GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2012-13 and

Determination of Tariff for FY 2014-15

For

Torrent Power Limited – Distribution

Surat

Case No. 1377 of 2013

29th April 2014

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GANDHINAGAR

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ABBREVIATIONS

A&G	Administration and General Expenses
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
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. 1377 of 2013

Date of the Order: 29/04/2014

CORAM

Shri Pravinbhai Patel, Chairman

Dr. M. K. Iyer, Member

ORDER

1. Background and Brief History

1.1 Background

Torrent Power Limited (hereinafter referred to as 'TPL' or the 'Petitioner') has filed petition under Section 62 of the Electricity Act, 2003, read in conjunction with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011 for the True-up of FY 2012-13, and for determination of tariff for distribution business at its Surat supply area for the FY 2014-15 on 2nd December 2013.

The Commission admitted the Petition on 4th December 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 Area. 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 for 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 Commission's Order for the Second Control Period

TPL filed its Petition under the Multi-Year Tariff for the control period FY 2012-13 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, FY 2012-13, FY 2013-14, FY 2014-15 and FY 2015-16, based on the GERC (MYT) Regulations, 2011. The Commission issued order for Truing up for FY 2011-12 and Tariff for FY 2013-14 on 16th April, 2013.

1.4 Admission of the Current Petition and Public Hearing Process

TPL submitted the current petition for 'Truing up' of FY 2012-13 and determination of tariff for FY 2014-15 on 2nd December 2013. The Commission admitted the Petition (Case No. 1377 of 2013) on 4th December 2013.

In accordance with section 64 of the Electricity Act, 2003, the Commission directed TPL to publish its application in an abridged form to ensure public participation. The Public Notice, inviting objections / suggestions from its stakeholders on the ARR petition filed by it, was published in the following newspapers on 11th December 2013.

Sl. No.	Name of the Newspaper	Language	Date of Publication
1	The Times of India (Surat Split)	English	11/12/2013
2	Gujarat Mitra (Surat)	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 the 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 10 stakeholder. 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.

The names of the stakeholders who filed their objections and the objectors who participated in the public hearing for presenting their objections are given below:

Sl. No.	Name of Stakeholders	Participated in the Public Hearing
1	Surat Municipal Corporation	No
2	Surat Citizen's Council Trust and The Southern Gujarat Chamber of Commerce & Industry	Yes
3	Gujarat Bricks Manufacturer's Federation	No
4	CERS - Consumer Education and Research Society	Yes
5	Laghu Udyog Bharati - Gujarat	Yes
6	Gandhinagar Shaher Vasahat Mahamandal	Yes
7	Shri Amarsinh Chavda	No
8	Utility Users' Welfare Association (UUWA)	Yes
9	OPGS Power Gujarat Private Ltd.	No
10	Socialist Unity Centre of India (Communist) [SUCI(C)]	Yes

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 nine chapters, as under:

1. The **first** chapter provides a brief background regarding the Petitioner, the Petition on hand and details of the public hearing process and the approach adopted in this Order.
2. The **second** chapter outlines the summary of TPL's Petition.
3. The **third** chapter deals with the public hearing process including the objections raised by various stakeholders, TPL's response and Commission's views on the response.
4. The **fourth** chapter focuses on the details of truing up for FY 2012-13.
5. The **fifth** chapter deals with the determination of tariff for FY 2014-15.
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 outlines the 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 GERC (MYT) Regulations, 2011, provide for truing up of the previous year, and determination of tariff for the ensuing year. The Commission has approved the ARR for the two years of the second control period from FY 2011-12 to FY 2015-16, in the MYT order dated 6th September, 2011. The Commission had approved the "truing up" for the FY 2011-12 in the Tariff Order dated 16th April, 2013.

TPL has approached the Commission with the present Petition for "Truing up" for the FY 2012-13 and determination of tariff for the FY 2014-15, under GERC (MYT) Regulations, 2011.

The Commission has undertaken truing up for the FY 2012-13, including computation of gains and losses for the FY 2012-13, based on the submissions of the Petitioner and the audited annual accounts made available by the Petitioner.

While truing up of FY 2012-13, 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 revising the same
2. Uncontrollable parameters have been revised, based on the actual performance observed.

The Truing up for the FY 2012-13 has been considered, based on the GERC (MYT) Regulations, 2011. For determination of the ARR for FY 2014-15, the Commission has considered the ARR for FY 2014-15, as approved in the Mid-term Review Order.

2. Summary of TPL's Petition

Torrent Power Limited (TPL) submitted the current Petition, seeking approval of True-up for ARR of FY 2012-13 and determination of tariff for the FY 2014-15. The petitioner has also submitted tariff proposal for FY 2014-15, based on the estimated revenue gap for the FY 2012-13 and ARR of FY 2014-15, taking into account the Mid-term Review of the Business Plan.

2.1 Actuals for FY 2012-13 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 Surat Supply Area for FY 2012-13

(Rs. Crore)

Annual Revenue Requirement	Approved in the MYT Order	Actuals as per TPL
Power Purchase Cost	1332.43	1670.03
O&M Expense	91.58	89.28
Interest on Loans	43.28	41.07
Interest on Security Deposit	9.51	15.43
Interest on Working Capital	-	1.57
Depreciation	48.85	45.96
Bad Debts Written Off	0.36	0.24
Contingency Reserve	0.40	0.40
Return on Equity	77.27	73.89
Income Tax	4.98	-
Less: Non-Tariff Income	22.40	26.64
Annual Revenue Requirement	**1586.27**	**1911.23**

2.2 Summary of ARR, Revenue at Existing Tariff and the Proposed Revenue Gap

The Table below summarises the proposed ARR claimed by the TPL for truing up, revenue from sale of power at the existing tariff and the revenue gap estimated for FY 2012-13.

Table 2.2: Trued up ARR Claimed by TPL for FY 2012-13

(Rs. Crore)

Particulars		FY 2012-13
ARR as per MYT Order	A	1586.27
Gains/(Losses) due to Uncontrollable Factors	B	(342.13)
Gains/(Losses) due to Controllable Factors	C	17.17
Pass-through as Tariff	D=(B+ 1/3rd of C)	336.41
Revised ARR for True-up for FY 2012-13	E=A+D	1922.68

The Table below summarises the Gap/(Surplus) for Ahmedabad supply area for FY 2012-13:

Table 2.3: Revenue Gap/ (Surplus) for Surat supply Area for FY 2012-13

(Rs. Crore)

Particulars	MYT Order	Actuals
Annual Revenue Requirement	1586.27	1922.68
Less: Revenue from Sale of Energy	1602.93	1733.44
Gap/(Surplus)	(16.66)	189.24
Earlier year's Approved Gaps		
Total Gap/(Surplus) for the Earlier Period *		(5.36)
Cumulative Gap/(Surplus) for FY 2012-13 #		183.88

* As per GERC Order dated 02.06.2012 and 04.09.2013.
# Does not include carrying cost.

TPL has requested the Commission to approve the gap of Rs. 183.88 Crore arrived as part of truing up process and to allow recovery of the same.

2.3 ARR, revenue at Existing Tariff, Revenue Gap and Tariff Proposal for FY 2014-15

TPL has considered the Revised ARR, submitted in the Mid-term Review for Rs. 2224.15 Crore for FY 2014-15, for the purpose of determination of tariff for FY 2014-15. The gap arrived at FY 2014-15, considering the revenue from the sale of power, including revenue from the base level of FPPPA is, as given in the Table below:

Table 2.4: Revenue Gap of Ahmedabad Supply Area for FY 2014-15

(Rs. Crore)

Particulars	Amount
Revised ARR for FY 2014-15	2224.15
Less: Revenue from Sale of Power at the Existing Tariff, including FPPPA Revenue @ Rs. 1.23 per unit	1837.81
Net Gap/(Surplus)	**386.33**

TPL has proposed to cover the above-mentioned revenue gap through tariff revision. The additional revenue due to proposed tariff amounts to an average tariff increase of 22% over the existing tariff.

TPL's Request to the Commission

TPL has requested the Commission to:

a) Admit the Petition for True-up of FY 2012-13 and determination of tariff for FY 2014-15.
b) Approve the gap of FY 2012-13 along with the approved gap of the earlier years, as per the truing up.
c) Approve the sharing of gains/ losses, as proposed by TPL-D for FY 2012-13.
d) Allow recovery of trued up gap of FY 2012-13 as an "Additional Charge".

e) Approve the gap for FY 2014-15, based on the revised ARR, as may be approved in the Mid-term Review Petition.

f) Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April, 2014.

g) Approve the retail supply tariff to cover the gap of FY 2014-15.

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

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

j) Permit the Petitioner to file all necessary pleading and documents in the proceeding and documents from time to time for effective consideration of the proceeding.

k) Allow any other relief, order or issue directions, which the Commission may deem fit to be issued.

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

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

3.0 Public Response to Petition

In response to the public notice inviting objections / suggestions from stakeholders on the Petition filed by TPL for Truing up of FY 2012-13 and determination of Tariff for FY 2014-15 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 Not to raise the Tariff for Water and Sewage Pumping Stations (HTMD-III)

Objection

SMC (Surat Municipal Corporation) has to perform certain obligatory duties, which include collection, removal, treatment and disposal of sewage, the lighting of public streets and management and maintenance of all municipal water works.

Considering above duties, Commission has approved special concessional tariff category for Water and Sewage Pumping Station (HTMD-II).

Petitioner has proposed to increase demand charges by 87.5% up to first 500 KVA, 60.6% between 500 to 1,000 KVA and 203% above 1,000 KVA.

Fixed (Demand) charges does not reflect the utilization of energy by consumers and level of services provided by supply agency and hence increase in fixed charge increase the comfort to the Petitioner, as whatever kind of service they provide at least some minimum amount of charges supply agency is going to get.

Response of TPL

The determination of fixed charges is in accordance with the provisions of Section 45 of the Act. Ideally, the fixed charge component of tariff should recover the entire fixed cost incurred by the licensee for providing services to its consumers and is in line with the standard tariff philosophy of Two Part tariff. The Objector has distinguished between two aspects i.e. Utilization by the consumers (which is beyond the control of supply agency) and level of service to be provided by the supply agency. The same is in line with the standard tariff philosophy. Therefore, the entire fixed cost should be recovered by the Supply agency through fixed charges and energy charges should reflect only the variable cost pertaining to the utilization in accordance with the principles defined by the Objector. The consumer is required to pay for the services made available irrespective of lower utilization else it amounts to cross-subsidization. Thus, the proposed rationalization of demand charges is in line with the provisions of the Act.

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 issue raised and the response of the Petitioner are noted. The Commission will take appropriate decision after examining the need for revision or otherwise.

3.2 High increase in Fixed Charges, not to be accepted

Objection

There has not been any significant expense increased in transmission and distribution network. Petitioner distribution areas are almost fixed and for any increase in load, the customer who take new connection will bear majority of the expense. Hence, in this context such kind of high increase in fixed charges must not be accepted.

Petitioner has proposed rise in demand charges by 91% to 225% for different slabs, which is quite high.

Response of TPL

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 issue raised and the response of the Petitioner is noted and appropriate decision will be taken on the determination of Tariff.

3.3 Proposed increase of ToU Charges for Surat Municipal Corporation

Objection

Petitioner has proposed to increase TOU charges by 42.86%. HT connections taken by SMC for water supply, sewage disposal or offices. Some of these loads such 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.

Response of TPL

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

Commission's View

The proposal will be examined and appropriate decision will be taken.

3.4 Not to recover the earlier year revenue gap with carrying cost

Objection

Petitioner has prayed in the "Prayer" to (i) approve the gap of FY 2012-13 along with earlier years approved gap as per the truing up and (ii) allow recovery of trued up gap of FY 2012-13 as "Additional Charge", which are inclusive of earlier year revenue gap with carrying cost.

Response of TPL

The tariff determination is based on the estimates of approved sales & ARR in the MYT exercise. Upon completion of financial year, the truing up mechanism is defined to arrive at the gap / (surplus) based on the variations with respect to the approved ARR. The carrying cost for the unrecovered gap is the legitimate claim of the

Petitioner to recoup the financial loss incurred due to deferment in recovery of gap. The recovery of carrying cost is the settled position of law.

Commission's View

The issue raised and the response is noted and appropriate decision will be taken.

3.5 Not to recover the entire revenue gap through increase in Tariff

Objection

The gap should not be met only through tariff charges, but also through alternative means that could inter alia include financial restructuring and transition financing.

Petitioner has requested the Commission to approve the entire revenue gaps and consequent tariff revision proposal for FY 2014-15 along with the past period gap through recovery mechanism.

