GUJARAT ELECTRICITY REGULATORY COMMISSION

Mid-term Review

of

Business Plan

For

Torrent Energy Limited – Distribution

Case No. 1369 of 2013

29th May 2014

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GUJARAT ELECTRICITY REGULATORY COMMISSION (GERC)

GANDHINAGAR

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ABBREVIATIONS

A&G	Administration and General
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
Control Period	FY 2011-12 to FY 2015-16
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
EA	Electricity Act, 2003
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension Power
MGVCL	Madhya Gujarat Vij Company Limited
MTR	Mid-term Review
MU	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi-Year Tariff
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
SLC	Service Line Contribution
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. 1369 of 2013

Date of the Order: 29/05/2014

CORAM

Shri Pravinbhai Patel, Chairman

Dr. M. K. Iyer, Member

ORDER

1. Introduction

1.1 Background

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

Section 16.2 of the Regulations also provides that the Generating Company, Transmission Licensee and Distribution Licensee may seek Mid-term Review of the Business Plan through an application filed three (3) months prior to the filing of Petition for Truing up for the Second year of the control period and tariff determination for the fourth year of the control period.

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

Regulation 19.1 of GERC (MYT) Regulations, 2011 also provides that Mid-term Review of the Business Plan / Petition may be sought by the Generation Company Transmission Licensee and Distribution Licensee through an application filed three months prior to the specified date of filing of the Petition for truing up for the second year of the control period and tariff determination for the fourth year of the control period.

1.2 Torrent Energy Limited (TEL)

Torrent Energy Limited (TEL) is a Special Purpose Vehicle (SPV), promoted by Torrent Power Limited (TPL), to fulfil its commitment to generate and distribute power as a co-developer of the Dahej Special Economic Zone.

Dahej SEZ (DSEZ) is being developed by Government of Gujarat through Gujarat Industrial Development Corporation (GIDC) and Oil and Natural Gas Corporation (ONGC). The DSEZ has been notified by the Ministry of Commerce and Industry, Government of India, vide Notification No. 2131(E) dated 20th December, 2006, as a Multi-Product SEZ.

The Government of Gujarat has "In-principle" approved Torrent Energy Limited as the Co-developer in DSEZ area for the purpose of establishing generation and distribution facilities. Accordingly, TEL has entered into the Co-developer agreement with Dahej SEZ Ltd (DSL), a SPV created for developing the DSEZ.

The Ministry of Commerce and Industry, Government of India, has approved TEL as a Co-developer to set up generation and distribution infrastructure in DSEZ.

The Gujarat Electricity Regulatory Commission, vide its order dated 17th November, 2009, issued orders for issue of distribution license to TEL as a second distribution licensee as per the provisions of Section 14 of the Electricity Act, 2003 for distribution of electricity in the DSEZ area. Accordingly, the Gujarat Electricity Regulatory Commission, vide its letter dated 29th December, 2009, issued the distribution license dated 18th December, 2009 to TEL.

TEL started commercial operations from 4th April, 2010 and is in the process of establishing the distribution network for power distribution to various SEZ units. TEL is also in the process of setting up a power plant (called DGEN) at Dahej. This is a green field project. The proposed capacity is tentatively expected to commence generation from January, 2014.

The distribution business of TEL is hereinafter referred to as Petitioner, or Torrent Energy Limited – Distribution (TEL-D).

1.3 Commission's Order for the Control Period

TEL-D filed its petition under the Multi-Year Tariff Framework for the control period FY 2011-12 to FY 2015-16 on 14th July, 2011, in accordance with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011, notified by the Commission.

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 TEL-D, the objections by various stakeholders, response of TEL-D, issues raised during the public hearing and all other relevant material, issued the Multi-Year Tariff order on 12th December, 2011 for the control period from FY 2011-12 to FY 2015-16 based on the GERC (MYT) Regulations, 2011.

TEL-D had filed Appeals before the Hon'ble APTEL against Commission's Tariff Orders in Petition no. 1117/2011 (Appeal no. 32/2012) and Petition No. 1203/2012 (Appeal no. 214/2012). Hon'ble APTEL had issued judgements in Appeal nos. 32/2012 and 214/2012 on 03.07.2013 and 17.09.2013 respectively. The Commission has passed the consequential order on the above-mentioned APTEL Judgements on 26th May, 2014.

1.4 Petition of TEL-D for Mid-term Review of Business Plan

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

1.5 Admission of the petition and the public hearing process

The TEL-D has submitted the current Petition for Mid-term Review of the Business Plan and Revision of ARR for balance years, i.e. FY 2014-15 and FY 2015-16, of the control period. The Commission admitted the above Petition (Case No. 1369/2013) on 4th December, 2013.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed TEL-D to publish its application in the abridged form to ensure public participation. The Public Notice, inviting objections / suggestions from its stakeholders on the Mid-term Review Petition filed by it, was issued in the following newspapers on 12th December, 2013.

Sl. No.	Name of the Newspaper	Language	Date of publication
1	The Indian Express (Ahmedabad)	English	12.12.2013
2	Gujarat Samachar (Vadodara)	Gujarati	12.12.2013

The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 10th January, 2014.

The Commission did not received any objections / suggestions from stakeholders on the Mid-term Review Petition filed by TEL-D. The Commission fixed the date for public hearing for the petition on 21st February, 2014 at the Commission's Office, Gandhinagar. The public hearing was conducted in Commission's Office in Gandhinagar as scheduled on the above date. However, during the hearing nobody submitted their views on the Mid-term Review petition filed by TEL-D.

