost

The TPL has submitted that the actual power purchase cost for FY 2011-12 along with power purchase cost approved in MYT order as given in Table 4.5 above and is reproduced below.

Table 4.7: Power Purchase Cost Approved for Ahmedabad and Surat license Areas for FY 2011-12

(Rs. crore)

Sl. No.	Energy Sources	MYT Order	Actual
1	TPL – G (APP)	1138.68	1204.86
2	TPL – G (SUGEN)	1988.95	2054.49

Sl. No.	Energy Sources	MYT Order	Actual
3	GUVNL / Bilateral	374.50+14.18	313.06
4	Power Exchange	76.32	295.27
5	RPO /Wind Energy	211.96	35.91*
6	REC	-	119.31
7	**Total**	**3804.59**	**4022.90**

** Includes the adjustments on account of wheeling and purchase of Electrical Component.*

The consolidated cost of purchase of power for TPL-D for FY 2011-12 as per Audited Accounts of Ahmedabad and Surat distribution area is Rs. 4025 crores.

As shown above, the Commission approves total power purchase cost of Rs. 4022.90 crores for the procurement of total energy of 9565.81 MU for TPL-D. Hence, per unit power purchase cost works out to Rs. 4.205 / kWh. As the Commission has approved the energy requirement of Surat distribution area as 3262.84 MU, the power purchase cost for Surat distribution area is computed as Rs. 1372.02 crores.

The Commission approves the total power purchase cost at Rs. 1372.02 crore during FY 2011-12 for Truing up.

4.4 Renewable Power Purchase Obligation (RPPO)

Petitioner's submission

The TPL has submitted that it has made efforts to fulfil its RPPO. TPL- D sources renewable power as per Power Purchase Agreement signed with GPEC for 50 MW of wind power. It also procures surplus power from captive renewable consumers.

The renewable energy requirement and renewable energy (wind energy) sources for purchase of power for FY 2011-12 are as under.

Table 4.8: Renewable Power Purchase obligation for Surat supply Area for FY 2011-12

(MU)

Sl.No.	Particulars	Quantity
1	Energy Requirement	3262.84
2	RE Procurement	-
3	Wind energy to be provided (at 5%)	163.14
4	Solar energy to be provided (0.5%)	16.31
5	Biomass energy to be provided (at 0.5%)	16.31
6	Total (6%)	195.31
	Compliance (wind energy)	
7	Wind	44.93
8	Non solar REC	131.84

Sl.No.	Particulars	Quantity
9	Compliance (wind energy) (7+8)	176.77
10	Compliance (as a % of Energy Requirement)	5.45
11	Shortfall (6-9)	19.00

The Petitioner has submitted that renewable energy from solar and Biomass / Bagasse based sources were not available during the year. Further it has not received any encouraging response from the RE developers despite release of expression of interest in the Newspapers. Thus TPL – D has purchased the REC to fulfil its obligation.

It is further submitted that the Commission in its order dated 17th August, 2012 in suo motu petition No. 1219/2012, was pleased to waive the short fall of FY 2011-12 and carry forward the short fall of FY 2011-12 to FY 2012-13**.**

Commission Analysis

In order of suo motu petition no. 1219/2012, the Commission carry forwarded the shortfall of RPPO during FY 2011-12 to FY 2012-13.

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

Petitioner's Submission

TPL has computed the gain due to reduction in distribution loss for Surat area at Rs. 7.55 crore as given in the Petition on account of reduction in distribution losses.

Commission's Analysis

The Commission has approved distribution loss at 5.15% in the MYT order whereas the TPL has claimed the actual distribution losses at 4.64% for FY 2011-12.

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	3082.51
MYT approved distribution loss	B	5.15%
Energy requirement at distribution level as per MYT approved loss	C=A/(1-B)	3249.88
Energy requirement at distribution level with actual distribution loss	D	3232.52
Reduction in energy requirement	E=C-D	17.36

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	17.36
Average power purchase cost (Rs./Kwh)	B	4.205
Gain due to improvement in distribution loss (Rs. crore)	C=AXB	7.30

The total power purchase cost and gain / losses considered in the truing up for FY 2011-12 are summarized in the Table below.

Table 4.11: Power Purchase cost and gains/(losses) approved in Truing up for FY 2011-12

Particulars	As per MYT Order for FY 2011-12	Approved in Truing up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
Power Purchase Cost	1250.23	1372.02	(121.79)	7.30	(129.09)

4.6 Fixed Charges

4.6.1 Operations and Maintenance (O&M) expenses

TPL has claimed Rs. 89.27 crore on O&M expenses consisting of Rs. 38.52 crore on employee cost, Rs. 24.35 crore on R&M expense, Rs. 26.40 crore on A&G expense against Rs. 86.63 crore of composite O&M expenses approved for FY 2011-12 in the MYT order.

Petitioner's Submission

TPL has submitted that the approved O&M expenses have been arrived at considering the escalation factor of 4% over the actual normalized O&M expenses of three years FY 2007-08, 2008-09 and FY 2009-10, while the actual weighted average inflation rate is 7.54%, 9.96% and 8.66% for FY 2009-10, FY 2010-11 and FY 2011-12, respectively. TPL has submitted the variation in O&M expenses is primarily on account of impacts of change in law and the higher rate of inflation coupled with the business growth.

TPL has submitted that actual employee cost of Surat supply area has exceeded the approved values due to increase in base level employee cost on account of wage revision carried out under the provisions of Bombay Industrial Relation Act, 1946. TPL has claimed that the variation of Rs. 1.07 crore in employee cost is on account of uncontrollable factor.

TPL has further submitted that variation in R&M and A&G expenses is primarily on account of actual higher rate of inflation compared to the inflation rate of 4% considered for three years to arrive at the approved expenses. TPL has submitted that the variation in O&M expenses needs to be true up in accordance with the MYT Regulations.

TPL has claimed a sum of Rs. 89.27 crore towards actual O&M expenses in the truing up for FY 2011-12 as shown in table below:

Table 4.12: O&M expenses claimed by TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Actual claimed in Truing-up for FY 2011-12
1	Employee Cost	38.52
2	R & M Expense	24.35
3	A & G Expense	26.40
4	**Total O & M Expense**	**89.27**

Commission's Analysis

The Commission had approved the O&M expenses at 86.63 crore as a composite expense for FY 2011-12 in the MYT order dated 6th September 2011. But TPL has split the O&M expenses component wise viz. Employee cost, R&M expenses and A&G expense. Further, TPL also claimed part variation in O&M expenses as uncontrollable. However, in view of the Regulations 23.2 (h) of GERC (MYT) Regulations, 2011, the Commission considers the entire variation in O&M expenses as controllable. The O&M expenses claimed by TPL are verified with segregated annual accounts. The A&G expenses are Rs. 28.00 crore as per segregated annual accounts and in this it includes Rs. 2.00 crore of donation which do not come under regulated expenses. The Commission disallows the expenses towards donations.

The Commission, accordingly, approves the O&M expenses at Rs. 88.87 crore as claimed by the petitioner for truing up for FY 2011-12.

The O&M expenses and the Gains / Losses approved in the truing up for FY 2011-12 are given in the Table below:

Table 4.13: O&M expenses and Gains / (Losses) approved in truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing –up for FY 2011-12	Deviation + / (-)	Gains / (losses) due to Controllable factor	Gains / (losses) due to uncontrollable factor
1	O&M Expense	86.63	88.87	(2.24)	(2.24)	-

4.6.2 Capital expenditure, Capitalization and Sources of Funding

The TPL has furnished the actual capital expenditure at Rs. 66.62 crore in the truing up for FY 2011-12 as against Rs. 83.53 crore approved in the MYT order for FY 2011-12 as detailed in the table below:

Table 4.14: Capital expenditure claimed by TPL-D, Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing –up for FY 2011-12
1	EHV	35.23	29.41
2	HT Network	16.18	12.21
3	LT Network	13.59	11.02
4	Metering	7.77	2.42
5	Customer Care and Others	10.78	11.56
6	**Total**	**83.53**	**66.62**

Petitioner's submission

Capital Expenditure and Capitalization

Capital Expenditure

TPL has submitted that the capital expenditure incurred in Surat Supply Area was lower than the approved value i.e. actual expenditure of Rs. 66.62 crore as against Rs. 83.53 crore approved in the MYT Order for FY 2011-12. 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. 35.23 crore. The actual expenditure is lower due to lower cost of power transformer & accessories and the deferment of 66 KV cable cross bonding to FY 2012-13.