Tariff increment is not the only way as guided by Tariff Policy, but other means also should be incorporated by Petitioner and hence Petitioner's demand of recovery of entire gap through tariff revision should not be accepted by GERC.

Response of TPL

Ours is one of the efficient utilities in the country and has 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

The issue will be examined in all aspects and appropriate decision will be taken.

3.6 Discrepancy in Tariff Slabs

Objection

It was represented earlier also before the Commission for having different tariffs at Ahmedabad and Surat. The tariff slabs are also different at Ahmedabad and Surat for various categories of consumers.

Ahmedabad	Surat
First 50 Units	First 50 Units
Next 150 Units	Next 50 Units
Above 200 Units	Next 150 Units
	Above 250 Units

The Commission should implement single type tariff slabs for consumers at Ahmedabad and Surat to remove anomalies. It is suggested that the following four tariff slabs having to increased consumption of residential consumers with present life style.

Ahmedabad & Surat
First 50 Units First 50 units
Next 150 Units
Next 200 Units
Above 400 Units

This will be in line with paying capacity of consumers. The consumers having consumption above 400 Units/Month can afford to pay. The burden of revision of tariff slabs should not fall on consumer.

Response of TPL

While designing the proposed tariff, it has given due considerations to all the aspects including the consumer's capacity to pay. It may be noted that the proposed tariff slabs are telescopic in nature and hence, the consumers are required to pay higher tariff only for the units consumed in higher slabs. The Petitioner has endeavoured to design the tariff in accordance with the provisions of EA, 2003 read with National Tariff Policy.

Commission's View

The suggestion of the objector will be examined and appropriate decision taken.

3.7 Increase in FPPPA Base Price

Objection

The objector objects to steep increase in FPPPA charges levied by Petitioner @ Rs. 1.23 per unit. This amounts to 33% increase in tariff. In spite of increase in FPPPA charges the revenue gap for FY 2014-15 has a deficit of Rs. 835.40 Crore. If the entire deficit is to be wiped off then petitioner has demanded increase in tariff by 22%.

The objector objects to this proposal of increase in tariff which shall put heavy burden on consumers of Ahmedabad, Gandhinagar and Surat. The gas based plants are not operating at rated capacity and petitioner has not made any efforts to procure gas from other sources. The commission should therefore direct Petitioner to procure gas from more than one sources and operate its Vatva and Sugen plants at more than 50% Plant Load Factor.

Response of TPL

FPPPA formula has been specified for speedy recovery of increase in fuel and power purchase cost. The existing FPPPA rate has increased beyond 1.23 per unit. Accordingly, the Petitioner has sought to freeze the base FPPPA to the existing level as part of tariff structure. Further, the apprehension of the Objector that freezing of FPPPA would burden the consumers is incorrect as it is part of tariff structure and will be considered as part of total revenue. Thus, it will not make any difference to the consumers. The existing base for FPPPA was determined in September 2009. Regarding the Objector's suggestion to procure gas from other sources, the Petitioner submits that it has explored the possibility of running these plants on RLNG. However, per unit cost of power generated is found costly and hence the Petitioner has opted to procure the power from power exchange/ bilateral sources on short term basis in the overall interest of all the stakeholders.

Commission's View

Shifting / Freezing of base FPPPA rate shall not affect the FPPPA calculations. Any reduction in Power Purchase cost may reduce the FPPPA charge to lower figure and the same shall be passed on to consumers.

3.8 Cost of Supply for FY 2010-11

Objection

The Petitioner has submitted details of cost of supply and actual recovery. Two additional parameters included in calculation of cost of supply is objectionable. They are Network Cost and Customer Service Cost.

The objection to the calculation of cost of supply which has become like FPPPA calculation where inefficiencies of Petitioners is added. Therefore the Commission is requested to derive a formula for calculation of cost of supply. Normally HT, LTMD and Commercial consumers subsidize tariff of residential consumers and street lighting only.

Response of TPL

The Objectors observation is erroneous.

Regarding the computation of cost of supply, the cost of supply is segregated into three main components i.e. Power Purchase Cost, Network Cost and Customer Service Cost so as to arrive at correct level of cost of supply for each category. The methodology for calculation of cost of supply is detailed in the petition.

Commission's View

The response of the Petitioner is noted.

3.9 Revenue Gap for FY 2014-15

Objection

The Commission is requested to avoid fall of heavy burden on consumers due to actual revenue gap of 2012-13 and proposed revenue gap of 2014-15.

ARR includes recovery of FPPPA charges @ 1.23 per unit. The Respondent objects to recovery of entire deficit in one go and should be divided over a period of five years to lessen the burden on consumers. The Petitioner should be directed to economise its expenses in order to reduce the deficit.

Response of TPL

The Petitioner has revised the ARR of FY 2014-15 based on the revised estimates of various items of expenses. In turn, based on the revised ARR and the estimated revenue based on revised sales of FY 2014-15, the Petitioner has arrived at the revenue gap of FY 2014-15. Accordingly, the Petitioner has proposed to recover this revenue gap of FY 2014-15 by way of tariff revision. The Petitioner would like to submit that its proposal is in line with the National Tariff Policy which mandates that the future consumers should not be loaded with the past costs. Further, if the Objector's suggestion of dividing the revenue gap over a period of five years is considered, it will lead to increase in the burden of the consumers as any delay in recovery of the revenue gap or part thereof; will attract the carrying cost. Hence, the Petitioner requests the Commission to approve the tariff revision for FY 2014-15 as prayed for.

Commission's View

The Commission will take appropriate decision based on the gap that would be arrived based on detailed analysis and scrutiny of the proposal of the Petitioner.

3.10 The Cross Subsidy paid by Open Access Consumers is not adequate

Objection

Open Access consumers are getting power from other sources while maintaining their status with existing supplier by paying contract demand charges. These Open Access Consumers keep supplier's power as stand-by and availing power from Power Exchange etc.

At present these consumers pay cross subsidy surcharge which is much lower than current level of cross subsidy and this puts additional burden on small consumers of Gujarat. Hence the present cross subsidy surcharge is inadequate to meet cross subsidy. This results in increase in tariff for smaller consumers.

Response of TPL

The Petitioner appreciates the issue raised by the Objector.

The Petitioner has also detailed its concerns regarding the Open Access and made the suggestions to ensure that the retail consumers are not affected due to operationalization of OA mechanism. Regarding the adequacy of Cross Subsidy Surcharge, the Petitioner has proposed the formula for computation of Cross-Subsidy Surcharge in its petition to ensure the recovery of 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 objection/suggestion and response of the Petitioner are noted.

3.11 Purchase of Renewable Energy

Objection

Since last two years Petitioner is not able to purchase Renewable Energy as per RPO and Commission has been kind enough to waive off the penalty to avoid burden on consumers.

The Commission is therefore requested not to impose penalty as long as sufficient Renewable Energy is not available in market. It is evident that higher quality of RPO puts additional burden on consumers. The Respondent is not against RPO but requests Commission to go slow in increase of quantum of RPO till sufficient wind and solar energy available to DISCOMs.

Response of TPL

The Petitioner requests the Commission to consider the request of the Objector in the interest of all the stakeholders. The Petitioner is making all efforts to procure RE power. However, due to unavailability of RE power in the State of Gujarat, the situation of shortfall has arisen.

Commission's View

The objection/ suggestion and the response of the Petitioner are noted.

3.12 Electricity Duty

Objection

The Electricity Duty is quite high compared to other states. Though Commission has taken initiative to advise State Government to rationalise duty in Gujarat and Govt. of Gujarat has reduced duty, still the rates of duty are quite high for Residential and Commercial consumers.

The Electricity Duty should be charged on consumption of units and not on ad valorem basis. Most of the States charge Electricity Duty on consumption basis.
The Commission is requested to direct State Government to reduce duty by 5% and charge on actual consumption of Residential and Commercial consumers.

Response of TPL

Duty is the subject matter of the State Government. The Petitioner collects the Electricity Duty as per the rates specified by the State Government. The Commission may consider the suggestion of the Objector appropriately.

Commission's View

The Commission agrees with the response of the Petitioner.

3.13 Variation of Equity mentioned between the figures in the Petition and the statement of accounts of the Balance Sheet

Objection

In the audited Balance sheet for year 2012-13, the equity at beginning of year is Rs. 378.26 Cr., where as in ARR it is shown as Rs. 526.45 Cr. in ARR Table-20. Similarly at the end of year it is Rs. 350.91 Cr. in balance sheet and Rs. 529.10 Cr. in ARR.

There can be no objection to taking away or reducing equity but we do not find the details in ARR and annual report that under what head sum of Rs. 28.15 Cr. is accounted in ARR and annual reports.

Even though figures are manipulated figures, the booking of return on equity is not done correctly in ARR. As such net return on equity is to be accounted for as per Annual report amount 350.91 Cr @14%, which equals to Rs. 49.13 Cr. In ARR it is taken as Rs. 73.89 Cr. A credit of Rs. (73.89-49.13) = 24.76 Cr. is required be given to ARR.

Response of TPL

The Statement of Accounts consisting of the Balance Sheet can in no way be related to the present petition since the petition and the Statement of Accounts are prepared under the different Statutes. Further, the RoE has been computed in accordance with the provisions of Regulation 38 of the GERC (MYT) Regulations, 2011.

Commission's View

The response of the Petitioner is noted.

3.14 Difference between ARR data and Annual Accounts

Objection

The ARR data do not reflect the figures as per Annual account reports. The peculiarity of the accounts of electricity companies are not noticed by Accounts Audit parties. In case of retail electricity supply companies the line cost is recovered from consumer. This is the property of company. This shall be directly considered as profit. Apart from above the interest on loans is to be calculated as profit and adjusted against net finance costs.

As per note 16-17 of Annual Accounts of year 2012-13, the revenue from operations is Rs 1760 Cr, whereas in the Table 30 of ARR it is Rs. 1733.44 Crore. The difference is Rs 36.56 Cr.

There is no reference of security deposit amount in the cash flow statement of annual report 2012-13. As such allowance of interest on running Capital in the form of security deposit is not admissible.

The Revenue from operations note is made in brief and following items are not accounted separately

1. Delay payment charges
2. Additional/ theft bills recovery

Response of TPL

The petition and the Annual Report/ Statement of Accounts are prepared under the different Statutes. All the required information in accordance with the GERC (MYT) Regulations, 2011, is provided in the Petition.

There is no discrepancy between the figures of revenue from sale of energy in the Petition and Statement of Accounts. The difference in the figure is due to difference in presentation of data i.e. Prompt Payment Discount is netted off in the sales revenue instead of showing it as separate item of expense. The reconciliation of revenue as per Accounts and in the Petition is furnished.

Commission's View

The response of the Petitioner is noted.

3.15 Variation of Surplus and Reserves between Cash Flow Statement and Balance Sheet

Objection

When the figures of Surplus & Reserves, Accumulated Depreciation, Security Deposit & Current Assets mentioned in the Balance Sheet and Notes are compared with that of Cash Flow Statement, it is found that these figures are not tallying with the Cash Flow Statement of the Company.

Response of TPL

The Cash flow Statement is prepared in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India under the provisions of the Companies Act, 1956 and duly certified by the Statutory Auditors of the Company. The allegation of the Objector is baseless.

Commission's View

The response of the Petitioner is noted.

3.16 Interest on Working Capital to be disallowed

Objection

The funds available are Rs. 1254.028 Cr. (Ahd.) & Rs. 587.22 Cr. (Surat) for which details are not available in the table 18 of tariff petition. Nominative working capital is required is 60.64 (Ahd.) & 10.62 Cr. (Surat) per annum as per Table 18 of ARR.

Also it is requested that in the light of daily power purchase and sales figures the net available fund figures may be used for this purpose. Hence the interest on working capital is to be disallowed.

Response of TPL

The interest on working capital has been claimed in line with the provisions of Regulation 41 of the GERC (MYT) Regulations, 2011.

Commission's View

The interest on working capital is allowed as per GERC Regulations, 2011.

3.17 Interest on Security Deposits

Objection

There is a difference in the interest on security deposit passed on to the consumers and that claimed by the Petitioner.

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 security deposit is allowed in accordance with the provisions of the Regulations.

3.18 Receivables

Objection

Receivables are the sum due at the end of financial year, which change per day by daily transactions .As such sum of receivables i.e. Rs. 332.9 Cr. (Ahd.) & 137.8 Cr. (Surat) should be added to ARR Credit.

Response of TPL

The ARR Computation is to be carried out in accordance with the GERC (MYT) Regulations, 2011. Further, the amount of Receivables is already included in the Revenue and accordingly, the same gets factored in the gap calculation. Hence, the suggestion of Objector does not merit any consideration.

