BSES Rajdhani Power Limited

Aggregate Revenue Requirement

for

FY 2011-12

BSES Rajdhani Power Limited

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BSES Rajdhani Power Limited

Main Petition

BEFORE THE DELHI ELECTRICITY REGULATORY COMMISSION

C BLOCK, SHIVALIK, MALVIYA NAGAR, NEW DELHI

File No.__________

Case No._________

IN THE MATTER OF:-

BSES Rajdhani Power Limited ("BRPL")
BSES Bhawan, Nehru Place
New Delhi-110 019. … PETITIONER

AND

IN THE MATTER OF:-

Petition/Application for Aggregate Revenue Requirement for the Financial Year (hereinafter referred to as "FY") 2011-12 and Review of FY 2010-11 as per Hon'ble Delhi Electricity Regulatory Commission (hereinafter referred to as "Hon'ble Commission") letter number F.3 (312)/Tariff/DERC/2011-12/4481 dated 24.02.2011 read with letter number F.3 (130-A)/Tariff/DERC/2006-07/C.F.No. 2787/Pt. File-I/5089 dated 08.03.2011, under the Multi Year Tariff (hereinafter referred to as "MYT") framework for the financial year 2007-08 to FY 2010-11 (excluding the entitlements as raised in the Petition filed by the Petitioner on 20.11.2009, 15.12.2009 and 07.10.2010 respectively for period upto FY 2009-10 but including a determination of the entitlements of the Petitioner available pursuant to the principles set out in the orders of the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as the "ATE") vide Orders dated 06.10.2009 and 30.07.2010 in Appeal 36 of 2008 and 153 of 2010 (of M/s NDPL) respectively is filed under Section 62 of the Electricity Act 2003 (hereinafter referred to as "Act"), read with Section 8.4, Section 8.5, Section 8.7, Section 8.8, Section 8.9, Section 11.1, Section 11.2, Section 11.3, Section 11.4 and Section 13.4 of the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2007 (hereinafter referred to as "MYT Regulations"), Section 11 and Section 28 of Delhi Electricity Reforms

Act 2000 to the extent applicable, the Delhi Electricity Regulatory Commission (Conduct of Business) Regulation 2001 and Section 24 of the License for Distribution and Retail Supply of Electricity issued by the Hon'ble Commission.

AND

IN THE MATTER OF:-

Compliance with the Hon'ble Commission's letter being letter No. F.3(312)/Tariff/DERC/2011-12/4481 dated 24.02.2011

AND

IN THE MATTER OF:-

Compliance with the Hon'ble Commission's letter being letter No. F.3(130-A)/Tariff/DERC/2006-07/C.F. No.2787/Pt. File-I/5089 dated 08.03.2011

The Petitioner named above most respectfully showeth:

I. That BSES Rajdhani Power Limited (hereinafter referred to as "**Petitioner**"), a company incorporated under the Companies Act, 1956, and having its registered office at BSES Bhawan, Nehru Place, New Delhi – 110019, is a license holder for carrying on the business of Distribution and Retail Supply of electrical energy within the Area of Supply as specified in the "*License for Distribution and Retail Supply of Electricity*" issued by the Honourable Commission which came into force on 12th day of March 2004. The said license is valid till 11th day of March 2029.

II. That the Petitioner in accordance with the Act, its license conditions and MYT Regulations is required to file it's expected aggregate revenues and cost of service for ensuing financial year not later than 30th November every year. The Petitioner further submits that vide its letter number RA/2010-11/01/A/121 dated 16.11.2010 sought Hon'ble Commission's advice in the matter.

III. That the Hon'ble Commission vide its letter number F.3 (312)/Tariff/DERC/201 1 - 12/ 4481 dated 24.02.2010 (enclosed as Annexure 1) decided to extend the principles for tariff determination as contained in MYT Regulations 2007-11 for a further period of one year i.e. for FY 2011-12 and requested the Petitioner to file the Aggregate Revenue Requirement for FY 2011-12 and Review of FY 2010-11 latest by 10.03.2010. Further, the Hon'ble Commission vide its letter number F.3 (130-A)/Tariff/DERC/2006-07/C.F.No. 2787/Pt. File-I/5089 dated 08.03.2011 (enclosed as Annexure 2) specified the AT&C loss reduction target and provision for capitalisation in the FY 2011-12. The Petitioner is filing the present Petition to comply with the deadline to ensure prompt determination of tariff and have tried diligently to ensure a comprehensive Petition. However, the Petitioner reserves its rights to supplement the present Petition since the Petitioner has had limited time for preparing the same and any omission is only inadvertent and cannot be deemed to be a waiver of such entitlements as available in law.

IV. That the Petitioner vide its letter number RA/10-11/01/A/191 dated 09.03.2011 requested Hon'ble Commission additional 10 days time since the Hon'ble Commission's letter received on 09.03.2011 would entail reworking of the ARR Projections.

V. The Petitioner states and submits that the Petitioner has already filed a Petition dated 20.11.2009 seeking an implementation of the ATE Order. Further, this Hon'ble Commission has appealed the ATE Order on certain issues before the Hon'ble Supreme Court. However, there has been no stay which has been granted by the Hon'ble Supreme Court. Further, this Hon'ble Commission itself in its affidavit before the Delhi High Court in the matter of Nand Kishore Garg v. GoNCTD & Ors., WP (C) No. 4821 of 2010 has admitted that in the absence of any stay of the ATE Order, the entitlements of the Petitioner under the ATE Order need to be granted forthwith. However, the said matter is not being pressed here in the present petition as the aforesaid separate petition has been filed for the same. Further, the present petition is being filed pursuant to the letters dated 24.02.2011 and 10.03.2011 and the minutes of the meeting dated 22.02.2011 and is therefore restricted to only complying with the same i.e. for the period FY 2010-11 and FY 2011-12. The Petitioner respectfully states and submits that pending the Order of the Hon'ble Commission, nothing contained in this Petition should be treated as estopping, restricting or limiting or waiving the rights of the Petitioner to charges which it is permitted to recover under law.

VI. That the Petitioner in the present filing requests the Hon'ble Commission to permit recovery of expenses as prayed for as it is urgently needed to deal with the outcomes of compliance with the Hon'ble Commission's orders and performance standards, in particular, the large increase in power purchase costs and other uncontrollable costs.

VII. That the Petitioner has filed the truing up of expenses for FY 2009-10 for its Wheeling Business and Retail Supply Business of the MYT first control period in terms of Section 62 of the Electricity Act 2003, read with Section 8.4, Section 8.5, Section 8.7, Section 8.8, Section 8.9, Section 11.1, Section 11.2, Section 11.3, Section 11.4, Section 12.1 and Section 13.4 of the MYT Regulations, Section11 and section 28 of Delhi Electricity Reforms Act 2000 to the extent applicable, Conduct of Business Regulation 2001 and Section 24 of the Licence for Distribution and Retail Supply of Electricity issued by the Hon'ble Commission. The Hon'ble Commission admitted the petition vide its order dated 11.10.2010. The Petitioner respectfully states and submits that pending the Order of the Hon'ble Commission, nothing contained in this Petition should be treated as estopping, restricting or limiting or waiving the rights of the Petitioner to charges which it is permitted to recover under law.

VIII. That the Petitioner reserves its right to submit additional audited information for FY 2010-11, if available at a later date for truing up as per Section 11.2 and Section 8.8 of the MYT Regulations before the issuance of the Tariff Order.

IX. That the Hon'ble Commission has issued the Multi Year Tariff Order on 23.02.2008 for the control period of FY 2007-08 to FY 2010-11 (hereinafter referred to as the "MYT Tariff Order"). The Petitioner being aggrieved by certain findings of the Hon'ble Commission in the MYT Tariff Order had appealed before the Hon'ble Appellate Tribunal for Electricity vide Appeal No. 36/2008 seeking to set aside, modification, clarification and / or reconsideration of the MYT Tariff Order. The Hon'ble ATE subsequently issued its judgment in the matter vide its order dated 06.10.2009 (hereinafter referred to as the "ATE Order"). The ATE in addition to determining the entitlements for FY 2007-08, which was the subject matter of challenge before it, has also spelt out principles which are relevant to tariff determination for periods other than those which formed the subject matter of challenge, for instance, the manner in which O&M costs have to be determined for the Petitioner, by linking the same to the number of consumers serviced. It may be noted that this Hon'ble Commission has also not challenged some of the said principles in its appeal before the Supreme Court in C.A. No. 884 of 2010 and consequently the application of these principles has also been accepted by this Hon'ble Commission. Accordingly, whilst the entitlements pursuant to the ATE Order are not being agitated in the present petition as mentioned above, the principles which have been set out in the said order, which are applicable across financial years, i.e. through the MYT Period are being applied even in the present petition under the relevant heads.

X. That the Hon'ble Commission has issued the Tariff Order on 28.05.2009 for FY 2009-10 (hereinafter referred to as the "Tariff Order for FY 2009-10"). The Petitioner has appealed before the Hon'ble ATE against the Tariff Order for FY 2009-10 vide Appeal No. 142/2009. The Petitioner respectfully states and submits that pending the Order of the Hon'ble ATE, nothing contained in this

Petition should be treated as estopping, restricting or limiting or waiving the rights of the Petitioner to charges which it is permitted to recover under law.

XI. That in the event the Hon'ble ATE issues an order in the matter of BSES Rajdhani Power Limited vs. Delhi Electricity Regulatory Commission & Others. (Appeal No. 142 of 2009) subsequent to filing of the present Petition / Application, the Hon'ble Commission is requested to implement the directions as may be issued by the Hon'ble Appellate Tribunal for Electricity as mandated under Section 62(4) of the Electricity Act, 2003.

XII. That on 15.12.2009, the Petitioner had filed Petition before the Hon'ble Commission seeking True-Up of expenses incurred during FY 2008-09, Revised Aggregate Revenue Requirement (ARR) and corresponding Tariff adjustment for FY 2010-11 under the applicable provisions of the Electricity Act, 2003, read with the Delhi Electricity Reform Act, 2000 and the Distribution Tariff Regulations 30.05.2007.

