GUJARAT ELECTRICITY REGULATORY COMMISSION

Mid-term Review

of

Business Plan

For

Torrent Power Limited – Distribution

Surat

Case No. 1367 of 2013

29th April 2014

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GANDHINAGAR

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ABBREVIATIONS

A&G	Administration and General
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
Control Period	FY 2011-12 to FY 2015-16
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
EA	Electricity Act, 2003
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension Power
MGVCL	Madhya Gujarat Vij Company Limited
MTR	Mid-term Review
MU	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi-Year Tariff
MTR	Mid -term Review
O&M	Operations & Maintenance
PF	Power Factor
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
R&M	Repair and Maintenance
RLDC	Regional Load Despatch Centre
SBI	State Bank of India
SLDC	State Load Despatch Centre
UGVCL	Uttar Gujarat Vij Company Limited
WRLDC	Western Regional Load Despatch Centre

Before the Gujarat Electricity Regulatory Commission at Gandhinagar

Case No. 1367 of 2013

Date of the Order: 29/04/2014

CORAM

Shri Pravinbhai Patel, Chairman

Dr. M.K. Iyer, Member

ORDER

1. Introduction

1.1 Background

Section 16.2 of GERC (MYT) Regulations, 2011 of GERC provides for submission of the Business Plan for each Control Period by the generating Company, Transmission Licensee, Distribution Wires Business and Retail Supply Business. Based on the Business Plan, the applicant shall submit the forecast of Aggregate Revenue Requirement (ARR) for the entire control period and the expected revenue from the existing Tariffs for the first year of the control period, and the Commission shall determine ARR for the entire control period and the tariff of the first year of the control period for the Generating Company, Transmission Licensee and distribution Wires Business Plan and Retail Supply Business.

Section 16.2 of the Regulations also provides that the Generating Company, Transmission Licensee and Distribution Licensee may seek Mid-term Review of the Business Plan through an application filed three months prior to the filing of Petition for truing up for the Second year of the control period and tariff determination for the fourth year of the control period.

Regulation 17.2 of the GERC (MYT) Regulations, 2011 provides that in case of the Mid-term Review of the Business Plan under Regulation 16.2, the Petition shall comprise of modification of the ARR for the remaining years of the control period, if any, with adequate justification for the same.

Regulation 19.1 of GERC (MYT) Regulations also provides that Mid-term Review of the Business Plan/ Petition may be sought by the Generating Company Transmission Licensee and Distribution Licensee through an application filed three months prior to the specified date of filing of the Petition for truing up for the second year of the control period and Tariff determination for the fourth year of the control period.

1.2 Background and Brief History of the Petitioner

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 Ahmedabad and Gandhinagar. TPL had taken over 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 TPAL was a licensee under the Indian Electricity Act, 1910. Torrent Power Limited is a deemed licensee for distribution of electricity under Section 19 (i) (d) read in conjunction with Section 19 (1) (i) of the Gujarat Electricity Industry (Reorganisation and Regularisation) Act, 2003, and Section 14 of the Electricity Act, 2003. The Commission had granted approval to transfer / assignment of license to Torrent Power AEC Limited to incorporate the name of TPL as a licensee in place of TPAL, 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 Petition of TPL-D Ahmedabad Supply Area for Mid-term Review of the Business Plan

As per GERC (MYT) Regulations, 2011, the Petition is to be filed three months prior to the specified date for filing the petition. However, the Petitioner has requested the Commission to grant extension till 30th November, 2013 for filing Mid-term Review Petition vide its letter dated 27th August, 2013. In turn, the Commission has granted extension vide its letter no. GERC/Tariff/3513/1722 dated 31st August, 2013.

In accordance with Regulation 16.2 of GERC (MYT) Regulations, 2011, the TPL-D has filed the Petition for Mid-term Review of the Business Plan and Revision of ARR for the remaining years of the control period, i.e., FYs 2014-15 and 2015-16.

1.4 Admission of the Petition and the Public Hearing Process

The TPL-D has submitted the current petition for Mid-term Review of Business Plan and Revision ARR for balance years for FY 2014-15 and FY 2015-16 of the control period. The Commission admitted the above Petition (Case No. 1267/2013) on 4th December 2013.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed TPL-D to publish its application in the abridged form to ensure public participation. The Public Notice, inviting objections / suggestions from its stakeholders on the Mid-term Review Petition filed by it, was issued in the following newspapers on 11th December 2013.

Sl. No.	Name of the Newspaper	Language	Date of publication
1	The Times of India	English	11.12.2013
2	Gujarat Mitra	Gujarati	11.12.2013

The Petitioner also placed the public notice and the petition on its website (www.torrentpower.com) for inviting objections and suggestions on its petition. The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 10th January 2014.

The Commission received objections / suggestions from 3 stakeholder viz. Laghu Udyog Bharati – Gujarat, Shri Amarsinh Chavda and Utility Users' Welfare Association. The Commission examined the objections / suggestions received and fixed the date for public hearing for the petition on 21st February, 2014 at the Commission's Office, Gandhinagar, and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The public hearing was conducted in the Commission's Office at Gandhinagar as scheduled on the above date. Out of above mentioned three objectors, Laghu Udyog Bharti – Gujarat and Utility Users' Welfare Association participated in the public hearing and presented their objections.

A short note on the main issues raised by the objector in the submissions in respect to the Petition, along with the response of TPL-D (Surat) and the Commission's views on the response, are briefly given in Chapter 3.

1.5 Contents of this Order

The order is divided into four chapters, as under:

1. The **First Chapter** provides the background of the issue, highlights of the Petition and details of the public hearing process.
2. The **Second Chapter** outlines the summary of TPL's Mid-term Review Petition.
3. The **Third Chapter** provides a brief account of the public hearing process, including the objections raised by various stakeholders, TPL's response and the Commission's views on the response.
4. The **Fourth Chapter** deals with Mid-term Review of the Business Plan and Revision of ARR for FY 2014-15 and FY 2015-16.

2. Summary of TPL's Petition

The TPL-D has projected its Revised Aggregate Revenue Requirement for FY 2014-15 and FY 2015-16, as part of Mid-term Review process for the remaining years of the control period.

2.1 Mid-term Review for FY 2014-15 and FY 2015-16

The comparison of revised projections for FY 2014-15 and FY 2015-16 in the Mid-term Review, vis-à-vis the costs approved by the Commission in the MYT Order dated 6th September 2011, are given as below:

Table 2.1: Mid-term Review for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
1	Power Purchase	1546.81	1960.33	1570.96	2346.30
2	O&M Expenses	102.36	104.85	108.22	114.81
3	Interest on Loans	39.36	30.34	36.45	38.14
4	Interest on SD	10.31	18.88	10.73	19.84
5	Interest on Working Capital	-	4.13	-	8.14
6	Depreciation	53.95	47.68	56.05	57.62
7	Bad Debts Written off	0.36	0.36	0.36	0.36
8	Contingency Reserve	0.40	0.40	0.40	0.40
9	RoE	81.12	76.88	82.68	84.64
10	Tax	4.98	-	4.98	-
11	Less: Non-Tariff Income	23.63	19.69	24.42	19.98
12	**ARR**	**1816.02**	**2224.15**	**1846.41**	**2650.27**

2.2 Request of TPL-D (Surat)

The TPL-D (S) has requested the Commission to

a) Admit the petition for Mid-term Review of Business Plan and approval of resultant ARR.

b) Approve the revised Business plan and approve the resultant ARR for FY 2014-15 & FY 2015-16.

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

d) 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.

e) Condone the delay in filing the present petition.

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

g) Condone any inadvertent omissions / errors / rounding off difference / shortcomings.

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

3.0 Public Response to Petition

In response to the public notice inviting objections / suggestions from stakeholders on the Petition filed by TPL for Mid-term Review of Business Plan for FY 2014-15 and FY 2015-16, 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 the consumer / consumer organizations, the response from the Petitioner and the view of the Commission are as given below:

3.1 Delay in filing of Mid-term Review Petition

Objection

The midterm review of Business plan needs to be filed three months before true-up exercise of second year of control period of year 2012-13 whereas the petition for true-up for 2012-13 is filed when present petition is filed. By this act of TPL, present petition stands quashed for not following norms of GERC (MYT) Regulations, 2011, the Commission is requested to quash the petition.

Response of TPL

Regulation 16.2 of the GERC (MYT) Regulations, 2011 provides for the Mid-term review of the business plan by the Generating Company, Transmission Licensee and Distribution Licensee three months prior to the filing of Petition for truing up. However, the Petitioner had requested the Commission to grant extension till 30th November, 2013 for filing Mid-term Review Petition. In turn, the Commission has granted extension. Accordingly, the Petitioner has filed the present petition for Mid-term review of the remaining years of the control period i.e. FY 2014-15 to 2015-16 for the approval of the Commission.

Commission's View

The Commission agrees with the response of the Petitioner.

3.2 Security Deposits

Objection

The security deposit recovered from consumers is Rs. 352.89 Cr. (Ahd.) & Rs 171.76 Cr. (Surat). Rate of interest on security deposit paid to consumers in the year 2012-13 is shown as Rs. 12.84 Cr. (Ahd.) & Rs. 15.43 Cr (Surat) @ rate of 3.7% (Ahd.) & 9.5% (Surat). So the difference in rate of interest computed is to be given effect in ARR.

Response of TPL

The Objector has wrongly considered the interest rate of 14.75% which is the rate of interest on working capital. The Petitioner has claimed Rs. 15.43 Crore as the interest on the security deposit in line with the provisions of the Act and Regulation.

Commission's View

The interest on consumer security deposits is approved as per GERC Regulations.

3.3 Procurement of the Power through Competitive bidding

Objection

The Petitioner's proposal to purchase power from its own generation is objectionable and it is suggested to carry out competitive bidding for procurement of power. Further, the per unit generation cost of SUGEN is higher, when compared to other generating stations.

Response of TPL

The Petitioner is entrusted with the obligation of supplying electricity in its area of supply i.e. Ahmedabad/ Gandhinagar and Surat. Accordingly, the Petitioner makes the necessary power purchase arrangements in line with the provisions of the EA, 2003.