HT Network: The Commission in its order in case No. 1092/2011 has approved capital expenditure of Rs. 16.18 crore. The Petitioner has incurred the capital expenditure of Rs. 12.21 crore. The variation is on account of optimization of location for creation of substations and deferment in cost due to delay in receiving permission for road opening.

LT Network: The Commission in its order in Case No. 1092/2011 has approved capital expenditure of Rs. 13.59 crore. The Petitioner has incurred the capital expenditure of Rs. 11.02 crore. The actual expenditure is lower due to slow down in commercial, industrial categories, which has resulted in reduction in number of applications for new connections compared to the estimates. Further, the conversion schemes of Low voltage overhead lines have been deferred since SMC has yet to finalize the town planning schemes.

Metering: The actual expenditure of Rs. 2.42 crore, incurred under the head of Metering, is lower than the approved as the new connections released are lower than the estimates. Further, due to tariff rationalization and "One premise one meter" concept, the overall requirement of meters has been reduced.

Customer Care & IT Initiatives: The Commission in its order in Case No. 1092/2011 has approved capital expenditure under the head for Rs. 10.78 crore. However, the expenditure for the year is Rs. 11.56 crore, primarily, due to higher cost for hardware for implementation of SAP.

Capitalization

The TPL has claimed a sum of Rs. 66.62 crore towards capitalization against the actual capital expenditure of Rs. 66.62 crore.

Commission's Analysis

Capital Expenditure and Capitalization

The net addition of assets during FY 2011-12 is Rs. 56.26 Crore as verified from the segregated audited accounts of TPL-Surat for the FY 2011-12.

The Commission observed that the petitioner has capitalized a lower amount as Rs. 83.53 crore against considered by the Commission in the MYT order for FY 2011-12.

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 to ensure that ARR is not inflated.

The Commission approves the net capitalization at Rs. 56.26 crore in the truing up for FY 2011-12.

Table 4.15: Approved capitalization and sources of funding for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing –up for FY 2011-12
1	Capital Expenditure	83.53	66.62
2	Capitalization during the year	83.53	56.26
3	Less: SLDC	9.90	8.72
4	Balance capitalization	73.63	47.54
5	Normative Debt @ 70%	51.54	33.28
6	Normative Equity @ 30%	22.09	14.26

4.6.3 Interest expenses

The TPL has claimed a sum of Rs. 42.81 crore towards actual interest expenses in the truing up for FY 2011-12 as detailed in the table below against Rs. 43.31 crore approved in the MYT Order for FY 2011-12.

Table 4.16: Interest claimed in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars Existing Loans	Amount
1	**APDRP**	
	Opening Balance	22.52
	Repayments	1.56
	Closing Balance	20.96
	Interest rate	9.00%
	Interest Expense	1.96
2	**IDFC – I**	
	Opening Balance	21.43
	Repayments	14.29
	Closing Balance	7.14
	Interest rate	8.23%
	Interest Expense	1.08
3	**IDBI**	
	Opening Balance	60.01
	Repayments	15.00

Sl. No.	Particulars **Existing Loans**	Amount
	Closing Balance	45.01
	Interest rate	13.50%
	Interest Expense	7.18
4	**HDFC – II**	
	Opening Balance	25.00
	Repayments	7.69
	Closing Balance	17.31
	Interest rate	12.50%
	Interest Expense	2.58
5	**LIC**	
	Opening Balance	77.50
	Repayments	10.00
	Closing Balance	67.50
	Interest rate	11.00%
	Interest Expense	8.05
6	**IDFC – II**	
	Opening Balance	200.00
	Repayments	25.00
	Closing Balance	175.00
	Interest rate	11.70%
	Interest Expense	18.81
7	**BOB**	
	Opening Balance	10.51
	Repayments	2.18
	Closing Balance	8.33
	Interest rate	12.25%
	Interest Expense	1.15
8	**Loans drawn in FY 2011-12**	
	Capitalization during the year	66.62
	Less: SLC additions	8.71
	Normative Debt @ 70%	40.54
	Opening balance	-
	New borrowings	40.54
	Repayments	2.11
	Closing balance	38.43
	Interest Rate	10.34%
	Interest Expense	1.99
	Total interest on loans	42.81

Petitioner's submission

The Petitioner has requested to approve interest expenses as claimed and to treat the variance as uncontrollable as it depends on the quantum of actual capitalization and the variation in the interest rates.

Commission's Analysis

The existing loans outstanding as on 01/04/2011 and the details of repayment and interest charges on these loans given in Form D-3 (TPL-D Surat Licensee Area) are verified and found to be correct.

The additional loan is of Rs. 33.28 crore, in accordance with the requirements of capitalization and source of funding as approved in Table 4.15 above.

The MYT Regulations, 2011 provide for computation of interest on loan on normative basis based on the opening balance of loan brought forward from previous year's closing balance and the capitalization and approved funding thereon. The Commission has approved the funding of net capitalization in Table 4.15. The interest is computed at 10.76% being the weighted average rate of actual loan portfolio. The Commission has recomputed the interest on loan for FY 2011-12 as detailed in the Table below:

Table 4.17: Interest approved by the Commission in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT Order
1	Opening Loan	418.32
2	New loan during the year	33.28
3	Repayment during the year	42.51
4	Closing loan	409.09
5	Average loan	413.71
6	Rate of interest	10.76%
7	Interest	44.52
8	Other borrowing costs	-
9	Total interest and finance charges	44.52

The Commission, accordingly, approves the interest and finance charges at Rs. 44.52 crore in the truing up for FY 2011-12.

With regard to the computation of Gains / Losses, the Regulation 23.2 considers variation in capitalization on account of time and/or cost overruns / efficiencies in the implementation of capital expenditure project, not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. If the gain is on account of lesser capital expenditure and capitalisation, it cannot be attributed to the efficiency of the utility to allow 2/3^{rds} of gain to the utility. Similarly if the loss is on account of more capital expenditure and capitalisation due to bonafide reasons, the utility cannot be penalised by allowing only 1/3rd of the loss in the ARR. Accordingly, the Commission decides to consider variation in capitalization as uncontrollable. Hence, the components of ARR related to capitalization, like interest and finance charges, depreciation and return on equity are considered as uncontrollable.

The Commission, accordingly, approves the Gains / Losses on account of interest and finance charges in the truing up for FY 2011-12 as detailed in the table below:

Table 4.18: Gains / (Losses) approved in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing-up for FY 2011-12	Deviation +/(-)	Gains/ (Losses) due to controllable factor	Gains/ (Losses) due to uncontrollable factor
1	Interest on Loans	43.31	44.52	(1.21)		(1.21)

4.6.4 Interest on security deposit

The TPL has claimed a sum of Rs. 9.21 crore towards interest on security deposit in the truing up for FY 2011-12 against Rs. 9.12 crore approved in the MYT Order for FY 2011-12 as detailed in the table below:

Table 4.19: Interest on security deposit claimed for TPL-D, Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing –up for FY 2011-12
1	Interest Rate	6%	6%
2	Interest on Security Deposit	9.12	9.21

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 2011-12 is higher than the estimates. TPL has further submitted that the variation in interest on security deposit is uncontrollable.

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. 9.21 crore.

The Commission, accordingly, approves the interest on security deposit at Rs. 9.21 crore in the truing up for FY 2011-12.