XIII. That the Petitioner's Petition for True-Up of FY 2008-09, Revised Aggregate Revenue Requirement (ARR) and corresponding Tariff adjustment for FY 2010-11 was:-

a). Admitted by the Hon'ble Commission on 5th January 2010.

b). In compliance with the principles as enshrined under Sections 61, 62 and 86(4) of the Electricity Act, 2003 the contents of the Petition were publicized on 16th January 2010 in English, 16th January 2010 in Hindi and 16th January 2010 in Urdu. Dailies for inviting consumer/public responses, setting out the salient features of the Petition.

c). Public Hearings took place on 23.02.2010 to 25.02.2010, when various stakeholders were heard.

d). While the Petition was under adjudication by the Hon'ble Commission, inter-alia for tariff determination for FY 2010-11, due to developments known to the Hon'ble Commission, Government of NCT of Delhi issued a policy direction on 04.05.2010.

e). Subsequent to the issuance of the said policy directions, a Public Interest Litigation was filed before the Delhi High Court being WP (C) No. 4821 of 2010 raising issues pertaining to the tariff order for FY 2010-11. During the course of the said PIL, the Hon'ble Delhi High Court vide its order dated 09.09.2010 directed this Hon'ble Commission to file its response on issues pertaining to the tariff order for FY 2010-11 and its response to the statutory advice sought by the GoNCTD vide its dated 04.05.2010.

f). DERC, speaking through majority, has stated in its response to the Order of the High Court of Delhi dated 09.09.2010 in W.P. (C) No. 4821 of 2010, that:

i. The financial health of the DISCOMs is adversely affected and the present tariff being recovered by the distribution licensees is not cost reflective on account of the following reasons:

a. Power purchase cost which should normally be around 80% of the total sale of energy has gone up to 96% in the year 2009-10;

b. After the implementation of the ABT Order, issued by CERC on 28.04.2010, the penal rates of overdrawal have increased significantly varying from ₹. 8.73 to ₹. 17.46 against the prevailing rate of ₹. 7.35. As a result of the same rate of UI has fallen down in the domain of ₹. 3/unit for overdrawal.

c. Further, rate of power sold in the Exchange which was assumed to be ₹. 5.75 per unit has dropped down to less than ₹. 4 per unit.

d. Certain power plants which were expected to commence, have got delayed, as a result of which the surplus energy which was assumed to be available would not be available.

e. Due to increase in the cost of fuel, both gas and coal, as per the orders of the Government of India, the cost of generation by the power stations supplying power to Delhi has also gone up. The additional fuel cost is recovered by the generating companies, as per the orders of the CERC, on a monthly basis from the distribution companies.

f. In view of the revenue gap in the books of the Petitioner, this Hon’ble Commission recognised the need for urgent intervention and recouping of the same.

ii. DISCOMs have already filed petitions on the issue of net power purchase cost adjustment which are pending before the Commission. It is proposed to list the above petitions and pass appropriate orders on the subject for quarterly adjustment of the net power purchase cost delinking it from the tariff order as it would be paisa per unit while the tariff would remain constant for a particular year. The said petition has already been heard by this Hon’ble Commission and it is prayed that this Hon’ble Commission may pass appropriate order. However, the said matter is not being pressed here in the present petition as the aforesaid separate petition has been filed for the same. The Petitioner respectfully states and submits that pending the Order of the Hon’ble Commission, nothing contained in this Petition should be treated as estopping, restricting or limiting or waiving the rights of the Petitioner to charges which it is permitted to recover under law.

XIV. The Petitioner submits that, it is pertinent to point out here that a net Power Purchase rate (after adjustment for Sale/Banking, etc.) of ₹. 4.178 per unit has been incurred in FY 2010-11 (upto Dec ’10) against the power purchase rate of **₹. 2.546 per unit** estimated by the Hon'ble Commission. Such a significant variation in Power Purchase Rate for FY 2010-11 is primarily on account of various factors including lower availability of cheaper power from Central Generating Stations due to their commissioning date being later than as estimated by the Hon'ble Commission / non availability of power from various projects, unprecedented increase in demand without commensurate increase in generation capacity required higher quantum of purchase of expensive power by way of bilateral transactions or through the exchange, Increase in the maximum UI Rates, which are looked upon as an economic signal for such transactions, has also resulted in increase in short term power procurement prices. Additionally, there has been significant increase in fuel cost.

XV. Given the large Revenue Gap till date as highlighted in this petition if the same is not recovered after conducting truing up by suitable revision in tariff by Hon'ble Commission, financing of the said revenue gap will become increasingly difficult as the lenders are already expressing concern on the large unrecovered Revenue Gaps. The similar concern on Revenue Gap of the Petitioner has also been highlighted by Credit Rating Agency CARE in its latest report as a part of their surveillance audit as reproduced below:

> *"In December 2009 BRPL had filed the Aggregate Revenue Requirement (ARR) for FY 2010-11 with Delhi Electricity Regulatory Commission (DERC). BRPL has projected the net revenue gap (including revenue gap till FY 11) as ₹. 2,795.3 Cr. For recovering the revenue gap of ₹. 2,795.3 Cr, BRPL had proposed that tariff (fixed and energy charges) to be increased by 69.6% across all consumer categories. The decision for any revision in tariff is still awaited as the DERC is yet to issue the Tariff Order for FY 2010-11."*

From the above, it is evident that the present rating which has been given by the credit rating agency is given on an assumption that the

Petitioner will be able to materialize its Regulatory Asset / Revenue Gap. Till date there is no suggested mechanism to amortize the Regulatory Asset / Revenue Gap and therefore the credit rating of the Petitioner may further drop. This is evident from the rating agency's own understanding and limitations to the rating process. The rating rationale provided by CARE with their letter dated May 7, 2010 is reproduced below which is self-explanatory.

> *"The rating revision takes into account the improvement in efficiency parameters including reduction in Aggregate Technical and Commercial (AT&C) losses coupled with wider and improved distribution network. The rating continues to derive strength from the strategic importance of the discom, as well as experience and resourcefulness of the promoters. <u>The rating strengths are partially offset by high exposure to regulatory risk in terms of revision in tariff and pass- through of cost items, debts – funded capital expenditure plans and low debt-servicing indicators. Going forward, the impact of increasing power purchase cost and tariff revision on the overall credit profile shall be the key rating sensitivities</u>." (Emphasis Supplied)*

The same is enclosed as Annexure – 3.

In such a scenario, the Petitioner urges the Hon'ble Commission to take cognizance of the burgeoning gap and consider speedy true up of the Revenue Gap upto FY 2011-12.

XVI. In this context of large Revenue Gap primarily arising on account of uncontrollable factors as explained above, the Hon'ble Commission may in exercise of its inherent powers provided under the DERC Comprehensive Conduct of Business Regulations, 2001 and DERC (Terms And Conditions For Determination Of Wheeling Tariff And Retail Supply Tariff) regulations, 2007 consider immediate True Up and may provide for recovery of the same to make the tariff cost reflective in terms of National Tariff Policy so as to avoid burdening the future consumers with past costs along with the additional burden of carrying costs leviable on deferred recovery. The Petitioner most respectfully states and submits that as mentioned above, for the revenue gaps till FY 2009-10, separate petitions have already been filed before this Hon'ble Commission. It is submitted that even though the said historical gaps are not being raised in the present petition, the same does not amount to a waiver on part of the Petitioner. It is submitted that the said revenue gaps after being adjudicated by this Hon'ble Commission may be given in the form of a one time surcharge independent of tariff as fixed in the present petition based on consumption of each individual. This one time surcharge may continue till such time as the said historical revenue gap is amortised in a manner consistent with Regulation 7 of the National Tariff Policy and in any event not later than three years from the beginning of the said amortisation. Needless to say, the Petitioner be compensated for the deferment of its recovery of the revenue gap through carrying costs which should be determined in terms of ATE's order dated 30.07.2010 in Appeal No. 153 of 2010. The Petitioner states that in case any stakeholder wishes to get a copy of its petitions for historical gap, the Petitioner is ready and willing to share the same with such stakeholder and the said petition are not being annexed to the present petition as they are not being claimed through the present petition. The Petitioner respectfully states and submits that pending the Order of the Hon'ble Commission, nothing contained in this Petition should be treated as estopping, restricting or limiting or waiving the rights of the Petitioner to charges which it is permitted to recover under law.

XVII. The filing of the Petition should not be treated as curtailing any right or claim of the Petitioner, which it is permitted to recover in terms of its licence and Orders of the Hon'ble Commission, Hon'ble Appellate Tribunal for Electricity (including the principle of parity / equality in treatment of DISCOMs) and or any other proceedings relevant to the entitlement of the Petitioner.

XVIII. That the Petitioner in the present petition has stated the assumptions at relevant sections, and has endeavoured to comply with the various applicable legal and regulatory directions of the Hon’ble Commission.

XIX. That based on the information available, the Petitioner has made bonafide efforts to comply with the directions of the Hon’ble Commission and in diligent discharge its obligations to the best of its abilities. However, should any other information be available in future, the Petitioner reserves the right to file such additional information and consequently amend / revise the Application / Petition. The Petitioner is ready and willing to provide any other and further information in respect of the filing that the Hon’ble Commission may require to determine its entitlement in the tariff fixation process. Nothing presented in the Petition should be treated as restricting, estopping, waiving or limiting the rights of the Petitioner to charges which it is permitted to recover under law.

Prayer

In view of the above facts and circumstances, the Petitioner prays to the Hon’ble Commission that it may be pleased:

a) To admit the Aggregate Revenue Requirement for the FY 2011-12 and Review of FY 2010-11 as submitted herewith.

b) To approve Aggregate Revenue Requirement for the year FY 2011-12 and Review of FY 2010-11 under the MYT Regime on account of uncontrollable factors such as power purchase costs, energy sales, 6th pay commission impact, and other uncontrollable costs as mentioned herein and or other Petitions that has been filed before the Hon’ble Commission.

c) To take into account the audited information for FY 2010-11, if available at a later date for truing up before the issuance of the Tariff Order for FY 2011-12.

d) Ensure recovery of the large Revenue Gaps for FY 2011-12 which has impacted the petitioner's ability to effectively carry on its operations and pay for power purchase costs in future.

e) To allow suitable Tariff surcharge so as to recover the revenue shortfall upto FY 2010-11 under the MYT Regime.

f) To implement the directions issued by the Hon'ble ATE in the matter of BSES Rajdhani Power Limited vs. Delhi Electricity Regulatory Commission & Others. (Appeal No. 36 of 2008) and recompute the targets of the MYT Tariff Order.

g) To implement the directions issued to the Hon'ble Commission by the Hon'ble Appellate Tribunal for Electricity in the matter in the matter of North Delhi Power Limited vs. Delhi Electricity Regulatory Commission & Others. (Appeal No. 153 of 2009 and Appeal No. 52 of 2008) in accordance with the principle of maintaining equity amongst DISCOMs where the issues are similar in nature.

h) In the event of any/all of the outstanding issues before the Hon'ble Supreme Court / Hon'ble ATE / Hon'ble Central Electricity Regulatory Commission (CERC) / Hon'ble Commission being adjudicated prior to issuance of the tariff Order determining Tariffs for FY 2011-12, the Hon'ble Commission is requested to take into account the impact of the same while approving the tariff adjustments required for FY 2011-12. In the event of Hon'ble Supreme Court's / Hon'ble ATE's / Hon'ble CERC's / Hon'ble Commission's Order(s) being declared after the issuance of the Tariff Order, it is submitted that the impact of the same be allowed forthwith through an additional surcharge during the FY 2011-12.

i) To approve all expenses in the truing up while determining Aggregate Revenue Requirement without deferring any or part of the expense in the form of Regulatory Asset, unless otherwise consented by the Petitioner expressly in writing, as already done with respect to historical gaps for the period till FY 2009-10.

j) To take into account the latest Tariff orders, if any, issued by appropriate Commission while determining the power purchase and transmission costs of the Petitioner.

k) To allow additions / alterations / changes/ modifications to the application at a future date.

l) To allow any other relief, which the Hon'ble Commission deems fit.

m) Condone any inadvertent Omissions / errors/ rounding off difference / shortcomings.