The State and Central Commission's Regulations framed under the EA, 2003 stipulate for long term commitment of 25 years between the generator and distribution licensee for supply of electricity at regulated tariff irrespective of market fluctuations. Accordingly, the Petitioner has entered into the long term agreements for sourcing the power including setting up of its own generation capacity in order to fulfil its universal supply obligation. SUGEN supplies power to TPL-D for the contracted quantum at regulated tariff since 2009.

In regulatory regime, the generating station has two part tariff structure i.e. Capacity Charge and Energy Charge, for recovery of total cost. The distribution licensee is liable to pay the fixed cost spread over the 25 years in accordance with the provisions of the Regulations irrespective of the level of utilization.

At present, SUGEN plant is not being fully utilized because domestic gas is not being allocated by the Government due to lower availability of gas in the scenario of unexpected reduction in production of gas from KG basin. These are the factors which are beyond the control. Further, the GoI is making all possible efforts to address this short term situation. It may be noted that the Petitioner's power purchase arrangements are with long term approved source of power for 25 years and accordingly, the short term issue of non-availability of gas needs to be seen in long term perspective. Further, the determination of capacity charges and its payment is in accordance with the Regulations of the Appropriate Commission. In these circumstances, the comparison of generation cost on per unit basis is not relevant.

Commission's View

The response of the Petitioner is noted.

3.4 The Petition format is not suitable

Objection

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.

Response of TPL

All the requisite information for the present proceedings are already provided in the petition as required under the GERC (MYT) Regulations, 2011. The Petitioner submits that it maintains the separate accounts for the regulated business and the same gets certified by the Statutory Auditors of the Company. The segregated Accounting Statements for the FY 2012-13, duly certified by the Statutory Auditors of the Company, have also been made available along with the truing up petition. The baseless allegations are therefore emphatically denied.

Commission's View

The contents of the Petition meet the requirement of GERC Regulations.

3.5 The Petition and the business of the Petitioner are not as per the Electricity Act, 2003

Objection

The Petition is not maintainable and it is not as per the Electricity Act, 2003 and the business conducted by the Petitioned contrary to the provisions of the Electricity Act, 2003 and the Regulations. The Petitioner is conducting business contrary to the provisions of the Electricity Act, 2003 and the Regulations.

Response of TPL

The Petitioner has prepared and filed the Mid-term review 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. The Petitioner has been conducting the business in compliance with the provisions of the Electricity Act, 2003. All the activities carried out by the Petitioner are in conformity with and in consonance with the law of the land.

Commission's View

The response of the Petitioner is noted.

3.6 To Supply Power at fixed price for 5 Years

Objection

The Commission is requested to evaluate the option of making power available to the consumers at the fixed price at least for five years to facilitate the industries and the common man.

Response of TPL

The various items of expenses including power purchase depend upon various uncontrollable factors i.e. inflation, exchange rate, interest rate, change in law etc. Similarly there would be variation in sales. Therefore, the GERC (MYT) Regulations, 2011 mandate the filing of petition for truing up of expenditure and determination of tariff for each year of the control period. Further, the Tariff Policy and the Electricity Act, 2003 mandate the speedy recovery of expenditure so as not to burden the future consumers with the past cost. The Objector's suggestion is not in line with the spirit of the Act and hence cannot be considered.

Commission's View

The response of the Petitioner is noted.

3.7 Objectionable Power Purchase from various sources

Objection

The power procurement from TPL-G (APP), SUGEN, UNOSUGEN and D-Gen is objectionable as there is no FSA. It is suggested to procure power through competitive bidding.

Response of TPL

The Petitioner is entrusted with the obligation of supplying electricity in its area of supply i.e. Ahmedabad/Gandhinagar and Surat. The State and Central Commission's Regulations specified under the EA, 2003 provide for long term arrangement of 25 years between the generator and distribution licensee for supply of electricity at regulated tariff irrespective of market fluctuations. Accordingly, the Petitioner has entered into the long term agreements for sourcing the power to cater to the demand of its consumers. In the Regulatory regime, the generating station has two part tariff structure i.e. Capacity Charge and Energy Charge, for recovery of total cost. The distribution licensee is liable to pay the fixed cost spread over the 25 years in accordance with the provisions of the Regulations irrespective of the level of utilization. At present, the Petitioner's gas based plants are not being fully utilized because fuel is not being allocated due to lower availability of domestic gas in the scenario of unexpected reduction in production of gas from KG basin. These are the factors which are beyond the control of the Petitioner. Further, the GoI is making all possible efforts to address this short term situation. It may kindly be noted that the petitioner's purchase arrangements are with long term approved source of power for 25 years and accordingly, the short term issue of non-availability of gas needs to be seen in long term perspective. Further, the determination of capacity charges and its payment is in accordance with the Regulations of the Commissions.

Regarding Fuel Supply Agreements, it may kindly be noted that AMGEN has necessary coal linkage of indigenous coal. Regarding gas based stations, it may kindly be noted that the same is being governed as per GoI policy for allocation of gas and determination of price. For new gas generating station, the gas is to be allocated when the station is nearing to commence commercial operation. However, due to reduction in gas availability, the gas is not getting allocated as per prevailing government policy though the Power Sector is accorded highest priority for allocation of gas. The Electricity Act, 2003 seeks a balanced view of the various components, factors and elements of the electricity industry. It also contemplates for increasing the investment in the electricity industry.

Commission's View

The response of the Petitioner is noted.

3.8 Sales projections not realistic

Objection

The sales figures shown are not realistic as Gujarat is a developing State and reduction in sales is not a plausible scenario.

Response of TPL

In the MYT petition the Petitioner had furnished the projected sales for the control period based on historical trend duly taking into account end user surveys and ground situation. As against this, in the MYT order, the approved sales for the control period considers 5 year CAGR of FY 2010-11 over FY 2005-06. The sales were abnormally high in the FY 2010-11 due to extreme summer. This has resulted in higher than normal 5 year CAGR. This higher 5 year CAGR was applied on sales of FY 2010-11 for projecting the sales of MYT control period. Thus, the sales figures approved in MYT were higher than projection submitted by the Petitioner. Even after that, material changes have taken place resulting into the reduction in sales It may be noted that the sales forecast FY 2014-15 and FY 2015-16 is based on change in economic scenario.

Commission's View

The Commission approved the sales after prudence check and considering various factors like 5 years, 3 years and YoY CAGR, the Open Access activity etc.

3.9 Capital Investment Plan

Objection

The Commission is requested not to approve Capital Investment Plan in absence of evidence regarding the utilization of funds.

Response of TPL

All the requisite information for the present proceedings are already provided in the Petition as required under the GERC (MYT) Regulations, 2011. Further, the Petitioner would like to clarify that the public hearing is to be conducted to get suggestions from stakeholders as per the statutory provisions of the Electricity Act, 2003 and GERC (MYT) Regulations, 2011.

Commission's View

The capital investments are approval based on the need for such investments for augmentation of network etc.

3.10 High Investments

The consumers are not at all benefited by high investments as there is no considerable reduction in T&D losses.

Response of TPL

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

Commission's View

The response of the Petitioner is noted.

3.11 Investments in non-regulated areas

Objection

The Petitioner has invested in non-regulated areas like Bhiwandi, Agra and Kanpur and that expenditure is booked in its regulated businesses.

Response of TPL

Allegations of the Objector are extraneous to the present petition. Further, the Petitioner maintains separate accounts for its regulated business and the same gets certified by the Statutory Auditors of the Company. All the activities carried out by the Petitioner are in conformity with and in consonance with the law of the land.

Commission's View

The response of the Petitioner is noted.

4. Mid-term Review of the Business Plan for FY 2014-15 and FY 2015-16

4.1 Introduction

In terms of Regulation 16.2 (i) of GERC (MYT) Regulations, 2011 that a Mid-term Review of Business Plan may be sought by the Generating Company, Transmission and Distribution Licensees through an application filed 3 months prior to the filing of petition for truing up for the second year of the control period and tariff determination for the fourth year of the control period.

The Generating Company, the Transmission Company and the Distribution Companies shall file for Mid-term Review of Business Plan three months prior to the filing of Truing up for the FY 2012-13 and determination of tariff for FY 2014-15.

4.2 Submission of TPL – D (Surat)

In accordance with the above provisions the TPL-D (Surat) has submitted the Petition for Mid-term Review of Business Plan for the remaining control period for FY 2014-15 and FY 2015-16.

4.3 Summary of the Petition for Mid-term Review for the remaining control period for FY 2014-15 and FY 2015-16.

4.3.1 TPL-D (Surat) projected the Revised Aggregate Revenue Requirement for FY 2014-15 and FY 2015-16 as part of Mid-term Review vis-à-vis the figures approved by the Commission in the MYT Order dated 6th September, 2011 as given in the Table below:

Table 4.1: Revised ARR of Surat Supply Area for FY 2014-15 and FY 2015-16

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in Mid-term Review	Approved in the MYT Order	Projected in Mid-term Review
Power Purchase	1,546.81	1,960.33	1,570.96	2,346.30
O&M expenses	102.36	104.85	108.22	114.81
Interest on loans	39.36	30.34	36.45	38.14
Interest on SD	10.31	18.88	10.73	19.84
Interest on working capital	-	4.13	-	8.14
Depreciation	53.95	47.68	56.05	57.62
Bad debts written off	0.36	0.36	0.36	0.36
Contingency reserve	0.40	0.40	0.40	0.40
RoE	81.12	76.88	82.68	84.64

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in Mid-term Review	Approved in the MYT Order	Projected in Mid-term Review
Tax	4.98	-	4.98	-
Less: Non-Tariff income	(23.63)	(19.69)	(24.42)	(19.98)
ARR	**1,816.02**	**2,224.15**	**1,846.41**	**2,650.27**

4.4 Estimation of ARR for the remaining years of control period, FY 2014-15 and FY 2015-16

The Mid-term Review highlights the following items of ARR for the remaining years of control period, FY 2014-15 and FY 2015-16.