1.6 Contents of this order

The order is divided into four chapters, as under:

1. The **First Chapter** provides the background, the petition and details of the public hearing process.

2. The **Second Chapter** outlines the summary of TEL-D's Mid-term Review Petition.

3. The **Third Chapter** provides a brief account of the public hearing process, including the objections raised by various stakeholders, TEL-D's response and the Commission's views on the response.

4. The **Fourth Chapter** deals with Mid-term Review of Business Plan and Revision of ARR for FY 2014-15 and FY 2015-16.

2. Summary of TEL-D's Petition

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

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

The comparison of revised projections for FY 2014-15 and FY 2015-16 in the Mid-term Review Vis-a-Vis the costs approved by the Commission in the MYT Order dated 18th August, 2011 are given as below:

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

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Power Purchase	823.60	50.47	907.28	87.98
2	O&M Expenses	1.63	6.74	1.72	7.43
3	Interest on loans	17.07	9.44	18.67	9.54
4	Interest on SD	4.05	3.10	4.74	3.87
5	Interest on Working Capital	1.68	-	2.65	-
6	Depreciation	15.51	5.76	18.17	6.34
7	Bad debts written off	-	-	-	-
8	Contingency reserve	1.62	0.75	1.87	0.81
9	RoE	11.68	5.01	13.60	5.42
10	Tax	-	-	-	-
11	Less: Non-Tariff Income	(0.22)	(0.25)	(0.22)	(0.28)
12	ARR	876.62	81.01	968.48	121.11

2.2 Request of TEL-D

The TEL-D has requested the Commission to

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

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

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

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

e) Condone the delay in filing the present petition.

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

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

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

3.1 Introduction

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

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

3.2 Submission of TEL-D

In accordance with the above provisions the TEL-D has submitted the petition for Mid-term Review of Business Plan for the remaining years of the second control period i.e. FY 2014-15 and FY 2015-16.

3.3 Summary of the petition for Mid-term Review for the remaining control period, FY 2014-15 and FY 2015-16

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

The comparison of revised projections for FY 2014-15 and FY 2015-16 vis-à-vis the figures approved by the Commission in the MYT order are given as under.

Table 3.1: Mid-term Review for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
1	Power Purchase	823.60	50.47	907.28	87.98
2	O&M Expenses	1.63	6.74	1.72	7.43
3	Interest on loans	17.07	9.44	18.67	9.54
4	Interest on SD	4.05	3.10	4.74	3.87
5	Interest on Working Capital	1.68	-	2.65	-
6	Depreciation	15.51	5.76	18.17	6.34
7	Bad debts written off	-	-	-	-
8	Contingency Reserve	1.62	0.75	1.87	0.81

Sl. No.	Particulars	FY 2014-15		FY 2015-16	
		Approved in MYT Order	Projected in MTR	Approved in MYT Order	Projected in MTR
9	RoE	11.68	5.01	13.60	5.42
10	Tax	-	-	-	-
11	Less: Non-Tariff Income	(0.22)	(0.25)	(0.22)	0.28)
12	ARR	876.62	81.01	968.48	121.11

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

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

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

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

3.5 Projection of energy Sales for FY 2014-15 and FY 2015-16

Petitioner's submission

TEL-D has submitted the sales at 114.56 MU for FY 2014-15 and 140.61 MU for FY 2015-16 in the Mid-term Review petition against 1761.64 MU and 2183.60 MU approved for these year respectively in the MYT order dated 12th December, 2011. The category wise projected sales are given in the Table below:

Table 3.2: Energy Sales Projected for Dahej Supply Area in FY 2014-15 & 2015-16

(MU)

Category	FY 2014-15	FY 2015-16
Non RGP	0.38	0.74
LTMD	0.00	0.00
HTP-I	105.65	130.12
HTP-II	0.00	0.14
HTP-III	6.87	8.72
SL	0.12	0.12
TMP	1.53	0.67
WWSP	0.00	0.10
TOTAL	**114.56**	**140.61**

TEL-D has submitted that as per revised tariff schedule specified by the Commission the Non RGP, LTMD categories were restructured and therefore the revised estimates of sales of LT categories are not comparable with the MYT order for individual categories. TEL-D has submitted the following reasons for revision in the estimated sales

i. There are 75 unit holders in Dahej SEZ who have been allotted plots. Presently, TEL supplies power to 44 unit holders in Dahej SEZ East & West Phase and rest have acquired possession but have yet not started the construction activity.

ii. OPaL (being promoted by the M/s ONGC), the anchor company of the DSEZ is lagging in the project implementation plan. It was expected that OPaL will require 110 MW but will now keep its demand as 10 MW in the standby mode as it is setting up its own co-generation plant to fulfil its power requirements. Ancillary industries which were dependent on by products of Opal as a raw material have also deferred their implementation plan.

iii. The construction activities by many unit holders have been prolonged or in some cases, unit holders have deferred their plans for the commercial production. The unit holders which have already gone into the commercial production have not ramped up to their final demand as they have deferred their expansion projects.

iv. The Global financial meltdown has restricted the new investment. It has also impacted the production of the existing units as the majority of the units are export oriented. Hence it has impacted the demand and sales in the region.

v. Most of the SEZ investment was made in response to Government of India's SEZ policy of 2006 that allowed tax exemption to units set up in SEZs. The introduction of the Minimum Alternate Tax (MAT) on Special Economic Zones in Union budget 2011-12 has discouraged the SEZ industrial growth and also the foreign investment due to the uncertainty.

vi. The Delhi-Mumbai Industrial Corridor (DMIC) which is a mega infrastructure project of about USD 90 billion with the financial and technical aids from Japan was supposed to bring industrial growth in the Dahej SEZ area which is one of the investment regions of DMIC. However, the Tsunami and Earthquake in Japan during 2011 has made the DMIC project uncertain.