Prayed accordingly

DEPONENT
Rajeev Chowdhury.
Head Regulatory (BRPL)
Authorized Signatory
BSES Rajdhani Power Limited: Petitioner

1. ARR for FY 2011-12 and Review of FY 2010-11

The Petitioner submits that in view of its knowledge of supplying power in its supply area coupled with the historical data for a year on year increase, as well as the decision to meet the expanding consumer base given the historical growth on a year on year base and other factors which constitute special knowledge of the Petitioner of its business, the Petitioner has made its projections and provided revised estimates as follows:

1.1. Sales Forecast

The Petitioner has relied on the report on 17^{th} Electric Power Survey of India published by the Central Electricity Authority (hereinafter referred to as "**17th EPS**"), for projection of Sales for February'11 & March'11 and for FY 2011-12.

While projecting for FY 2010-11, the actual consumption for the period April'10 to January'11, which has been submitted to the Hon'ble Commission has been considered.

The Petitioner has maintained the same growth rate in demand as projected in the 17th EPS for all categories of consumers as specified in the Tariff Order, excluding some consumer categories such as Railways, Industrial, Irrigation and DMRC.

For DMRC, the Petitioner has relied on the anticipated consumption data furnished by DMRC for FY 2011-12. A copy of the letter furnished by DMRC is enclosed at **Annexure 4.**

For Industrial & Irrigation categories of consumers, the petitioner has assumed similar consumption pattern as of the previous Financial Year(s). While projecting the Consumption level for February & March 2011 and FY 2011-12.

The sales growth projected by the Petitioner is due to growth in consumption from existing consumers, growth from new consumers and growth in the specific consumption of existing consumers in the category wise ratio derived from the 17th EPS except for the consumer categories of Railways, DMRC, Irrigation and Industrial.

The load has been projected for FY 2010-11 and FY 2011-12 assuming the growth rate in the average load per consumer in accordance with the 17th EPS except for the consumer categories of Railways, DMRC, Irrigation and Industrial.

Based on the above assumptions, Sales, Consumers and Load are tabulated below:

Table 1 : Number of Consumers, Load and Energy Sales

Sl. No.	Category	FY 2010-11			FY 2011-12		
		Cons.	Load MW	Sales MU	Cons.	Load MW	Sales MU
1	Domestic	1,402,188	3,499.8	4,545.4	1,565,314	3,907.0	5,074.1
2	Non-Domestic	236,710	1,731.1	2,541.3	268,508	1,963.6	2,882.7
3	Industrial	13,065	348.9	590.6	13,065	348.9	590.6
A	SIP	12,866	272.7	429.8	12,866	272.7	429.8
B	LIP	199	76.2	160.9	199	76.2	160.9
4	Agriculture	4,102	15.8	18.4	4,102	15.8	18.4
5	Mushroom Cultivation	21	0.1	0.1	21	0.1	0.1
6	Public Lighting	1	-	149.3	1	-	156.8
7	Railway Traction	1	19.0	24.0	1	19.0	24.0
8	DMRC	5	59.3	128.6	5	49.0	200.0
9	Temporary Supply	-	-	0.1	-	-	-
10	Enforcement	-	-	76.3	-	-	86.5
11	Own Consumption	1	-	42.6	-	-	48.3
12	Others	6,494	148.3	355.5	7,246	162.1	394.8
A	Worship/Hospital	18	13.0	23.7	20	14.8	26.9
B	Staff	6,418	15.0	23.9	7,165	16.7	26.7
C	DIAL	2	51.1	212.4	2	57.9	240.9
D	DJB	56	69.2	95.6	59	72.7	100.4
TOTAL		1,662,588	5,822	8,472	1,858,263	6,465	9,476

The category wise Proposed Amount billed and Average Billing Rate (ABR) considered for the ARR is tabulated below:

Table 2 : Proposed Category-wise Amount billed and Average Billing Rate (ABR)

Sl. No.	Category	FY 2010-11			FY 2011-12		
		Sales	Amount Billed	ABR	Sales	Amount Billed	ABR
		MU	₹ cr.	₹ / kWh	MU	₹ cr.	₹ / kWh
1	Domestic	4,545.4	1,647.6	3.62	5,074.1	1,856.5	3.66
2	Non-Domestic	2,541.3	1,622.4	6.38	2,882.7	1,836.3	6.37
3	Industrial	590.6	318.6	5.39	590.6	318.2	5.39
A	SIP	429.8	231.5	5.39	429.8	231.3	5.38
B	LIP	160.9	87.1	5.41	160.9	86.9	5.40
4	Agriculture	18.4	3.2	1.76	18.4	3.2	1.75
5	Mushroom Cultivation	0.1	0.0	3.67	0.1	0.0	3.85
6	Public Lighting	149.3	70.0	4.69	156.8	72.9	4.65
7	Railway Traction	24.0	11.2	4.68	24.0	11.4	4.77
8	DMRC	128.6	42.9	3.33	200.0	63.2	3.16
9	Temporary Supply	0.1	0.1	6.77	-	-	
10	Enforcement	76.3	35.4	4.63	86.5	40.3	4.66
11	Own Consumption	42.6	-	-	48.3	-	-
12	Others	355.5	190.2	5.35	394.8	213.2	5.40
A	Worship/Hospital	23.7	11.7	4.94	26.9	13.3	4.94
B	Staff	23.9	4.1	1.72	26.7	4.6	1.72
C	DIAL	212.4	111.9	5.27	240.9	129.7	5.38
D	DJB	95.6	62.6	6.54	100.4	65.6	6.54
TOTAL		8,472	3,942	4.65	9,476	4,415	4.66

1.2. AT&C Loss

As per the principles laid down in Clause 4.7 (a), of the MYT Regulations, the AT&C Loss, is defined as the difference between the units input into the distribution system and the units realized (units billed and collected) wherein the units realized shall be equal to the product of units billed and collection efficiency.

Further in Clause 4.7 (c), the collection efficiency is defined as the ratio of total revenue realized to the total revenue billed for the same year. The Regulation clearly specifies that the revenue realization from the arrears relating to the DVB period, electricity duty and late payment surcharge shall be included for computation of collection efficiency.

As per the MYT Regulations, the AT & C Target for FY 2010-11 is 17%. While the Petitioner will strive to over achieve its loss reduction target in FY 2010-11, but, for the purpose of filing the ARR has limited the AT & C loss reduction target for FY 2010-11 at the level as per the MYT Regulations read with the MYT Order, subject to truing up.

The Hon'ble Commission vide its letter number F.3 (312)/Tariff/DERC/201 1 - 12/ 4481 dated 24.02.2010 (enclosed as Annexure 1) decided to extend the principles for tariff determination as contained in MYT Regulations for a further period of one year i.e. for FY 2011-12 and requested the Petitioner to file the Aggregate Revenue Requirement for the FY 2011-12 and Review of FY 2010-11. Therefore the methodology outlined in the MYT Regulations for computation of AT&C loss ought to be on the same lines. Further, the Hon'ble Commission vide its letter number F.3 (130-A)/Tariff/DERC/2006-07/C.F.No. 2787/Pt. File-I/5089 dated 08.03.2011 (enclosed as Annexure 2) specified the AT&C loss reduction target for FY 2011-12. The target specified by the Hon'ble Commission is reproduced below:

> *"The AT&C loss target for FY 2011-12 will be the lower of the following two figures.*
>
> - *Actual AT&C loss for 2010-11: &*
> - *Reduction at 1% over the AT&C target for FY 2010-11."*

The Petitioner has adopted the above principles while projecting the AT&C loss target for FY 2011-12, i.e. the Petitioner for FY 2011-12 has considered a reduction at 1% over the AT&C loss target for FY 2010-11 while determining the ARR. The Petitioner has projected the AT&C loss level targets for FY 2011-12 as tabulated below:

Table 3 : Projected AT&C Loss Levels for FY 2010-11 & FY 2011-12

Sl. No.	Particulars	Formula	UoM	2010-11		2011-12
				MYT Targets	Projected	Projected
1	Units Billed	UB	MU	8026	8472	9476
2	Units Input	UI	MU	9622	10383	11225
3	Amount Billed	AB	₹ cr.	NA	3,942	4,415
4	Amount Realized	AR	₹ cr.		4,009	4,393
5	AT&C Loss	AT&C =1-(UB/UI) X (AR/AB)	%	17%	17.00%	16.00%

The submissions under the present head are without prejudice to the claim of the Petitioner that the loss reduction trajectory for the original MYT Period be re-computed in terms of the ATE Order dated 06.10.2009 in its separate petition for implementation of the said ATE Order and nothing stated herein limits or waives the aforesaid contention.

1.3. Estimated Revenue for ARR

Based on the aforementioned Sales and Loss reduction trajectory, the Revenue considered for the purpose of the ARR is tabulated below:

Table 4 : Estimated Revenue for the purpose of Annual Revenue Requirement

Sl. No.	Particulars	UoM	FY 10-11	FY 11-12
1	Energy Input	MU	10,383.1	11,225.1
2	Units Realized	MU	8,617.6	9,428.9
3	ABR	₹ / kWh	4.65	4.66
4	AT & C Loss	%	17.00%	16.00%
5	Revenue Realized	₹ cr.	4,009.2	4,393.1
6	Less: Electricity Tax	₹ cr.	167.2	188.3
7	**Estimated Revenue for ARR**	**₹ cr.**	**3,842.0**	**4,204.8**

1.4. Energy Balance

The energy requirement proposed by the petitioner is being tabulated below:

Table 5 : Energy Balance

Sl. No.	Particulars	UoM	FY 10-11	FY 11-12
1	Sales	MU	8,472.1	9,476.2
2	Distribution Loss	%	18.4%	15.6%
3	Input at DISCOM Periphery	MU	10,383.1	11,225.1
4	Transmission Loss	MU	714	681
5	Input at Generator's Bus bar	MU	11,096.7	11,906.6

1.5. Power Purchase & Transmission Cost

1.5.1. Power Purchase Quantum

Based on the projected Sales and Distribution Loss, the Petitioner for the purpose of estimation of power purchase has considered the Power availability from Generating Stations within Delhi, Central Generating Stations, New plants expected to be commissioned, Power purchase through short term sources and banking arrangements.