Commission's View

The response of the Petitioner is noted.

3.19 Effect of Open Access in the Sales/Purchase of Units

Objection

The effect of Open Access is not seen in the sales/purchase of units for FY 2012-13.

Response of TPL

The Open Access has become operational in the license area of the Petitioner from FY 2013-14. Accordingly, there is no effect to be considered in the truing up petition for FY 2012-13.

Commission's View

The response of the Petitioner is noted.

3.20 Reduction in Tariff to be considered

Objection

The Commission is requested to consider reduction in tariff.

Response of TPL

The Petitioner has filed the petition for true-up of FY 2012-13 and revised the ARR for FY 2014-15 based on revised estimates of various expenditure heads in line with the GERC (MYT) Regulations, 2011. Based on the trued up gap of FY 2012-13 and the revenue gap of FY 2014-15, the Petitioner has submitted the proposal to recover these revenue gaps.

Commission's View

Appropriate decision will be taken on the tariffs after the scrutiny of the proposals of the Petitioners.

3.21 To be Audited by CAG

Objection

It is suggested that the Petitioner's Accounts for the FY 2012-13 should be audited by the CAG.

Response of TPL

The Petitioner prepares & maintains the accounts in accordance with the Accounting standards issued by the ICAI under the provision of the Companies Act. Further, the Petitioner has appointed a reputed firm as the Statutory Auditor of the Company. The Petitioner has also furnished the segregated accounting statements duly certified by the Statutory Auditors of the Company along with the petition. The same is in accordance with the provisions of the Regulations notified by the Commission.

Commission's View

The response of the Petitioner is noted.

3.22 Investments in other Businesses

Objection

The Petitioner is making investments in its other businesses but the cost gets loaded to the consumers of Ahmedabad & Surat license area.

Response of TPL

The Petitioner refutes such baseless allegations and would like to clarify that separate accounts are being maintained for its regulated business and the same has been made available, duly certified by the Statutory Auditors' of the Company, along with the petition. All the activities carried out by the Petitioner are in conformity with the law.

Commission's View

The response of the Petitioner is noted.

3.23 Increase in Losses despite network improvement

Objection

Despite incurring expenditure for network improvement, the losses are increasing.

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 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 Commission agrees with the response of the Petitioner.

3.24 Power Purchase Cost from its own generation

Objection

The power purchase cost incurred by the Petitioner for sourcing power from its own generation has to be disallowed by the Commission. Instead, the power may be produced from short term power purchase sources, whose rates are less.

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 specifies for long term commitment of 25 years between the generator and distribution licensee for supply of electricity at regulated tariff irrespective of market fluctuations of cost recovery as well as volatility of merchant prices of power. Accordingly, the Petitioner has entered into the long term arrangements for sourcing of power including setting up of its own generation capacity in order to fulfil its universal supply obligation. 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 domestic gas 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 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 Commission.

Regarding the Objector's suggestion to source power from short term sources, the Petitioner would like to submit that it makes necessary arrangement to meet the deficit in power supply with necessary business prudence. Further, these short-term arrangements are also being made in accordance with the provisions of the Regulations & guidelines issued by the Commission.

Commission's View

The response of the Petitioner is noted.

3.25 Recovery of Fixed Cost of SUGEN

Objection

The Petitioner recovers the fixed cost of SUGEN despite SUGEN has not signed the agreement for Fuel supply and transportation.

Response of TPL

SUGEN has signed the necessary gas supply and gas transmission agreements. Accordingly, SUGEN has commenced its operation since 2009. SUGEN supplies electricity to TPL-D at regulated tariff. Thus, it is incorrect to state that SUGEN has not signed the gas supply or transmission agreements. The recovery of fixed cost is in accordance with the approved tariff. The allegations are baseless and refuted.

Commission's View

The response of the Petitioner is noted.

3.26 The estimation of expenditure is unrealistic

Objection

The estimation of expenditure by the Petitioner against its need is unrealistic. The Objector has suggested that considering the competition ushered in the EA, 2003, there should be reduction of tariff, whereas the Petitioner and other Distribution companies have sought increase in tariff.

Response of TPL

The Commission has approved the ARR for the control period from FY 2011-12 to FY 2015-16 as per the MYT order in Case No. 1092 of 2011 dated 6th September, 2011. This was based on the Petitioner's projections at the beginning of the MYT control period and estimates based on past trends. However, material changes have taken place and ARR is required to be revised based on the revised estimates of sales, change in power purchase and capital investment plan, etc. Based on the revised ARR and the estimated revenue from the revised sales projection, the Petitioner has estimated the revenue gap for FY 2014-15 for tariff revision. The Petitioner has furnished the necessary details for estimating each component of ARR in its proposal as per the provisions of the GERC (MYT) Regulations, 2011. Thus, the Objector's allegation is baseless.

Commission's View

The ARR is approved after due scrutiny and prudence check of various items of expenditure and according to GERC (MYT) Regulations, 2011.

3.27 The Balance Sheet is not as per GERC (MYT) Regulations, 2011

Objection

The Balance Sheet furnished by the Petitioner is incorrect and not as per the GERC (MYT) Regulations, 2011.

Response of TPL

The Petitioner prepares and maintains the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the provisions of the Companies Act, 1956. The Petitioner has furnished the separate Accounting Statements, duly certified by the Statutory Auditors' of the Company for the FY 2012-13 in accordance with the statutory provisions.

Commission's View

The response of the Petitioner is noted.

3.28 Not to allow Legal Fees and Fees for Consultancy

Objection

The Commission is requested to not to allow the legal fees and fees for consultants to prepare the petition to be included in the ARR.

Response of TPL

The O&M expenses are to be approved and allowed in accordance to the GERC (MYT) Regulations, 2011.

Commission's View

The response of the Petitioner is noted.

3.29 Cost Benefit Analysis

Objection

The Commission is requested to direct petitioner to submit the cost benefit analysis for investment made in the last five years to the consumers. The misappropriation and manipulation in accounts and investment has increased the network cost by more than double in past five years.

Response of TPL

The Petitioner has made the necessary investment in the past years to cater to the demand. The Petitioner further states that the network/distribution cost is almost at the same level in the last few years barring the impact of inflation.

Commission's View

The Commission has approved the investment for augmentation of network after prudence check.

3.30 Reduction in Sales

Objection

The Petitioner has claimed that there is acute financial constraint to augment the network for meeting the growth in demand which is in contradiction with the Petitioners submission regarding the reduction in sales.

Response of TPL

The Petitioner clarifies that growth in sales figure are on account of the reduction in utilization level of the overall demand of license area whereas network augmentation is required to support the infrastructure development and up gradation of the existing infrastructure to cater to demand of the consumer. The Petitioner further clarifies that reduction in the utilization level can be mainly attributed to lack of demand in commercial sector and downturn of industries coupled with the purchase of power by HT consumers under Open Access. However, the Petitioner is required to release connections.

Commission's View

The response of the Petitioner is noted.

3.31 Pooled Power Purchase is not justified

Objection

The pooled power purchase for Ahmedabad and Surat supply areas is not justified as both are different license areas.

Response of TPL

The same is in accordance with approved pooled power purchase arrangement for Ahmedabad and Surat License area in the MYT Order.

Commission's View

The Commission has considered that pooling the quantum of Power Purchase for Ahmedabad and Surat supply area will optimize the power purchase cost, load management etc.

3.32 Depreciation

Objection

The depreciation accounted for lines, cables and transformers is 368.14 Cr. (Ahd.) & 137.53 Cr. (Surat) This is on account of consumers' money and should be given credit in ARRs.

As per 2012-13 annual report the service line cost recovered from consumers is Rs. 347.53 Cr. (Ahd.) & 63.64 Cr. (Surat). Why the sum of Rs. 14.97 Cr. (Ahd.) & 3.24 Cr. (Surat) is transferred to profit and loss statement. This makes ARR fictitious.

Pending various replies from Torrent Power it is considered that this full depreciation sum should be given credit to ARRs. This has nothing to do with total deprecation sum as this depreciation sum is on account of the amount paid by consumers.

Response of TPL

The depreciation is an eligible item of expense in computation of ARR as per the provisions of the GERC (MYT) Regulations, 2011. Further, the total depreciation for the year is reduced to the extent of assets financed through Service Line Contribution as the Petitioner does not charge the same as depreciation to P&L. Thus, the Petitioner refutes all allegations in this regard.

Commission's View

Depreciation is not allowed on consumer contribution in capital investment.

3.33 The additional information supplied by Petitioner is not as per legal procedure

Objection

The additional information supplied by the Petitioner to the Commission as mentioned in TO No. 914/2007, No. 939/2009, No. 966/2009 and No. 988/2010 is not as per the legal procedure under affidavit as per clause 28 (1) of GERC (Conduct of Business) Regulations, 2004.

Response of TPL

The tariff determination is a complex and requires detailed exercise under the Regulatory Regime. The Commission is not under any limitation to call for any additional information on various aspects for a utility. The same is well within the powers conferred on the Commission under provisions of the Regulations.

Commission's View

The Commission can call for additional information in the process of analysis of components of ARR.

3.34 Variation in Power Purchase with respect to the MYT approved sources to be disallowed

Objection

The variation in power purchase with respect to the MYT approved sources is objectionable and the Commission is requested to disallow it.

Response of TPL

The variation in the approved power purchase plan is mainly on account of uncontrollable factors i.e. lower availability of Gas form KG basin and reduction in sales estimates. The reduction in off take from SUGEN would require the Petitioner to purchase power from other sources. The Petitioner is making all efforts to source power at competitive rate but the cost of power purchase depends upon various factors including quantum, period and market conditions. The Petitioner further states that the variation in the fuel and power purchase cost are beyond the control of the licensee. The situation is prevalent throughout the country. The Commission in its MYT Regulations has considered the power purchase cost as the legitimate item of expense and hence the same is being and has to be allowed as per actuals after prudence check.

Commission's View

The Commission agrees with the response of the Petitioner.

4. Truing up of FY 2012-13

4.0 Introduction

This chapter of the Order deals with the truing up of FY 2012-13 for TPL-D (Surat). The Commission has studied and analysed each component of the ARR for the FY 2012-13 in the following paragraphs.

4.1 Energy Sales to the Consumers

Petitioner's Submission

TPL-D(Surat) has submitted the category-wise actual energy sales for Surat area for the FY 2012-13, 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 2012-13 for Surat Area

(MU)

Category	As per the MYT Order for FY 2012-13	Category	Actuals for FY 2012-13 *
Residential (RPG)	652	RGP	669.12
Commercial (Non RPG)	569	Non RGP	1222.88
LTP	888	LTMD	956.59
LTMD	995	HTMD	261.38
HTMD	251	Others	27.83
Others	30		
Total	**3385**		**3143.79**

** Submitted by the Petitioner vide e-mail dated 4th February, 2014*

The actual sales come to 3143.79 MU in the Surat area for FY 2012-13, as against 3385 MU as per MYT Order.

Commission's Analysis

The Commission, in the MYT Order dated 6th September, 2011, had considered the estimated sales of 3385 MU for Surat area for FY 2012-13. The actual energy sales in Surat area are 3143.79 MU, which are lower (by 241.21 MU) than the estimated sales considered by the Commission in the MYT Order.

The Commission, accordingly, approves the energy sales for Surat area totalling 3143.79 MU for truing up for FY 2012-13.

4.2 Distribution Losses

Petitioner's Submission

The TPL-D (Surat) has submitted that the actual distribution losses were to the tune of 4.20% in the Surat area for FY 2012-13. The level of distribution losses approved in the MYT Order for FY 2012-13 and the actuals for FY 2012-13 are given below:

Table 4.2: Distribution Loss for FY 2012-13

(%)

Particulars	As per MYT Order for FY 2012-13	Actual
Distribution Losses	5.15	4.20

It is submitted by TPL-D (Surat) that it has been making all efforts to contain the distribution losses and consequent to the efforts, it has brought the distribution losses below the level laid down by the Commission in its MYT Order.

The Commission, accordingly, approves the Distribution losses at 4.20% for Truing up for FY 2012-13.

4.3 Energy Requirement and Power Purchase

Petitioner's Submission

TPL-D has submitted that it sources power collectively for its Ahmedabad and Surat license areas from its own plants at Sabarmati and Vatva, termed as TPL-G(APP), SUGEN Plant, Renewable Energy and other sources and the same 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 discussed below.