The deviation of Rs. 0.09 crore is considered to be a loss on account of uncontrollable factor as detailed in the table below:

Table 4.20: Approved Gains / (Losses) due to interest paid on security deposit in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing – up for FY 2011-12	Deviation +/(-)	Gains/ (Losses) due to controllable factor	Gains/ (Losses) due to uncontrollable factor
1	Interest on Security Deposit	9.12	9.21	(0.09)	-	(0.09)

4.6.5 Interest on working capital

The TPL has claimed a sum of Rs. 0.83 crore towards interest on working capital as against Nil approved in the MYT Order for FY 2011-12 as detailed in the table below:

Table 4.21: Interest on working capital claimed by for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12
1	O&M expenses for 1 month	7.22	7.44
2	1% of GFA for Maintenance spares	13.21	12.93
3	Receivables for 2months	125.93	135.11
4	Less: Security Deposit	(148.71)	(149.88)
5	Normative Working Capital	(2.34)	5.60
6	Interest Rate	11.75%	14.75%
7	Interest on working Capital	-	0.83

Petitioner's submission

The TPL has submitted that the interest on working capital is computed @ 14.75% in accordance with the GERC MYT Regulations, 2011. The Interest on Working capital has increased on account of variation in the working capital requirement and the interest rate.

Commission's Analysis

The Commission has examined the interest on working capital claimed by TPL for FY 2011-12. The Commission has observed that TPL has worked out the interest on working capital considering 14.75% the SBAR as on 01.04.2012. The Regulation 41.2 (b) specifies that interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the Financial year in which the petition is filed. TPL has submitted with reference to a query from the Commission that being truing up petition for FY 2011-12 the same is calculated as per the MYT Regulations, 2011. The Commission had taken into consideration the rate of Interest at 11.75% prevailing at the time the MYT Petition was filed. The Commission does not see any justification in TPL claiming the rate of 14.75% prevailing as on 01.04.2012 in Truing up for FY 2011-12. The Commission decides to consider the rate (SBAR) prevailing as on 1st April of the financial year for which Truing up is being done. The SBAR as on 1st April, 2011 is 13%. The Commission, accordingly, takes into consideration the SBAR of 13% in computation of Interest in Working Capital for FY 2011-12.

In computation of working capital, TPL has reduced the working capital by opening balance of security deposit of Rs. 149.88 crores for FY 2011-12. While the Commission has reduced the working capital by considering average security deposit of Rs. 152.33 crores for FY 2011-12.

Table 4.22: Interest on working capital approved for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Actual claimed in Truing-up for FY 2011-12	Approved in Truing-up for FY 2011-12
1	O&M expenses for 1 month	7.44	7.41
2	1% of GFA for Maintenance spares	12.93	12.93
3	Receivables for 1 month	135.11	135.11
4	Less: Security Deposit (Avg.)	(149.88)	(152.33)
5	Normative Working Capital	5.60	3.12
6	Interest Rate	14.75%	13%
7	Interest on working Capital	0.83	0.41

The Commission, accordingly, approves the interest on working capital at Rs. 0.41 crores in the truing up for FY 2011-12 as detailed in the above table.

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 Gains / Losses on account of interest on working capital in the truing up for FY 2011-12 as detailed in the table below:

Table 4.23: Interest on working capital approved for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing – up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Interest on Working Capital	Nil	0.41	(0.41)	-	(0.41)

4.6.6 Depreciation

The TPL has claimed a sum of Rs. 42.51 crore towards depreciation in the truing up for FY 2011-12 against Rs. 45.20 crore approved in the MYT Order for FY 2011-12 as detailed in the table below:

Table 4.24: Depreciation claimed by TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12
1	Depreciation	45.20	42.51

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 2009-10 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 2011-12 by applying CERC depreciation rates, assets classification-wise. The details of opening balance of assets as on 1st April, 2011, addition and deduction to the Gross Block during FY 2011-12 and the depreciation on the assets, asset classification-wise, are given in the petition. The Commission has considered the opening and closing balance from the segregated and audited accounts for FY 2011-12 for computation of depreciation.

The Commission, accordingly, approves the depreciation at Rs. 42.51 crore in the truing up for FY 2011-12.

As noted in para 4.6.3 above, the Commission is of the view that depreciation should be treated as uncontrollable. The Commission, accordingly, approves the Gain / Losses on account of depreciation in the Truing up for FY 2011-12, as detailed in Table below:

The Commission, accordingly, approves the Gains / Losses on account of depreciation in the truing up for FY 2011-12 as detailed in the table below:

Table 4.25: Depreciation and Gains / (Losses) due to depreciation approved in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing – up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Depreciation	45.20	42.51	2.69	-	2.69

4.6.7 Return on equity

The TPL has claimed a sum of Rs. 72.70 crore towards return on equity @ 14% in the truing up for FY 2011-12 as against Rs. 74.47 crore approved in the MYT Order for FY 2011-12 as detailed in the table below:

Table 4.26: Return on equity claimed for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12
1	Opening equity	520.87	512.18
2	Equity addition during the year	22.09	14.27
3	Closing equity during the year	542.96	526.45
4	Return on equity	74.47	72.70

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 2011-12.

Commission's Analysis

The opening equity for FY 2011-12 is as per the closing equity for FY 2010-11 approved in the True Up for FY 2010-11. TPL has followed the same methodology while computing the Return on Equity for FY 2011-12.

The Commission accordingly approves the return on equity at Rs. 72.70 crore in the truing up for FY 2011-12 as given in the table below:

Table 4.27: Return on equity approved for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Actual claimed in Truing –up for FY 2011-12	Approved in Truing for FY 2011-12
1	Opening equity	512.18	512.18
2	Equity addition during the year	14.27	14.26
3	Closing equity during the year	526.45	526.44
4	Average Equity	519.32	519.31
5	Return on Equity @ 14%	72.70	72.70

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 Gains / Losses on account of return on equity in the truing up for FY 2011-12 as detailed below.

Table 4.28: Return on equity and Gains / (Losses) approved in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing –up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Return on Equity	74.47	72.70	1.77	-	1.77

4.6.8 Income Tax

The TPL has claimed a sum of Rs. 23.18 crore towards income tax in the truing up for FY 2011-12 as against Rs. 4.98 crore approved in the MYT Order for FY 2011-12 as detailed in the table below:

Table 4.29: Income Tax claimed for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing –up for FY 2011-12
1	Income Tax	4.98	23.18

Petitioner's submission

The TPL has revised the income tax by applying the MAT rate of 20.01% on the PBT as per audited accounts. TPL has also submitted to consider the variation in Income Tax as uncontrollable.

Commission's Analysis

The Commission has directed the TPL to furnish the details of segregation of income tax paid by TPL in respect of TPL Generation, TPL Distribution Ahmedabad supply area and Surat supply area duly certified by the Auditors along with copy of challans of income tax paid vide GERC letter no. 189 dated 21st January, 2013. TPL has submitted in its reply vide its letter dated 2nd February, 2013 that TPL being the single corporate entity, income tax is paid for the company as a whole. TPL has also submitted that it has computed the income tax by applying the MAT rate of 20.01% on the PBT as per the audited accounts and submitted the copy of challans of advance tax paid towards income tax. The advance tax paid for the entire TPL is Rs. 333.55 crore as verified from the challans for FY 2011-12.

The Commission verified the PBT figures with the segregated and audited accounts for FY 2011-12 and has found that the petitioner has shown a PBT of Rs. 115.88 crore. The Commission has computed the income tax for the petitioner based on the proportion of PBT. The income tax apportioned to the TPL Surat distribution is Rs. 23.02 crore for FY 2011-12.

The Commission, accordingly, approves the income tax at Rs.23.02 crore in the truing up for FY 2011-12

The Commission has treated the income tax as an uncontrollable expense and accordingly approved the Gains / Losses on account of income tax in the truing up for FY 2011-12 as detailed in the table below:

Table 4.30: Income tax and Gains / (Losses) due to income tax approved in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing – up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Income Tax	4.98	23.02	(18.04)	-	(18.04)

4.6.9 Bad debt written off

TPL has claimed Rs. 0.21 crore towards bad debts written off in the truing up for FY 2011-12 against Rs. 0.36 crore approved in the MYT Order for FY 2011-12 as detailed in the table below:

Table 4.31: Bad debts written off claimed for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12
1	Bad Debts written off	0.36	0.21

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 (MYT) Regulations, 2011.

Commission's Analysis

The Commission has verified that the bad debts written off with reference to the segregated and audited annual accounts for FY 2011-12 and found to be correct.