1.5.1.1. Allocation of Power from existing Central and State Generating Stations

The Petitioner has considered allocation of firm and unallocated power of CSGS as per the actual allocations upto December 2010 and for the remaining period i.e. January 2011 – March 2012 as per NRPC Notification no. NRPC/SE (O)/Allocations/2010-11 dated 25.02.2011 (enclosed as **Annexure 5**).

The Petitioner’s share from the State Generating stations has been considered as per the Hon’ble Commission Order No F.17 (115)/Engg./DERC/2006-07/4757 dated 31.03.2007.

The Petitioner has considered the allocation of unallocated power as per the GoNCTD order No F.11 (41)/2007- Power/PF-1/03 dated 3rd January 2011 valid for the period Jan'11 to March'11 and has assumed the same allocation to continue further upto March 2012 (enclosed as **Annexure - 22**).

1.5.1.2. Plant Maintenance program of Generating Stations

The Petitioner has considered the latest plant Maintenance program of the Generating stations from the following sources:

- Minutes of 59th OCC Meeting of NRPC (enclosed as **Annexure – 6**)
- Maintenance schedule for thermal, gas and nuclear units from January, 2011 to March, 2012 –NRPC (enclosed as **Annexure – 7**)

1.5.1.3. Energy Availability from the Generating Stations

While projecting the energy availability from generating stations, the Petitioner has considered the actual energy available (firm and unallocated) from the generating stations for the period April'10 to December'10.

For the rest of the period, the Petitioner has estimated the energy availability considering the following assumptions:

- Energy available from existing thermal and nuclear power stations has been computed based on the installed capacity and PLF of the plant in a particular month where the PLF for each plant is considered as per the NRPC methodology for projection of demand.
- Availability factor for existing Hydro plant in a particular month has been considered as per the NRPC methodology for projection of demand.

- Auxiliary Consumption of an existing plant has been considered as per the appropriate Commission’s Tariff Order for the Generating plant.
- The effective share of the Petitioner has been applied on the net generation to estimate the energy availability for the respective stations.

Generation from Rajghat TPS has been considered NIL from April 2011 onwards in line with the assumptions made by the Group constituted for “*Anticipating Demand and Supply of Power in Delhi in next few years*” while calculating availability of power in Delhi. (Report of the Group enclosed in **Annexure - 8**)

Deficit or Surplus power in a particular month, if any, after considering purchases from long term sources, has been considered as a part of Bilateral Purchase or Sale for that month.

1.5.1.4. Energy Availability from New Stations

The Petitioner has considered energy availability from future generating stations based on 80% availability for thermal plants. For upcoming hydro power stations, the Petitioner has considered the average availability factor of existing hydro plants of that region for respective months.

Auxiliary consumption has been assumed at 9% for coal based plants, 3% for gas based plants and 1% for hydro plants.

The effective share of the Petitioner as per the PPA Reassignment Order (Order no. F.17 (115)/Engg./DERC/2006-07/) dated 31 March, 2007 has been applied on the ex-bus generation from all future stations to estimate the total energy purchases from the respective NTPC, NHPC, THDC, DVC and SGS stations for Q3 of FY 2010-11 and FY 2011-12.

1.5.1.4.1. NHPC

The Petitioner has considered the availability of power from NHPC Hydro stations (such as Chamera-III, Parbati-III, Uri-II) during FY 10-11 and FY 2011-12 as per CEA Report on Status of Hydro Electric Projects under execution as on 25th February 2011 (enclosed in **Annexure – 9**)

In case of Sewa-II, the plant has achieved COD in June (U-I) & July (U-II & U-III) 2010 and the same has been taken into account in the energy availability from the units for FY 2010-11.

Table 6 : Energy availability from NHPC new stations

Generating Unit	Capacity (MW)	Delhi share (MW)	Petitioner's Share (MW)	Commissioning Month
Chamera-III	231	26	11.33	June-11
Parbati –III	520	42	18.30	July-11
Uri –II	240	19	8.28	July-11
Sewa –II				
Unit -1	40	10	4.36	June-10
Unit -2	40	10	4.36	July-10
Unit -3	40	10	4.36	July-10

1.5.1.4.2. NTPC

In case of Aravali Power Corporation Ltd, (APCL) Jhajjar, as per CEA's report on Broad status of Central Sector Thermal Power projects – NTPC as on 25 February, 2011 (enclosed in **Annexure – 10**) unit -I is scheduled for commissioning by November 2010 and Unit –II & III are scheduled for commissioning by April 2011 and September 2011. However the GoNCTD while filing the status of generating projects in their additional affidavit filed before the Supreme Court (in the writ Petition no. 328 of 1999) had submitted the commissioning of U-I, II & III of APCL Jhajjar plant in November-2010, July 2011 and January 2012 respectively. In November 2010, ACPL vide its letter to the Hon'ble Commission has informed that the commissioning of unit-I is to be delayed by 4 months say by March 2011(Letter from ACPL enclosed in **Annexure – 11**).

In view of the above available information, the Petitioner has considered the CoD of Unit – I in March 2011, and CoD of unit –II & III in July 2011 and January 2012 respectively.

In case of Koldam HEP, CEA's report on status of hydro electric projects under execution as on 25th February 2011 states the slippage of plant's commissioning in the 12th Plan Period. However as per the report of the group constituted for "Anticipating Demand and Supply of Power in Delhi in next few years", the plant is not likely to be commissioned in the period upto March 2014. Therefore the Petitioner has not considered any generation from Koldam during FY 2011-12.

Table 7 : Energy availability from NTPC new stations

Generating Unit	Capacity (MW)	Delhi share (MW)	Petitioner's Share (MW)	Commissioning Month
APCL, Jhajjar				
Unit -1	500	250	108.95	March-11
Unit -2	500	250	108.95	July-11
Unit -3	500	250	108.95	January-12
Koldam HEP	800	87	37.91	March-14

1.5.1.4.3. THDC

The Petitioner has considered the availability of power from the station during FY 10-11 and FY 2011-12 as per CEA Report on Status of Hydro Electric Projects under execution as on 25th February 2011 (enclosed in **Annexure – 9**)

Table 8 : Energy availability from THDC new stations

Generating Unit	Capacity (MW)	Delhi share (MW)	Petitioner's Share (MW)	Commissioning Month
Koteshwar				
Unit -1	100	10	4.36	March-11
Unit -2,3,4	300	30	13.07	April-12

1.5.1.4.4. DVC

In case of DVC plants, the Petitioner has considered the actual/anticipated CoD as per the status of DVC projects submitted by GoNCTD in their additional affidavit filed before the Supreme Court. However as per the communications received from DVC in January 2011 (letters enclosed in **Annexure – 12**), there have been slippages in the commissioning schedule of various DVC plants. Therefore in view of the aforesaid letters from DVC and the trend observed w.r.t. DVC plants in the past, the Petitioner has considered the delay of 1 year in CoD while considering generation from various DVC plants (viz. Mejia TPS Ph-II unit 1&2, Chandrapura TPS unit 7 & 8, Koderma TPP, Durgapur Steel TPP).

In case of Maithon TPP, the Petitioner has considered the CoD as stated in Broad status of Central Sector Thermal Power projects – DVC as on 25 February, 2011 published by CEA.

The total import of power (Delhi's Share) from DVC stations has been assumed as 75MW as was also considered for calculating availability of power in Delhi by the Group constituted for "Anticipating Demand and Supply of Power in Delhi in next few years",

Table 9 : Energy availability from DVC new stations

Generating Unit	Capacity (MW)	Delhi share (MW)	Petitioner's Share (MW)	Commissioning Month
Maithon TPS				
Unit -1	525	154.5	77.25	May-11
Unit -2	525	154.5	77.25	August-11
Mejia TPS				
Unit -1	500	14	5.96	November-11
Unit -2	500	14	5.96	February-12
Chandrapura				
Unit -7	250	5	2.04	January-12
Unit -8	250	5	2.04	November-11
Koderma TPS				
Unit -1	500	12	5.28	February-12
Unit -2	500	12	5.28	July-12

Generating Unit	Capacity (MW)	Delhi share (MW)	Petitioner's Share (MW)	Commissioning Month
Durgapur				
Unit -1	500	7.03125	3.06	February-12
Unit -2	500	7.03125	3.06	July-12

1.5.1.4.5. State Generating Stations

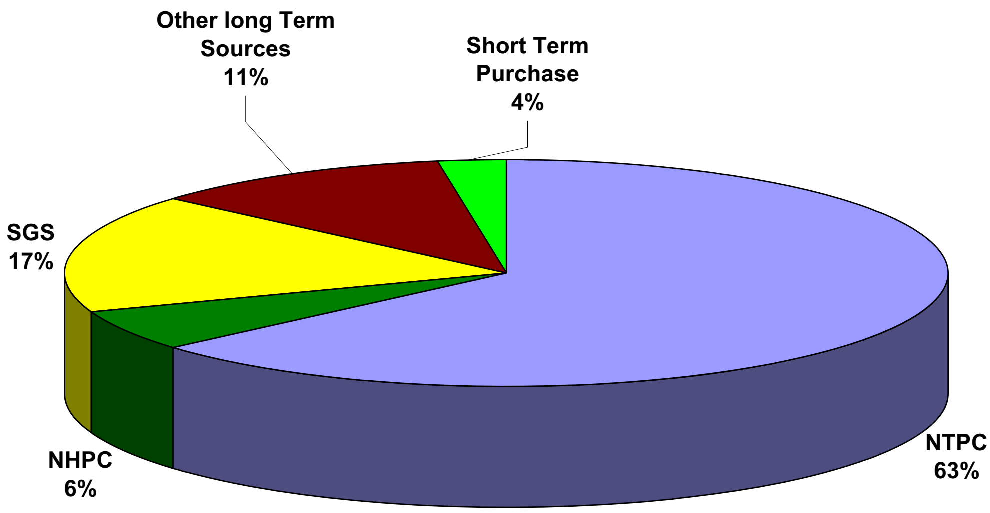
In case of Pragati – III, Bawana plant, although the additional Affidavit of the GoNCTD (enclosed as **Annexure – 13**) states the commissioning of the plant in April 2011 and August 2011, M/s PPCL in the meeting held on 23rd February 2011 at Delhi secretariat under the chairmanship of Chief Secretary, Delhi informed that both the Gas Turbine Machines of the plant are not ready in all respects to provide power regularly for three months ie. April 2011 to June 2011. Therefore the Petitioner has considered the commissioning of Block-I and Block-II as in August 2011 and December 2011 respectively. (Minutes of the meeting enclosed in **Annexure – 14**).