Energy Requirement for Ahmedabad and Surat Areas

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

Table 4.3: Energy Requirement of TPL – D Ahmedabad and Surat for FY 2012-13

Sl. No.	Particulars	MYT Order	Actual
1	**Ahmedabad Supply Area**		
2	Energy Sales (MU)	6237.00	6156.64
3	Distribution Losses (%)	8.50%	7.25%
4	Distribution Losses (MU)	579.39	481.11
5	Energy Input at the Distribution Level (MU)	6816.39	6637.75
6	Transmission Loss (MU)	182.99	150.02
7	**Energy Requirement (A)**	**6999.38**	**6787.77**

Sl. No.	Particulars	MYT Order	Actual
8	**Surat Supply Area**		
9	Energy Sales (MU)	3385.00	3143.79
10	Distribution Loss (%)	5.15%	4.20%
11	Distribution Loss (MU)	183.79	137.69
12	Energy input at distribution level (MU)	3568.79	3281.48
13	Transmissions Loss (MU)	34.31	41.41
14	**Energy Requirement (B)**	3603.10	**3322.89**
15	**Total Energy Requirement (A+B)**	**10602.48**	**10110.66**

Energy Availability for TPL – D (Ahmedabad and Surat)

TPL-D has projected the energy availability from TPL-D sourced collectively for Ahmedabad and Surat license areas from its own plant at Sabarmati and Vatva of TPL-G (APP), TPL (SUGEN) Plant, and wind energy for meeting the 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 2012-13 for TPL – D supply Area (Ahmedabad and Surat)

(MU)

Sl. No.	Energy Source	As Per MYT Order	As Per Actuals
1	TPL – G (APP)	3072.95	2698.17
2	TPL – G (SUGEN)	6173.76	3547.90
3	GUVNL / Bilateral	858.00	2156.67
4	Power Exchange	292.56	1749.31
5	Renewable Energy	725.73	228.97
6	Sub-Total	11123.01	10381.01
7	Less: Sales of Surplus Power / UI	(520.53)	(270.36)
10	**Total**	**10602.48**	**10110.66**

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 intended to meet the shortfall in power supplies.

The Petitioner has also made the following submissions:

Due to reduction in availability of gas in the KG Basin, the Government of India has reduced the allocation of domestic gas. The utilisation of gas generation facilities, though available, mainly depends on the contracted sources of supply. Despite the availability of generation facilities, the Petitioner had to source from bilateral and power exchange to cater to the demand of its consumers. Accordingly, there is variation in off-take from SUGEN and Vatva Generation facilities. This variation is uncontrollable, as it is beyond the control of the Petitioner.

Power Purchase Cost for Ahmedabad and Surat Areas

The TPL-D has submitted that power purchase depends on energy sales, distribution loss, energy requirement and the energy availability. Hence, there is variation in power purchase cost compared to that mentioned in the MYT Order. The cost of power purchase from various sources, as provided by TPL-D, is given in the Table below:

Table 4.5: Power Purchase Cost for TPL-D Supply Area for FY 2012-13

(Rs. Crore)

Sl. No.	Energy Source	MYT Order	Actual
1	TPL – G (APP)	1077.84	1186.45
2	TPL – G (SUGEN)	2058.65	2098.50
3	GUVNL	388.32	938.99
4	Power Exchange	163.50	684.18
5	RPO /Wind Energy	379.17	73.52
6	REC	-	54.92
7	**Total**	**4067.48**	**5036.56**

Out of total power purchase cost of Rs. 5036.56 Crore, TPL-D claimed Rs. 1670.03 Crore for Surat distribution area, and the balance for the Ahmedabad distribution area.

Commission's Analysis

Energy Requirement

The energy requirement for Surat area submitted by the Petitioner for FY 2012-13, along with energy requirement mentioned in the MYT Order, has been examined. The actual energy sale is lower than that approved in the MYT Order, and same is the case of T&D losses. The lower sales and lower distribution losses have resulted in the reduction of energy requirement during FY 2012-13. The distribution losses approved in MYT Order was 5.15% (183.79 MU) and the actual distribution losses achieved was 4.20% (137.69 MU). The total energy requirement, being the sum of energy sales and transmission and distribution losses, was 3322.89 MU for FY 2012-13.

The Commission, accordingly, approves the energy requirement of Surat distribution area at 3322.89 MU for truing up for FY 2012-13, 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 a collective basis. TPL has been purchasing power from TPL- G (APP), TPL – G (SUGEN), GUVNL, Power exchange and RPO / wind energy sources, to meet the requirements of Ahmedabad and Surat Areas. All the sources are approved sources of power, according to the MYT Order. TPL has made Short-Term purchase of power (3905.98 MU) from GUVNL and power exchange, as against 1150.56 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 270.36 MU of energy under sale of surplus/ UI (Unscheduled Interchange).

The Commission approves the source-wise power procured 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 2012-13 for TPL-D

(MU)

Sl. No.	Energy Source	MYT Order	Actual
1	TPL – G (APP)	3072.95	2698.17
2	TPL – G (SUGEN)	6173.76	3547.90
3	GUVNL	858.00	2156.67
4	Power Exchange	292.56	1749.31
5	RPO /Wind Energy	725.73	228.97
6	Sub-Total	11123	10381.02
7	Less: Sales of Surplus Power / UI	520.53	270.36
8	**Total**	**10603**	**10110.66**

Out of total power purchase of 10110.66 MU, the requirement of Surat license area is 3322.89 MU, as can be seen from Table 4.3 above.

Power Purchase Cost

The actual power purchase cost for FY 2012-13 as submitted by TPL, along with power purchase cost approved in the MYT Order, as given in Table 4.5.

Table 4.7 (a): Power Purchase Cost as Approved in the MYT Order and the Actual Approved for TPL-D for FY 2012-13

(Rs. Crore)

Sl. No.	Energy Source	MYT Order	Actual
1	TPL – G (APP)	1077.84	1186.45
2	TPL – G (SUGEN)	2058.65	2098.50
3	GUVNL / Bilateral (including transmission cost of Rs. 15.09 Crore)	388.32	938.99
4	Power Exchange	163.50	684.18
5	RPO	379.17	73.52
6	REC	-	54.92
7	**Total**	**4067.48**	**5036.56**

The consolidated cost of purchase of power for TPL-D for FY 2012-13, as per Audited Accounts for Ahmedabad and Surat distribution area, is Rs. 5029.67 (3361.61+1668.06) Crore.

Commission's Analysis

The Commission has approved the generation cost of Ahmedabad Power Plant at Rs. 1172.81 Crore in the truing up for FY 2012-13. On a query from Commission TPL vide its e-mail dated 24th March 2014 clarified that capacity charge of SUGEN for untied capacity with TPL-D was not allowed to the extent of Rs. 19.99 Crore by the Commission under FPPPA. Hence, this also need not be considered in true-up. Accordingly, the Commission considers the SUGEN Power Purchase Cost as Rs. 2078.51 Crore in true-up for FY 2012-13. The power purchase cost in respect of other sources has been considered as particulars claimed by TPL. Accordingly, the power purchase cost has been considered as detailed in the Table below:

Table 4.7 (b): Power Purchase Cost as Approved in the MYT Order and the Actual Approved for TPL-D for FY 2012-13

(Rs. Crore)

Sl. No.	Energy Source	MYT Order	Actual
1	TPL – G (APP)	1077.84	1172.81
2	TPL – G (SUGEN)	2058.65	2078.51
3	GUVNL / Bilateral (including transmission cost of Rs. 15.09 Crore)	373.23+15.09	938.99
4	Power Exchange	163.50	684.18
5	RPO	379.17	73.52
6	REC	-	54.92
7	**Total**	**4067.48**	**5002.93**

As shown above, the Commission approves the total power purchase cost of Rs. 5002.93 Crore for the procurement of total energy of 10110.66 MU for TPL-D. Hence, the per unit power purchase cost works out to Rs. 4.95 / kWh. Since the Commission has approved the energy requirement of Surat Distribution Area as 3322.89 MU, the power purchase cost for Surat Distribution Area is computed at Rs. 1644.83 Crore.

The Commission, accordingly, approves the total power purchase cost of Rs. 1644.83 Crore, for TPL-D Surat during FY 2012-13 for Truing up.

4.4 Gain due to Reduction in Energy Requirement as a Result of Reduction in Distribution Losses

Petitioner's Submission

TPL has computed the gain due to reduction in distribution losses for Surat Area at Rs. 16.62 Crore, as given in the Table below:

Table 4.8: Computation for Reduction in Energy Requirement of TPL-D (Surat) as a result of Reduction in Distribution Losses submitted by TPL

Particulars	Unit		Actual
Energy Sales	MU	(a)	3143.79
Setoff Wheeled Energy	MU	(b)	23.69
Unit Recovered as Loss	MU	(c)	0.92
Total Energy Supplied	MU	(d)=(a)+(b)	3167.48
MYT approved Distribution Loss	%	(e)	5.15%
Energy required at Distribution Level as per MYT approved Loss	MU	(f)=(d)/(1-(e))	3339.46
Normative Energy required at Distribution level at MYT approval Loss	MU	(g)=(f)-(b)	3315.77
Actual Energy Purchased at Distribution level	MU	(h)	3281.48
Reduction in Energy Requirement	MU	(i)=(g)-(h)-(c)	33.37
Power Purchase Cost	Rs./Unit	(j)	4.98
Savings due to improvement in Distribution Loss	Rs. Crore	(k)=(i)*(j)/10	16.62

Commission's Analysis

The Commission has approved distribution loss at 5.15% in the MYT Order, whereas the TPL has claimed the quantum of actual distribution losses at 4.20% for FY 2012-13.

The Commission has worked out gain on account of reduction in Distribution loss as shown in the Table below:

Table 4.9: Computation for Reduction in Energy Requirement of TPL-D (Surat) as a result of Reduction in Distribution Losses considered by the Commission

Particulars	Unit		Actual
Energy Sales	MU	(a)	3143.79
Setoff Wheeled Energy	MU	(b)	23.69
Unit Recovered as Loss	MU	(c)	0.92
Total Energy Supplied	MU	(d)=(a)+(b)	3167.48
MYT approved Distribution Loss	%	(e)	5.15%
Energy required at Distribution Level as per MYT approved Loss	MU	(f)=(d)/(1-(e))	3339.46
Normative Energy required at Distribution level at MYT approval Loss	MU	(g)=(f)-(b)	3315.77
Actual Energy Purchased at Distribution level	MU	(h)	3281.48
Reduction in Energy Requirement	MU	(i)=(g)-(h)-(c)	33.37
Power Purchase Cost	Rs./Unit	(j)	4.95
Savings due to improvement in Distribution Loss	Rs. Crore	(k)=(i)*(j)/10	16.52

The total power purchase cost and gains/(losses) considered in the truing up for FY 2012-13 are summarised in the Table below:

Table 4.10: Power Purchase Cost and Gains/(Losses) Approved in Truing up for FY 2012-13

(Rs. Crore)

Particulars	As per MYT Order for FY 2012-13	Approved in Truing up for FY 2012-13	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
Power Purchase Cost	1332.43	1644.83	(312.40)	16.52	(328.92)

4.5 Fixed Charges

4.5.1 Operations and Maintenance (O&M) Expenses

TPL has claimed Rs. 89.28 Crore as O&M expenses. These consist of Rs. 37.84 Crore on employee Cost, Rs. 26.46 Crore on R&M Expenses and Rs. 24.98 Crore on A&G Expenses, as against Rs. 91.58 Crore of composite O&M expenses approved for FY 2012-13 in the MYT Order.

Petitioner's Submission

TPL has submitted that the Petitioner has made all efforts to contain the O&M expenses with the approved limit due to financial constraints. The Petitioner has also deferred some of its R&M expenditure. TPL has submitted that the variation of Rs. 1.75 Crore in employee expenses uncontrollable and the balance as controllable for sharing of gains and losses

TPL has claimed a sum of Rs. 89.28 Crore towards actual O&M expenses in the truing up for FY 2012-13, as shown in Table below:

Table 4.11: O&M Expenses Claimed by TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Actual claimed in Truing up for FY 2012-13
1	Employee Cost	37.84
2	R&M Expenses	26.46
3	A&G Expenses	24.98
4	**Total O&M Expenses**	**89.28**

Commission's Analysis

The Commission had approved the O&M expenses at 91.58 Crore as a composite expense for FY 2012-13 in the MYT Order dated 6th September 2011. However, TPL had split the O&M expenses component-wise, viz., Employee Cost, R&M Expenses and A&G Expenses. Further, TPL also claimed part variation in O&M expenses as uncontrollable. However, in view of Regulation 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 have been verified with the audited annual accounts.