The Commission, accordingly, approves the bad debts written off at Rs. 0.21 crore in the truing up for FY 2011-12.

The Commission assessed the deviation in bad debts written off at Rs. 0.15 crore as a gain and considered it as an uncontrollable item.

The Commission, accordingly, approves the Gains / Losses on account of bad debts written off in the truing up for FY 2011-12 as detailed below.

Table 4.32: Bad debts written off and Gains / (Losses) approved in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing –up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Bad Debts written off	0.36	0.21	0.15	-	0.15

4.6.10 Contingency Reserve

Petitioner's submission

TPL has proposed the contingency reserve at Rs. 0.40 crore in the truing up for FY 2011-12 which is the same as approved in the MYT order for FY 2011-12 as detailed in the table below:

Table 4.33: Contingency Reserve claimed for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12
1	Contingency Reserve	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 2011-12 and also there is no deviation in the contingency reserve.

Table 4.34: Contingency reserve and Gains / (Losses) approved in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing-up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Contingency Reserve	0.40	0.40	-	-	-

4.6.11 Non-Tariff income

The TPL has furnished the non-tariff income at Rs. 32.41 crore in the truing up for FY 2011-12 against Rs. 21.93 crore approved in the MYT order for FY 2011-12 as detailed in the table below:

Table 4.35: Non-Tariff income claimed for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing –up for FY 2011-12
1	Non-Tariff Income	21.93	32.41

Petitioner's submission

The Petitioner has submitted that the actual non-tariff income for FY 2011-12 is Rs. 32.41 crore, which is an uncontrollable item. TPL has submitted that the Commission has not considered the provision of Rs. 2.25 crore made towards the Service Tax as per para 4.6.2.1 (iii) of MYT Order dated 6th September, 2011 in case no. 1092 of 2011. TPL has reduced the Non-tariff income by Rs. 2.25 crore pertaining to Service Tax provision written back during FY 2011-12 and the actual non-tariff income is claimed at Rs. 32.41 crore.

Commission's Analysis

The Commission has verified the non-tariff income with the segregated and audited accounts for FY 2011-12 and found it to be Rs. 34.66 crore. The Commission did not consider the provision towards service tax of Rs. 2.25 crore indicated in schedule 8 of the annual accounts for FY 2009-10 in the Truing-up for FY 2009-10 under para 4.2.6 (iii) of MYT Order dated 6th September, 2011. With reference to a query from the Commission, TPL has submitted that as the amount was not considered as expenditure earlier the income due to provision written back cannot be part of the non-tariff income vide its letter dated 2nd February, 2013. Since this provision of Rs. 2.25 crore is written back in FY 2011-12 and included as income in the non-tariff income. TPL has reduced the Non-tariff income by Rs. 2.25 crore and claimed Rs. 32.41 crore in the Truing-up for FY 2011-12. The actual non-tariff works out to Rs. 32.41 (34.66 - 2.25) crore.

The Commission, accordingly, approves the non-tariff income at Rs. 32.41 crore in the truing up for FY 2011-12.

The deviation in non-tariff income at Rs. 10.48 crore is assessed as a gain 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 2011-12 as detailed below:

Table 4.36: Non-tariff income and Gains / (Losses) approved in the truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing – up for FY 2011-12	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains/ (Losses) due to uncontrollable factor
1	Non-Tariff Income	21.93	32.41	10.48	-	10.48

4.6.12 Revenue from sale of power

Petitioner's submission

The TPL has furnished the revenue from sale of power at Rs. 1621.31 crore in the truing up for FY 2011-12 against Rs. 1511.19 crore approved in the MYT Order for FY 2011-12 as detailed in the Table below.

Table 4.37: Revenue with existing tariff claimed for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12
1	Revenue from existing tariff	1511.19	1621.31

Commission's Analysis

The Commission has verified the segregated audited annual accounts for FY 2011-12 and found that the revenue from power supply is Rs. 1621.31 Cr.

Table 4.38: Revenue from sale of Power for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved in Truing-up for FY 2011-12
1	Revenue from existing tariff	1621.31

4.6.13 Gains / Losses under truing up for FY 2011-12

The Commission has reviewed the performance of TPL-D Surat Supply Area under Regulation 22 of MYT Regulations, 2011, with reference to segregated and audited annual accounts for FY 2011-12. The Commission has computed the Gains / Losses for FY 2011-12 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 6th September, 2011 and the actual claimed in truing up, approved for truing up, Gains / Losses computed in accordance with the MYT Regulations, 2011 are as given in the Table below:

Table 4.39: ARR approved in respect of TPL-D Surat in the truing up or FY 2011-12

(Rs. crore)

Sl.No	Annual Revenue Requirement	Approved for FY 2011-12 in MYT order	Claimed in Truing-up for FY 2011-12	Approved in Truing up for FY 2011-12	Deviation +/(-)	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
1	**2**	**3**	**4**	**5**	**6=(3-5)**	**7**	**8**
1	Power purchase Cost	1250.23	1354.5	1372.02	(121.79)	7.30	(129.09)
2	Operation and Maintenance expenses	86.63	89.27	88.87	(2.24)	(2.24)	
3	Depreciation	45.2	42.51	42.51	2.69		2.69
4	Interest on Loans	43.31	42.81	44.52	(1.21)		(1.21)
5	Interest on working capital	0	0.83	0.41	(0.41)		(0.41)
6	Interest on Security Deposit	9.12	9.21	9.21	(0.09)		(0.09)
7	Provision for bad debts	0.36	0.21	0.21	0.15		0.15
8	Contingency Reserve	0.4	0.4	0.4	0.00	0.00	0.00
10	Return on equity	74.47	72.70	72.70	1.77		1.77
11	Income Tax	4.98	23.18	23.02	(18.04)		(18.04)
12	**Total expenditure**	**1514.70**	**1635.62**	**1653.87**	**(139.17)**	**5.06**	**(144.23)**
13	Less: Non-Tariff income	21.93	32.41	32.41	(10.48)		(10.48)
14	**Aggregate Revenue Requirement**	**1492.77**	**1603.21**	**1621.46**	**(128.69)**	**5.06**	**(133.75)**

4.6.14 Sharing of Gains / Losses for FY 2011-12

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

The relevant Regulations are extracted below

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

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

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

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

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

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

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

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

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

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 22.6; and

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

The gain on account of controllable factors is arrived at Rs. 5.11 crore for FY 2011-12. Out of this one-third gain of Rs. 1.70 crore is to be passed on to the consumers and two-third gain of Rs. 3.40 crore is to the account of the GETCO. The entire loss of Rs. 114.00 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 ARR approved in the MYT order dated 6th September, 2011 is summarized in Table below:

Table 4.40: Revised ARR approved for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	FY 2011-12
1	ARR approved in the MYT order for FY2011-12	1492.77
2	Less: Gain on account of controllable factor to be passed on to the consumers (1/3rd)	1.69
3	Add: Loss on account of uncontrollable factor to be passed on to consumers	(133.75)
4	Revised ARR for FY 2011-12	1624.83

The Commission does not consider the carrying cost claimed for TPL as there is no such provision in MYT Regulations.

The following table summarizes the revenue gap for Surat supply area for FY 2011-12.

Table 4.41: Revenue gap for TPL-D Surat for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12	Approved in Truing up for FY 2011-12
	Surat Supply Area			
1	Net Annual Revenue Requirement	1492.76	1607.2	1624.83
2	Revenue from sale of power	1511.19	1621.31	1621.31
3	Gap/(Surplus) (1-2)	(18.43)	(14.11)	3.52
4	Total Gap / (Surplus) for earlier periods as per GERC (From FY 2007-08 to FY 2009-10)	57.18	57.18	57.18
5	Add Carrying cost @ 11% till 31st March, 2011	0.00	36.04	0.00

Sl. No.	Particulars	Approved for FY 2011-12 in MYT order	Actual claimed in Truing-up for FY 2011-12	Approved in Truing up for FY 2011-12
6	Carrying cost @ 11% considered for Gap / (surplus) till 31st March, 2013		(3.86)	0.00
7	**Cumulative Gap/(surplus) for FY 2011-12**	**38.75**	**75.25**	**60.70**

The TPL has depicted a revenue gap of Rs. 75.25 crore in the truing up for FY 2011-12 as shown in Table 4.41 above. This includes Rs. 57.18 crore towards revenue gap of earlier years and Rs. 32.18 (36.04–3.86) crore towards carrying cost thereon.