- Energy projection
- Distribution loss
- Energy Requirement and energy balance
- Power purchase
- Capital expenditure and Funding of CAPEX.
- Operations and Maintenance Expenses
- Depreciation
- Interest on loan and finance charges
- Interest on Working Capital
- Return on Equity
- Provision for Tax

The Commission has analysed and discussed the energy sales and components of expenditure under Mid-term Review of Business Plan in this section.

4.5 Energy Sales

4.5.1 Projection of Energy Sales for FY 2014-15 and FY 2015-16

TPL-D (Surat) projected the Energy Sales for FY 2014-15 and FY 2015-16 as given in the Table below:

Table 4.2: Projected Energy Sales for Surat Supply Area for FY 2014-15 and FY 2015-16, along with the approved sales in the MYT Order

(MU)

Sl. No.	Category	FY 2014-15		FY 2015-16	
		Approved in the MYT Order	Projected in Mid-term Review	Approved in the MYT Order	Projected in Mid-term Review
1	RGP	724	746	763	787
2	Non RGP	651	1266	696	1285
3	LTP	922	-	939	-
4	LTMD	1033	952	1053	953
5	HT	261	245	266	258
6	Others	32	27	34	28
7	**Total**	**3623**	**3236**	**3751**	**3310**

On a Query from the Commission, TPL-D(Surat) furnished vide its letter dated 05.02.2014, category –wise sales for FY 2012-13 and expected sales for FY 2013-14, as given below:

Table 4.3: Actual category-wise for the FY 2012-13 and expected sales for FY 2013-14

(MU)

Sl. No.	Category	FY 2012-13 (Actuals)	FY 2013-14 (Expected)
1	RGP	669.12	716.26
2	Non RGP	1228.88	1311.35
4	LTMD	956.59	895.26
5	HTMD	261.38	268.76
6	Others	27.83	25.91
7	**Total**	**3143.79**	**3217.54**

TPL-D (Surat) has submitted as follows, justifying the projections in general and for different categories in particular.

- The sales for the MYT control period were approved for the control period considering 5 year CAGR of FY 2010-11 over FY 2005-06 for major categories of RGP, Non RGP, LTMD and HTMD. The sales is likely to be lower than the approved estimates due to economic downturn coupled with change in industry-profile and captive consumption in industry. The actual sales in FY 2011-12 and FY 2012-13 have been lower than the sales approved in MYT Order.

- The Commission has approved the sales for FY 2011-12 to FY 2015-16 as per the old tariff categories in the MYT Order. As per revised tariff schedule specified by the Commission, the RGP, CGP/IGP, LTP and LTMD categories were restructured. The LTP category has been since abolished. Thus, the revised estimates of sales of LT categories are not comparable with the MYT Order for individual categories.

- **RGP:** The annual average growth in the Residential category for last few years is about 4 % to 6 %. The sales forecast for the FY 2014-15 and FY 2015-16 in the residential category for Surat license area is projected based on per service consumption trend during past years and after taking into account the increase in no. of consumers.

- **Non RGP:** This category comprises mainly of industrial and non-industrial services having connected load ≤ 15 kW. Further, industrial services comprises of textile, diamond & embroidery segments whereas non industrial services comprises of shops, showrooms and offices etc. TPL-D has revised the projected sales considering actual sales of FY 2012-13. While revising the projections, TPL-D has also taken into consideration the overall slowdown in industrial segment and conversion of textile units into embroidery units with lower consumption. In FY 2014-15, it is estimated that there will be shifting of services from Non RGP to LTMD resulting in lower sales under this category.

- **LTMD:** The consumption in this category comes mainly from industrial and non-industrial services having connected load >15 kW. Further, industrial services comprises of textile, diamond & embroidery segments whereas non industrial services comprises of shops, showrooms and offices etc. TPL-D has revised the projected sales considering actual sales of FY 2012-13. While making the projections, TPL-D has also taken into consideration the overall slowdown in industrial segment and conversion of textile units into embroidery units with lower consumption.

- **HTMD:** The category consists of sales to consumers contracting for maximum demand of 100 KW and above. The details of the projections carried out for HTMD-1 and HTMD-2 categories is enumerated hereunder:

    i) **HTMD-1:** The consumption in this category is mainly attributed to the textile, diamond industries and commercial establishments in the Surat license area. The shifting of textile process houses to outside city had continued during FY 2012-13. This was mainly on account of stringent pollution norms and higher real estate prices. The consumption was affected because these textile houses of higher load factor were replaced by consumers having lower load factor. The impact of wind set-off units in this category has been considered while deriving revised projections. Further, effect of probable Open Access consumers having demand of ≥ 1 MW is considered in revising projections for FY 2014-15 onwards.

ii) **HTMD-2:** The consumption in this category is mainly attributed to water works and pumping stations run by the local authority i.e. Surat Municipal Corporation (SMC). In line with the decision of the Government of Gujarat to promote the consumption of energy through renewable sources, SMC has installed the Solar Rooftop Panels & also Wind Turbine Generators. The impact of wind set-off units, solar generation units on sales has been considered while deriving revised projections for this category.

Looking to actual sales of FY 2011-12 & FY 2012-13 and considering the reasons as mentioned hereinabove, the revised estimates of sales for FY 2014-15 and FY 2015-16 is 3,236 MUs and 3,310 MUs, respectively.

Commission's Analysis

The actuals of category –wise sales from FY 2007-08 to FY 2012-13, and 5 year and 3 year CAGR of FY 2012-13 over earlier years are given in the Table below:

Table 4.4: Category-wise Sales from FY 2007-08 to FY 2012-13

Category	FY 2007-08 (MU)	FY 2008-09 (MU)	FY 2009-10 (MU)	FY 2010-11 (MU)	FY 2011-12 (MU)	FY 2012-13 (MU)	5 Year CAGR (%)	3 Year CAGR (%)	YOY CAGR (%)
Residential	517	538	554	595	625	669.12	5.29	6.49	7.04
Commercial	411	424	455	496	905	1228.88			
LTP	1619	1531	1583	848	374				
Commercial + LT	2030	1955	2038	1343	1279	1228.88	(9.55)	(15.51)	(3.91)
LTMD	187	164	174	881	902	956.59	38.59	76.46	5.99
HTMD	219	220	230	236	249	261.38	3.57	4.30	4.82
Others	30	30	31	29	27	27.83	(1.37)	(3.34)	3.70
Total	2983	2907	3027	3085	3082	3143.79	1.05	1.26	1.98

The Petitioner submitted, as all the LT categories are restructured, as per the revised Tariff Schedule specified by the Commission, the estimated sales of LT categories are not comparable with the MYT Order for individual categories.

Hence, it is decided to compare the sales of all LT categories together with the earlier years for arriving at the CAGR and projections for FY 2014-15 and FY 2015-16.

Table 4.5: 5 Year and 3 Year CAGR of sales with base year 2012-13

Category	FY 2007-08 (MU)	FY 2008-09 (MU)	FY 2009-10 (MU)	FY 2010-11 (MU)	FY 2011-12 (MU)	FY 2012-13 (MU)	5 Year CAGR (%)	3 Year CAGR (%)	YOY CAGR (%)
All LT Category	2734	2657	2766	2819	2806	2854.59	0.86	1.05	1.71
HT	219	220	230	236	249	261.38	3.57	4.30	4.82
Others	30	30	31	29	27	27.83	(1.37)	(3.34)	3.70
Total	2983	2907	3027	3085	3082	3143.79	1.05	1.26	1.98

LT Sales

It could be seen that the 5 Year, 3 Year CAGR for the period FY 2007-08 to FY 2012-13 has been 0.86% and 1.05%, whereas YoY sales growth was 1.71%.

The Commission considers, it is reasonable to adopt 5 year CAGR, for all the LT categories put together and approves sales accordingly and apportion these approved sales for individual categories for FY 2014-15 and FY 2015-16, in the ration of actual sales for FY 2012-13.

Based on the above, the approved sales for individual LT categories are as given in the Table below:

Category	FY 2012-13 (Actuals)	FY 2014-15 (Approved)	FY 2015-16 (Approved)
All LT Categories together	2854.59	2904	2929
RGP	669.12	681	687
Non-RGP	1228.88	1250	1261
LTMD	956.59	973	981
Total	2854.59	2904	2929

HT

It is observed, the growth in sales of this category was 3.57% for 5 Year period (FY 2007-08 to FY 2012-13), 4.30% during 3 Year period (FY 2009-10 to FY 2012-13) and 4.82% during the FY 2012-13 over FY 2011-12.

The Petitioner projected sales of 245 MU for FY 2014-15 and 258 MU for FY 2015-16, against the actual of 261.38 MU during FY 2012-13, and the approved sales of 261 MU and 266 MU during FY 2014-15 and FY 2015-16 respectively in the MYT Order.

It is submitted by the Petitioner that the consumption in this category is mainly attributable to the textile, diamond industries and commercial establishments. These units are being shifted to outside city due to stringent pollution norms. Further, the effect of probable Open Access consumers is considered in revising projections for FY 2014-15 onwards, water works and pumping stations are also included in this category. In addition, due to promotion of consumption of energy through renewable sources, the sales would further come down.

It is considered that the drop in consumption during FY 2014-15 and FY 2015-16, due to Short-Term switching over to Open Access and other reasons will be made good by the growth in consumption by the additional connections in this category including those connections of less than 1 MW to some extent.

Hence it is considered reasonable to consider the sales in this category at a growth rate of 5 year CAGR (3.57%) from FY 2012-13. Thus, the sales for HT category for FY 2014-15 and FY 2015-16, are approved at 280 MU & 290 MU for FY 2014-15 and 290 MU for FY 2015-16.

Others

The 5 Year CAGR for these consumers is negative (1.37%) and 3 Year CAGR is negative (3.34%). Since, there is no consistency in the growth of sales of these consumers, the sales are considered at the level of FY 2012-13 and approved accordingly at 28 MU for FY 2014-15 and FY 2015-16.