Table 10 : Energy availability from SGS new stations

Generating Unit	Capacity (MW)	Delhi share (MW)	Petitioner's Share (MW)	Commissioning Month
Pragati -III, Bawana				
Block-I				
GT -1	250	151.2	57.30	August-11
GT -2	250	151.2	57.30	August-11
ST	250	177.52	67.28	August-11
Block-II				
GT -1	250	151.2	57.30	December-11
GT -2	250	151.2	57.30	December-11
ST	250	177.52	67.28	December-11

The quantum of energy availability from various sources in FY 2010-11 is shown in the figure below:

Figure 1 : Energy availability from various sources in FY 2010-11



1.5.2. Power Purchase Cost

1.5.2.1. Cost of Power Purchase from Existing Stations

The Petitioner has made the following assumptions for estimating the power purchase cost from existing stations:

- The annual fixed charges (in proportion of the Petitioner's share) and variable Charges per unit for NTPC Generating Stations have been considered as per the latest Tariff Order approved by CERC as tabulated below:

Table 11 : Source documents for assumption of Tariff for NTPC Stations

Station	AFC (₹. Cr)	Variable cost (₹./unit)	Petition No. /Order dated
Anta Gas	104.52	1.38	(Petition no. 127/2009, Order dated 21.01.2011)
Auriya Gas	136.87	1.61	(Petition no. 164/2004, Order dated 03.02.2009)
Dadri GPS	185.40	0.93	(Petition no. 155/2004, Order dated 03.02.2009)
Singrauli STPS	405.81	0.74	(petition no. 189/2009, Order dated 21.1.2011)
Dadri-NCPTS	325.24	1.45	(Petition no. 34/2007, Order dated 21.1.2011)
Unchahar 1	145.17	1.07	(Petition no. 129/2009, Order dated 11.01.2010)
Unchahar 2	177.87	1.07	(Petition no. 150/2004, Order dated 09.05.2006)
Unchahar 3	148.10	1.29	(Petition no. 84/2007, Order dated 10.07.2008)
Rihand-1	347.05	0.73	(Petition no.182/2009, Order dated 20.01.2011)

Station	AFC (₹. Cr)	Variable cost (₹./unit)	Petition No. /Order dated
Rihand-2	551.89	0.89	(Petition no. 97/2008, Order dated 30.12.2009)
BTPS	217.59	1.65	(Petition no. 194/2009, Order dated 28.09.2010)
Farakka	518.36	0.99	(Petition no. 32/2007, Order dated 23.12.2009)
Kahalgaon I	316.41	1.09	(Petition no. 126/2009, Order dated 22.02.2011)
Kahalgaon II	644.57	1.28	(Petition no. 125/2009 Order dated 27.10.2010)

- The annual fixed charges (in proportion of the Petitioner's share) for NHPC Generating Stations have been considered as per the latest Tariff Order approved by CERC as tabulated below:

Table 12 : Source documents for assumption of Tariff for NHPC Stations

Station	AFC (₹. Cr)	Petition No. /Order dated
Bairasiul	53.01	(Petition no. 198/2009, Order dated 18.12.2009)
Chamera- I	200.66	(Petition no. 206/2009, Order dated 03.09.2010)
Chamera- II	348.78	(Petition no. 190/2009, Order dated 07.09.2010)
Dhauliganga	270.16	(Petition no.109/2010, Order dated 14.03.2011)
Dulhasti	849.78	(Petition no. 204/2009, Order dated 09.03.2010)
Salal	176.62	(Petition no. 154/2009, Order dated 07.01.2010)
Tanakpur	47.18	(Petition no. 187/2009, Order dated 23.12.2009)
Uri	274.28	(Petition no. 197/2009, Order dated 05.01.2010)
Sewa- II	196.15	(Petition no. 57/2010 Order dated 22.09.2010)

- The annual fixed charges (in proportion of the Petitioner's share) and variable Charges per unit for State generating stations has been considered based on the respective MYT Order issued by the Hon'ble Commission.

Table 13 : Source documents for assumption of Tariff for SGS Stations

Station	AFC (₹. Cr)	Variable cost (₹./unit)	Petition No. /Order dated
IP Station	65.18	2.09	(Petition no. 38/2007, Order dated 14.12.2007)
Rajghat	69.70	1.92	(Petition no. 38/2007, Order dated 14.12.2007)
Gas Turbine	117.89	1.72	(Petition no. 38/2007, Order dated 14.12.2007)
Pragati -I	208.93	0.96	(Petition no. 39/2007, Order dated 14.12.2007)

- CERC Regulations dated 26.03.2004 provides for Adjustment of rate of energy charge (REC) on account of variation in price or heat value of fuels. The relevant extract is reproduces as below:

"Any variation shall be adjusted on month to month basis on the basis of Gross Calorific Value of coal/lignite or gas or liquid fuel received and burnt and landed cost incurred by the generating company for

procurement of coal/lignite, oil, or gas or liquid fuel, as the case may be. No separate petition need to be filed with the Commission for fuel price adjustment."

Therefore any increase in the prices of Coal, oil or gas or liquid fuel increases the price of electricity. Further, under the provisions of the aforesaid Regulations, the generator is allowed to recover any increase in fuel cost from the Petitioner through Fuel Cost Adjustment on regular basis without filing any separate Petition before the appropriate Commission. However on the other hand, the Petitioner (who pays to the generator on regular monthly basis) is allowed to recover these costs at the end of the financial Year that too in case the tariff determined by the Hon'ble Commission is cost reflective. The variations in the prices of fuel (Coal, Oil and Gas) from April 2009 to January 2011 are given in the figures below:

Figure 2 : Variation in Coal Prices

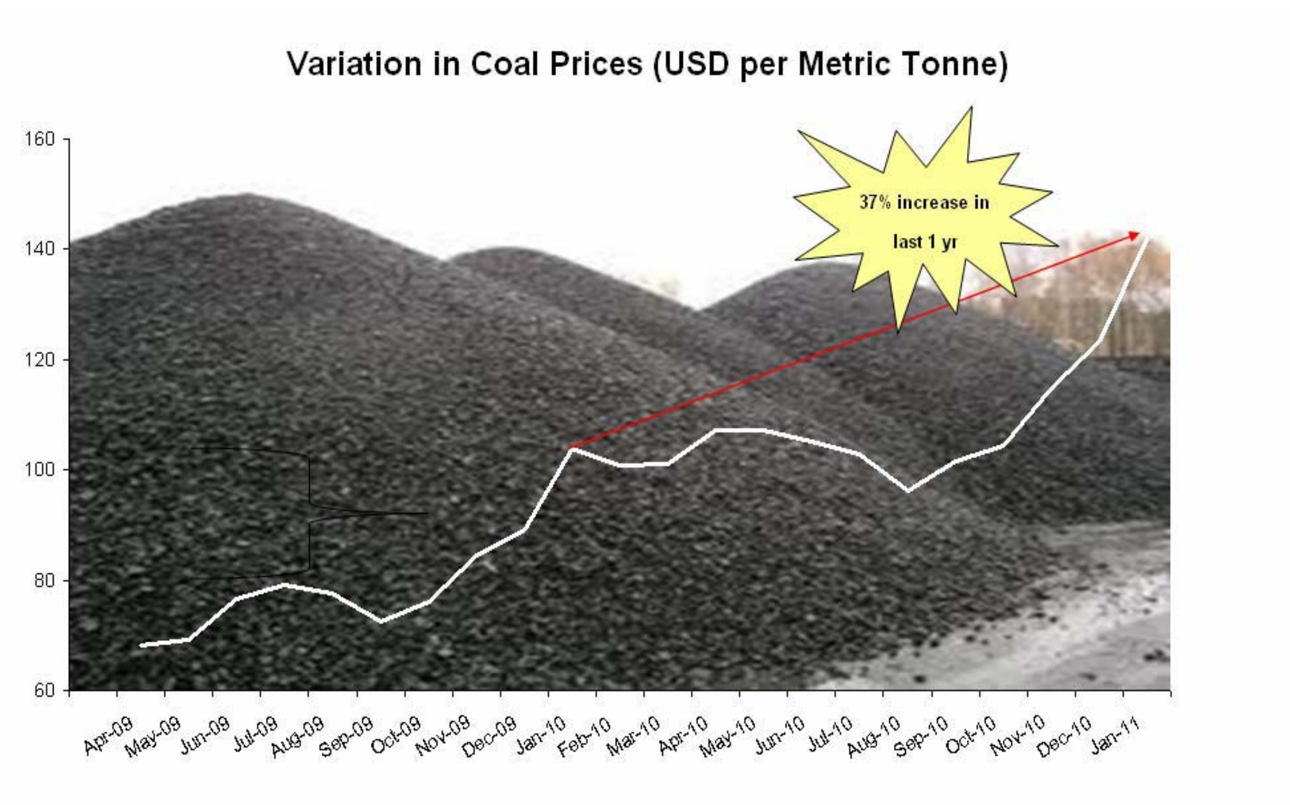


Figure 3 : Variation in Prices of crude oil

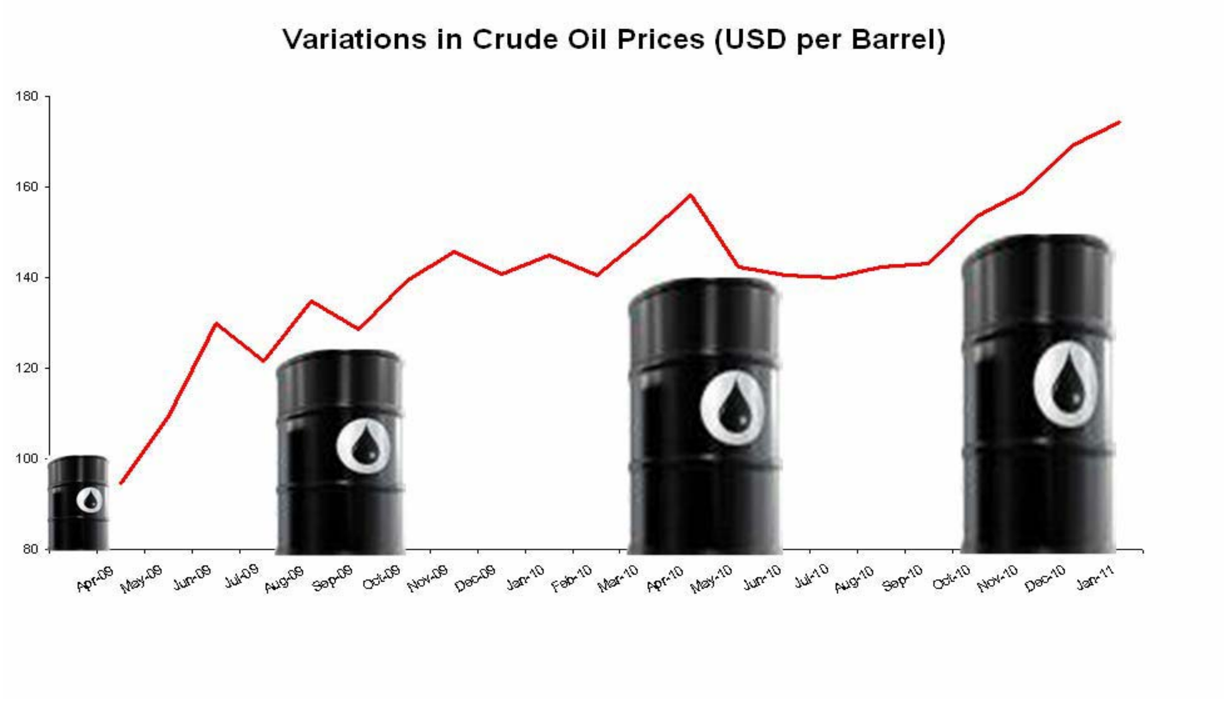
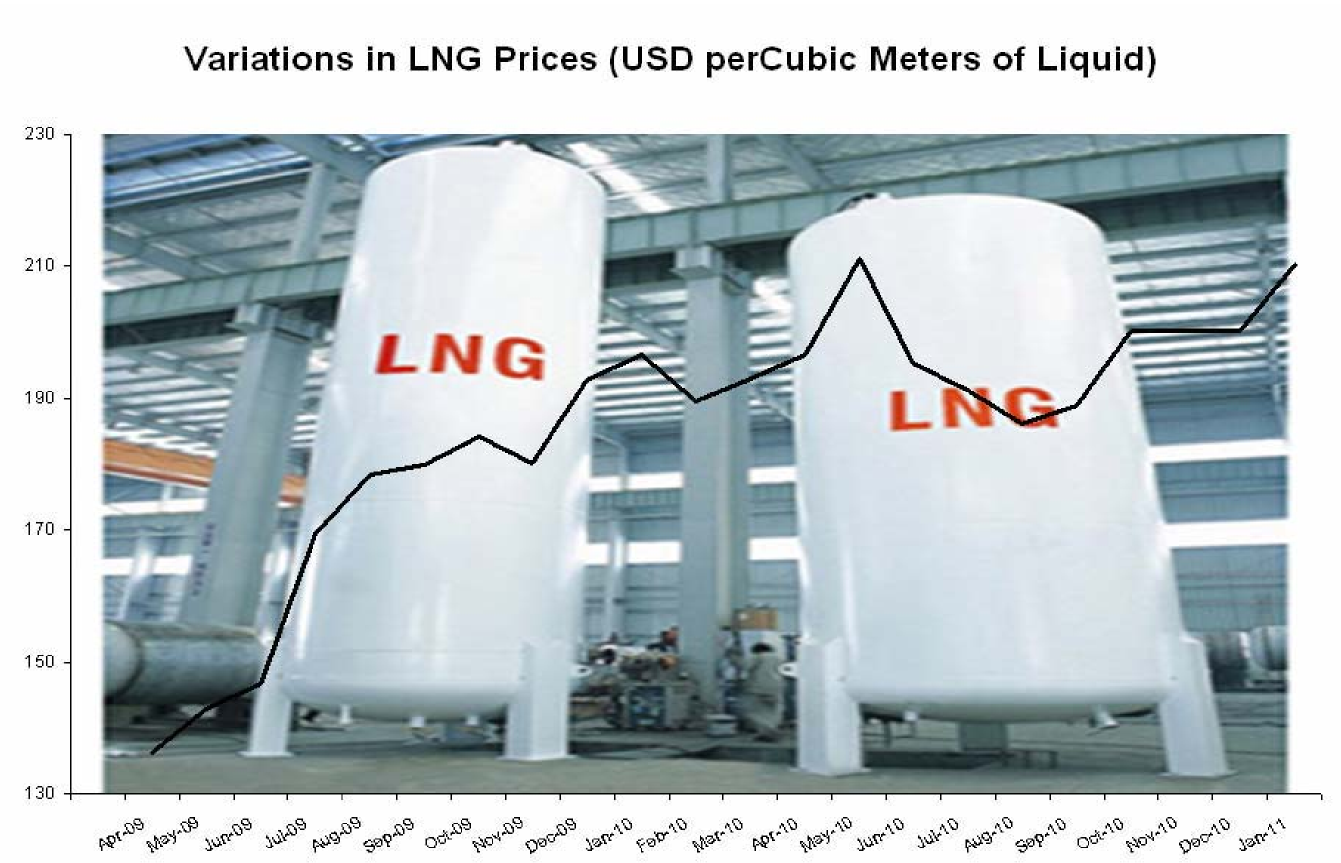
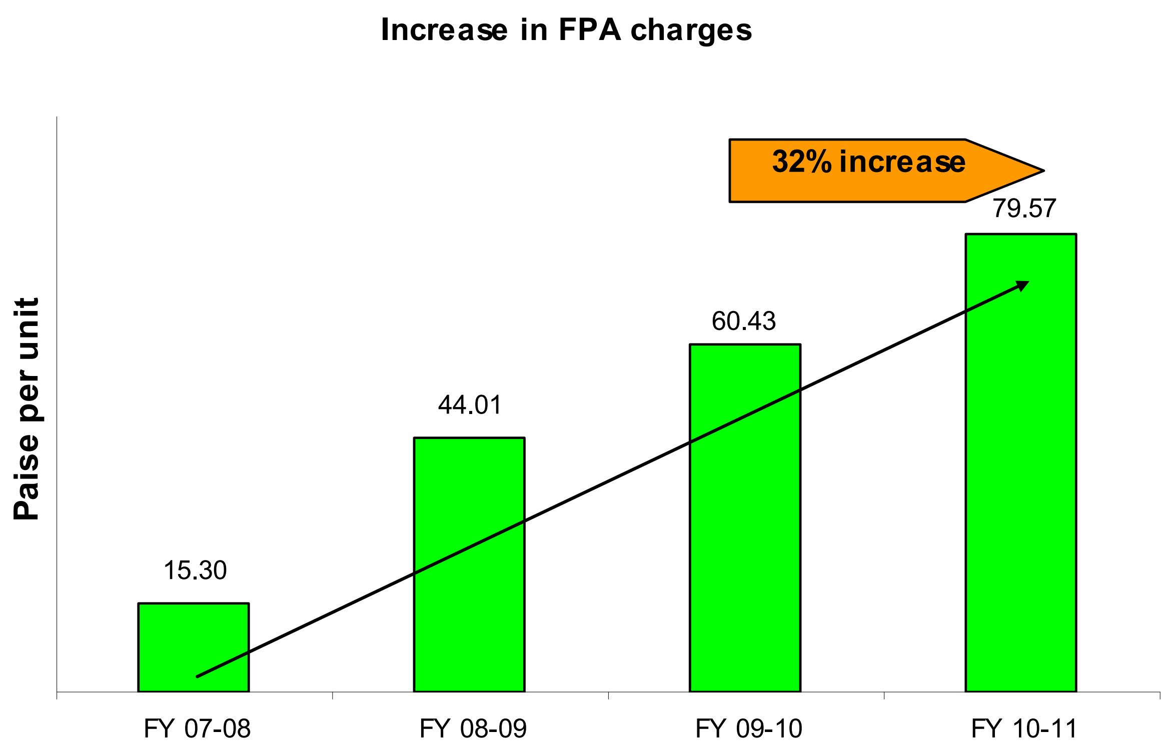


Figure 4 : Variation in Gas Prices



As may be seen that the prices of Coal, Oil and Gas have substantially increased in January 2011 over last year i.e. by 37%, 20% and 7% respectively. As a result of such increase in fuel prices, the FPA charges per unit paid by the Petitioner for the period April-Dec'10 have increased by 32% over the FPA charges paid during the corresponding period of FY 09-10. The FPA Charges per unit paid by the Petitioner to the Generating Stations during the period April to December are shown in the figure below:

Figure 5 : Increase in FPA Charges (April – December) per unit paid to Generators



In view of the ongoing unrest in the Middle East and the aftermath of tsunami in Japan, the Petitioner believes that the cost of Coal and fuel would increase further. Therefore the Petitioner while projecting the FPA charges for FY 2011-12 has assumed similar growth in fuel price as has been the case for FY

2010-11 (upto Dec'10) i.e an annual increase of 32% over previous year.

- The Petitioner further submits that in addition to the monthly power purchase bills, NTPC has raised bills on account of additional Capacity Charges as per Clause 5.3 (d) of the CERC Tariff Regulations, 2009, which is reproduced below:

> *"In case of the existing projects, the generating company or the transmission licensee, as the case may be, shall continue to provisionally bill the beneficiaries or the long-term customers with the tariff approved by the Commission and applicable as on 31.3.2009 for the period starting from 1.4.2009 till approval of tariff by the Commission in accordance these regulations.*
>
> *Provided that where the tariff provisionally billed exceeds or falls short of the final tariff approved by the Commission under these regulations, the generating company or the transmission licensee, as the case may be, shall refund to or recover from the beneficiaries or the transmission customers, as the case may be, within six months along with simple interest at the rate equal to short-term Prime Lending Rate of State Bank of India on the 1st April of the concerned/respective year".*

In view of the precarious financial condition of the company, the Petitioner is not in a position to pay such charges at this point of time, pending CERC Tariff Orders. The Petitioner has also communicated the same to NTPC through various representations. Therefore the Petitioner has considered the Power Purchase cost for FY2010-11 without considering the Additional Capacity charges to be paid to NTPC.