Commission's analysis

In view of the circumstances explained by TEL-D the Commission approves the revised estimates of sales as in the Mid-term Review detailed in the Table below:

Table 3.3: Energy Sales approved in the MTR

(MU)

Particulars	FY 2014-15			FY 2015-16		
	Approved in MYT order	Projected in the MTR	Approved in MTR	Approved in MYT order	Projected in the MTR	Approved in MTR
Sales	1761.47	114.56	114.56	2183.60	140.61	140.61

3.6 Distribution Loss

Petitioner's submission

TEL-D has submitted that the distribution loss of a network comprises of the technical loss component and commercial loss component. TEL-D has submitted the existing distribution losses of about 1.00% and pleaded that the same would gradually increase along with increase in the network loading, development of the network, feeder length and network voltage levels. Considering these aspects the petitioner has revised the losses to 2.00% for FY 2014-15 and FY 2015-16.

Commission's Analysis

TEL-D has submitted the distribution loss at 2% for FY 2014-15 and FY 2015-16 in the MTR against 3.00% approved for these years in the MYT order. TEL-D has submitted that the existing distribution losses of about 1% would gradually increase along with increase in the network loading, development of the network feeder length, network voltage levels etc.

The Commission accordingly approves the distribution loss at 2% for the remaining years of the second control period i.e. FY 2014-15 and FY 2015-16 in the MTR.

Table 3.4: Approved distribution loss in the MTR

(%)

Particulars	FY 2014-15			FY 2015-16		
	Approved in MYT order	Projected in the MTR	Approved in MTR	Approved in MYT order	Projected in the MTR	Approved in MTR
Distribution Loss	3.00	2.00	2.00	3.00	2.00	2.00

3.7 Energy Requirement

The TEL-D has submitted the total energy requirement to meet the total demand of its consumer's is based on the energy sales and the distribution losses projected as below:

Table 3.5: Energy Requirement Projected for FY 2014-15 and FY 2015-16

Particulars	FY 2014-15		FY 2015-16	
	Approved in MYT order	Projected in the MTR	Approved in MYT order	Projected in the MTR
Energy Sales (MUs)	1761.47	114.56	2183.65	140.61
Distribution Loss (%)	3.00	2.00	3.00	2.00
Distribution Loss (MUs)	54.48	2.34	67.53	2.87
Energy Requirement after Distribution Loss	1815.95	116.9	2251.13	143.48
Transmission Loss (%)	1%	-	1%	-
Transmission Loss (MU)	18.34	5.10	22.74	-
Energy Requirement including Transmission Losses	1834.29	122.00	2273.89	143.48

Commission's analysis

Based on the sales and distribution losses approved by the Commission in Para 3.5 and 3.6 above, the energy requirement is arrived at as given in Table below:

Table 3.6: Energy Requirement approved for FY 2014-15 and FY 2015-16

Particulars	FY 2014-15	FY 2015-16
Energy Sales (MUs)	114.56	140.61
Distribution Loss (%)	2.00	2.00
Distribution Loss (MUs)	2.34	2.87
Energy Requirement at Distribution periphery (MU)	116.90	143.48
Transmission Loss (%)	-	-
Transmission Loss (MU)	5.10	-
Energy Requirement including Transmission Losses	122.00	143.48

Energy Availability

Petitioner's submission

TEL-D has submitted that it sources power for its Dahej licence area from the bilateral source. However TEL-D had estimated to source power from its own generating station (DGEN) and from the bilateral / power exchange for this MYT period. Considering the material changes, the revised estimates of power purchase are as detailed in Tables below:

Table 3.7: Power Purchase of TEL-D for FY 2014-15 & FY 2015-16

(MU)

Energy Sources	FY 2014-15	FY 2015-16
DGEN	-	134.87
BILATERAL	113.28	-
Power Exchange	8.72	8.61
Total	**122.00**	**143.48**

TEL has further submitted that DGEN, the interstate generating station is in the final stage of implementation and the availability of the generating station has been considered from 1st April, 2015.

3.8 Cost of Power Purchase

Petitioner's submission

TEL-D has submitted the cost of power purchase at Rs. 50.47 Cr for FY 2014-15 and Rs. 87.98 Cr for FY 2015-16 in the MTR against Rs. 823.60 Cr and Rs. 907.28 Cr approved for these years respectively in the MYT order as detailed in the Table below:

Table 3.8: Cost of Power Purchase projected for FY 2014-15

Sl. No.	Source	Power Purchase (MU)	Basic Variable Cost Rs/kWh	Variable Cost Rs. Crore	Fixed Cost Rs. Crore	Total
1	DGEN	-	-	-	-	-
2	Bilateral/Other	113.28	3.95	44.74	-	44.74
3	Power Exchange	8.72	4.00	3.49	-	3.49
4	REC	-	-	2.23	-	2.23
	Total	**122.00**	**-**	**50.46**	**-**	**50.46**

Table 3.9: Cost of Power Purchase projected for FY 2015-16

Sl. No.	Source	Power Purchase (MU)	Basic Variable Cost Rs/kWh	Variable Cost Rs. Crore	Fixed Cost Rs. Crore	Total
1	DGEN	134.87	4.07	54.89	27.02	81.92
2	Bilateral/Other	-	-	-	-	-
3	Power Exchange	8.61	4.00	3.44	-	3.44
4	REC	-	-	2.63	-	2.63
	Total	**143.48**		**60.96**	**27.02**	**87.99**