Approved category-wise energy sales for the FY 2014-15 and FY 2015-16

Based on the above discussions and decisions the category-wise sales approved are as given in the Table below:

Table 4.6: Category-wise Sales approved for the FY 2014-15 and FY 2015-16 for the purpose of Mid-term Review of Business Plan

(MU)

Sl. No.	Category	FY 2014-15	FY 2015-16
1	RGP	681	687
2	Non RGP	1250	1261
4	LTMD	973	981
6	HT	280	290
7	Others	28	28
8	**Total**	**3212**	**3247**

Thus, the Commission approves the energy sales for TPL-D (Surat) at 3212 MU and 3247 MU for FY 2014-15 and FY 2015-16 respectively.

4.6 Distribution Losses

The TPL-D (Surat) has projected the distribution losses for the FY 2014-15 and FY 2015-16, for Mid-term Review as given below:

Table 4.7: Projected Distribution Losses for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Distribution Losses	5.15%	5.15%

Petitioner's submission

TPL-D (Surat) has submitted that it has witnessed a higher growth in LT Load as compared to the HT load growth which would lead to higher load through LT network leading to higher distribution losses as technical losses are higher in the LT network.

TPL-D has been compelled to restrict the spending on Capex due to acute financial condition. In the light of this situation, TPL-D has been forced to restrict the capital expenditure for meeting load growth and critical safety requirements as well as for containing the increase in technical losses.

However for the purpose of projections, TPL-D has considered the normative distribution losses approved by the Commission in the MYT Order for the FY 2014-15 and FY 2015-16.

Commission's Analysis

The Commission in the MYT Order dated 6th September, 2011, approved the distribution losses at 5.15% for the entire MYT Period. The actual losses are 4.64% for FY 2010-11 & FY 2011-12 and 4.20% for FY 2012-13, which shows a reducing trend. The average losses for these three years' work out to 4.50%. The very purpose of Mid-term Review is to consider the performance and review the parameters wherever necessary. Hence it is considered reasonable to approve the losses at 4.50% for the FY 2014-15 and FY 2015-16. Thus the distribution losses are approved for the purpose of Mid-term Review as given in the Table below:

Table 4.8: Approved Distribution Losses for FY 2014-15 and FY 2015-16 for Mid-term Review of Business Plan

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Distribution Losses	4.50%	4.50%

4.7 Energy Requirement and Energy Balance

4.7.1 Energy Requirement

The total energy requirement of the distribution company to meet the total demand of its consumers is the sum of the estimated energy sales and the system losses (distribution losses) approved by the Commission.

Petitioner's submission

The TPL has submitted that since power purchase is being arranged for Ahmedabad and Surat Supply Area on collective basis, the revised energy requirements for FYs 2014-15 and 2015-16 for Ahmedabad and Surat Supply Areas have been estimated, considering the revised estimates of sales, approved distribution losses and the prevailing transmission losses.

Commission's Analysis

The Commission approved the energy requirement for Ahmedabad and Surat Supply areas, as per the approved sales, distribution losses and Transmission losses. The Transmission losses have been approved, as projected by the TPL-D.

The approved Energy Requirement is given in the Table below:

Table 4.9: Approved Energy Requirement of TPL-D for FY 2014-15 and FY 2015-16

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Projected in Mid-term Review	Approved in Mid-term Review	Projected in Mid-term Review	Approved in Mid-term Review
Ahmedabad Supply Area					
1	Energy Sales (MU)	6407.65	7011	6729.07	7483
2	Distribution Loss (%)	8.50%	7.65%	8.50%	7.65%
3	Distribution Loss (MU)	595.25	581	625.10	620
4	Energy input at Distribution level (MU)	7002.89	7592	7354.17	8103
5	Transmission Loss	117.52	118.00	155.41	155.00
6	**Energy Requirement (A)**	**7120.41**	**7710**	**7509.58**	**8258**
Surat Supply Area					
7	Energy Sales (MU)	3235.61	3212	3310.24	3247
8	Distribution Loss (%)	5.15%	4.50%	5.15%	4.50%
9	Distribution Loss (MU)	175.81	151	179.86	153
10	Energy input at Distribution level (MU)	3411.42	3363	3490.10	3400
11	Transmission Loss	47.34	47.00	32.19	32.00
12	**Energy Requirement (B)**	**3458.75**	**3410**	**3522.29**	**3432**
13	**Total Energy Requirement (A+B) (MU)**	**10579.17**	**11120**	**11031.87**	**11690**

4.7.2 Energy Availability

Petitioner's Submission

The Petitioner has submitted the source-wise likely Power Purchase as per revised estimates, which are furnished in the Table below:

Table 4.10: Projected Energy Availability of TPL-D for FY 2014-15 and FY 2015-16

(MU)

Energy Sources	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in Mid-term Review	Approved in the MYT Order	Projected in Mid-term Review
TPL - G (APP)	2901.14	2,936.66	2835.10	2,533.41
SUGEN	5797.68	4,458.84	6235.87	6,262.99
DGEN	2623.86	-	2786.54	2,160.86
Bilateral		1855.68		66.58
Wind	807	216.74	852.62	398.18
Solar		82.82		83.05
Biomass		-		-
Power Exchange	205.84	1,172.05	322.83	334.79
Sub-Total	**12335.52**	**10,722.78**	**13032.91**	**11,839.87**
Less: Sale of Surplus Power/UI	-	143.62	-	808.00
Total	**12335.52**	**10,579.17**	**13032.91**	**11,031.87**

The Petitioner has also submitted that the Commission had approved source-wise energy availability for the MYT Period, including FYs 2014-15 and 2015-16. However, the same is likely to change for the reasons enumerated hereunder;

SUGEN (Including expansion): SUGEN includes its expansion by capacity addition of UNIT 40, i.e., UNOSUGEN. The Petitioner has estimated the off take, based on the current supply of gas, as per existing agreements and its estimates of domestic gas availability. It has not considered any further availability of LNG, though available, for the purpose of present working.

DGEN: This inter-state generating station is in the final stage of commissioning. The availability of the generating station has been considered from 1st April, 2015. In the present working, the off take from the station has been estimated, based on the likely availability of domestic gas for FY 2015-16. It has not estimated the generation from LNG, though spot LNG is available.

TPL-G (APP): During the MYT period, the retirement of C Station was proposed from FY 2014-15 onwards, subject to a review of the operating conditions. Based on the current site conditions and preliminary study, C Station can still remain in operation by strengthening certain parts of the plants and its building. Accordingly, it is proposed to keep C Station in operation in the interest of all stakeholders.

Further, Vatva Station has completed 23 years in operation, as against its life of 25 years. Due to non-availability of domestic gas and higher cost of RLNG/ Spot Gas, the Vatva CCPP had to be kept in wet preservation mode. Hence, due consideration needs to be given to the following factors:

- The station is nearing completion of its life in the next two years. Therefore, the continuation of the existing generating station necessitates major capital expenditure for life extension of the station.

- The SHR of this old generating station is higher than the new gas generation added with advanced technology. Further, the price of domestic gas is likely to increase and therefore, the implication of difference in SHR is likely to increase further.

- The tenures of the existing gas agreements expire on 31.03.2014. The renewal of gas agreement requires the commitment for Take/ Pay at new gas price, along with Ship/ Pay for gas transportation for the next five years.

Hence, considering the financial implications of the above factors, it is proposed to retire the Vatva Generation facilities.

Accordingly, the revised utilisation of Ahmedabad Generation Facilities is estimated, considering the availability of C – Station and retirement of Vatva CCPP for FYs 2014-15 and 2015-16.

Commission's Analysis

The Commission considers that it is reasonable to consider the availability from different sources, as mentioned below:

- TPL-G APP: The availability from TPL-G APP is considered as approved in the Mid-term Review of the generation business plan.
- DGEN: No availability is considered from this source as tariff for the energy from this source is not determined/adopted by the Commission.
- SUGEN: The SUGEN expansion is not considered by the Commission, as tariff for the energy from this source is also not determined by the Commission. Accordingly, the energy availability from SUGEN existing plant is considered by the Commission at 3345 MU and 4698 MU for FYs 2014-15 and 2015-16, respectively based on the assumptions made by TPL regarding current supply of gas as per existing agreements and its estimate of domestic gas availability. The Commission has also not considered any further availability of LNG.
- From bilateral sources the energy availability is considered as projected by TPL-D.

- In case of renewable energy sources the availability is considered as per prevailing renewable energy purchase obligation (Wind energy @ 6.25%, Solar energy @ 1.25% and Bio-mass/Biogas/others @ 0.50% of the energy requirement.
- The balance energy availability is considered from power exchange.

Thus, the availability, as approved by the Commission is as given in the Table below:

Table 4.11: Power Availability considered by the Commission

(MU)

Energy Sources	FY 2014-15	FY 2015-16
TPL-G (APP)	2953	2548
SUGEN	3345	4698
DGEN	0	0
GUVNL/Bilateral	1855.68	66.58
Wind	695	730.63
Solar	139	146.13
Bio-mass	55.56	58.45
Power Exchange	2076.72	3442.21
Total	**11120**	**11690.00**

4.8 Power Purchase

Petitioner's submission

The source-wise power purchase cost projected by the Petitioner is given in the Table below:

Table 4.12: Projected Source-wise Capacity Charges for TPL-D Supply Area for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	TPL - G (APP)	345.14	356.46
2	SUGEN (including expansion)	1,157.23	1,164.75
3	DGEN	-	580.97
4	**Total Capacity Charges**	**1,502.37**	**2,102.18**
5	Transmission Cost	48.98	195.92
6	**Total**	**1,551.35**	**2,298.11**

Table 4.13: Projected Source-wise Variable Purchase Rate for TPL-D Supply Area for FY 2014-15 and FY 2015-16

(Rs./kWh)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	TPL - G (APP)	3.17	3.11
2	SUGEN (including expansion)	4.66	4.61
3	DGEN	-	4.07
4	Bilateral	3.95	3.95
5	Wind Energy	3.43	3.22
6	Solar	9.98	9.98
7	Biomass	-	-
8	Power Exchange	4.00	4.00