However, the Petitioner anticipates that CERC may issue the Tariff Orders during FY 2011-12. Therefore while projecting the power purchase cost for FY 2011-12, the Petitioner has considered an amount of ₹. 556.97 Crores (assuming 8% increase in tariff i.e. both Fixed and Variable Charges during the financial year as per the report on Impact analysis on CERC Regulations (2009-14) by M/s CRISIL enclosed as Annexure 15) on account of Additional capacity charges (due to implementation of CERC Terms and Conditions of Tariff Regulations, 2009) to be paid for the year FY 09-10, FY 10-11 and FY 11-12. In case the Petitioner makes any payment on this account during FY 2010-11, the same may be deducted from the aforesaid amount considered during FY 2011-12 and considered in FY 2010-11. The Petitioner undertakes to file with this Hon'ble Commission the CERC Orders for the above generating stations as and when received for this Hon'ble Commission's convenience.

- The Petitioner has considered single part tariff for NPCIL plants as notified by the Department of Atomic Energy (DAE). Statement of the power tariff of various Atomic Power Stations of NPCIL as notified by DAE is enclosed as Annexure - 23.

- The Petitioner has considered other charges, incentive, etc payable for the period January 2011 to March 2012 at the same levels as actual paid during the corresponding month of previous year.

  Total power purchase cost has been estimated considering fixed charges, variable charges, FPA, and other charges, Incentives based on ex-bus energy.

1.5.2.2. Cost of Power from New Generation Stations in FY 2010-11

The Petitioner has considered the power purchase cost for the following new generating stations as under:

- In case of Hydro stations such as Chamera-III, Parbati-III, and Uri-II the Petitioner has considered the actual average power purchase cost of Chamera –II during the period April 2010 to December 2010, i.e. ₹. 2.97 per unit

- In case of Koteshwar HEP, the Petitioner has considered the power purchase cost at the same level as that of existing Tehri Hydro power plant.

- In case of NTPC Jhajhar plant (Aravali Power Corporation Ltd.) and Pragati-III, the Petitioner has considered the actual average power purchase cost of Dadri Extension during the period April 2010 to December 2010.

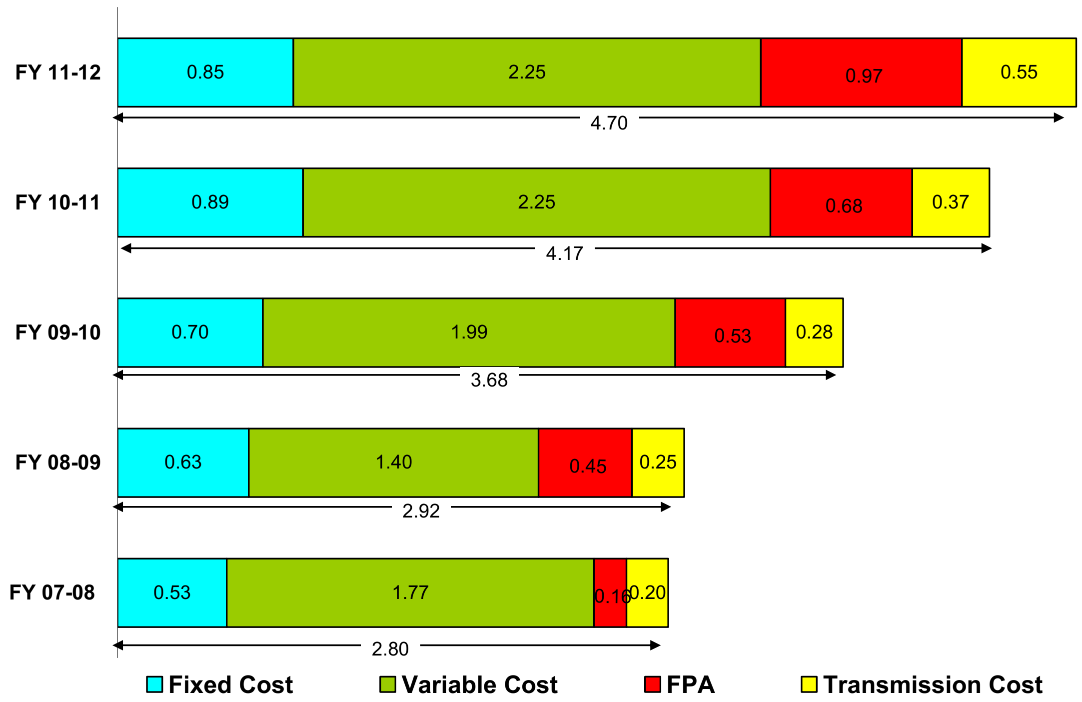
- In case of Maithon TPS, the Petitioner has considered the power purchase cost as ₹ 3.39 per unit as per PPA.

- In case of DVC plants the Petitioner has considered the actual average power purchase cost of existing DVC plants during the period April 2010 to December 2010.

1.5.2.3. Cost of Power from Other Sources

The Petitioner has considered purchase and sale of power through bilateral sources at the actual average cost of power purchased and sold under UI post the CERC Order on revised UI rates ie. June’10 to December’10. The figure below shows the year on year increase in Power Purchase costs without considering the impact of new CERC Regulations.

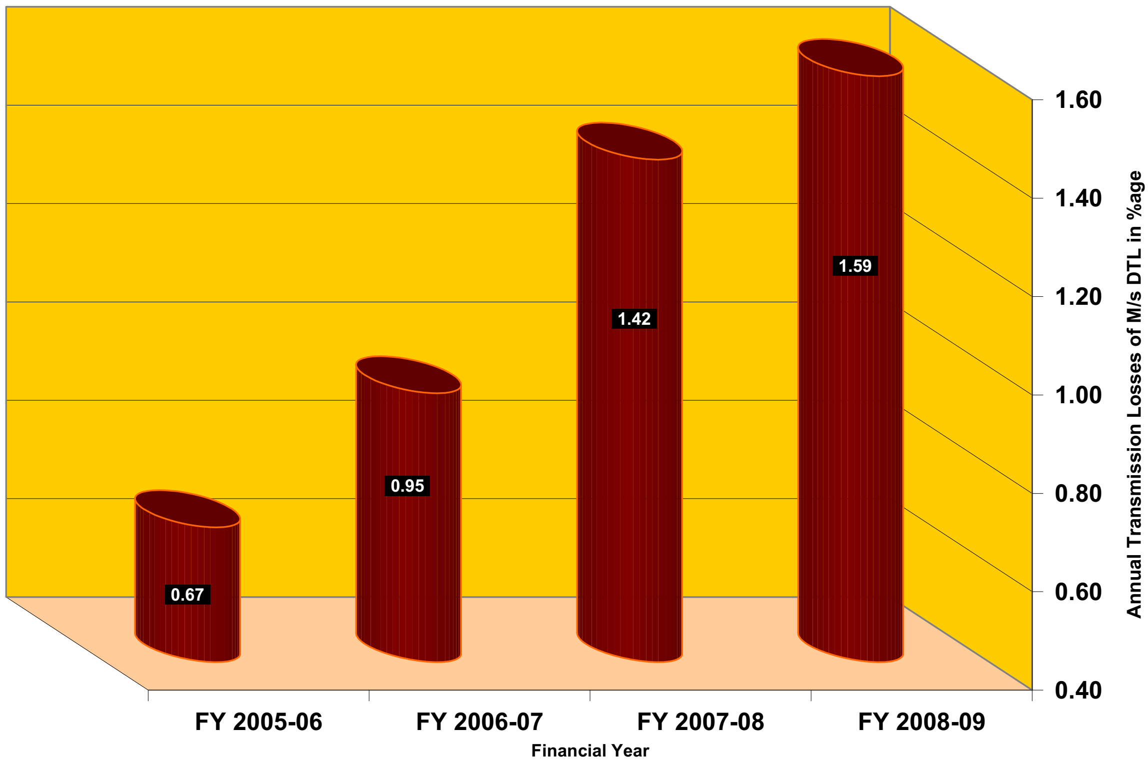
Figure 6: Increase in Power Purchase Cost without impact of CERC Regulations 2009



1.5.3. Transmission Losses and Charges

The Petitioner has considered Inter-state transmission losses (PGCIL losses) for each month of FY 2011-12 as average of last three months losses as provided by the Load Dispatch Centre of respective Region. The intra-state transmission losses (DTL losses) have been estimated at 1.5%. The Petitioner would like to submit that the intra-state transmission losses (DTL losses) have been increasing since FY 2005-06. The figure below shows the year on year increase in intra state transmission losses.

Figure 7: Increase in Intra state Transmission Losses

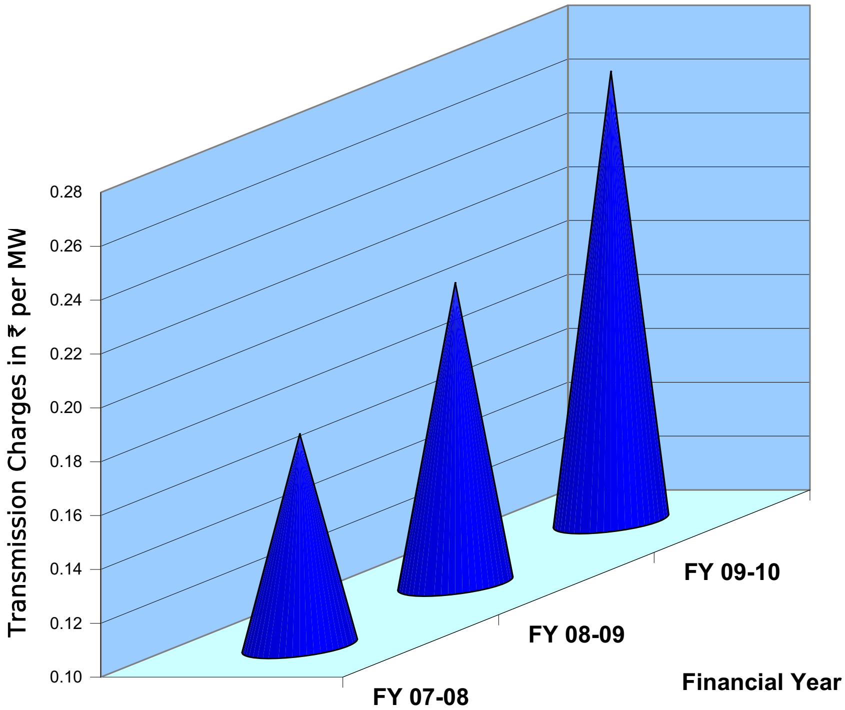


(Source: SLDC web site)

The Petitioner has escalated the intra-state transmission charges payable to DTL by 5% each year on the actual transmission charges per unit paid to DTL for computing the total intra-state transmission charges for FY 2011-12.