In the MYT Order dated 6th September, 2011, the Commission considered the gap of TPL Ahmedabad distribution area at Rs. 125.84 crore and of Surat distribution area at Rs. 38.74 crore. Against the consolidated gap of Rs. 164.58 crore, the Commission had revised the tariffs for FY 2011-12 to get additional revenue of Rs. 166.99 crore on an annualized basis.

It is observed that the actual gap of Rs. 3.52 crore for the TPL Surat distribution area for FY 2011-12 is due to delay of about 3 months in filing of the tariff petition for FY 2011-12 by the licensee and consequently late implementation of the revised tariff.

The Commission observes that the Distribution Licensee is not punctual in filing the tariff petition within the stipulated time. Further, various consumer organizations also repeatedly represented during the course of hearings that the consumers should not be burdened on account of default by the Distribution Licensee.

Para 8.1.7 of the Tariff Policy provides that,
"…………… It is desirable that requisite tariff changes come into effect from the date of commencement of each financial year and any gap on account of delay in filing should be on account of licensee."

In view of the above, although the Commission had condoned the delay in filing the tariff petition and considered the same for determining the tariff, the Commission decides in this truing up exercise that the consumers should not be burdened due to default by the Distribution Licensee. Condonation of delay is to consider the petition on merit instead of rejecting it straight away. But it does not imply acceptance of revenue gap due to delayed filing of the tariff petition.

Accordingly, the Commission decides that the gap of Rs. 3.52 crore for FY 2011-12, which is due to delay in filing the tariff petition and late implementation of revised tariff in the FY 2011-12, should not be carried forward as proposed by the licensee for determination of tariff for FY 2013-14.

5. Aggregate revenue Requirement for FY 2013-14

5.1 Introduction

This chapter deals with the determination of revenue gap/surplus for the FY 2013-14 for TPL-Surat area. TPL has submitted revised estimates of ARR for FY 2013-14 and requested to (i) Consider the revised estimate of ARR, (ii) Allow variations in terms of performance parameters and expenses during the truing-up exercise. With reference to a query from the Commission to clarify under what provisions the revised ARR is proposed for FY 2013-14, TPL has submitted that the Commission has powers under Regulations 7.2 read with Regulation 12 of the MYT Regulations, 2011 to consider the revised estimates.

The Commission is of the view that the existing GERC (MYT) Regulations 2011 do not provide for any revision of ARR approved for the MYT period and the circumstances do not warrant any special relaxation when the ARR approved for each year of the MYT period is subject to truing up based on audited annual accounts.

The Commission has considered the ARR approved in the MYT order dated Sep 6, 2011 for FY 2013-14 and the adjustment on account of true up for FY 2011-12 while determining the revenue gap/surplus and tariff for FY 2013-14.

5.2 Approved ARR for FY 2013-14

Based on the above approach, Table below summarises the Annual Revenue Requirement as approved by the Commission for the FY 2013-14 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 2013-14

(Rs. Crore)

Sl. No.	Particulars	FY 2013-14
1	Power Purchase Cost	1430.09
2	O & M Expenses	96.82
3	Depreciation	51.61

Sl. No.	Particulars	FY 2013-14
4	Interest on Loan	41.76
5	Interest on security deposit	9.91
6	Interest on Working Capital	-
7	Return on Equity	79.38
8	Income Tax	4.98
9	Bad Debts	0.36
10	Contingency Reserve	0.40
11	Less: Non-tariff Income	22.95
12	**Net ARR**	**1692.38**

5.3 Proposed revenue gap/surplus for FY 2013-14

The petitioner has submitted that the ARR for FY 2013-14 is Rs.1692.37 crore and the revenue from sale of power is Rs.1701.63 crore. The petitioner has estimated revenue of Rs. 1701.63 crore for FY 2013-14 based on the existing tariff including base FPPPA Rs. 0.70 per unit. The petitioner has considered the approved sales for FY 2013-14 and has applied the existing tariff while computing the revenue for the FY 2013-14.The petitioner has estimated a revenue surplus of Rs. 9.26 crore for the FY 2013-14. The revenue surplus estimated for FY 2012-13 is shown below:

Table 5.2: Proposed Revenue gap / surplus for FY 2013-14 determined by the TPL

(Rs. crore)

Sl. No	Particulars	FY 2013-14
1	Approved ARR	1692.37
2	Less: Revenue from sale of power at existing Tariff	1456.49
3	Less: FPPPA revenue @ 0.70 per unit	245.14
4	**Net gap / (surplus)**	**(9.26)**

The petitioner has claimed a carrying cost of Rs. 36.04 crore on the revenue gap approved for the previous years and considered Rs. 3.86 crore as carrying cost on the net surplus of Rs. 14.11 crore considered for FY 2011-12. 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 2013-14

(Rs. crore)

Sl. No	Particulars	FY 2013-14
1	**Total Gap / (Surplus) pertaining to FY 2013-14**	**(9.26)**
2	Gap / (Surplus) considered for FY 2011-12	(14.11)
3	Carrying cost @ 11% considered for Gap / (surplus) till 31st March, 2013	(3.86)
4	Total Gap / (Surplus) for earlier periods as per GERC (From FY 2007-08 to FY 2009-10)	57.18
5	Total Carrying cost @11% till 31st March 2013	36.04
6	**Cumulative gap / (surplus) for determination of Tariff for FY 2013-14**	**65.99**

Commission's Analysis

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. 1701.63 crore including FPPPA. The estimated gap for FY 2013-14 is given in the Table below:

Table 5.4: Estimated Revenue gap of TPL- Surat for FY 2013-14

(Rs. crore)

Sl. No	Particulars	Projected by TPL	Estimated by the Commission
1	Net : Aggregate Revenue Requirement	1692.37	1692.37
2	Revenue from sale of power at existing Tariff including FPPPA revenue @ 0.70 per unit	1701.63	1701.63
3	Net gap / (surplus) (1-2) for FY 2013-14	(9.26)	(9.26)

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. 9.26 crore for the FY 2013-14. Similarly, the Commission has estimated the revenue gap of TPL Ahmedabad area in Tariff Order in petition no. 1267/2012 at Rs. 215.61 crore for the FY 2013-14.

Table 5.5: Consolidated gap computed for FY 2013-14

Sl. No.	Particulars	TPL Ahmedabad	TPL Surat	Total
1	Total revenue gap / (surplus) for FY 2013-14	215.61	(9.26)	206.35

The consolidated gap of the TPL Distribution licensees for FY 2013-14 works out as Rs. 206.35 crore.

The MYT Regulations, 2011 provides that, 'the licensee shall file its Petition for approval of truing up of previous year and tariff for ensuing financial year by 30th November of the current financial year'.

The Commission observes that the TPL Distribution licensees are not punctual in filing the tariff petition within the stipulated time. Further, various consumer organizations also repeatedly represented during the course of hearings that the consumers should not be burdened on account of default by the TPL Distribution licensees.

Para 8.1.7 of the Tariff Policy provides that,

"…………… It is desirable that requisite tariff changes come into effect from the date of commencement of each financial year and any gap on account of delay in filing should be on account of licensee."

For this year also the TPL Distribution licensees have been late in filing the tariff petition by 30 days. The Commission extended the time period and condoned the delay in filing the tariff petition for the determination of tariff. Condonation of delay is to consider the petition on merit instead of rejecting it straight away. But it does not imply acceptance of revenue gap due to delayed filing of the tariff petition. Further, looking to the representations from various consumer organizations about burdening the consumers due to default by the TPL Distribution licensees, the Commission decides to consider only proportionate gap of the FY 2013-14 for determination of tariff. In other words, the estimated gap is reduced in proportion to the period of delay in filing the tariff petition.