Table 4.14: Projected Source-wise Power Purchase Cost for TPL-D Supply Area for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	TPL - G (APP)	1,277.26	1,145.26
2	(SUGEN incl. Expansion)	3,284.03	4,149.95
3	TPL-G (DGEN)	-	1,558.41
4	Bilateral	732.99	26.30
5	Wind Energy	74.44	128.16
6	Solar	82.66	82.87
7	Biomass	-	-
8	Power Exchange	468.82	133.92
	REC	99.31	80.20
	Total	**6,019.51**	**7,305.07**

Table 4.15: Projected Total Power Purchase Cost for TPL-D Supply Area for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Total Power Purchase Cost	6,019.51	7,305.07
2	Revenue from Sale of Surplus Power	56.01	315.12
3	**Net Power Purchase Cost**	**5,963.50**	**6,989.95**

The Petitioner has made the following submissions regarding the power purchase projections:

The Source-wise power purchase cost rate is projected as follows:

- TPL-G (APP): The power purchase cost of TPL – G (APP) is based on the Transfer Price arrived at from ARR computation of TPL-G (APP).
- SUGEN (Including expansion): The power purchase cost has been arrived at in accordance with the norms specified by the Hon'ble CERC in its Tariff Orders.
- D-GEN: The power purchase cost from this source is based on the provisional costing. Since this plant would be inter-state generating station, the tariff of this project would be as per the tariff determined by the Hon'ble CERC.
- Bilateral/ Power Exchange: The rates for purchase of power from these sources are based on ongoing contracts and the estimate of likely prices.
- Renewable Power: TPL has estimated the purchase of power from the renewable energy sources to fulfil the Renewable Power Purchase Obligation, in accordance with the GERC (Procurement of Energy from Renewable Sources) Regulations, 2010. Accordingly, TPL has arrived at the renewable power purchase cost at the tariff rates approved by the Commission vide the respective Tariff Orders. It has also considered the cost of power purchase from the estimated capacity addition. The Petitioner has proposed to fulfil the shortfall in RPO through purchase of REC.

The Petitioner has also made the following submissions regarding Renewable Power Purchase Obligation:

- Clause 4.1 of the GERC (Procurement of Energy from Renewable Energy Sources) Regulation, 2010, specifies the Renewable Power Purchase Obligation (RPPO) for FYs 2010-11, 2011-12 and 2012-13. TPL-D has been making all efforts to fulfil its RPPO.

- In order to estimate the requirement of renewable power for FY 2014-15 and FY 2015-16, TPL-D has considered the RPPO at the same percentage as for FY 2012-13, as provided for in the Regulation. The efforts made to fulfil the RPPO are enumerated hereunder:

Wind Power

Currently, TPL sources 50 MW wind power from M/s GPEC under a PPA signed with M/s GPEC. It also procures the surplus power from the captive Renewable consumers.

In order to fulfil the obligation, as specified in the Regulations, TPL has repeatedly published (eight times) public notices inviting Expression of Interest (EOI) for supply of power from the renewable energy sources. In the current year, TPL has issued notices on 2nd August, 2013 and 18th November 2013 in the leading newspapers in Gujarat and in India covering major cities both at state and national levels.

However, the Petitioner has received a very limited response from the developers. In response to an advertisement in August 2013, one wind developer submitted an EOI for supply of wind power @ Rs. 6 per unit, which is higher than the tariff determined by the Commission. TPL has requested the developer to adhere to the Commission approved tariff.

The Commission, in the tariff order dated 16.04.2013, has directed the Petitioner to explore the possibility of procuring renewable energy to meet RPO obligations by entering into agreements with developers, instead of depending entirely on the purchase of REC, which will burden the consumers, without obtaining corresponding power for the cost paid in respect of REC. However, as can be seen from the above, despite all efforts, the Petitioner is unable to fulfil its obligation due to supply constraints since developers are not willing to sell power at the tariff determined by

GERC. Since TPL is not able to get wind power at a preferential tariff, TPL has to purchase RECs to fulfil its obligation.

Hence, TPL has decided to develop 100 MW wind generation on its own fulfilment of its RPPO. Out of 100 MW, TPL-D proposes to allocate 65 MW to Ahmedabad license area and 35 MW to Surat license area. TPL-D expects to commission the generation from October 2015, considering the time for development and other approvals. TPL also estimates that it would be able to tie up another 50 MW wind power with an external party from 1st April 2015. The balance shortfall is proposed to be met by purchasing RECs.

Accordingly, TPL has considered compliance of wind RPO for FY 2014-15 & FY 2015-16. It has also estimated the procurement of surplus power from the captive renewable consumers.

Solar Power

TPL-D has tied up 50 MW solar power with M/s Kindle Engg. & Construction Pvt Ltd. The developer has intimated that the project would be commissioned by the revised Scheduled COD (March 2014), as approved by the Commission. The Petitioner has also signed 5 MW Gandhinagar Solar Roof Top PPA. The Roof Tops are being commissioned in phases.

Others

TPL has not received any offers to supply power at Commission approved rates in the **others** category.

Renewable Energy Certificates (RECs)

The Petitioner submits that the compliance of RPPO, by purchasing RECs, adds to the burden on the customer. The Petitioner has considered the purchase of RECs to the extent of shortfall in RPO compliance though it adds to the woes of the Petitioner in terms of the burden on the existing acute cash flow situation, since purchase of RECs is not allowed as a pass through, even in the modified approved FPPPA formula. Accordingly, TPL-D earnestly requests the Commission either to allow recovery of REC through FPPPA, or to waive the shortfall in RPPO compliance in case of non-availability of renewable power, despite repeated efforts due to supply constraints at the time of truing up. Based on the above, it has estimated the renewable power purchase obligation in the following Table.

Table 4.16: RPPO for Surat Supply Area in FY 2014-15 and FY 2015-16

(MU)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	**Energy Requirement**	3458.75	3522.29
2	**RE Procurement**		
3	Wind energy to be procured (@ 5.50%)	190.23	193.73
4	Solar energy to be procured (@1.00%)	34.59	35.22
5	Biomass/Bagasse/Others (@ 0.50%)	17.29	17.61
6	Total (7.00%)	242.11	246.56
7	**Compliance (Non-Solar)**		
8	Wind	47.28	119.77
9	Biomass/others	-	-
10	Non-Solar REC	160.25	91.57
11	Compliance	207.53	211.34
12	Compliance (as % of Energy Requirement)	6.00%	6.00%
13	**Compliance (Solar energy)**		
14	Solar	33.13	33.22
15	Solar-REC	1.46	2.00
16	Compliance	34.59	35.22
17	Compliance (as % of Energy Requirement)	1.00%	1.00%
18	**Shortfall**		
19	Non-Solar	-	-
20	Solar	-	-
21	**Total**	**-**	**-**

Commission's Analysis

After analysing the submissions of the Petitioner, the Commission has decided to consider the source-wise power purchase cost, based on the following:

i. For TPL-G (APP) station, it has been decided to consider the fixed and variable costs, as approved in the Mid-term Review of Generation Business Plan for FYs 2014-15 and 2015-16 for TPL-G (APP).

ii. With regard to GUVNL/Bilateral, M/s TPL has entered a power purchase agreement with GUVNL for purchase of power on Short-Term basis. The PPA provides for a rate of Rs. 3.40/ kWh for RTC power (0.00 to 24.00 Hrs.) and Rs. 3.80/ kWh for day power (9.00 to 21.00 Hrs.) with take or pay provision. TPL may not be requiring power on RTC basis, hence the purchase of power at Rs. 3.80/kWh is considered for drawal of entire power as per PPA.

iii. For purchase from SUGEN, the power purchase cost per kWh has been considered, as per actual fixed cost, actual transmission cost and actual variable charge (Rs./kWh) as approved in the True-up for FY 2012-13.

iv. Purchase from renewable sources, the power price (Rs./kWh) is considered as prevailing tariff orders issued by GERC for respective renewable energy sources.

v. For purchase from Power Exchange the price is also considered as Rs. 3.91/kWh which is the rate approved in the truing up for FY 2012-13 which also compares well with present market rate.

vi. As the Commission has anticipated energy availability from renewable sources to the extent of prevailing RPPO, REC cost is not considered.

Based on the above, the source-wise power purchase cost is approved, as given in the Table below:

Table 4.17: Source-wise Power Purchase Cost approved by the Commission for TPL-G (APP)

Sl. No.	Energy Source	FY 2014-15			FY 2015-16		
		Quantity (MU)	Rate (Rs./kWh)	Cost (Rs. Crore)	Quantity (MU)	Rate (Rs./kWh)	Cost (Rs. Crore)
1	TPL-G(APP)	2953	3.99	1178.25	2548	4.13	1052.32
2	SUGEN	3345	5.86	1960.17	4698	5.86	2753.03
3	DGEN	0	0	0.00	0	0	0.00
4	GUVNL/Bilateral	1855.68	3.80	705.16	66.58	3.80	25.30
5	Wind	695	4.21	292.60	730.63	4.21	307.60
6	Solar	139	9.63	133.86	146.13	9.63	140.72
7	Bio-mass	55.56	5.04	28.00	58.45	5.04	29.46
8	Power Exchange	2076.76	3.91	812.01	3442.21	3.91	1345.90
9	**Total**	**11120**		**5110.04**	**11690.00**		**5654.33**

Any variations in the above cost can be passed on to the consumers through FPPPA/True-up.

Surplus Power

The total energy available from various sources is as per the energy requirement of TPL-D, hence there is no surplus energy which can be projected for sale.