TEL has submitted that in order to estimate the requirement of renewable power for FY 2014-15 and FY 2015-16, it has considered the RPPO at the same percentage as FY 2012-13 as provided for in the Regulation and it has proposed to fulfil the RPPO by purchasing the RECs

Commission's analysis

TEL-D has projected 134.87 MU towards purchase from its plant DGEN for FY 2015-16. TEL-D has submitted the energy will be available from this station from 1st April 2015. Since the tariff for the energy generated from this station is not determined, the energy from this source is not considered by the Commission. TEL-D has projected the price of purchase at Rs. 3.95 / kWh in respect of bilateral purchase and at Rs. 4.00 per kWh in respect of power Exchange. The Commission has considered the price of power purchase from bilateral at Rs. 3.80 / kWh and power exchange at Rs. 3.91 / kWh as approved in the Mid-term Review orders dated 29th April, 2014 in respect of TPL distribution. TEL-D has considered REC cost to fulfil the RPPO while the Commission has considered energy from all the renewable sources and its price as per prevailing orders of GERC for calculation of power purchase cost.

The power purchase cost approved in the MTR for FY 2014-15 and FY 2015-16 is given in the Table below:

Table 3.10: Cost of Power Purchase Approved for FY 2014-15

Sl. No.	Source	Power Purchase (MU)	Basic Variable Cost Rs/kWh	Variable Cost Rs. Crore	Fixed Cost Rs. Crore	Total
1	DGEN	-	-	-	-	-
2	Bilateral/Other	112.24	3.80	42.65	-	42.65
3	Power Exchange	-	-	-	-	-
4	Wind	7.63	4.21	3.21	-	3.21
5	Solar	1.53	9.63	1.47	-	1.47
6	Biomass / Others	0.61	5.04	0.31	-	0.31
	Total	**122.01**	**-**	**47.64**	**-**	**47.64**

Table 3.11: Cost of Power Purchase Approved for FY 2015-16

Sl. No.	Source	Power Purchase (MU)	Basic Variable Cost Rs/kWh	Variable Cost Rs. Crore	Fixed Cost Rs. Crore	Total
1	DGEN	-	-	-	-	-
2	Bilateral/Other	132.00	3.80	50.16	-	50.16
3	Power Exchange	-	-	-	-	-
4	Wind	8.97	4.21	3.78	-	3.78
5	Solar	1.79	9.63	1.72	-	1.72
6	Biomass / Others	0.72	5.04	0.36	-	0.36
	Total	**143.48**	**-**	**56.02**	**-**	**56.02**

3.9 Capital Expenditure Plan

TEL-D has projected the capital expenditure in the Mid-term Review at Rs. 14.96 Crore for FY 2014-15 and Rs. 10.08 Crore for FY 2015-16 against Rs. 54.25 Crore and Rs. 49.11 Crore approved for FY 2014-15 and FY 2015-16 respectively in the MYT Order. The details are summarized in the Table below:

Table 3.12: Capital Expenditure of TEL-D in FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	EHV	22.81	24.89	0.14	0.79
2	HT Network	25.40	23.58	10.27	8.78
3	LT Network				
4	Metering	0.17	0.12	0.04	0.02
5	Others	5.86	0.52	4.52	0.49
6	**Total**	**54.25**	**49.11**	**14.96**	**10.08**

Petitioner's submission

TEL-D has submitted that the capital expenditure incurred by it in FY 2011-12 and FY 2012-13 is lower than the approved value due to lower growth than anticipated and the same scenario is expected to continue for the rest of the MYT control period. The essential CAPEX has already been incurred. TEL has revised its CAPEX plan for rest of the control period in line with the estimates of demand and sales.

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

<u>EHV Network</u>

<u>EHV Transmission line</u>:

At the time of filing the MYT petition, TEL-D had considered to erect 4 nos. of 220 KV lines. However, considering the current situation of lower demand and likely scenario for the balance control period, TEL-D will erect only the 220 KV D/C line from its switchyard to OPaL. The total cost for the project is envisaged at Rs. 2.28 Crore and proposed to be executed in FY 2013-14.

<u>EHV Substation</u>:

The capex pertaining to west side 220/33 kV switchyard sub-station including expenditure for ICTs and bays have not been considered in the current control period due to lower demand.

Civil Cost:

The expenditure pertaining to civil cost to be incurred for above 220/33 KV switchyard substation including bays and ICTs has not been considered in the control period due to lower demand and consumers anticipated.

HT Network

33 kV HT line:

The second circuit of 33 kV interconnectivity between East and West substation which was expected in FY 2013-14, has been deferred beyond the control period looking to the present demand scenario.

11 kV HT line:

Considering the revised number of consumers, sales and demand for the balance MYT period, the estimates for 11 KV HT and LT cable network have been revised. Accordingly, the total cost of Rs. 4.73 Crore for FY 2013-14 to 2015-16 is considered.

33/11 kV HT Substation:

In the East part of the SEZ area, under the head of 33/11 kV sub-station, 1 nos. of 20 MVA 33/11 kV additional transformer was expected in FY 2012-13. However it has now been carried forward to FY 2015-16. Similarly in the West part, in 33/11 kV substation, 1 no. of 20 MVA 33/11 kV additional transformer was expected in FY 2012-13 but has been carried forward to FY 2014-15. Another additional transformer of 20 MVA 33/11 kV which was expected in FY 2013-14 has been deferred beyond the control period due to lower demand.