Out of the total consolidated gap of TPL Distribution licensees of Rs. 206.35 crore for FY 2013-14, the Commission considers a consolidate gap of Rs. 189.39 crore and disallows the gap of Rs. 16.96 crore because of delay in filing the tariff petition by TPL Distribution licensees.

In addition to the above, the Commission considers the gap related to previous years i.e. FY 2007-08, 2008-09 and 2009-10 of Rs. 68.90 crore for the Ahmedabad Distribution area and Rs. 57.18 crore for the Surat Distribution area, totalling to Rs. 126.08 crore.

Accordingly, the Commission considers the total consolidated gap of Rs. 315.47 crore for TPL Distribution area for determination of tariff for FY 2013-14.

6. Compliance of Directives

6.1 Compliance of Directives

The Commission, in its Tariff Order dated 2nd June, 2012 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 Consumer Charter every year, to the Commission.

Compliance

The directive is complied with.

Commission's comments

Action taken by TPL is noted.

Directive 2: Capital Expenditure

TPL shall submit the detailed cost-benefit analysis for the major schemes separately.

Compliance

The cost-benefit analysis of the major schemes for the FY 2011-12 to FY 2015-16, is already submitted.

Commission's comments

Action taken by TPL is noted.

Directive 3: Cost of Supply

TPL is directed to expedite the study and furnish the details of cost of supply for each consumer category by July, 2012.

Compliance

The cost of supply study is submitted to the Commission.

Commission's Comments

Action taken by TPL is noted.

Directive 4: Creating awareness amongst consumers for Reactive Compensation

TPL should continue to conduct awareness programmes in future also.

Compliance

TPL has made various efforts to create awareness amongst the consumers and briefed the Commission.

Commission's Comments

Action taken by TPL is noted.

Directive 5: 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.

Compliance

TPL has submitted the reconciliation of units shown in the Petition with annul audited accounts.

Commission's Comments

Action taken by TPL is noted.

6.2 New Directives

TPL shall explore the possibility of procuring renewable energy to meet RPO obligation by entering into agreements with developers in Gujarat or elsewhere instead of depending entirely on the purchase of REC, which will burden the consumer, without obtaining corresponding power for the cost paid in respect of REC.

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.

7.2 Revision of FPPPA formula

TPL's Submission:

TPL, in its petition has requested for revision of the FPPPA formula, since its power purchase arrangement has undergone significant changes due to uncontrollable factors, mainly on account of Gas supply allocation etc.

Commission's View:

The Commission has examined the request of TPL and it is considered that the formula already approved by the Commission covers both fuel price adjustment and power purchase adjustment components and could be applied to the extent required for fuel price adjustment or power purchase adjustment or both. There is no need to modify the formula.

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

$$\mathbf{FPPPA = [F_{OT}+PPP_1 + PPP_2] \div [S.E]}$$

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:

$$\mathbf{F_{OT} = \sum_{n=1}^{k} \left[(H_B \ X \ OTD_A) \ X \ (Fuel \ C_A - Fuel \ C_B)\right]}$$

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

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) $$\boldsymbol{PPP2 = \sum_{m=1}^{k} [(FC_A - FC_B)]}$$

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.

7.3 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 in Rs./ MMBTU. The mix of the indigenous and imported coal for different stations is considered as approved in the tariff order for the FY 2013-14. 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 2013-14 are given below: In the case of cost of gas in Rs. /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 of secondary oil (K.Cal/Ltr)	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	69:31	3385.00	5162.00	4532	9909	30092.00	-
3	E Station	69:31	3385.00	5162.00	4532	9909	30092.00	-
4	F Station	69:31	3385.00	5162.00	4532	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 in this order.

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 the station operational parameters approved by the Commission in calculating adjustments of fuel cost. The calorific values mentioned in 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 2013-14.

7.4 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 2013-14 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 2013-14 (as per MYT order)

Sl. No	Particulars	Capacity charges / Transmission cost (Rs. crore)	Variable charges (Rs/unit)
1	TPL – G (Sugen)	690.48	2.04
2	Transmission cost	117.61	-
3	Bilateral Power Purchase	-	4.35
4	Power Exchange Market	-	5.59
5	Purchase from renewable sources	-	-
6	Wind	-	3.52
7	Biomass	-	4.40
8	Solar	-	15.00

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

The Commission had fixed base FPPPA charge 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 the 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 and Tariff order.

8.2 Wheeling charges

Petitioner's Submission

The TPL has allocated the total ARR expenditure of TPL-D 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-D Surat supply area for FY 2013-14

Sl. No.	Particulars	Wire business (%)	Retail Supply business (%)
1	Power purchase expenses	0	100
2	Employee expensed	60	40
3	Administrative and general expenses	50	50
4	Repair and maintenance expenses	90	10
5	Depreciation	90	10
6	Interest on long term loan capital	90	10
7	Interest on working capital and consumer security deposit	10	90
8	Bad debt written off	0	100
9	Income tax	90	10
10	Contribution to contingency reserve	100	0
11	Return on equity	90	10
12	Non-tariff income	10	90

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

a. ARR of Wheeling Business – Rs. 222.98 crore
b. ARR of Retail Supply Business – Rs. 1469.39 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 be segregated between HT and LT voltage levels as per peak load of the Ahmedabad Supply Area. Based on this approach, TPL-D has proposed the following wheeling charges for HT and LT voltage levels.

- HT Voltage - Rs 251.34 / kW/ month
- LT Voltage - Rs 345.18 / kW/ month

TPL-D has further stated that an open access consumer will also have to bear the following wheeling losses in addition to the wheeling charges.

Table 8.2: Wheeling charges in kind of Surat area

Particulars	FY 2013-14 Surat Area
HT Category	4.00%
LT Category	4.64%

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 8.3: Allocation matrix for segregation to Wheeling and Retail Supply for TPL-Surat Supply Area for FY 2013-14 as per GERC Regulations

Sl. No.	Particulars	Wire Business (%)	Retail Supply Business (%)
1	Power purchase expenses	0	100
2	Employee expensed	60	40

Sl. No.	Particulars	Wire Business (%)	Retail Supply Business (%)
3	Administrative and general expenses	50	50
4	Repair and maintenance expenses	90	10
5	Depreciation	90	10
6	Interest on long term loan capital	90	10
7	Interest on working capital and consumer security deposit	10	90
8	Bad debt written off	0	100
9	Income tax	90	10
10	Contribution to contingency reserve	100	0
11	Return on equity	90	10
12	Prompt payment rebate	0	100
13	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.

Table 8.4: Allocation ARR between wheeling and retail supply business for Surat for FY 2013-14

(Rs. Crore)

Sl. No.	Particulars	Total	Wire Business	Retail Supply business
1	Power purchase expenses	1430.09	0	1430.09
2	O&M expenses	96.82		
	i) Employee expenses	41.86	25.12	16.74
	ii) R&M expenses	28.30	25.47	2.83
	ii) A&G expenses	26.66	13.33	13.33
3	Depreciation	51.61	46.45	5.16
4	Interest on loan	41.76	37.58	4.18
5	Interest on consumer security deposit	9.91	0.99	8.92
6	Interest on working capital	-	-	
7	Provision for bad debt	0.36	0.00	0.36
8	Income tax	4.98	4.48	0.5
9	Contribution to contingency reserve	0.40	0.40	0
10	Return on equity	79.38	71.44	7.94
11	Less: Non-tariff income	22.95	2.30	20.65
12	**Net ARR**	**1692.38**	**222.96**	**1469.42**

The above allocations of ARR are used for determination of charges and cross subsidy surcharge for FY 2013-14.