Net Power Purchase Cost

The approved power purchase cost is allocated to Ahmedabad and Surat Distributions in proportion to the respective energy requirements, as given in the Table below:

Table 4.18: Approved power purchase cost for Ahmedabad and Surat Areas

(Rs. Crore)

Sl. No	Distribution	FY 2014-15	FY 2015-16
1	Total Power Purchase Cost	5110.04	5654.33
2	For Ahmedabad	3543.02	3994.31
3	For Surat	1567.02	1660.02

4.9 Capital Expenditure Plan

TPL-D has projected the capital expenditure in the MTR at Rs. 106.65 Crore for FY 2014-15 and Rs. 280.96 Crore for FY 2015-16, as against Rs. 52.15 Crore and Rs. 42.45 Crore approved for FY 2014-15 and FY 2015-16 respectively in the MYT Order. The details are as given in the Table below:

Table 4.19: Capital Expenditure of TPL-D in FY 2014-15 & FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in the MYT Order	Projected in Mid-term Review	Approved in the MYT Order	Projected in Mid-term Review
1	EHV	7.27	54.56	2.87	15.53
2	HT Network	20.08	18.53	15.11	21.12
3	LT Network	14.47	13.95	14.53	14.42
4	Metering	7.42	6.30	7.33	5.97
5	Others	2.93	13.31	2.61	5.17
6	**Total**	**52.15**	**106.65**	**42.45**	**62.21**
7	Capital Expenditure for Own Wind Power Generation Project				218.75
8	**Grand Total**	**52.15**	**106.65**	**42.45**	**280.96**

Petitioner's Submission

The Petitioner had planned to undertake prudent capital investments for the MYT Control period for augmentation and up-gradation of the distribution network, with the following major objectives:

- To meet the anticipated load growth in the MYT period and also keeping in mind the long term forecast.
- Provide reliable power to customers.
- Maintain optimal level of Distribution Losses
- Maximise safety of network.
- Provide better customer service.

However, TPL-D has been compelled to restrict the spending on Capex, due to acute financial conditions, as a result of inadequate tariff rise. In the light of this situation, TPL-D has been forced to restrict the capital expenditure for meeting load growth and critical safety requirements. The major portion of the Capex planned for enhancing reliability and improving redundancy has had to be deferred from the FY 2011-12 and FY 2012-13 to FY 2014-15 and FY 2015-16. Despite the curtailment of Capex, TPL-D has been able to maintain its high standards of reliability due to the dedicated work of its employees and good management practices. However, such a situation and resultant reliability cannot continue indefinitely.

The major variances in the revised expenditure against the approved are detailed as under:

a) **EHV:** The Petitioner has prepared the capital expenditure plan for the MYT 2nd Control period to meet the long term demand, as well as to enhance reliability of the network.

- Commissioning of Power Transformer - Due to increase in residential and commercial loading, the existing loading on the Interconnecting Transformer (ICT) at F GIS is more than the optimal loading. In order to relieve the existing ICT and to cater to the load growth, considering the (n-1) principle, an additional 220 KV 160 MVA ICT is proposed at F GIS in 2014-15. Further, considering the current and future load growth, a new power transformer was proposed at the existing H substation in FY 2014-15. This has now been deferred to FY 2015-16.

- Commissioning of 66 KV Interconnectivity - At 66 KV receiving stations, B, C, D, E and F, the incoming 66 KV cables are fully loaded. In order to relieve the loading on the existing 66 KV cables and to cater to future load growth along with ensuring fulfilment of (N-1) criteria, 66 KV interconnectivity has been proposed as under:

  - Double Circuit F-GIS (220 kV R/S) to E (66 kV R/S) via B (66 kV R/S) (Partial)
  - Single Circuit F (66 kV R/S) to F2 (66 kV R/S)
  - Double Circuit Bhatar (220 kV R/S) to D (66 kV R/S)
  - 4th Single Circuit Cable for ICT at Bhatar and Puna 220 kV Receiving stations

  The above mentioned connectivity projects are deferred from FY 2011-12 and 2012-13, due to need for restricting the Capex and it is proposed to execute the projects in FY 2014-15 and 2015-16. The cost has been revised, based on current prices.

- Replacement of EHV equipments – The expenditure has been restricted and is proposed to incur this only for essential items/equipment.

- New Power Transformers/Replacements and Others – The replacement of power transformers at C substation has been deferred to FY 2015-16 and the cost has been revised, as per current prices.

Further, in the head of 'Others', the major expenditures pertaining to Net covering of switchyard, 66 KV bus coupler modifications at B & H substation, 11 KV interconnectivity at B and E substations have been considered.

b) **HT** – The major portion of Capex under this head is for creating and maintaining the 11 kV network for meeting the system demand and ensuring system reliability. Considering the constraints in cash flow and criticality of the EHV network, only essential and load growth related expenditure has been considered. The variation in expenditure under this head is mainly on account of curtailment of expenditure and revised lower quantum of transformers, switchgears, panels, cables and accessories.

   The Capital expenditure was estimated for HT network/ Distribution Transformer shifting due to the BRTS and Canal Corridor Project of the local authority during the beginning of the control period. However, the project has been delayed by the Authority and it is likely to materialise from FY 2013-14 onwards.

c) **LT** – In the last three years, the load growth envisaged in specific locations in Residential, Commercial and Industrial areas has not materialised. Thus, the expenditure pertaining to load growth has been revised and reduced. The expenditure pertaining to essential network modification schemes has been considered. The Capex earmarked for LT network shifting/modification due to BRTS/ Canal corridor project have been deferred to FY 2013-14 onwards due to delay by the local authority.

   Due to the requirement to curtail Capex, the expenditure pertaining to activities like conversion of overhead network to underground, installation of capacitors have been revised.

d) **Meter and Meter Equipment** – TPL-D has revised the projections for meters and related equipment, considering the expected new connections and replacement of defective meters and use of recycled meters. NABL accreditation certificate was deferred in FY 2011-12 and is now proposed in FY 2014-15.

e) **Others** – The Capex for GIS is proposed to be incurred since it would facilitate a number of applications like distribution network mapping, consumer database indexing, network analysis and load flow studies, asset management, energy audit and customer service.

The expenditure proposed under the head of Admin and Others has been carried forward from the past years.

f) **Capex for setting up own wind power generation project –** As mentioned in the earlier section on 'Renewable Power Purchase Obligation', TPL-D is setting up its own wind power generation project of 100 MW capacity. Out of the total 100 MW, 35 MW is allocated to TPL-D (S). The capital expenditure is to be incurred for erection and commissioning of the project. In this connection, TPL-D (S) has proposed to incur an expenditure of Rs. 218.75 Crore in FY 2015-16.

(Rs. Crore)

Particulars	FY 2014-15	FY 2015-16
Own wind power Generation project	-	218.75

Commission's Analysis

TPL-D has considered the capital expenditure of Rs. 50.38 Crore for FY 2013-14 as approved in the MYT Order. It is observed that TPL-D has projected a much higher capital expenditure for FY 2014-15 and FY 2015-16 in the Mid-term Review as compared to what was approved for the respective years in the MYT Order. However, TPL-D has explained the reasons for the variation in capital expenditure revised for FYs 2014-15 and 2015-16 by stating that the higher capital expenditure is mainly on account of deferment of works that could not be taken up in FY 2011-12 and FY 2012-13. TPL has further explained that it has deferred some major EHV projects and procurement of land for the planned substations, keeping in mind the load growth.

However, in view of the past performance of the TPL-D (S) in achieving the actual capitalisation out of the CAPEX approved in the previous years of the control period, it is observed that TPL-D (S) has been achieving around 67% of approved CAPEX as capitalisation as shown in the Table below:

Table 4.20: Approved Capex v/s Actual Capitalisation for FY 2011-12 & FY 2012-13

Sl. No.	Particulars	Surat	
		FY 2011-12	FY 2012-13
1	Approved Capex in MYT Order (in Rs. Crore)	83.53	69.89
2	Actual Capitalization (in Rs. Crore)	56.26	18.66
3	Achievement in percentage	67.35%	26.70%

In view of the above, the Commission finds it appropriate to allow capitalization of 67% of approved CAPEX. However, actual capitalization shall be considered by the Commission after prudence check.

Further, TPL has submitted that it is setting up its own wind power generation project of 100 MW. Out of total 100 MW, 35 MW is allocated to TPL-D Surat and proposed to incur the CAPEX to the extent of Rs. 218.75 Crore in FY 2015-16 for erecting and commissioning the project.

The Commission has examined the capital investment proposed for setting up wind mill generation project. This needs to be separately filed before the Commission with all the relevant details. This requires to be examined separately, keeping in mind GERC (procurement of energy from renewable sources) Regulations, 2011.

Accordingly, the Commission approves the Capital Expenditure and capitalisation for FY 2014-15 and FY 2015-16 in the Mid-term Review as shown in the Table below:

Table 4.21: Approved Capex & Capitalisation for TPL-D (Surat) in Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Capital Expenditure	106.65	62.21
2	Capitalisation	71.83	41.90

Capitalisation and Funding the CAPEX

The Service Line Contribution (SLC) for FY 2014-15 and FY 2015-16 is considered at the ratio of actual SLC contribution and capitalisation for FY 2012-13. The capital expenditure, capitalisation and the sources of funding proposed by TPL-D and approved by the Commission are given below:

Table 4.22: Capitalisation and Funding the Capex

(Rs. Crore)

Sl. No.	Particulars	Projected in the Mid-term Review		Approved in the Mid-term Review	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Capital Expenditure	106.65	280.96	106.65	62.21
2	Capitalisation	106.63	280.94	71.83	41.90
3	Less: SLC	9.07	9.03	37.80	22.05
4	Balance Capitalisation	-	-	34.03	19.85
5	Debt (70%)	68.29	190.34	23.82	13.89
6	Equity (30%)	29.27	81.57	10.21	5.95

The Capitalisation debt and equity will be taken into consideration for computing the depreciation, interest on normative loan and return on equity.

4.10 O&M Expenses

TPL-D has projected the O&M expenses at Rs. 104.85 Crore for FY 2014-15 and Rs. 114.81 Crore for FY 2015-16 in the Mid-term Review Petition. The O&M expenses approved for these years in the MYT Order dated 6th September, 2011 and the revised projections submitted by TPL-D are given in the following Table:

Table 4.23: Operations & Maintenance Expenses for TPL-D Surat in FYs 2014-15 & 2015-16

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Employee Expenses		47.82		52.63
R&M Expenses		27.70		29.09
A&G Expenses		29.33		30.99
Sub Total	**102.36**	**104.85**	**108.21**	**112.71**
O&M Expenses for own Wind Power Generation Project	-	-		2.10
Grand Total	**102.36**	**104.85**	**108.21**	**114.81**

Petitioner's Submission

The Petitioner has submitted that the actual weighted average inflation rate, considering 60% and 40% weight to WPI & CPI respectively, is substantially higher than the approved escalation factor during the years FY 2009-10 to FY 2012-13, as detailed below:

Table 4.24: Actual Inflation v/s Approved Escalation Factor

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13
1	Actual inflation (YOY)	7.54%	9.95%	8.66%	7.52%
2	Approved escalation factor	4%	4.00%	5.72%	5.72%

TPL-D has further submitted that the compounding effect of escalation factor would further widen the gap between the actual expenses and approved expenses. TPL-D has mentioned that wage revision of the unionised staff is due, with effect from 1st January, 2013. The matter is under discussion with the employees union and requested to allow the impact of wage revision or change in law at actuals during the truing up exercise.