The Commission, accordingly, approves the O&M expenses at Rs. 89.28 (37.84+26.46+24.98) Crore, for truing up for FY 2012-13.

The O&M Expenses and the gains / losses approved in the truing up for FY 2012-13 are given in the Table below:

Table 4.12: O&M Expenses and Gains / (Losses) Approved in Truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in the MYT Order	Approved in Truing up for FY 2012-13	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
O&M Expenses	91.58	89.28	2.3	2.3	-

4.5.2 Capital Expenditure, Capitalisation and Sources of Funding

The TPL has furnished the actual capital expenditure at Rs. 25.79 Crore in the truing up for FY 2012-13 as against Rs. 69.89 Crore approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.13: Capital Expenditure Claimed by TPL-D, Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in the MYT Order	Actual claimed in Truing up for FY 2012-13
1	EHV	28.27	2.21
2	HT Network	15.97	8.61
3	LT Network	13.76	12.20
4	Metering	7.38	1.21
5	Customer Care and Others	4.54	1.57
6	**Total**	**69.89**	**25.79**

Capital Expenditure

Petitioner's Submission

TPL has submitted that the actual capital expenditure of Rs. 25.79 Crore, incurred in Surat Supply Area, was lower than the amount of Rs. 69.89 Crore approved in the MYT Order for FY 2012-13. The TPL has indicated the major variances in the actual expenditure against the approval, as detailed below:

a) EHV Network: The Commission has approved capital expenditure of Rs. 28.27 Crore pertaining to EHV Network. The actual expenditure was Rs. 2.21 Crore, which is lower than the approved amount, due to deferment of expenditure pertaining to commissioning of 66 kV interconnectivity because of acute financial constraints.

b) HT Network: The Commission has approved a capital expenditure of Rs. 15.97 Crore. The Petitioner has incurred a capital expenditure of Rs. 8.61 Crore. The variation is on account of lesser number of substations commissioned and incurred only need- based Capex related to the HT network.

c) LT Network: The Commission has approved a capital expenditure of Rs. 13.76 Crore. The Petitioner has incurred a capital expenditure of Rs. 12.20 Crore. The actual expenditure is lower due to reduction in the number of applications for new connections, compared to estimates, on account of lower growth.

d) Metering: The actual expenditure of Rs. 1.21 Crore, incurred under the head of Metering, is lower than that approved since the number of new connections released were lower than the estimates. Further, due to tariff rationalisation and implementation of the 'one premise one meter' concept, the overall requirement for meters has reduced.

e) Customer Care and IT Initiatives: The Commission has approved a capital expenditure of Rs. 4.54 Crore. However, TPL-D restricted the spending under the head to need basis and, accordingly, the actual expenditure for the year was Rs. 1.57 Crore.

Commission's Analysis

The Commission observed that the petitioner incurred capital expenditure of Rs. 25.79 Crore, as against 69.89 Crore considered by the Commission in the MYT Order for FY 2012-13.

The Commission would like to highlight that the unrealistic capital expenditure projections made by the TPL in the past had 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 the ARR is not inflated.

Capitalisation

Petitioner's Submission

The TPL has claimed a sum of Rs. 25.79 Crore towards capital expenditure, as against the capital expenditure of Rs. 69.89 Crore, approved in MYT Order.

Commission's Analysis

The net addition of assets during FY 2012-13 was Rs. 18.66 Crore, as verified from the segregated audited accounts of TPL-Surat, for the FY 2012-13.

The Commission observed that the Petitioner has capitalised a lower amount, as against that considered by the Commission in MYT Order for FY 2012-13. The Commission noticed that the actual capitalisation claimed by TPL in the previous years were also lower than those approved by the Commission.

The Commission approves the net capitalisation at Rs. 18.66 Crore in the truing up for FY 2012-13.

Funding of Capex

Petitioner's Submission

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

Table 4.14: Capitalisation for Surat Supply Area in FY 2012-13

Particulars		Actual
Opening GFA	(a)	1349.61
Addition to GFA	(b)	25.79
Deletion to GFA	(c)	7.13
Closing GFA	(d)=(a)+(b)-(c)	1368.27
SLC Addition	(e)	9.82
Capitalisation for Debt	(f)=((b)-(e))	15.97
Capitalisation for Equity	(g)=((b)-(c)-(e))	8.84
Normative debt @70%	(h)=(f)*70%	11.18
Normative Equity @30%	(i)=(g)*30%	2.65

Commission's Analysis

TPL has considered gross capitalisation for funding through Debt and net capitalisation (Addition minus deletion of assets) during the year for funding through equity. However, the Commission has considered the net capitalisation, as detailed in the Table below:

Table 4.15: Approved Capitalisation and Sources of Funding For FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in MYT Order	Approved in Truing up for FY 2012-13
1	Capital Expenditure	69.89	25.79
2	Capitalisation During the Year	69.89	18.66
3	Less: SLC	9.91	9.82
4	Balance Capitalisation	59.98	8.84
5	Normative Debt @ 70%	41.99	6.19
6	Normative Equity @ 30%	17.99	2.65

4.5.3 Depreciation

The TPL has claimed a sum of Rs. 45.96 Crore towards depreciation in the truing up for FY 2012-13, as against Rs. 48.85 Crore approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.16: Depreciation Claimed by TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in the MYT Order	Actual claimed in Truing up for FY 2012-13
1	Depreciation	48.85	45.96

Petitioner's Submission

The TPL has submitted that the depreciation rates, as per CERC (Terms and Conditions of Tariff) 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 rates specified in 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 2012-13, by applying CERC depreciation rates, assets classification-wise. The details of opening balance of assets as on 1st April, 2012, addition and deduction to the Gross Block during FY 2012-13 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 2012-13 for computation of depreciation.

The Commission, accordingly, approves the depreciation of Rs. 45.96 Crore in the truing up for FY 2012-13.

As noted in Para 4.5.3 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 2012-13, as detailed in Table below:

The Commission, accordingly, approves the gains / losses, on account of depreciation, in the truing up for FY 2012-13, as detailed in the Table below:

Table 4.17: Depreciation and Gains / (Losses) due to Depreciation Approved in the Truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in MYT order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
Depreciation	48.85	45.96	2.89	-	2.89

4.5.4 Interest Expenses

The TPL has claimed a sum of Rs. 41.07 Crore towards actual interest expenses in the truing up for FY 2012-13, as detailed in the Table below, as against Rs. 43.28 Crore approved in the MYT Order for FY 2012-13.

Table 4.18: Interest Claimed in the Truing up for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars of Existing Loans	Amount
1	**APDRP**	
	Opening Balance	20.96
	Repayments	1.56
	Closing Balance	19.40
	Interest Expense	1.82
2	**IDFC – I**	
	Opening Balance	7.14
	Repayments	7.14
	Closing Balance	-
	Interest Expense	0.24
3	**IDBI**	
	Opening Balance	45.01
	Repayments	15.00
	Closing Balance	30.01
	Interest Expense	5.00
4	**HDFC – II**	
	Opening Balance	17.31
	Repayments	7.69
	Closing Balance	9.62
	Interest Expense	1.76
5	**LIC**	
	Opening Balance	67.50
	Repayments	10.00
	Closing Balance	57.5

Sl. No.	Particulars of Existing Loans	Amount
	Interest Expense	7.38
6	**IDFC – II**	
	Opening Balance	175.00
	Repayments	25.00
	Closing Balance	150.00
	Interest Expense	18.76
7	**BOB**	
	Opening Balance	7.31
	Repayments	1.32
	Closing Balance	6.00
	Interest Expense	0.82
8	**Loans drawn in FY 2012-13**	
	Capitalization During the Year	25.79
	Less: SLC Additions	9.82
	Normative Debt @ 70%	11.18
	Opening Balance	38.43
	New Borrowings	11.18
	Repayments	6.01
	Closing Balance	43.60
	Interest Expense	4.83
9	Total interest Charges	40.61
	Borrowing Cost	0.46
	Total interest and Financial Charges	41.07

Petitioner's Submission

The TPL has submitted that the Commission, in its Order in Case No. 1092/2011, had revised the interest expenses, based on TPL's proposal to consider the actual loans at the beginning of the year and additional loan, due to estimated capital expenditure during FY 2012-13. The TPL has further submitted that the actual loan schedule for FY 2012-13 and the corresponding interest expenses are uncontrollable, since these are dependent on the actual capital expenditure.

The Petitioner has further submitted that the GERC (MYT) Regulations, 2011, provide for calculation of interest expenses on normative basis, considering the amount of depreciation of assets created as the amount of repayment. It may kindly be noted that for the green field projects having only one time capitalisation, separate data of depreciation can be maintained and correlated for the normative interest calculation. However, in case of utilities having existing asset blocks which have been created for a limited period of time and addition of assets is of a recurring nature, there is an operational difficulty in maintaining and calculating the repayment of loans on normative basis. This, in turn, creates difficulty in calculating the interest expense on normative basis.

The Petitioner has, therefore, considered the interest expenses for the existing loans availed for the earlier capitalisation at actual interest expenses. For the capitalisation carried out during the FY 2012-13, the Petitioner has calculated the interest expenses, by applying the opening wt. Avg. Rate of interest on the eligible additional loan component, while repayment has been considered equal to the depreciation for the year.

Commission's Analysis

The existing loans outstanding as on 01/04/2012 and the details of repayment and interest charges on these loans given in Form D-3 (TPL-D Surat Licensee Area) have been verified and found to be correct.

The additional loan of Rs. 6.19 Crore is in accordance with the requirements of capitalisation and source of funding, as approved in Table 4.15 above.

The GERC (MYT) Regulations, 2011, provide for computation of interest on loan on normative basis, based on the opening balance of loan brought forward from the previous year's closing balance and the capitalisation and approved funding thereon. The Commission has approved the funding of net capitalisation in Table 4.15. The interest is computed at 11.68%, being the weighted average rate of actual loan portfolio. The Commission has recomputed the interest on loan for FY 2012-13, as detailed in the Table below:

Table 4.19: Interest Approved by the Commission in the Truing up for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in MYT Order
1	Opening Loan	409.09
2	New Loans During the Year	6.19
3	Repayment During the Year	45.96
4	Closing Loan	369.32
5	Average Loan	389.20
6	Rate of Interest	11.68%
7	Interest	45.46
8	Other Borrowing Costs	0.46
9	Total Interest and Finance Charges	45.92

The Commission, accordingly, approves the interest and finance charges at Rs. 45.92 Crore in the truing up for FY 2012-13.

With regard to the computation of gains / losses, Regulation 23.2 considers variation in capitalisation on account of time and/or cost overruns / efficiencies in the implementation of capital expenditure project as not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. If the gain is on account of lesser capital expenditure and capitalisation, it cannot be attributed to the efficiency of the utility to allow 2/3rd of gain to the utility. Similarly if the loss is on account of more capital expenditure and capitalisation due to bonafide reasons, 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 2012-13, as detailed in the Table below:

Table 4.20: Gains / (Losses) Approved in the Truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in the MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains/ (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable Factors
Interest on Loans	43.28	46.31	(2.64)		(2.64)

4.5.5 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 2012-13, as detailed in the Table below:

Table 4.21: Interest on Working Capital Claimed by for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in the MYT Order	Actual claimed in Truing up for FY 2012-13
1	O&M Expenses for 1 Month	7.63	7.44
2	1% of GFA for Maintenance Spares	13.95	13.50
3	Receivables for 2 Months	130.26	144.45
4	Less: Security Deposit	155.25	154.77
5	Normative Working Capital	(3.41)	10.62
6	Interest Rate	11.75%	14.75%
7	Interest on working Capital	-	1.57

Petitioner's Submission

The TPL has submitted that the interest on working capital has been computed @ 14.75%, in accordance with the GERC (MYT) Regulations, 2011. The Interest on

Working capital has increased on account of variations 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 2012-13. The Commission has observed that TPL has worked out the interest on working capital, by considering 14.75% as the SBAR as on 01.04.2012. The Commission, while approving the True-up for FY 2011-12, decided to consider the rate (SBAR) prevailing as on 1st April of the financial year for which Truing up is being done. The SBAR as on 1st April, 2012 was 14.75%. The Commission, accordingly, takes into consideration the SBAR of 14.75% for computation of Interest on Working Capital for FY 2012-13.

While computing the working capital, TPL has reduced the working capital by considering only the amount of security deposit for which interest is paid to the consumers. The Commission has reduced the working capital, by considering the average security deposit of Rs. 163.23 Crore for FY 2012-13 as per audited accounts.