The wheeling charges at HT voltage level for FY 2013-14 are given in the table below:

Table 8.5: Wheeling charges for HT voltage level

Sl. No.	Particulars	Surat Area
1	Energy input into HT system (MU)	3692
2	Total distribution cost wire business (Rs. crore)	222.96
3	Distribution cost for wheeling at HT (Rs. crore) at 30% of total distribution cost	66.89
4	Wheeling charges at HT (paise/kWh) (3/1)	18

Accordingly, the Commission approves the wheeling charges of 18 paise / kWh for EHT / HT network 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 2013-14 for Surat distribution area is summarised in the table below:

Table 8.6: Wheeling charges at LT voltage level

Sl. No.	Particulars	Surat area
1	Energy input into HT system (MU)	3692
2	Losses in HT system (at 4% (MU)	148
3	Energy sales in HT system (MU)	256
4	Energy input into LT system (MU) [1-(2+3)]	3288
5	Total distribution cost for wheeling business (Rs. crore)	222.96
6	Distribution cost at HT voltage (HT) level (Rs. crore) (at 30%)	66.89
7	Distribution cost at LT voltage level (5-6)	156.07
8	Wheeling charges at LT voltage level (paise /kWh)	47

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

Table 8.7: Wheeling charges in kind

Particulars	FY 2012-13 Surat Area
HT Category	4.00%
LT Category	4.64%

8.3 Cross Subsidy Surcharge

Petitioner’s Submission

Determination of Cross-Subsidy Surcharge

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

CSS = T – {[PPC/ (1- L)] + D}

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 power purchase cost of long-term power purchase in Rs. per unit

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

D is the wheeling charge in Rs. Per unit

TPL has explained the rational and for the proposed change in the formula in its petition from that given in the Tariff policy.

Commission's Analysis

The Commission computed cross subsidy surcharge based on the formula given in the Tariff Policy as given below:

S = T – {C(1+ L/100) + D}

Where:

S is the surcharge

T is the Tariff payable by the relevant category of consumers

C is the weighted average power purchase cost of top 5% at the margin excluding liquid fuel based generation and renewable power

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

D is the wheeling charge

The cross subsidy surcharge based on the above formula is worked out as shown in the table below:

Table 8.8: Cross subsidy surcharge for FY 2013-14

Sl. No.	Particulars	HT Industry
1	T	5.37 Rs. / kWh
2	C	5.48 Rs. / kWh
3	D	18 Ps. / kWh
4	L	4 %
5	S = Cross subsidy surcharge	-51 Ps. / kWh

1. Average HT tariff for FY 2013-14: 5.37 Rs. / kWh
2. Wt. Avg. Power purchase cost of top 5% at margin: 5.48 Rs. / kWh
3. Cross subsidy surcharge for HT

$$S = 5.37 - [5.48 (1+4/100) + 0.18]$$
$$= -0.51 \text{ Rs./ kWh}$$

Based on the above calculations, the cross subsidy surcharge should normally be zero. In case of other Discoms of the State, the cross subsidy surcharge is determined at Rs. 0.45 / kWh. Further, the cross subsidy surcharge emerging from the above calculation for TPL-D (S) is because the Wt. Avg. power purchase cost (C) is based on the price at power exchange which was considerably high earlier and appears to be declining.

In order to ensure a level playing field for all Open Access consumers and licensees in the State, the Commission decides to keep the uniform aggregate wheeling charges and cross-subsidy surcharge for all Open Access consumers in the State.

In the case of State owned Discom, the wheeling charge and cross-subsidy surcharge works out as 12 paise/kWh and 45 paise/kWh, respectively, for the FY 2013-14. Hence, the total wheeling charges and cross-subsidy surcharge works out to 57 paise/kWh.

As the Commission has determined the wheeling charges at 18 paise/kWh, the cross-subsidy surcharge is now fixed at 39 paise/kWh for FY 2013-14 for Open Access consumers of Ahmedabad distribution area.

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), the 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.

9.2 Proposal of TPL for increase in Retail tariffs for Surat for FY 2013-14

9.2.1 Retail Tariff

TPL-D has computed the cumulative gap for FY 2011-12 and FY 2013-14 and has proposed to recover the estimated revenue gap during FY 2013-14. TPL-D has proposed certain increase in retail supply tariffs and levy of cross subsidy surcharge on open access consumers for consideration of the Commission.

9.2.2 Issues in the existing tariff structure and Retail Tariff proposal of TPL-D

TPL has highlighted the following issues in the existing tariff structure and proposed to modify the existing tariff structure.

TPL has submitted that the proposed tariff structure is based on –

i) Consumer's capacity to pay
ii) Reasonable recovery of fixed charges reflect the fixed costs
iii) Demand Side Management by shifting consumption from peak-hours to off-peak hours.
iv) Promotion of efficient use of electricity.

TPL has highlighted the above issues in the existing tariff structure and has proposed to modify the existing structure as detailed below:

(i) Consumer's capacity to pay

As per the tariff policy the consumers who consume below 30 units per month may receive a special support. The tariff for such consumers will be at least 50% of the average cost of supply. In the present tariff structure the tariff for residential category is telescopic i.e. the consumers consuming lower units have to pay lower tariff as compared to consumers consuming higher units within the same category.

Fixed charges for consumers with lower load are less as compared to fixed charges applicable to other consumers.

TPL has submitted that since the existing tariff structure is consistent with the principle of capacity to pay, no major changes are proposed from this point of view. The tariff for BPL consumers for the first 30 units per month is proposed to be kept at the same level.

(ii) Correct recovery of fixed charges which reflect fixed costs

TPL has submitted that it incurs the following fixed costs:

a) Fixed cost of purchase of power.
b) Operations and maintenance of the network
c) Interest and depreciation on capital expenditure to establish and augment the network etc.

It is submitted that the fixed costs are to be recovered through fixed charges.

TPL has depicted the fixed costs approved in MYT order for FY 2013-14 for Surat supply area and fixed charges being recovered with the existing tariff structure as below:

Table 9.1: Cost of Supply proposed by TPL as per MYT Order

Particulars	Fixed costs (Rs./unit)	Variable cost / unit (Rs./unit)	Total (Rs./unit)	Fixed cost (%)	Variable cost (%)
Cost / unit	1.93	2.90	4.83	40	60

Estimated recovery of tariff charges in the form of fixed / demand charges for FY 2013-14.

Table 9.2: Revenue realization per unit as proposed by TPL

Particulars	Fixed costs (Rs./unit)	Variable cost / unit (Rs./unit)	Total (Rs./unit)	Fixed cost (%)	Variable cost (%)
Sales realisation / unit	0.22	4.64	4.86	5%	95%

There is a mismatch in recovery of fixed charges vis-à-vis fixed cost as projected by TPL.

Problems due to this anomaly in tariff

It is submitted by TPL that the existing fixed charges are not depictive of fixed costs and majority of fixed costs are being recovered through energy charges. The open access consumers of above 1 MW are availing open access for sourcing power from power exchange while maintaining their status as retail consumers by paying the contract demand charges. Thus, these consumers can utilise the supply from licensee at their discretion as a standby facility throughout the year without making payment of real fixed costs. The cost of making this standby facility available to open access consumer at subsidised rates is borne by other small consumers.

To protect the interest of smaller consumers and the licensee, the Act, provides for recovery of cross subsidy surcharge from such open access consumers. However, the cross subsidy surcharge is 'nil' as per existing tariff order. TPL has therefore, requested that:

a) Fixed charges shall be depictive of the fixed costs.
b) Wheeling charges should be depictive of the true cost of wheeling
c) Cross subsidy surcharge should be depictive of the actual cross subsidy in tariff.

(iii) Demand Side Management by shifting consumption from peak-hours to off-peak hours.

TPL has proposed to increase the ToU charges for HT consumers and also propose to introduce ToU charges for LTMD-2 consumers having billing demand more than 50 kW in Ahmedabad supply area. This should shift some peak-demand to non-peak hours and thereby help in flattering its load curve shaving off peak demand.

(iv) Promotion of efficient use of electricity.

a) TPL proposes to maintain the load factor incentive (for HT consumers) that is currently applicable to flatten the load curve and thereby improving the system utilisation.

b) TPL has also proposed to maintain the existing power factor (PF) adjustment charges and rebate.

9.2.3 Tariff Proposal

TPL has not proposed restructuring of tariff categories but proposed revision of tariff by increasing the fixed charges / demand charges for all consumers except BPL consumers to meet the cumulative gap of FY 2011-12 and FY 2013-14. TPL has also proposed reduction in energy charges.