Civil Cost:

The civil cost of Rs. 1 Crore which was proposed to be incurred in FY 2014-15 at West side substation has been deferred beyond the control period.

Others

The cost of GIS is considered under the head of IT and has been deferred from the earlier year to FY 2014-15. In FY 2013-14, the cost of IT and Building & Other Civil works is considered at Rs. 0.69 Crore and Rs. 0.25 Crore respectively. The cost of IT includes Rs. 0.50 Crore of Surveillance system and Rs. 0.19 Crore of IT infrastructure. The cost of Building & Other Civil works includes Rs. 0.15 Lakh of Temporary O&M Shed and Rs. 0.10 Lakh for Admin Equipments/ Land Scapping.

Commission analysis

The Commission has observed that the capitalisation during FY 2011-12 and FY 2012-13 is far lower than what was approved in the MYT order for the respective years as detailed below:

Table 3.13: Approved CAPEX vs. Actual capitalization for FY 2011-12 and FY 2012-13

(Rs. Crore)

Sl. No.	Particulars	FY 2011-12	FY 2012-13
1	Approved CAPEX in MYT Order	158.10	40.94
2	Actual Capitalisation	47.50	6.69
3	Achievement in percentage	30.04%	16.34%

From the above, it can be observed that TEL-D could capitalize maximum of 30% of the total CAPEX approved. In order to avoid front loading of CAPEX and its relevant charges the Commission has decided to consider 30% of the CAPEX for FY 2014-15 and FY 2015-16 as amount for capitalization for these years as shown below, however capitalization shall be allowed at the time of True-up of the corresponding year as per GERC (MYT) Regulations, 2011.

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

Table 3.14: Approved CAPEX and Capitalisation in the Mid-term Review

(Rs Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	CAPEX	14.96	10.08
2	Capitalisation	4.49	3.02

Funding of CAPEX

TEL-D has assumed the funding of CAPEX on normative basis with the debt equity ratio of 70:30.

The sources of funding proposed by TEL-D in the Mid-term Review against MYT approval are given in the Table below:

Table 3.15: Capitalisation and funding the CAPEX

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Capital expenditure	54.25	49.11	14.96	10.08
2	Capitalisation	54.25	49.11	14.96	10.08
3	Less: SLC	4.97	6.72	3.49	2.19
4	Balance Capitalisation	49.28	42.39	11.47	7.89
5	Debt (70%)	34.50	26.67	8.03	5.52
6	Equity (30%)	14.78	12.72	3.44	2.37

Commission's Analysis

The Commission has analysed the funding submitted by the TEL-D. TEL-D has accounted for a service line contribution of Rs. 2.21 Crore in FY 2012-13 as per audited accounts. The SLC worked out to 33% of the capitalization during FY 2012-13. The Commission takes into consideration the SLC at 33% of the approved capitalization in the Mid-term Review towards funding the capitalization and the balance capitalization at the debt equity ratio of 70:30.

The funding proposed by TEL-D and as approved by the Commission in the Mid-term Review is given in the Table below:

Table 3.16: Funding the CAPEX approved in the Mid-term Review

(Rs Crore)

Sl. No.	Particulars	Projected in the MTR		Approved in the MTR	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Capital expenditure	14.96	10.08	14.96	10.08
2	Capitalisation	14.96	10.08	4.49	3.02
3	Less: SLC	3.49	2.19	1.48	1.00
4	Balance Capitalisation	11.47	7.89	3.01	2.02
5	Debt (70%)	8.03	5.52	2.11	1.41
6	Equity (30%)	3.44	2.37	0.90	0.61

The Capitalisation, debt and equity will be taken into consideration in the computation of depreciation, interest on normative loan and return on equity.

Gross Fixed Assets

The Commission has arrived at the opening and closing balance of GFA taking into consideration the capitalization approved in the above Para as detailed in the Table below:

Table 3.17: Gross Fixed Assets approved in the Mid-term Review

(Rs Crore)

Sl. No.	Particulars	Considered for FY 2013-14	Approved in the MTR	
			FY 2014-15	FY 2015-16
1	Opening balance	66.73	125.76	130.25
2	Addition during the year	59.03	4.49	3.02
3	Closing GFA	125.76	130.25	133.27

3.10 O&M Expenses

TEL-D has projected the O&M expenses at Rs. 6.74 Crore for FY 2014-15 and Rs. 7.43 Crore for FY 2015-16 in the Mid-term Review petition. The O&M expenses approved for these years in the MYT order dated 12th December, 2011 and the revised projections submitted by TEL-D are given in the following Table:

Table 3.18: Operations & Maintenance Expenses for TEL-D in FY 2014-15 & FY 2015-16
(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Employee Expenses			1.94	2.23
2	R&M Expenses			1.30	1.54
3	A&G Expenses			3.50	3.67
4	**Sub Total**	**1.63**	**1.72**	**6.74**	**7.43**

Petitioner's submission

TEL-D has submitted that it has commenced the operation in Dahej SEZ only during the FY 2009-10 and at the time of filing the MYT Petition. TEL-D did not have the actual expenses for the last three years though the O&M Expenses are required to be determined based on the last three years actual data in accordance with the methodology specified in the GERC (MYT) Regulations, 2011. The Petitioner has filed an Appeal before the Hon'ble APTEL over the O&M Expenses approved for FY 2011-12 at Rs. 1.38 Crore on pro-rata basis and considering escalation at 5.72% to determine the permissible O&M Expenses for each year of the control period. The Hon'ble APTEL in its judgment dated 3rd July, 2013 at Para (iii) has observed as under:

"…Therefore, the O&M expenses for the Control Period have to be decided by the State Commission based on the actual expenses incurred by the Appellant, after prudence check in the true-up of accounts for Financial Years 2011-12 & 2012-13. The State Commission shall thereafter also re-determine the O&M expenses for the FYs 2013-14 to 2015-16 taking into account actual expenses for the previous years and additional expenses on the additional infrastructure proposed during the period. …."