The Commission has computed the working capital and interest thereon, as detailed in the Table below:

Table 4.22: Interest on Working Capital Approved for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Actual claimed in Truing up for FY 2012-13	Approved in Truing up for FY 2012-13
1	O&M expenses for 1 Month	7.44	7.56
2	1% of Opening GFA for Maintenance Spares	13.50	13.50
3	Receivables for 1 Month	144.45	144.45
4	Less: Security Deposit (Avg.)	154.77	163.23
5	Normative Working Capital	10.62	2.28
6	Interest Rate	14.75%	14.75%
7	Interest on Working Capital	1.57	0.34

The Commission, accordingly, approves the interest on working capital at Rs. 0.34 Crore in the truing up for FY 2012-13, as detailed in the above Table.

The Commission considers the interest on working capital as uncontrollable, since the components contributing towards 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 2012-13, as detailed in the Table below:

Table 4.23: Interest on Working Capital Approved for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in the MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains / (Losses) due to Controllable Factors	Gains / (Losses) due to Uncontrollable Factors
Interest on Working Capital	Nil	0.34	(0.34)	-	(0.34)

4.5.6 Interest on Security Deposit

The TPL has claimed a sum of Rs. 15.53 Crore towards interest on security deposits in the truing up for FY 2012-13, as against Rs. 9.51 Crore approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.24: Interest on Security Deposit Claimed for TPL-D, Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in the MYT Order	Actual Claimed in Truing up for FY 2012-13
1	Interest Rate	6%	9.5%
2	Interest on Security Deposits	9.51	15.43

Petitioner's Submission

The TPL has submitted that the actual interest expense on the security deposit is higher than that approved in the MYT Order, since the actual security deposits during FY 2012-13 were higher than the estimates. TPL has further submitted that the variation in interest on security deposit is uncontrollable.

Commission's Analysis

The Commission has verified the actual interest on security deposits with the audited accounts and found that the actual interest is Rs. 15.43 Crore.

The Commission, accordingly, approves the interest on security deposit at Rs. 15.43 Crore in the truing up for FY 2012-13.

The deviation of Rs. 5.92 Crore is considered to be a loss on account of uncontrollable factors, as detailed in the Table below:

Table 4.25: Approved Gains / (Losses) due to Interest Paid on Security Deposits in the Truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in the MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains/ (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable factors
Interest on Security Deposits	9.51	15.43	(5.92)	-	(5.92)

4.5.7 Bad Debts Written Off

TPL has claimed Rs. 0.24 Crore towards bad debts written off in the truing up for FY 2012-13, as against Rs. 0.36 Crore approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.26: Bad Debts Written Off Claimed for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in the MYT Order	Actual claimed in Truing up for FY 2012-13
1	Bad Debts Written Off	0.36	0.24

Petitioner's Submission

The Petitioner has requested the Commission to consider the actual bad debts written off as uncontrollable items 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 audited annual accounts for FY 2012-13 and found the figures submitted to be correct.

The Commission, accordingly, approves the bad debts written off at Rs. 0.24 Crore in the truing up for FY 2012-13.

The Commission has assessed the deviation in bad debts written off at Rs. 0.12 Crore as a gain and considers it as a controllable item.

The Commission, accordingly, approves the gains / losses on account of bad debts written off in the truing up for FY 2012-13, as detailed in the Table below:

Table 4.27: Bad Debts Written Off and Gains / (Losses) Approved in the Truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains / (Losses) due to Controllable Factors	Gains / (Losses) due to Uncontrollable Factors
Bad Debts Written Off	0.36	0.24	0.12	0.12	0.00

4.5.8 Contingency Reserve

Petitioner's Submission

TPL has proposed the contingency reserve at Rs. 0.40 Crore in the truing up for FY 2012-13, which is the same as approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.28: Contingency Reserve claimed for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in MYT order	Actual claimed in Truing up for FY 2012-13
1	Contingency Reserve	0.40	0.40

Commission's Analysis

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

The Commission, accordingly, approves the contingency reserve at Rs. 0.40 Crore in the truing up for FY 2012-13 and also found that there was no deviation in the contingency reserve.

Table 4.29: Contingency Reserve and Gains / (Losses) Approved in the Truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in the MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains / (Losses) due to Controllable Factors	Gains / (Losses) due to Uncontrollable Factors
Contingency Reserve	0.40	0.40	-	-	-

4.5.9 Return on Equity

The TPL has claimed a sum of Rs. 73.89 Crore towards return on equity @ 14% in the truing up for FY 2012-13, as against Rs. 77.27 Crore approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.30: Return on Equity claimed for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in the MYT Order	Actual claimed in Truing up for FY 2012-13
1	Opening Equity	542.96	526.45
2	Equity Addition During the Year	18.00	2.65
3	Closing Equity During the Year	560.96	529.10
4	Return on Equity	77.27	73.89

Petitioner's Submission

The TPL has submitted that the closing balance of equity has been arrived at considering an additional equity of 30% of the capitalisation during the year. The return on equity has been, thus computed, by applying a rate of 14% on the average of the opening and closing balance of equity for FY 2012-13.

Commission's Analysis

The opening equity for FY 2012-13 is as per the closing equity for FY 2011-12 approved in the True-up for FY 2011-12. TPL has followed the same methodology, while computing the Return on Equity for FY 2012-13.

The Commission, accordingly, approves Rs. 73.89 Crore as the return on equity in the truing up for FY 2012-13, as given in the Table below:

Table 4.31: Return on Equity Approved for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Actual Claimed in Truing up for FY 2012-13	Approved in Truing for FY 2012-13
1	Opening Equity	526.45	526.44
2	Equity Addition During the Year	2.65	2.65
3	Closing Equity During the Year	529.10	529.09
4	Average Equity	527.78	527.77
5	Return on Equity @ 14%	73.89	73.89

The return on equity depends on the amount of capitalisation 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 2012-13, as detailed below.

Table 4.32: Return on Equity and Gains / (Losses) Approved in the Truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains / (Losses) due to Controllable Factors	Gains / (Losses) due to Uncontrollable Factors
Return on Equity	77.27	73.89	3.38	-	3.38

4.5.10 Income Tax

The TPL has not claimed any income tax in the truing up for FY 2012-13, as against Rs. 4.98 Crore approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.33: Income Tax claimed for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in MYT order	Actual claimed in Truing up for FY 2012-13
1	Income Tax	4.98	Nil

Petitioner's Submission

The TPL has not claimed income tax for FY 2012-13 as there was a loss, as per the certified financial statement of Surat supply area.

Commission's Analysis

The Commission, accordingly, approves the income tax as Nil in the truing up for FY 2012-13.

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 2012-13, as detailed in the Table below:

Table 4.34: Income tax and Gains / (Losses) due to income tax approved in the truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in the MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains / (Losses) due to Controllable Factors	Gains / (Losses) due to Uncontrollable Factors
Income Tax	4.98	-	4.98	-	4.98

4.5.11 Non-Tariff Income

The TPL has furnished the Non-Tariff income at Rs. 26.64 Crore in the truing up for FY 2012-13, as against Rs. 22.40 Crore approved in the MYT order for FY 2012-13, as detailed in the Table below:

Table 4.35: Non-Tariff Income Claimed for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in the MYT Order	Actual claimed in Truing –up for FY 2012-13
1	Non-Tariff Income	22.40	26.64

Petitioner's Submission

The Petitioner has submitted that the actual Non-Tariff income for FY 2012-13 was Rs. 26.64 Crore, which is an uncontrollable item.

Commission's Analysis

The Commission has verified the Non-Tariff income with the segregated and audited accounts for FY 2012-13 and found it to be Rs. 26.64 Crore.

The Commission, accordingly, approves the Non-Tariff income at Rs. 26.64 Crore in the truing up for FY 2012-13.

The deviation in Non-Tariff income at Rs. 4.24 Crore is assessed as a gain and considered as an uncontrollable item.

The Commission, accordingly, approves the gains / losses on account of Non-Tariff income in the truing up for FY 2012-13, as detailed below:

Table 4.36: Non-Tariff Income and Gains / (Losses) Approved in the truing up for FY 2012-13

(Rs. Crore)

Particulars	Approved for FY 2012-13 in the MYT Order	Approved in Truing up for FY 2012-13	Deviation +/(-)	Gains / (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable Factors
Non-Tariff Income	22.40	26.64	(4.24)	-	(4.24)

4.5.12 Revenue from Sale of Power

Petitioner's Submission

The TPL has furnished the revenue from sale of power at Rs. 1733.44 Crore in the truing up for FY 2012-13, as against Rs. 1602.93 Crore approved in the MYT Order for FY 2012-13, as detailed in the Table below:

Table 4.37: Revenue from the Existing Tariff Claimed for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved for FY 2012-13 in MYT Order	Actual claimed in Truing up for FY 2012-13
1	Revenue From the Existing Tariff	1602.93	1733.44

Commission's Analysis

The Commission has verified the segregated audited annual accounts for FY 2012-13 and found that the revenue from power supply was Rs. 1733.44 Crore.

Table 4.38: Revenue from Sale of Power for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Approved in Truing up for FY 2012-13
1	Revenue from Existing Tariff	1733.44

4.5.13 Gains / Losses under the Truing up for FY 2012-13

The Commission has reviewed the performance of TPL-D Surat Supply Area under Regulation 22 of GERC (MYT) Regulations, 2011, with reference to audited annual accounts for FY 2012-13. The Commission has computed the gains / losses for FY 2012-13 based on the truing up for each component 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 GERC (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 2012-13

(Rs. Crore)

Sl. No.	Annual Revenue Requirement	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13	Approved in Truing up for 2012-13	Deviation +/(-)	Gain/ (Losses) due to controllable factors	Gain/ (Losses) due to Uncontrollable factors
1	**2**	**3**	**4**	**5**	**6=(3-5)**	**7**	**8**
1	Power purchase Cost	1332.43	1670.3	1644.83	(312.40)	16.34	(328.74)
2	Operations and Maintenance	91.58	89.28	89.28	2.30	2.30	0.00

Sl. No.	Annual Revenue Requirement	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13	Approved in Truing up for 2012-13	Deviation +/(-)	Gain/ (Losses) due to controllable factors	Gain/ (Losses) due to Uncontrollable factors
	Expenses						
3	Depreciation	48.85	45.96	45.96	2.89	0	2.89
4	Interest on Loans	43.28	41.07	45.92	(2.64)	0	(2.64)
5	Interest on working capital	0	1.57	0.34	(0.34)	0	(0.34)
6	Interest on Security Deposit	9.51	15.43	15.43	(5.92)	0	(5.92)
7	Bad debts written off	0.36	0.24	0.24	0.12	0.12	0.00
8	Contingency Reserve	0.4	0.4	0.4	0	0	0.00
9	Return on equity	77.27	73.89	73.89	3.38	0	3.38
10	Income Tax	4.98	0	0	4.98	0	4.98
11	**Total expenditure**	**1608.67**	**1938.14**	**1916.28**	**(307.62)**	**18.76**	**(326.38)**
12	Less: Non-Tariff income	22.4	26.64	26.64	(4.24)	0	(4.24)
13	**Aggregate Revenue Requirement**	**1586.27**	**1911.5**	**1889.64**	**(303.38)**	**18.76**	**(322.14)**

4.5.14 Sharing of Gains / Losses for FY 2012-13

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 truing up ARR for FY 2012-13 as claimed by TPL-D Surat and as approved by the Commission is summarised in the Table below:

Table 4.40: Trued up ARR including Gains/(Losses) for TPL-D Surat for FY 2012-13
(Rs. Crore)

Sl. No.	Particulars		Claimed in Truing up	Approved in Truing up
1	ARR as per MYT	(a)	1,586.27	1,586.27
2	Gains/(Losses) due to Uncontrollable Factors	(b)	(342.13)	(322.14)
3	Gains/(Losses) due to Controllable Factors	(c)	17.17	18.76
4	Pass through as Tariff	(d)=-(1/3rd of c+b)	336.41	315.89
5	ARR True-up	e=a+d	1,922.68	1902.16

The following Table summarises the revenue gap for Surat supply area for FY 2012-13.