The proposed tariff structure provides revision in fixed and energy charges as below:

Table 9.3: Existing and proposed Tariff structure

Sl. No.	Category	Fixed Charges		Energy Charges	
		Existing	Proposed	Existing	Proposed
1	RGP	Rs. 10 to Rs. 30 per installation per month	Rs. 25 to Rs. 75 per installation per month	300 paise/unit to 445 paise/unit	290 paise/unit to 445 paise/unit
2	GLP	Rs. 20 per installation per month	Rs. 50 per installation per month	360 paise/unit	360 paise/unit (no change)
3	Non-RGP	Rs. 35 to Rs. 50 per kW per month	Rs. 90 to Rs. 125 per kW per month	380 paise/unit to 400 paise/unit	370 paise/unit to 385 paise/unit
4	LTMD	Rs. 45 to Rs. 180 per kVA per month	Rs. 110 to Rs. 500 per kVA per month	420 paise/unit	400 paise/unit
5	ToU (for LTMD consumers)	-	-	NIL	30 paise/unit
6	HTMD-1	Rs. 100 to Rs. 180 per kVA per month	Rs. 270 to Rs. 320 per kVA per month	415 paise/unit to 405 paise/unit	375 paise/unit to 365 paise/unit
7	HTMD-2	Rs. 80 to Rs. 165 per kVA per month	Rs. 200 to Rs. 375 per kVA per month	410 paise/unit to 405 paise/unit	375 paise/unit to 365 paise/unit
8	ToU (for HT consumers)	-	-	35 paise/unit to 70 paise/unit	40 paise/unit to 75 paise/unit

By revision of tariff as shown above, TPL has computed the additional revenue of Rs. 66.82 crores which results in the total revenue for FY 2013-14 as Rs. 1768.45 crores including the fuel cost adjustment charges at the base rate.

9.3 Commission's Analysis

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 by FY 2010-11 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.

The Commission decides to continue the existing tariff structure.

TPL has proposed a significant increase in demand charge in order to compensate for the fixed charge incurred by it. However, the Commission is of the view that demand charge should not be increased beyond a certain limit in order to keep the impact of tariff hike at reasonable level for the consumers having lower consumption. The Commission decides to increase fixed and energy charge in such a way that tariff hike for all categories of consumers remains moderate, irrespective whether usage of electricity is lower or extensive. Further, the hike in energy charge instead of higher increase in fixed charge encourages efficient use of electricity and promotes DSM measures.

9.4 Revenue Gap / Surplus

The consolidated revenue gap for the TPL- Ahmedabad and TPL - Surat for the FY 2013-14 including the truing up of FY 2011-12 along with the previous years' gap is estimated at Rs. 315 Crore as shown in para 5.4. The Commission has considered the consolidated revenue gap for the TPL - Ahmedabad and TPL - Surat for determination of tariff for FY 2013-14.

It is decided to increase the tariff rates for the FY 2013-14 to meet the entire estimated gap of FY 2013-14, including gap related to previous years. Accordingly, the fixed charges / demand charges and energy charges for all the categories of the consumers are increased, except for BPL consumers, as shown in the Tariff Schedule annexed with this Order. With this increase, it is estimated that the additional revenue will be Rs. 315 crore for both the licensee areas – TPL Ahmedabad and TPL Surat.

COMMISSION'S ORDER

The Commission reiterates the Aggregate Revenue Requirement for FY 2013-14 as approved in the MYT Order dated 6th September, 2011 for TPL-D Surat as shown in the table below:

Approved ARR for TPL-D Surat for FY 2013-14

(Rs. Crore)

Sl. No.	Particulars	FY 2013-14
1	Variable Charges	1430.09
2	O&M Expenses	96.82
3	Depreciation	51.61
4	Interest on Loan	41.76
5	Interest on Security Deposit	9.91
6	Interest on Working Capital	-
7	Return on Equity	79.38
8	Income Tax	4.98
9	Bad Debts	0.36
10	Contingency Reserve	0.40
11	Less: Non-tariff Income	22.95
12	**Net ARR**	**1692.38**

The Commission considers the cumulative gap of Rs. 57.18 crore, related to earlier years of FY 2007-08, 2008-09 and 2009-10, for the purpose of tariff determination.

The retail supply tariffs for Surat distribution area for FY 2013-14 determined by the Commission are annexed to this order.

This order shall come into force with effect from the 1st April, 2013. The revised rate shall be applicable for the electricity consumption from the 1st April, 2013 onwards.

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

Place: Ahmedabad
Date: 16/04/2013

ANNEXURE: TARIFF SCHEDULE FOR FY 2013-14

TARIFF SCHEDULE

EFFECTIVE FROM 1st APRIL 2013

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. 15 per installation per month
(b)	Three Phase Supply	Rs. 45 per installation per month

For BPL household consumers*

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

PLUS

1.2 ENERGY CHARGES:

For Other than BPL consumers

(a)	First 50 units during the month	320 Paise/unit
(b)	Next 50 units during the month	350 Paise/unit
(c)	Next 150 units during the month	405 Paise/unit
(d)	Above 250 units during the month	470 Paise/unit

For BPL household consumers*

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

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

2. RATE: GLP

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

i. Crematoriums and Government and Municipal Hospitals.
ii. Charitable Institutions like hospital, dispensary, educational and Research Institute and Hostel attached to such Institution, religious premises exclusively used for worship or community prayers, registered with Charity Commissioner and specifically exempted from levy of general tax under section 2 (13) of Bombay Trust Act, 1950 read with section 9 of The Income Tax Act, 1961.
iii. Public streets Lights, gardens and conveniences.
iv. Water works and sewerage pumping services operated by Municipal Corporations.

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

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

2.1 FIXED CHARGES:

Fixed Charges	Rs. 30.00 per installation per month

PLUS

2.2 ENERGY CHARGES:

Energy Charges	380 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. 45/- Per kW per month
(b)	Next 5 kW	Rs. 60/- Per kW per month

3.2 ENERGY CHARGES:

(a)	For installations having connected load up to 10 kW	400 Paise/unit
(b)	For installations having connected load above 10kW and up to 15 kW	420 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. 65/- per kVA /month
(b)	Above 20 kVA & up to 60 KVA billing demand	Rs. 100/- per kVA /month
(c)	Above 60 kVA of billing demand	Rs. 150/- per kVA /month
(d)	In excess of contract demand	Rs. 225/- per kVA /month

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

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

PLUS

4.2 ENERGY CHARGES:

Energy charges	440 Paise/unit

PLUS

4.3 REACTIVE ENERGY CHARGES (KVARH UNITS):

For installation having contracted load of 40 kVA and above

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

5. RATE: TMP

Applicable to installations for temporary requirement of electricity supply.

5.1. FIXED CHARGE

Fixed Charge per Installation	Rs.14 per kW per Day

5.2. ENERGY CHARGE

A flat rate of	455 Paise per Unit

6. RATE: AGP

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

The rates for following group are as under

6.1 FIXED CHARGES:

Fixed Charges	Rs. 20.00 per HP per month

PLUS

6.2 ENERGY CHARGES:

Energy Charges	60 Paise/unit

Note:

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

PART-II

RATE SCHEDULE FOR SERVICE AT HIGH TENSION

7 RATE HTMD-1

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

7.1 DEMAND CHARGES:

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

(a)	First 500 KVA of billing demand	Rs. 120/-per KVA
(b)	Above 500 KVA	Rs. 200/- 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:

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

PLUS

7.2 ENERGY CHARGES:

(a)	First 400 units per kVA billing demand per month	435 Paise/unit
(b)	Remaining units consumed per month	425 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

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

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

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

PLUS

8.2 ENERGY CHARGES:

(a)	First 400 units per kVA billing demand per month	430 Paise/unit
(b)	Remaining units consumed per month	425 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. 480/- 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:

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

PLUS

9.2 ENERGY CHARGE

For all units consumed during the month	650 Paise/Unit

PLUS

9.3 TIME OF USE CHARGES:

For energy consumption during the two peak periods, viz, 0700 Hrs to 1100 Hrs and 1800 Hrs to 2200 Hrs.	
(a) For Billing Demand up to 500kVA	35 Paise per Unit
(b) 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	330 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.*