TPL-D has proposed to implement its own wind generation project of 100 MW which is likely to be commissioned by October 2015. This was not part of MYT projections. TPL-D has estimated separate O&M Expenses at Rs. 2.10 Crore for the wind project for a six-month period.

Commission's Analysis

The Commission has examined the O&M expenses projected by TPL in the Mid-term Review. The Commission has approved the O&M expenses, based on the audited accounts for FY 2012-13. GERC (MYT) Regulations, 2011 specify the escalation of O&M expenses at 5.72% per annum from FY 2012-13 onwards.

The Commission has not considered the additional O&M Expenses proposed for wind generation project since the cost of the wind generation project has not been considered in the Mid-term Review.

The Commission, accordingly, approves the O&M expenses with 5.72% escalation per annum in the MTR for FY 2014-15 and FY 2015-16, over the actual O&M expenses approved in the truing up for FY 2012-13.

Table 4.25: O&M Expenses Approved in the Review for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	Projected in the MTR		Approved in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	O&M Expenses	104.85	114.81	99.78	105.48

4.11 Depreciation

TPL-D has projected the depreciation at Rs. 47.68 Crore for FY 2014-15 and Rs. 57.62 Crore for FY 2015-16 in the Mid-term Review Petition. The depreciation approved for these years in the MYT Order dated 6th September, 2011 and now projected by TPL in the Mid-term Review are given in the Table below:

Table 4.26: Depreciation Projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Depreciation	53.95	47.68	56.05	57.62

Petitioner's Submission

TPL has submitted that the depreciation rates, as per CERC (Terms and Conditions of Tariff) GERC (MYT) Regulations, 2004, have been 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 depreciation rates specified in Appendix III to the CERC Tariff Regulations, 2009, as approved by the GERC. The reduction in depreciation amount, compared to the approved depreciation, is mainly on account of lower capitalisation due to deferment.

Commission's Analysis

The Commission has approved the capitalisation in Table 4.22 above. The Commission has considered the average rate of depreciation at 3.70% based on the actual depreciation for FY 2012-13. The Commission has computed the depreciation based on the capitalisation approved as given in the Table below:

Table 4.27: Approved Depreciation in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Opening GFA	1265.95	1337.78
2	Addition during the year	71.83	41.90
3	Withdrawal during the year	0	0
4	Closing GFA	1337.78	1379.68
5	Average GFA	1301.86	1358.73
6	Rate of Depreciation	3.70%	3.70%
7	Depreciation	48.17	50.27

4.12 Interest and Finance Charges

TPL-D has projected the interest and finance charges at Rs. 30.34 Crore for FY 2014-15 and Rs. 38.14 Crore for FY 2015-16 in the Mid-term Review. The interest and finance charges approved for these years in the MYT Order dated 6th September 2011 and now projected by TPL-D in the MTR are given in the Table below:

Table 4.28: Interest Charges Projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
1	Interest Charges	39.36	30.34	36.45	38.14

The details of interest charges claimed are as given in the Table below:

Table 4.29: Projected Interest Expense for Loans

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
I	**Interest Expenses for Loans Before 31st March, 2011**		
1	**APDRP**		
	Opening Balance	17.83	16.27
	Repayments	1.56	1.56
	Closing Balance	16.27	14.70
	Interest on Loans	1.54	1.40
2	**HDFC 2**		
	Opening Balance	1.92	-
	Repayments	1.92	-
	Closing Balance	-	-
	Interest on Loan	0.03	-
3	**LIC**		
	Opening Balance	47.50	37.50
	Repayments	10.00	10.00
	Closing Balance	37.50	27.50
	Interest on Loan	5.04	3.87

Sl. No.	Particulars	FY 2014-15	FY 2015-16
4	**IDBI**		
	Opening Balance	15.00	-
	Repayments	15.00	-
	Closing Balance	-	-
	Interest on Loan	1.15	-
5	**IDFC-II**		
	Opening Balance	125.00	100.00
	Repayments	25.00	25.00
	Closing Balance	100.00	75.00
	Interest on Loans	12.91	10.01
6	**BOB**		
	Opening Balance	4.68	3.36
	Repayments	1.32	1.32
	Closing Balance	3.36	2.04
	Interest on Loan	0.49	0.33
	Total	**21.16**	**15.62**
II	**Interest Expenses for Loan after 31st March, 2011**		
	Capitalisation During the Year	106.63	280.94
	Less: SLC Additions	9.07	9.03
	Normative Debt @ 70%	68.29	190.34
	Opening Balance	49.07	108.41
	New Borrowings	68.29	190.34
	Repayments	8.96	17.71
	Closing Balance	108.41	281.03
	Interest Expense	**9.18**	**22.53**
III	**Total Interest Charges (I+II)**	**30.34**	**38.15**

Petitioner's Submission

TPL-D has submitted that it has considered the interest expenses for the existing loan availed for the earlier capitalisation at actual and for the capitalisation carried out from 1st April 2011 onwards, the Petitioner has calculated the interest expenses, by applying the opening weighted average rate of interest on the eligible additional loan component, while repayment has been considered equal to the depreciation for the year.

TPL-D has further submitted that there is an operational difficulty, especially for Greenfield project, in maintaining and calculating the repayment of loans on normative basis and it creates while calculating the interest expenses on normative basis and requested to approve the interest expenses, as projected in the Mid-term Review.

Commission's Analysis

The Commission has examined the interest charges projected in the MTR. The opening loans (actual) for FY 2013-14 have been taken into consideration as approved in the true-up for FY 2012-13. In accordance with Regulation 39 of GERC (MYT) Regulations, 2011, the repayment for each year of the tariff period from FY 2011-12 to FY 2015-16 shall be deemed to be equal to the depreciation allowed for that year (Regulation 39.3) and the rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the generating company (Regulation 39.5). The weighted average rate of interest on the loans for FY 2012-13 is 11.68%

The interest and finance charges for the remaining years of the control period, i.e., FY 2014-15 and FY 2015-16 have been arrived at in accordance with Regulation 39 of GERC (MYT) Regulations, 2011 and are as detailed in the Table below:

Table 4.30: Interest Approved in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2013-14	FY 2014-15	FY 2015-16
1	Opening Loan	369.32	346	321.65
2	Loan Addition During the year	28.29	23.82	13.89
3	Repayment During the Year	51.61	48.17	50.27
4	Closing Loan	346	321.65	285.27
5	Average Loan		333.82	303.46
6	Rate of Interest		11.68%	11.68%
7	Interest Charges		38.99	35.44
8	Other Borrowing Costs		0	0
9	Total Interest & Finance Charges		38.99	35.44

4.13 Interest on Working Capital

TPL-D has projected the interest on working capital at Rs. 4.13 Crore for FY 2014-15 and Rs. 8.14 Crore for FY 2015-16 in the Mid-term Review. The interest on working capital approved for these years in the MYT Order dated 6th September, 2011 and now projected by TPL in the Mid-term Review are as given below:

Table 4.31: Projected interest on Working Capital in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Interest on Working Capital	Nil	4.13	Nil	8.14

Petitioner's Submission

TPL-D has submitted that the revised estimate of interest on working capital has been arrived at, considering GERC (MYT) Regulations, 2011. TPL has computed the working capital requirement as per the estimated sales revenue, O&M Expenses and security deposit balance. The Petitioner has considered the interest of 14.45% on such working capital requirement, to arrive at the interest on working capital.

Commission's Analysis

The Commission has examined the working capital requirement and interest thereon projected by TPL in the Mid-term Review. The interest rate of 14.45% considered by TPL is the SBAR as on 1st April, 2013. Taking into consideration the approved O&M expenses and revenue projected with approved sales at existing tariff to arrive at the figure of receivables for 1 month, the working capital requirement and interest rate thereon have been estimated, as detailed in the Table below:

Table 4.32: Interest on Working Capital Approved in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Projected in the Mid-term Review		Approved in the Mid-term Review	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	O&M Expenses for 1 Month	8.74	9.39	8.32	8.79
2	Maintenance Spares (1 % of the Opening GFA)	13.95	15.02	12.66	13.38
3	Receivables for 1 Month	185.35	220.86	152.54	154.23
4	Less: Security deposit (Avg.)	179.47	188.91	198.38	218.22
5	Normative Working Capital	28.56	56.35	(24.87)	(41.82)
6	Interest Rate (%)	14.45%	14.45%	14.45%	14.45%
7	**Interest on Working Capital**	**4.13**	**8.14**	**Nil**	**Nil**

4.14 Interest on Security Deposits

TPL has estimated the interest on security deposit at Rs. 18.88 Crore for FY 2014-15 and Rs. 19.84 Crore for FY 2015-16 in the Mid-term Review Petition. The interest on security deposits approved for these years in the MYT Order dated 6th September, 2011, and now projected by TPL in the Mid-term Review, is given in the Table below:

Table 4.33: Interest on Security Deposits Projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Interest on Security Deposits	10.31	18.88	10.71	19.84

Petitioner's Submission

TPL has submitted that it has computed the interest expenses on security deposit, assuming the bank rate on the estimated addition in the security deposit. TPL has further submitted that the increase in security deposit is mainly on account of change in the estimated interest rate and increase in security deposit amount.