Table 4.41: Revenue Gap for TPL-D Surat for FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	Claimed in Truing up for FY 2012-13	Approved in Truing up for FY 2012-13
1	Annual Revenue Requirement	1,922.68	1902.16
2	Less: Revenue from Sale of Energy	1733.44	1733.44
3	**(Gap)/Surplus**	(189.24)	(168.72)
4	Total (Gap)/Surplus for Earlier Periods*	5.36	
5	**Cumulative (Gap)/Surplus for FY 2012-13#**	(183.88)	(168.72)

* As per GERC Order dated 02.06.2012 and 04.09.2013
# Does not include Carrying Cost

TPL has claimed Rs. 5.76 Crore towards the revenue surplus of FY 2010-11 as per the Tariff Order dated 2nd June 2012 and claimed Rs. 0.40 Crore approved by the Commission in Order dated 4th September 2013 on Petition No. 1324/2013 to arrive at net surplus of Rs. 5.36 Crore to be considered in the Tariff determination for FY 2014-15. The Commission had already addressed the gap mentioned above by increasing the energy charge for all the categories of the consumers for the FY 2012-13. The Commission had also noted in the Tariff Order dated 2nd June, 2012, that the remaining gap of the FY 2012-13, if any, will be addressed at the time of Truing up on the basis of audited figures. The Commission, through this order, has carried out the Truing up exercise for FY 2012-13 and arrived at a gap of Rs. 168.72 Crore. The amount of Rs. 0.40 Crore approved by the Commission vide its Order dated 4th September 2013 will be considered for determination of tariff for FY 2014-15 as shown in the subsequent chapter.

Accordingly, the Commission now considers the true-up gap of Rs. 168.72 Crore for FY 2012-13 and amount of Rs. 0.40 Crore as per Commission's Order dated 4th September 2013 for determination of tariff for FY 2014-15.

5. Determination of Tariff for FY 2014-15

5.1 Introduction

This chapter deals with the determination of revenue gap/surplus, as well as consumer tariff for the FY 2014-15 for TPL-D Surat supply area. The Commission has considered the ARR approved in the Mid-term Review for FY 2014-15 and the adjustment on account of True-up for FY 2012-13, while determining the revenue gap/surplus for FY 2014-15.

5.2 Approved ARR for FY 2014-15

Based on the above approach, the Table below summarises the Annual Revenue Requirement, as approved by the Commission in the Mid-term Review for the FY 2014-15. Detailed analysis of each head of expenditure has already been provided in the Mid-term Review.

Table 5.1: Approved ARR for Surat Supply Area FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Approved in MYT Order	Projected in Mid-term Review	Approved in Mid-term Review
1	Power Purchase Cost	1546.81	1960.33	1567.02
2	Operations and Maintenance Expenses	102.36	104.85	99.78
3	Depreciation	53.95	47.68	48.17
4	Interest on Loans	39.36	30.34	38.99
5	Interest on Working Capital		4.13	0.00
6	Interest on Security Deposit	10.31	18.88	18.85
7	Bad debts Written Off	0.36	0.36	0.36
8	Contingency Reserve	0.4	0.4	0.4
9	Return on Equity	81.12	76.88	76.49
10	Income Tax	4.98		0
11	**Total Expenditure**	**1839.65**	**2243.85**	**1850.05**
12	Less: Non-Tariff Income	23.63	19.69	26.64
13	**Aggregate Revenue Requirement**	**1816.02**	**2224.16**	**1823.41**

5.3 Projected Revenue from existing tariff for FY 2014-15

The TPL-D has projected the Revenue from sale of power at Rs. 1837.81 Crore in the Mid-term Review for FY 2014-15 in the light of the existing Tariff, including FPPPA of Rs. 1.23 per kWh. The details are as given in the Table below:

Table 5.2: Revenue Gap for determination of Tariff of Surat Supply Area for FY 2014-15

(Rs. Crore)

Particulars	TPL-D (S)
ARR	2224.16
Less:	
-Revenue from Sale of Power at Existing Tariff Rates, including FPPPA @ Rs. 1.23 per unit	1837.81
Net Gap/(Surplus)	386.33

Commission's Analysis

The Commission has reviewed the sales projected in the Mid-term Review and approved the sales of 3212 MU in the Mid-term Review. The Commission has recomputed the sales revenue, based on the sales approved in the Mid-term Review and applying FPPPA @ Rs. 1.23 per kWh, as detailed in the Table below:

The Revenue, as approved for FY 2014-15 in the MYT Order, and approved by the Commission in the Mid-term Review, are given in the Table below:

Table 5.3: Approved Sales and Category-Wise Revenue for FY 2014-15

Sl. No.	Particulars	Approved in MYT Order		Approved in Mid-term Review	
		MU	(Rs. Crore)	MU	(Rs. Crore)
A	**LT Consumers**				
1	RGP	724	242.57	681	277.67
2	Non RGP	651	298.59	1250	539.94
3	LTMD	1955	755.04	973	476.38
	LT Total (A)	**3330**	**1296.2**	**2904**	**1293.99**
B	**HT Consumers**				
4	HT	261	113.59	280	115.06
5	HT Pumping				24.87
	HT Total (B)	**261**	**113.59**	**280**	**139.93**
6	Others	33	10.88	28	10.60
7	**Total**	**3624**	**1420.67**	**3212**	**1444.52**
8	FPPPA		253.64		395.08
9	**Total Revenue**	**3624**	**1674.31**	**3212**	**1839.60**

5.4 Estimated Revenue and Revenue Gap/Surplus for FY 2014-15

The Commission has considered the total category-wise sales, as approved in the Mid-term Review Order, and applied the existing tariff on the approved sales for each category of consumers. The total revenue from sale of power, computed by the Commission at existing tariff, is Rs. 1839.60 Crore, including FPPPA. The FPPPA rate has been considered at Rs. 1.23 per unit. The estimated gap for FY 2014-15 is given in the Table below:

Table 5.4: Approved Revenue (Gap)/Surplus for FY 2014-15 with Existing Tariff

(Rs. Crore)

Sl. No.	Parameter	Approved in Mid-term Review
1	Aggregate Revenue Requirement	1823.41
2	Revenue Gap from True-up of FY 2012-13	168.72
3	Add: Prior Period Gap*	0.40
4	**Total Aggregate Revenue Requirement**	**1992.53**
5	Revenue with the Existing Tariff	1444.50
6	FPPPA Charges @ Rs. 1.23/kWh	395.08
7	**Total Revenue**	**1839.60**
8	**(Gap)/Surplus (7-4)**	**(152.93)**

* As per GERC Order on Petition no. 1324/2013 dated 04.09.2013

The Commission has not considered the carrying cost claimed by TPL, since there is no such provision in the GERC (MYT) Regulations, 2011.

5.5 Consolidated Revenue Gap for the TPL Distribution

As can be seen from Table 5.4, the Commission has estimated the total revenue gap/surplus of TPL Surat at Rs. 152.93 Crore for the FY 2014-15. Similarly, the Commission has estimated the revenue gap of TPL Ahmedabad area in Tariff Order in Petition No. 1376/2013 at Rs. 307.90 Crore for the FY 2014-15.

Table 5.5: Consolidated gap computed for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	TPL Ahmedabad	TPL Surat	Total
1	Total Revenue (Gap) / Surplus for FY 2014-15	(307.90)	(152.93)	(460.83)

Accordingly, the Commission considers the total consolidated gap of Rs. 460.83 Crore for TPL Distribution area for determination of tariff for FY 1014-15.

6. Compliance of Directives

6.1 Compliance of earlier Directives

TPL had complied with all the directives issued prior to promulgation of the Tariff Orders dated 16th April 2013.

The Commission, in its Tariff Order dated 16th April 2013, had issued a fresh directive to TPL, in pursuance of which, TPL submitted a report on compliance of this directive. 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:

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 consumers, without obtaining corresponding power for the cost paid to REC.

Compliance

In compliance of the directive, TPL-D is making all efforts to enter into agreements to meet the RPO obligation. It has repeatedly published advertisements in the newspapers for supply of power from the renewable energy sources. In the current year, TPL 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 very limited response from the developers

Commission's Comments

TPL-D shall continue the efforts to enter agreements for purchase of renewable energy from within the state and outside to meet RPO obligation and report submitted periodically.

7. Fuel and Power Purchase Price Adjustment

7.1 Fuel Price and Power Purchase Price Adjustment

The Commission had approved the formula for Fuel Price and Power Purchase Cost Adjustment (FPPPA) vide order in Case No. 2 of 2003 dated 25th June, 2004.

The Commission, vide its order dated 29.10.2013, has revised the formula as mentioned below:

7.2 Formula

FPPPA = [(PPCA-PPCB)]/[100-Loss in %]

Where,

PPCA	is the average power purchase cost per unit of delivered energy (including transmission cost), computed based on the operational parameters approved by the Commission or principles laid down in the Power Purchase Agreements in Rs./kWh for all the generation sources as approved by the Commission while determining ARR and who have supplied power in the given quarter and transmission charges as approved by the Commission for transmission network calculated as total power purchase cost billed in Rs. Million divided by the total quantum of power purchase in Million Units made during the quarter.
PPCB	is the approved average base power purchase cost per unit of delivered energy (including transmission cost) for all the generating stations considered by the Commission for supplying power to the company in Rs./kWh and transmission charges as approved by the Commission calculated as the total power purchase cost approved by the Commission in Rs. Million divided by the total quantum of power purchase in Million Units considered by the Commission.
Loss in %	is the weighted average of the approved level of Transmission and

	Distribution losses(%) for the four DISCOMs / GUVNL and TPL applicable for a particular quarter or actual weighted average in Transmission and Distribution losses(%) for four DISCOMs / GUVNL and TPL of the previous year for which true up have been done by the Commission, whichever is lower.

7.3 Base Price of Power Purchase (PPCB)

The Commission has approved the total energy requirement and the total Power Purchase Cost for all TPL-D Ahmedabad including fixed cost, variable cost etc from the various sources in the Mid-Term Review of Business Plan as given in the Table below:

Year	Total Energy Requirement (MU)	Approved Power Purchase cost (Rs crore)	Power Purchase cost per unit (Rs/kWh)
FY 2014-15	11120	5110.04	4.60

As mentioned above the base Power Purchase cost for the TPL-D is Rs 4.60 per kWh and the base FPPPA charge is Rs. 1.23/kWh.

TPL may claim difference between actual power purchase cost and base power purchase cost approved in the table above as per the approved FPPPA formula mentioned in para 6.2 above.

Information regarding FPPPA recovery and the FPPPA calculations shall be kept on website of the TPL.

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

FPPPA calculations shall be submitted to the Commission within one month from end of the relevant quarter.

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 2014-15

Sl. No.	Particulars	Wire business (%)	Retail Supply business (%)
1	Power purchase expenses	0	100
2	Employee expenses	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 Surat supply area into ARR for wheeling and retail supply business as shown below:

a. ARR of Wheeling Business – Rs. 208.42 crore
b. ARR of Retail Supply Business – Rs. 2015.72 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 Surat Supply Area.

It is submitted by TPL-D that

- The GFA (excluding assets related to retail supply i.e. SLC and Meters) for Surat Supply Areas as on 31st March, 2013 is Rs 1,190.25 Crores. In case of Surat Supply Area, the GFA identified for HT & LT business are Rs. 878.62 Crores & Rs. 311.63 Crores, respectively. The ratio of HT assets to LT assets is 74:26, which is considered for the apportionment of ARR for the wheeling business into HT and LT businesses.

- Further as the HT level assets cater to the requirement of customers at both HT and LT levels, the ARR for HT is again apportioned between HT and LT voltage based on their ratio of contribution to the peak.

- The system peak demand for Surat Supply Area for the year FY 2012-13 is estimated as 569.84 MW. In case of Surat Supply Area, the contract demand for all the HT consumers is about 87.93 MW. Assuming that 85% of the contact demand of HT consumers contributes to the system peak demand, the total demand of LT contributing to the system peak is computed as 495.10 MW.

- To determine the wheeling charges for the HT & LT voltage levels, the ARR of the respective voltage level is divided by the peak demand of the respective voltage level. Accordingly, the wheeling charge determined in terms of Rs/ kW/ Month has been tabulated below:

Table 8.2: Projected Wheeling charges in cash of Surat area for FY 2014-15

Particulars	
First Level Segregation of ARR in Rs. Crores	
HT Voltage	153.85
LT Voltage	54.57
Total	208.42
Second Level Segregation of ARR in Rs. Crores	
HT Voltage	20.18
LT Voltage	188.24
Total	208.42
Wheeling Charge in Rs/ kW/ month	
HT Voltage	224.99
LT Voltage	316.84
Wheeling Charge in Rs/ kWh	
HT Voltage	0.82
LT Voltage	0.63

TPL-D also requested the Commission to decide the appropriate mechanism to avoid any under-recovery in case of under-utilization of Open Access capacity booked by the consumers in line with the Judgment of Hon'ble Tribunal.