The Petitioner has requested to approve the revised estimates as projected. TEL-D has further submitted that the full infrastructure is yet to be established in the SEZ area and industrial development is likely to take place gradually and therefore TEL-D has revised its projection for O&M Expenses in line with the sales, demand and capital expenditure projection for the balance period of the MYT period.

Commission's analysis

In response to Hon'ble APTEL's judgement in Appeal nos. 32/2012 and 214/2012 on 03.07.2013 and 17.09.2013 respectively, the Commission has passed the consequential order on the above-mentioned APTEL Judgements on 26th May, 2014.

As mentioned in the consequential Order dated 26th May, 2014, the Commission has addressed the issue of O&M expense in this order as under.

Hon'ble APTEL in its judgement dated 3rd July, 2013 has directed the Commission to redetermine the O&M expenses for FYs 2013-14 to FY 2015-16 taking into account actual expenses for the previous years and additional expenses for additional infrastructure during the period. The Commission analysed the actual O&M expenses as per Annual Audited Accounts for FYs 2010-11 to 2012-13 and growth in Avg. Gross Fixed Assets of TEL-D for the same period as stated below;

Table 3.19: Actual GFA and O&M Expenses for FYs 2010-11 to 2012-13 of TEL-D

(Rs. Crore)

Sl. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13
1	Opening GFA	5.61	12.55	60.05
2	Closing GFA	12.55	60.05	66.73
3	Avg. GFA	9.08	36.3	63.39
4	O& M Expenses	2.36	2.33	2.09
5	O&M Exp. In %age of Avg. GFA	25.99%	6.42%	3.30%

It can be observed from the above table that the %age of O&M Expense incurred over the Avg. GFA is reducing significantly. Thus, contention of TEL-D that with the expansion of network O&M expenses shall increase does not appear to be appropriate. However, as directed by Hon'ble APTEL, the Commission decides to redetermine the O&M expenses for the FYs 2013-14 to 2015-16 applying the escalation of 5.72 % per annum on the basis of Avg. of actual O&M expenses for the FYs 2010-11 to 2012-13.

O&M expenses approved for FYs 2013-14 to 2015-16 as shown in the below table;

Table 3.20: O&M expenses approved in the review for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	Projected in the MTR		Approved for FY 2013-14	Approved in the MTR	
		2014-15	2015-16		2014-15	2015-16
1	O&M expenses	6.74	7.43	2.53	2.67	2.82

The O&M expenses approved for FY 2013-14 shall be taken into consideration during truing up exercise. The O&M expenses for FYs 2014-15 and 2015-16 has been considered accordingly for this Mid-term Review.

3.11 Depreciation

TEL-D has projected the depreciation at Rs. 5.76 Crore for FY 2014-15 and Rs. 6.34 Crore for FY 2015-16 in the Mid-term Review Petition. The depreciation approved for these years in the MYT order dated 12th December, 2011 and now projected by TEL in the Mid-term Review are given in the Table below:

Table 3.21: Depreciation projected in Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Depreciation	15.51	18.17	5.76	6.34

Petitioner's submission

TEL has submitted that the depreciation has been computed at depreciation rates specified in the appendix III to the GERC Tariff Regulations, 2009 as approved by the GERC. The reduction in depreciation amount compared to the approved depreciation is mainly on account of lower capitalisation due to deferment.

Commission's analysis

TEL has given the opening and closing balance of assets and calculation of depreciation asset classification wise in the form D-2 of the Petition. The Commission has approved the capitalisation for FY 2014-15 and FY 2015-16 in the Table No 3.16. The weighted average rate of depreciation during FY 2012-13 as per audited actual worked out to 4.56%.

The depreciation for FY 2014-15 and FY 2015-16 is computed at the weighted average rate of depreciation of 4.56% in the Mid-term Review as detailed in the Table below:

Table 3.22: Depreciation Approved in the Mid-term Review

(Rs Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Opening GFA	125.76	130.25
2	Addition during the year	4.49	3.02
3	Closing GFA	130.25	133.27
4	Average GFA	128.01	131.76
5	Depreciation @ 4.56%	5.84	6.01

The Commission approves the depreciation at Rs. 5.84 Crore for FY 2014-15 and Rs. 6.01 Crore for FY 2015-16 in the Mid-term Review.

3.12 Interest and Finance charges

TEL -D has projected the interest and finance charges at Rs. 9.44 Crore for FY 2014-15 and Rs. 9.54 Crore for FY 2015-16 in the Mid-term Review. The interest and finance charges approved for these years in the MYT order dated 12th December, 2011 and now projected by TEL-D in the MTR are given in the Table below:

Table 3.23: Interest charges projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Interest charges	17.07	18.67	9.44	9.54

Petitioner's submission

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

TEL-D has further submitted that reduction in interest expenses is mainly due to lower capitalisation.

Commission's analysis

The Commission has examined the interest charges projected in the MTR. The opening loans (actual) for FY 2013-14 are taken into consideration as approved in the true-up for FY 2012-13. In accordance with Regulation 39 of GERC (MYT) Regulations, 2011 the repayment for the year during the tariff period from FY 2011-12 to FY 2015-16 shall be deemed to be equal to the depreciation allowed for that year (Regulation 39.3) and the rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the Licensee (Regulation 39.5). The rate of interest on the loans is considered at 10.5% as approved in the MYT Order for FY 2014-15 and FY 2015-16. The addition of loan is considered as per the funding approved in the Table No. 3.16.