Commission's Analysis

The Commission has observed an 11% growth in security deposit in FY 2012-13 over FY 2011-12. The Commission considers a growth rate of 10% in the security deposits per annum over the actuals for FY 2012-13. The actual security is linked to the bank rate, which was 9.5% as on 01.04.2013. The Commission has, accordingly, computed the interest on security deposit, as detailed in the Table below:

Table 4.34: Approved Interest on Security Deposit in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2013-14	FY 2014-15	FY 2015-16
1	Opening Security Deposits	171.76	188.936	207.83
2	Addition During the Year	17.18	18.89	20.78
3	Closing Security Deposit	188.936	207.83	228.61
4	Average Security Deposit		198.38	218.22
5	Interest on Security Deposit @ 9.5%		18.85	20.73

The Commission, accordingly, approves the interest on security deposit at Rs. 18.85 Crore for FY 2014-15 and Rs. 20.73 Crore for FY 2015-16 in the Mid-term Review.

4.15 Provision for Bad Debts

TPL has estimated the provision for bad debts at Rs. 0.36 Crore for FY 2014-15 and Rs. 0.36 Crore for FY 2015-16 in the Mid-term Review Petition. The provision for bad debts approved for these years in the MYT Order 6th September, 2011 and now claimed by TPL in the Mid-term Review are given in the Table below:

Table 4.35: Provision for Bad Debts projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Provision for Bad Debts	0.36	0.36	0.36	0.36

Commission's Analysis

TPL has projected the provision for bad and doubt full debts at Rs. 0.36 Crore each for FY 2014-15 and FY 2015-16, which are the same as approved for these years in the MYT Order dated 6th September, 2011. The Commission approves the provision for bad debts, as projected by TPL in the Mid-term Review, as detailed below:

Table 4.36: Provision for Bad and Doubtful Debts Approved in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15	FY 2015-16
Provision for Bad and Doubtful Debts	0.36	0.36

4.16 Contingency Reserve

TPL has projected the contingency reserve at Rs. 0.40 Crore for FY 2014-15 and Rs. 0.40 Crore for FY 2015-16 in the Mid-term Review. The contingency reserve approved for these two years in the MYT Order dated 6th April 2011 and now projected in the Mid-term Review are as given in the Table below:

Table 4.37: Contingency Reserve Projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Contingency Reserve	0.40	0.40	0.40	0.40

Commission Analysis

The Commission approves the contingency reserve as projected by TPL in the Mid-term Review, since the projection is the same as approved in the MYT Order dated 6th September, 2011.

Table 4.38: Approved Contingency Reserve

(Rs. Crore)

Particulars	FY 2014-15	FY 2015-16
Contingency Reserve	0.40	0.40

4.17 Return on Equity

TPL-D has claimed a sum of Rs. 76.88 Crore for FY 2014-15 and Rs. 84.64 Crore for FY 2015-16 in the Mid-term Review Petition. The Return on Equity approved for these years in the MYT Order dated 6th September, 2011 and now projected by the TPL in the Mid-term Review are as given in the Table below:

Table 4.39: Return on Equity Projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Opening Equity	573.09	534.48	585.72	563.75
Equity Addition	12.63	29.27	9.71	81.57
Equity Withdrawn	-	-	-	-
Closing Equity	585.72	563.75	595.43	645.32
Average Equity	579.41		590.58	-
Return on Equity @ 14%	81.12	76.88	82.68	84.64

Petitioner's Submission

TPL-D has submitted that the eligible amount of equity has been arrived at, considering the estimated addition of equity after deduction of SLC. The Return on equity has been computed by applying a rate of 14% on the average of opening balance and closing balance of equity.

Commission's Analysis

The Commission has taken into consideration the closing equity of FY 2012-13, as approved in True-up as the opening equity for FY 2013-14 and the addition of equity for FY 2013-14, as approved in the MYT Order, and equity addition during FY 2014-15 and FY 2015-16, as approved in Para 4.9 above, based on the approved capitalisation.

The estimated return on equity in the Mid-term Review is given in the Table below:

Table 4.40: Return on Equity Approved in the Mid-term Review

(Rs. Crore)

Particulars	FY 2013-14	FY 2014-15		FY 2015-16	
		Projected in the Mid-term Review	Approved in the Mid-term Review	Projected in the Mid-term Review	Approved in the Mid-term Review
Opening Equity	529.09	534.48	541.22	563.75	570.49
Equity Addition	12.13	29.27	10.21	81.57	5.95
Closing Equity	541.22	563.75	551.43	645.32	576.44
Average Equity	-	-	546.32	-	573.47
Return on Equity @ 14%	-	76.88	**76.49**	84.64	**80.29**

The Commission, accordingly, approves the return on equity of Rs. 76.49 Crore for FY 2014-15 and Rs. 80.29 Crore for FY 2015-16 in the Mid-term Review.

4.18 Income Tax

TPL-D has not projected income tax for FYs 2014-15 and 2015-16 in the Mid-term Review. The income tax approved for these years in the MYT Order dated 6th September, 2011 and now claimed by TPL in the Mid-term Review are given in the Table below:

Table 4.41: Income Tax Projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Income Tax	4.98	-	4.98	-

Petitioner's Submission

TPL-D has submitted that actual income tax amount of last Financial Year is to be considered provisionally as in GERC (MYT) Regulations, 2011 and the actual is to be allowed at the time of truing up. Accordingly, it has not claimed any income tax for FY 2014-15 and FY 2015-16 in the Mid-term Review, since there was a loss during FY 2012-13.

Commission's Analysis

The income tax approved in the truing up for FY 2012-13, as per audited annual accounts, is Nil. The Commission, therefore, approves the income tax provision at Nil for FY 2014-15, as well as FY 2015-16 in the Mid-term Review, as projected by TPL as detailed below:

Table 4.42: Approved Income tax in the Mid-term Review

(Rs. Crore)

Particulars	Projected in the Mid-term Review		Approved in the Mid-term Review	
	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
Income Tax	Nil	Nil	Nil	Nil

4.19 Non-Tariff Income

TPL-D has projected the Non-Tariff income at Rs. 19.69 Crore for FY 2014-15 and Rs. 19.98 Crore for FY 2015-16 in the Mid-term Review. The Non-Tariff income approved for these years in the MYT Order dated 6th September, 2011, and now projected by TPL in the Mid-term Review, is given in the Table below:

Table 4.43: Non-Tariff Income Projected in the Mid-term Review

(Rs. Crore)

Particulars	FY 2014-15		FY 2015-16	
	Approved in the MYT Order	Projected in the Mid-term Review	Approved in the MYT Order	Projected in the Mid-term Review
Non-Tariff income	23.63	19.69	24.42	19.98

Petitioner's Submission

TPL-D has submitted that it has estimated the amount of Non-Tariff income for FY 2014-15 and FY 2015-16, considering the actuals for FYs 2011-12 and 2012-13.

Commission's Analysis

The Non-Tariff income for FY 2012-13, as per audited accounts, is Rs. 26.64 Crore. The Commission approves the Non-Tariff income for FY 2014-15 and Rs. 2015-16 at the level of actual for FY 2012-13, as detailed below:

Table 4.44: Non- tariff Income Approved in the Mid-term Review

(Rs. Crore)

Particulars	Projected in the Mid-term Review		Approved in the Mid-term Review	
	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
Non-Tariff Income	19.69	19.98	26.64	26.64

4.20 Revised ARR for FY 2014-15 and FY 2015-16

As discussed in the above paragraphs, the Commission approves the revised ARR in the Mid-term Review for FY 2014-15 and FY 2015-16, as given in the Table below:

Table 4.45: ARR for TPL-D in FY 2014-15 & FY 2015-16

(Rs. Crore)

Sl. No	Particulars	Approved in the MYT Order		Projected by TPL-D in the Mid-term Review		Approved for Mid-term Review	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Power purchase Cost	1546.81	1570.96	1960.33	2346.3	1567.02	1660.02
2	Operations and Maintenance Expenses	102.36	108.22	104.85	114.81	99.78	105.48
3	Depreciation	53.95	56.05	47.68	57.62	48.17	50.27
4	Interest on Loans	39.36	36.45	30.34	38.14	38.99	35.44
5	Interest on Working Capital			4.13	8.14	0.00	0.00
6	Interest on Security Deposits	10.31	10.73	18.88	19.84	18.85	20.73
7	Bad Debts Written Off	0.36	0.36	0.36	0.36	0.36	0.36
8	Contingency Reserve	0.4	0.4	0.4	0.4	0.4	0.4
9	Return on Equity	81.12	82.68	76.88	84.64	76.49	80.29
10	Income Tax	4.98	4.98	0	0	0	0
11	**Total Expenditure**	**1839.65**	**1870.83**	**2243.85**	**2670.25**	**1850.05**	**1952.99**
12	Less: Non-Tariff Income	23.63	24.42	19.69	19.98	26.64	26.64
13	**Aggregate Revenue Requirement**	**1816.02**	**1846.41**	**2224.16**	**2650.27**	**1823.41**	**1926.35**

The Commission approves Rs. 1823.41 Crore in the ARR for FY 2014-15 and Rs. 1926.35 Crore for FY 2015-16 in the Mid-term Review.

COMMISSION'S ORDER

The Commission approves the revised Aggregate Revenue Requirement (ARR) for TPL-D (Surat) in the Mid-term Review for FY 2014-15 and FY 2015-16, as shown in the Table below:

Approved ARR for TPL-D (S) in FY 2014-15 & FY 2015-16

(Rs. Crore)

Sl. No	Particulars	FY 2014-15	FY 2015-16
1	Power Purchase Cost	1567.02	1660.02
2	Operations and Maintenance Expenses	99.78	105.48
3	Depreciation	48.17	50.27
4	Interest on Loans	38.99	35.44
5	Interest on Working Capital	0.00	0.00
6	Interest on Security Deposits	18.85	20.73
7	Bad Debts Written Off	0.36	0.36
8	Contingency Reserve	0.4	0.4
9	Return on Equity	76.49	80.29
10	Income Tax	0	0
11	**Total Expenditure**	**1850.05**	**1952.99**
12	Less: Non-Tariff Income	26.64	26.64
13	**Aggregate Revenue Requirement**	**1823.41**	**1926.35**

Sd/-

DR. M.K. IYER
Member

Sd/-

SHRI PRAVINBHAI PATEL
Chairman

Place: Gandhinagar
Date: 29/04/2014