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

Table 8.3: Proposed Wheeling charges in kind of Surat area

Particulars	FY 2014-15 Surat Area
HT Category	4.00%
LT Category	4.20%

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 8.4: Allocation matrix for segregation to Wheeling and Retail Supply for TPL-Surat Supply Area for FY 2014-15 as per GERC Regulations

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	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 8.5: Allocation ARR between wire and retail supply business for Surat for FY 2014-15

(Rs. Crore)

Sl. No.	Particulars	Total	Wire Business	Retail Supply business
1	Power purchase expenses	1567.02	0.00	1567.02
2	O&M expenses	99.78		
	i) Employee expenses	42.29	25.38	16.92
	ii) R&M expenses	29.57	26.61	2.96
	ii) A&G expenses	27.92	13.96	13.96
3	Depreciation	48.17	43.35	4.82
4	Interest on loan	38.99	35.09	3.90
5	Interest on consumer security deposit	18.85	1.88	16.96
6	Interest on working capital	0.00	0.00	0.00
7	Provision for bad debt	0.36	0.00	0.36
8	Income tax	0	0.00	0.00
9	Contribution to contingency reserve	0.4	0.40	0.00
10	Return on equity	76.49	68.84	7.65
11	Less: Non-tariff income	26.64	2.66	23.98
12	**Net ARR**	1823.43	212.85	1610.56

The above allocations of ARR are used for determination of charges and cross subsidy surcharge for FY 2014-15.

The Commission considered the proposal of TPL-D for apportionment of ARR between HT and LT voltage level as mentioned in para 8.2, which is also in tune with the judgement of Hon'ble Tribunal in Appeal no 32 of 2012. Based on the above the wheeling charges in cash are approved as given in the table below:

Table 8.6: Wheeling charges for HT voltage level

Particulars	
First Level Segregation of ARR in Rs. Crores	
HT Voltage	141.39
LT Voltage	50.15
Total	191.54
Second Level Segregation of ARR in Rs. Crores	
HT Voltage	18.54
LT Voltage	173.00
Total	191.54
Wheeling Charge in Rs/ kW/ month (For Long-term and Medium-term Open Access consumers)	
HT Voltage	229.77
LT Voltage	323.57
Wheeling Charge in Rs/ kWh (For Short-term Open Access consumers)	
HT Voltage	0.74
LT Voltage	0.66

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

Table 8.7: Approved Wheeling charges in kind

Particulars	FY 2014-15 Surat Area
HT Category	4.00%
LT Category	4.20%

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 2014-15

Sl. No.	Particulars	HT Industry
1	T	6.83
2	C	5.86
3	D	0.74
4	L	4%
5	S = Cross subsidy surcharge	00 Ps/kWh

1. Average HT tariff including base FPPPA @ Rs. 2.23/kWh for FY 2014-15: 6.83 Rs. / kWh
2. Wt. Avg. Power purchase cost of top 5% at margin: 5.86 Rs. / kWh
3. Cross subsidy surcharge for HT

S = 6.83 - [5.86 (1+4/100) + 0.74]

= 00 Ps/ kWh

9. Tariff Philosophy and Tariff Proposals

9.1 Introduction

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 MYT Regulations notified by the Commission guide 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 Ahmedabad for FY 2014-15

9.2.1 Retail Tariff

TPL-D has computed the cumulative gap for FY 2012-13 and FY 2014-15 and has proposed to recover the estimated revenue gap during FY 2014-15. 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) Correct recovery of fixed charges which is depective of the fixed costs
iii) Demand Side Management by shifting consumption from peak-hours to off- peak hours.
iv) Promotion of efficient use of electricity.

v) Adhering to band of cross subsidy prescribed by Tariff Policy.

vi) Incentivizing energy conservation through telescopic tariff.

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.

Section 61 of the Electricity Act, 2003 specifies the guiding factors for the determination of terms and conditions of tariff as detailed hereunder:

a) The generation, transmission, distribution and supply of Electricity are conducted on commercial principles.

b) The factors which would encourage competition, efficiency, economical use of resources , good performance and optimum investments.

In line with the above guiding factors, the fixed cost should be recovered through fixed charges.

Anomaly in recovery of fixed charge vis-a-vis fixed cost

In the present tariff structure, only Rs. 0.57 is recovered through fixed charges which is less than 10 % of total tariff.

There is mismatch in recovery of fixed charges vis-à-vis fixed costs. The fixed charges are significantly lower than the fixed costs per unit.

Problems due to this anomaly in tariff

It is submitted by TPL that the existing fixed charges do not reflect 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 utilize 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 subsidized 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.

As open access is implemented without fully addressing above points, it is creating problems for the licensee and the consumers.

In the current system, a highly efficient utility having very low level of T&D losses, high level of reliability and lower operational costs would be penalised as customers of such utility would be encouraged to avail Open Access due to low level of wheeling charges and losses and high level of reliability. This is only because of the anomaly in tariff as the fixed charges, wheeling charges, cross-subsidy surcharge are not reflective of the reality.

Suggested solution to address this anomaly

In the last tariff petition, the petitioner had stated that the Fixed Costs per unit based on the approved ARR of FY 2013-14 was Rs. 2.25 per unit whereas the Fixed Charges being recovered from consumer were only Rs. 0.42 per unit at that point of time. Accordingly, the Petitioner had proposed to increase its recovery of fixed cost through fixed charges by revising the rates of fixed/demand charges. Ideally, the Petitioner would have liked to increase the Fixed Charges so as to recover the Fixed Costs in three years. However, to avoid sudden spurt in Fixed Charges, the Petitioner had proposed to increase the recovery through fixed cost in five years for smooth implementation. Accordingly, it had proposed to recover the fixed cost by increasing Fixed Charges over a period of 5 years starting from 2013-14. The objective was to gradually increase the Fixed Charges from Rs. 0.42 to Rs. 2.25 per unit. Although the Hon'ble Commission has accepted our plea in-principle by allowing increase in Fixed Charges, the tariff approved by the Commission for FY 2013-14 is leading to recovery of only Rs. 0.57 per unit as Fixed Charges at present. The petitioner proposes to increase the recovery of Fixed Charges to Rs. 1.00 per unit in the tariff proposal of FY 2014-15 to bridge the gap between Fixed Costs per unit and Fixed Charges per unit reflected in tariff.

To address the issue of Open Access customers utilizing the existing connection as stand-by facility at subsidized rate, the Petitioner proposes to increase the Fixed Charges for customers above 1 MW so as to recover the major portion of Fixed Costs in 2014-15 itself.

Accordingly, it is proposed to increase fixed/demand charges to about 14% of total sales revenue at proposed tariff in Ahmedabad supply area.

C. Adhering to the band of cross subsidy prescribed by Tariff Policy

As per the tariff policy, the tariff should be within +/- 20% of the average cost of supply. The Petitioner has taken due care of adhering to this band while designing the tariff proposal.

D. Incentivizing energy conservation through telescopic tariff

The petitioner proposes to continue with the telescopic tariff structure to incentivize conservation of energy or conversely disincentivise higher consumption. The telescopic tariff is intended to motivate the customers to restrict their consumption to avoid paying significantly higher rates in the higher slabs.

E. Demand Side Management by shifting of consumption from peak hours to off-peak hours

The Petitioner has submitted that it has been taking initiatives on demand side management and making all efforts to create awareness amongst the consumers about the importance of DSM. The Petitioner further submits that it is equally important to give necessary commercial signals through built-in incentive in tariff.

Time of Use (TOU) charges: TOU charges are currently applicable for all HTMD category consumers in Ahmedabad.

Power purchase requirement of the Company is met from regular sources of power including Company's own generating stations and from Bilateral power purchase contracts. The cost of power in the peak hours is higher compared to off-peak hours. Moreover, TPL has to create the distribution network so as to cater the peak demand of the consumers.

At present, time of use charges are applicable to only HT categories. TPL proposes to increase TOU charges for HT consumers. It also proposes to introduce TOU charges for LTMD-2 consumers having Billing Demand more than 50 KW in Ahmedabad supply area. This should shift some peak hour demand to non peak hour and thereby help in flattening its load curve and shaving off the peak demand.

Determination of Retail Tariff

The Petitioner has submitted that it has designed the retail tariffs as per the tariff philosophy described above. The tariffs have been set after taking into consideration the sales projections for different tariff categories based on total sales quantity as estimated for FY 2014-15. The income from tariffs has been matched to the recover the gap of FY 2014-15. The tariff categories are maintained as approved by the Hon'ble Commission in its MYT Order dated 6th September, 2011.

As mentioned earlier, TPL has also proposed "additional charge" of Rs. 0.83 per unit for the unrecovered truing gap of FY 2012-13.

The Petitioner has submitted that, if for any reason, the Hon'ble Commission does not allow the tariff increase w.e.f. 1st April, 2014, the tariff rates need to be appropriately adjusted to allow the Petitioner to recover the gap over the remaining part of the year from the date from which the increase tariff is to be allowed.

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.

TPL has proposed a significant increase in demand and also energy charges in order to compensate for the fixed charge incurred by it and to meet the revenue gap. However, the Commission is of the view that demand and energy charges 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 charges in such a way that tariff hike for all categories of consumers remains moderate, irrespective whether usage of electricity is lower or extensive.

9.4 Revenue Gap / Surplus

The consolidated revenue gap for the TPL- Ahmedabad and TPL - Surat for the FY 2014-15 including the truing up of FY 2012-13 is estimated at Rs 460.83 Crore as shown in para 5.5. The Commission has considered the consolidated revenue gap for the TPL - Ahmedabad and TPL - Surat for determination of tariff for FY 2014-15.

It is decided to increase the tariff rates for the FY 2014-15 to meet the estimated gap of FY 2014-15. Accordingly, the fixed charges / demand charges and energy charges for all the categories of the consumers have been increased, except for BPL consumers and for the consumers using electricity up to 50 units/month as shown in the Tariff Schedule annexed with this Order. With this increase, it is estimated that the additional revenue will be to the extent of Rs. 449.21 crore for both the licensee areas – TPL Ahmedabad and TPL Surat. The marginal gap of Rs. 11.62 Crore shall be met by better efficiency and reduction in costs and increase in sales.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for TPL-D (Surat) for FY 2014-15, as shown in the Table below:

Approved ARR for TPL-D (Surat) for FY 2014-15

(Rs. Crore)

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

The retail supply tariffs for Surat distribution area for FY 2014-15 determined by the Commission are annexed to this order.

This order shall come into force with effect from the 1st May, 2014. The revised rate shall be applicable for the electricity consumption from the 1st May, 2014 onwards.

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

Place: Gandhinagar
Date: 29/04/2014

ANNEXURE: TARIFF SCHEDULE FOR FY 2014-15

TARIFF SCHEDULE

EFFECTIVE FROM 1st MAY,2014

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: 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. 25 per installation per month
(b)	Three Phase Supply	Rs. 60 per installation per month

For BPL household consumers*

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

PLUS

1.2 ENERGY CHARGES:

For Other than BPL consumers

(a)	First 50 units during the month	320 Paise/unit
(b)	Next 50 units during the month	365 Paise/unit
(c)	Next 150 units during the month	425 Paise/unit
(d)	Above 250 units during the month	495 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. 45.00 per installation per month

PLUS

2.2 ENERGY CHARGES:

Energy Charges	395 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. 65/- Per kW per month
(b)	Next 5 kW	Rs. 80/- Per kW per month

3.2 ENERGY CHARGES:

(a)	For installations having connected load up to 10 kW	425 Paise/unit
(b)	For installations having connected load above 10kW and up to 15 kW	445 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. 95/- per kVA /month
(b)	Above 20 kVA & up to 60 KVA billing demand	Rs. 130/- per kVA /month
(c)	Above 60 kVA of billing demand	Rs. 200/- 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	475 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. <u>RATE: TMP</u>

Applicable to installations for temporary requirement of electricity supply.

5.1. FIXED CHARGE

Fixed Charge per Installation	Rs.20 per kW per Day

5.2. ENERGY CHARGE

A flat rate of	490 Paise per Unit

6. <u>RATE: AGP</u>

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. 155/-per KVA
(b)	Above 500 KVA	Rs. 250/- 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	470 Paise/unit
(b)	Remaining units consumed per month	460 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	55 Paise per Unit
(b)	For Billing Demand above 500kVA	90 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. 115/- per KVA per month
(b)	Above 500 KVA of billing demand	Rs. 200/- 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	465 Paise/unit
(b)	Remaining units consumed per month	460 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. 20/- per kVA per day
For billing demand in excess of contract demand	Rs. 25/- per kVA per day

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

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

PLUS

9.2 ENERGY CHARGE

For all units consumed during the month	685 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.*