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

Table 3.24: Interest approved in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2013-14	FY 2014-15	FY 2015-16
1	Opening loan	38.54	63.83	60.10
2	Loan addition during the year	37.94	2.11	1.41
3	Repayment during the year	12.65	5.84	6.01
4	Closing loan	63.83	60.10	55.50
5	Average loan		61.97	57.80
6	Rate of interest		10.50%	10.50%
7	Interest charges		6.51	6.07
8	Other borrowing costs		-	-
9	Total interest over financial charges		6.51	6.07

3.13 Interest on security deposit

TEL has estimated the interest on security deposit at Rs. 3.10 Crore for FY 2014-15 and Rs. 3.87 Crore for FY 2015-16 in the Mid-term Review Petition. The interest on security deposit approved for these years in the MYT Order dated 12th December, 2011 and now projected by TEL in the Mid-term Review is given in the Table below:

Table 3.25: Interest on security deposits projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Interest on security deposit	4.05	4.74	3.10	3.87

Petitioner's submission

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

Commission's analysis

The Commission has observed a 100% growth in security deposit in FY 2012-13 aver FY 2011-12. However, the Commission considers a growth rate of 20% in the security deposit per annum over actual for FY 2012-13, the actual security is linked to bank rate which is 9.5% as on 01.04.2013. The Commission accordingly computes the interest on security deposit as detailed in the Table below:

Table 3.26: Approved Interest on security deposit in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2013-14	FY 2014-15	FY 2015-16
1	Opening security deposits	21.12	25.34	32.61
2	Addition during the year	4.22	7.27	7.92
3	Closing security deposit	25.34	32.61	40.53
4	Average security deposit		28.98	36.57
5	Interest on security deposit @ 9.5%		2.75	3.47

The Commission accordingly approves the interest on security deposit at Rs. 2.75 Crore for FY 2014-15 and Rs. 3.47 Crore for FY 2015-16 in the Mid-term Review.

3.14 Interest on working capital

TEL-D has projected the interest on working capital at Rs. 0.56 Crore for FY 2014-15 and Rs. 0.62 Crore for FY 2015-16 in the Mid-term Review. The interest on working capital approved for these years in the MYT order dated 12th December, 2011 and now projected by TEL in the Mid-term Review as given below:

Table 3.27: Projected interest on working capital in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Interest on working capital	1.68	2.65	-	-

Petitioner's submission

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

Commission's analysis

The Commission has examined the working capital requirement and interest thereon projected by TEL in the Mid-term Review. The interest rate of 14.45% considered by TEL is the SBAR as on 1st April, 2013. Taking into consideration the approved O&M expenses, the working capital requirement and interest rate thereon are estimated as detailed in the Table below:

Table 3.28: Interest on working capital approved in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Projected in the MTR		Approved in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	O&M expense for 1 month	0.56	0.62	0.22	0.24
2	1 % of Opening GFA for maintenance spares	1.36	1.51	1.26	1.30
3	Receivables for 1 month	6.75	10.09	5.78	6.64
4	Less: Security Deposit (AV)	26.57	33.84	28.98	36.57
5	Normative Working Capital	(17.90)	(21.61)	(21.72)	(28.44)
6	Interest Rate (%)	14.45%	14.45%	14.45%	14.45%
7	**Interest on Working Capital**	**-**	**-**	**-**	**-**

The Commission has not approved any interest on working capital as the security deposit available is higher than the working capital requirement.

3.15 Provision for Bad Debts

TEL has not estimated any provision for bad debts for FY 2014-15 and FY 2015-16 in the Mid-term Review Petition. The provision for bad debts approved for these years in the MYT Order 12th December, 2011 is Nil as given in the Table below:

Table 3.29: Provision for Bad Debts projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Provision for Bad Debts	Nil	Nil	Nil	Nil

Commission's analysis

TEL has not projected the provision for bad and doubtful debts. The Commission has not considered any provision for bad debts in the Mid-term Review as detailed below:

Table 3.30: Provision for Bad and doubtful Debts approved in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Provision for bad and doubtful debts	Nil	Nil

3.16 Contingency reserve

TEL has projected the contingency reserve at Rs. 0.75 Crore for FY 2014-15 and Rs. 0.81 Crore for FY 2015-16 in the Mid-term Review. The contingency reserve approved for these two years in the MYT Order dated 6th April 2011 and now projected in the Mid-term Review are as given in the Table below:

Table 3.31: Contingency Reserve projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Contingency reserve	1.62	1.87	0.75	0.81

Commission's analysis

The Commission approves the contingency reserve in the Mid-term Review at 0.5% of opening GFA in accordance with the provisions under Regulation 85.6 of the GERC (MYT) Regulations, 2011.

Table 3.32: Approved Contingency Reserve

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Contingency reserve	0.63	0.65

3.17 Return on Equity

TEL-D has claimed a sum of Rs. 5.01 Crore for FY 2014-15 and Rs. 5.42 Crore for FY 2015-16 in the Mid-term Review Petition. The Return on Equity approved for these years in the MYT order dated 12th December, 2011 and now projected by the TEL in the Mid-term Review are as given in the Table below:

Table 3.33: Return on Equity projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Opening Equity	76.01	90.79	34.06	37.51
2	Equity Addition	14.78	12.72	3.44	2.37
3	Equity with drawn	-	-	-	-
4	Closing Equity	90.79	103.51	37.51	39.88
5	Average Equity	83.40	97.15		-
6	**Return on equity @ 14%**	**11.68**	**13.60**	**5.01**	**5.42**

Petitioner's submission

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

Commission's analysis

The Commission takes into consideration the closing equity of FY 2012-13 as approved in True-up as opening equity for FY 2013-14 and the addition of equity for FY 2013-14 as approved in the MYT order and equity addition during FY 2014-15 and FY 2015-16 as approved in Table 3.16 based on approved capitalization.

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

Table 3.34: Return on Equity approved in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	FY 2013-14	Projected in the MTR		Approved in the MTR	
			2014-15	2015-16	2014-15	2015-16
1	Opening Equity	18.51	34.06	37.51	34.77	35.67
2	Equity Addition	16.26	3.44	2.37	0.90	0.61
3	Equity with drawn		-	-	-	-
4	Closing Equity	34.77	37.51	39.88	35.67	36.28
5	Average Equity	-		-	35.22	35.98
6	Return on equity @ 14%	**-**	**5.01**	**5.42**	**4.93**	**5.04**

The Commission accordingly approves the return on equity at Rs. 4.93 Crore for FY 2014-15 and Rs. 5.04 Crore for FY 2015-16 in the Mid-term Review.

3.18 Income Tax

TEL-D has not projected income tax for FY 2014-15 and FY 2015-16 in the Mid-term Review. The income tax approved for these years in the MYT order dated 12th December, was also Nil as given in the Table below:

Table 3.35: Income tax projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Income Tax	Nil	Nil	Nil	Nil

Petitioner's submission

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

Commission's analysis

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

Table 3.36: Approved Income tax in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Projected in the MTR		Approved in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Income Tax	Nil	Nil	Nil	Nil

3.19 Non-Tariff Income

TEL-D has projected the Non-Tariff income at Rs. 0.25 Crore for FY 2014-15 and Rs. 0.28 Crore for FY 2015-16 in the Mid-term Review. The Non-Tariff income approved for these years in the MYT order dated 12th December, 2011 and now projected by TEL in the Mid-term Review is given in the Table below:

Table 3.37: Non-Tariff income projected in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Approved in the MYT Order		Projected in the MTR	
		2014-15	2015-16	2014-15	2015-16
1	Non-Tariff income	0.22	0.22	0.25	0.28

Petitioner's submission

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

Commission's analysis

The Non-Tariff income for FY 2012-13 as per audited accounts is Rs. 0.98 Crore. The Commission approves the Non-Tariff income for FY 2014-15 and Rs. 2015-16 at the level of actual for FY 2012-13 as detailed below:

Table 3.38: Non-Tariff income approved in the Mid-term Review

(Rs. Crore)

Sl. No.	Particulars	Projected in the MTR		Approved in the MTR	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Non-Tariff income	0.25	0.28	0.98	0.98

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

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

Table 3.39: ARR for TEL-D in FY 2014-15 & FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	Approved in MYT order		Projected by TPL-D in the MTR		Approved for MTR	
		FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16	FY 2014-15	FY 2015-16
1	Power purchase Cost	823.6	907.28	50.47	87.98	47.64	56.02
2	Operations and Maintenance expenses	1.63	1.72	6.74	7.43	2.67	2.82
3	Depreciation	15.51	18.17	5.76	6.34	5.84	6.01
4	Interest on Loans	17.07	18.67	9.44	9.54	6.51	6.07
5	Interest on working capital	1.68	2.65	-	-	-	-
6	Interest on Security Deposit	4.05	4.74	3.1	3.87	2.75	3.47
7	Bad debts written off	-	-	-	-	-	-
8	Contingency Reserve	1.62	1.87	0.75	0.81	0.63	0.65
9	Return on equity	11.68	13.60	5.01	5.42	4.93	5.04
10	Income Tax	-	-	-	-	-	-
11	**Total expenditure**	**876.84**	**968.7**	**81.27**	**121.39**	**70.97**	**80.08**
12	Less: Non-Tariff income	0.22	0.22	0.25	0.28	0.98	0.98
13	**Aggregate Revenue Requirement**	**876.62**	**968.48**	**81.02**	**121.11**	**69.99**	**79.10**

The Commission approves in the ARR at Rs. 69.99 Crore for FY 2014-15 and Rs. 79.10 Crore for FY 2015-16 in the Mid-term Review.

COMMISSION'S ORDER

The Commission approves the revised Aggregate Revenue Requirement (ARR) for TEL for FY 2014-15 and FY 2015-16, as shown in the Table below:

Approved ARR for TEL-D for FY 2014-15 and FY 2015-16

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15	FY 2015-16
1	Power purchase Cost	47.64	56.02
2	Operations and Maintenance expenses	2.67	2.82
3	Depreciation	5.84	6.01
4	Interest on Loans	6.51	6.07
5	Interest on working capital	-	-
6	Interest on Security Deposit	2.75	3.47
7	Bad debts written off	-	-
8	Contingency Reserve	0.63	0.65
9	Return on equity	4.93	5.04
10	Income Tax	-	-
11	**Total expenditure**	**70.97**	**80.08**
12	Less: Non-Tariff income	0.98	0.98
13	**Aggregate Revenue Requirement**	**69.99**	**79.10**

Sd/-

DR. M.K. IYER
Member

Sd/-

SHRI PRAVINBHAI PATEL
Chairman

Place: Gandhinagar
Date: 29/05/2014