Further, the inter-state transmission charges has been estimated by the Petitioner based on the actual per MW transmission charges paid to PGCIL in FY 09-10 and expected total MW capacity allocation for the Petitioner in FY 2011-12 in projects located outside Delhi. The increase in inter-state transmission charges (per MW) over the last few years is shown in the figure below:

Figure 8: Increase in Inter state Transmission charges



The Petitioner being aggrieved by the order of the Hon'ble Commission issued on 12.11.2009 had preferred an appeal before the Hon'ble ATE which was disposed off by the Hon'ble ATE on 31st May 2010. The Hon'ble Commission has allowed the truing up of power purchase cost of Delhi Transco Limited (DTL) for FY 05-06 and had directed that the Petitioner will have to bear these additional expenses. The Hon'ble ATE has held in its judgment that the Petitioner may file the same in their ARR and directed that the same will be allowed in the ARR along with the Short term PLR of SBI. Relevant extract of the same is reproduced below:

"Conclusions:-

51. In view of the above findings, we confirm the impugned order dated 12.11.2009 and hold that the additional power purchase cost for the period 2005-06 and RLDC/ULDC charges are to be borne by the Appellants.

52. Accordingly, the Appellant are directed to make the payment to DTL (R-2). Thereupon the Appellant may take up the matter with the State Commission by filing a separate application for consequential adjustment in retail tariff as a result of the compliance with the directions of the impugned order, by making the payment to the DTL (R-2). In that event, the State Commission will consider all the expenses including the additional power purchase cost and RLDC/ULDC charges along with carrying cost at interest rate equal to short-term Prime Lending rate of State Bank of India while considering the ARR of the Distribution companies for the year 2010-2011 which will ensure that the minimum return of 16%, assured to the distribution companies during the policy direction control period is not affected. The said application filed by the Appellant may be disposed of as expeditiously as possible. The Discoms are directed to pay Rs 118.05 Crore to DTL in the ratio of Energy supplied to Discoms in FY 05-06."

The Petitioner's Share is ₹ 48.55 crores as tabulated below:

Table 14 : Impact of Hon'ble ATE judgment dated 31st May 2010

Particulars	UoM	Amount
Total liability as per ATE Order	Rs. Cr.	118.07
Energy input for Delhi during FY 2005-06	MU	21034
Energy input for the Petitioner during FY 2005-06	MU	8649
Petitioner's Share	**Rs. Cr.**	**48.55**

It is requested that the Hon'ble Commission may be pleased to allow the same in the ARR of the Petitioner. The Petitioner has not sought any carrying cost but the same if claimed by DTL, the Hon'ble Commission is requested to allow the same based on the actual payout.

Based on the above assumptions, the Petitioner has estimated its total Transmission charge for FY 2010-11 and FY 2011-12 as tabulated below:

Table 15 : Transmission Charges

Particular	UoM	FY 10-11	FY 11-12
Intra-state transmission			
Transmission Loss (MU)	MU	185.8	202.7
Transmission Charges	₹ cr.	159.2	224.7
Inter-state transmission			
Transmission Loss (MU)	MU	527.8	478.8
Transmission Charges	₹ cr.	227.2	392.3

The Petitioner in the present Petition has not claimed any Service tax on Transmission however, in the event of the same being payable; it shall be claimed separately for the relevant periods, it being a statutory payment claimed by the Service Tax Department.

1.5.4. Summary of Power Purchase Cost

The Summary of Power Purchase costs for the 2010-11 and FY 2011-12 is shown in the figure and also tabulated below:

Figure 9: Power Purchase Costs from various sources

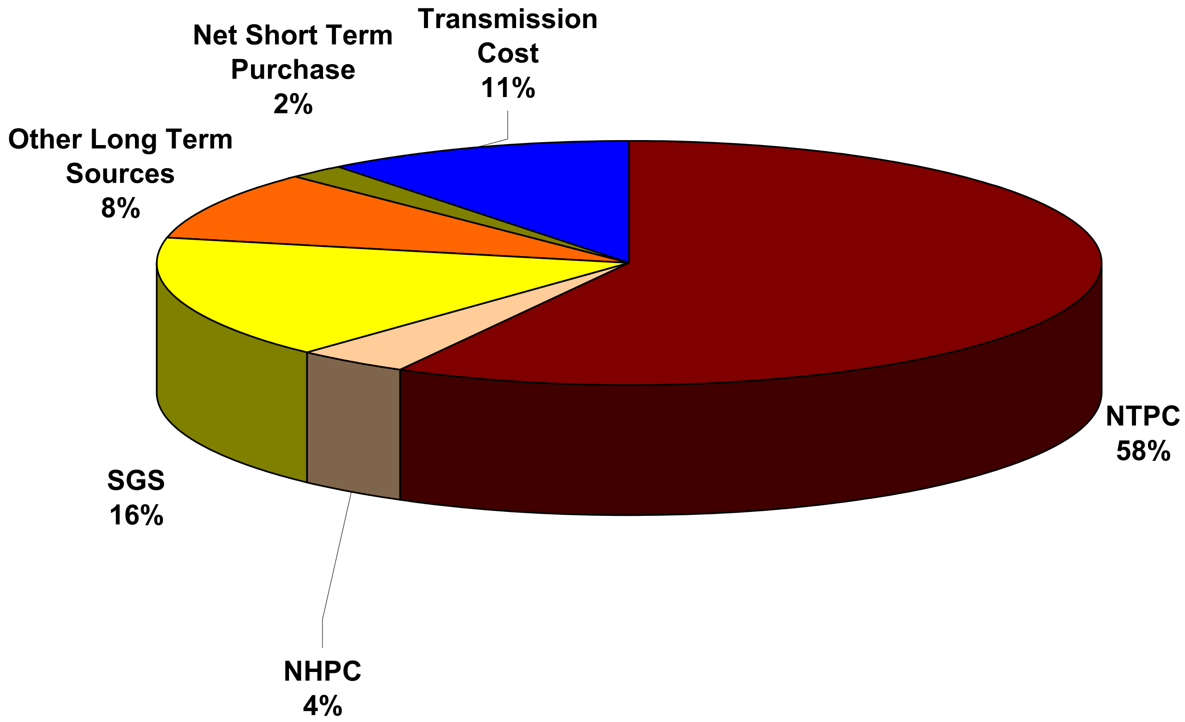


Table 16 : Summary of Power Purchase Costs

Particulars	FY 10-11			FY 11-12		
	MU	₹ cr.	₹ / kWh	MU	₹ cr.	₹ / kWh
Power Purchase from CSGS	9133	2757	3.02	11894	4151	3.49
Inter-State Bilateral Purchase	2399	1233	5.14	385	217	5.63
PGCIL losses	528			479		
Power Purchase from Delhi Stations	1538	507	3.30	2519	955	3.79
Intra-State Power Purchase	111	43	3.82			
Power available at Delhi Periphery	12654	4540	3.59	14319	5323	3.72
DTL losses	186			203		
Power available to DISCOM	12468	4540	3.64	14117	5323	3.77
Sale of Surplus Power	2085	592	2.84	2891	667	2.31
Retail Sales to consumers	8472	3942	4.65	9476	4415	4.66
Power Available for BRPL's consumers	10383	3948	3.80	11225	4655	4.15
Other /Transmission charges						
Inter-State		227			392	
Intra-State		159			225	
Impact due to implementation of CERC Regulations 2009 - 14					556.97	
Total Power available for BRPL consumers	**10383**	**4335**	**4.17**	**11225**	**5,830**	**5.19**

1.6. O&M Expenses

The Petitioner while projecting the O&M Expenses for FY 2011-12 and Review of FY 2010-11 has adopted the same methodology as has been outlined in the MYT Regulations read with the Transfer Scheme and ATE Order.

It is submitted that most of the O&M Expenses are subjected to uncontrollable factors like statutory implications arising out of increase in minimum wage rate under the Minimum Wages Act, increase in certain expenses due to increase/growth in consumer base e.g call center expenses, meter reading expenses, further some expenses are directly linked to rate of petrol/diesel, which is at an all time high. The Labour Department, GoNCTD vide its notification no F.12(142)/02/MW/Lab/5573 dated 09.03.2010 has revised the minimum wage rate for worker and clerical and Non

Technical supervisory staff w.e.f. 01.02.2010. All these factors have a direct impact on the Petitioners O&M Expenses.

Therefore in view of the above cited reason and the finding of the Hon'ble ATE in Appeal No 28/2008 dated 29.09.2010 as reproduced below, the Petitioner has not applied any efficiency factor for determination of O&M Expenses for FY 11-12:

"The MYT Regulations do provide for reduction of O&M expenditure by application of efficiency factor. However, the efficiency factor has to be determined by the Commission based on licensee's filing, benchmarking, approved cost by the Commission in the past and any other factor that Commission feels appropriate. In the impugned order the Commission has determined the efficiency improvement factor as 2%, 3% and 4% for FY 2009, FY 2010 and FY-2011 respectively arbitrarily without any benchmarking or any analysis and identification of area of inefficiency where the improvement is desired to be carried out. Such efficiency factor has naturally to be determined only on the basis of material placed before the State Commission and analysis of various factors and not on ad-hoc basis as done by the State Commission. Therefore, this point is answered accordingly in favour of the Appellant."

1.6.1. Employee Expenses

The Petitioner has projected the Employee Expenses for FY 2010-11 and FY 2011-12 under the following broad heads:

a. Employee Expenses for FR/SR Employees
b. Employee Expenses for non FR/SR Employees
c. Pension Payment to SVRS optees

1.6.1.1. Employee Expenses for FR/SR Employees

The Hon'ble Commission is aware that the salary structure of FR/SR employees is governed by the rules and pay scales as specified by the GoNCTD, even post privatization. In fact, in terms of the Transfer Scheme and the Tripartite Agreement dated 16th January 2001 entered into between GoNCTD, DVB and the various DVB employee unions (prior to privatization) the FR/SR employees are guaranteed that their service terms and conditions shall not be less favourable than or inferior to the terms and conditions of service applicable to them immediately before privatization. The relevant extract of the Agreement is set out below:

> *"3(b) The terms and conditions of service upon transfer to the corporate entities, such as promotions, transfer, leave and other allowances, etc regulated by existing regulations/service rules e.g. FR/SR will be guaranteed to continue the same and any modification shall be by mutual negotiation and settlement with recognised unions/associations without detriment to existing benefits."*

It is worthwhile to mention that the Hon'ble Commission too vide para 4.108 of the MYT Order had recognized that the Salary / promotions etc. of FR/SR Structure employees are governed by rules and pay scales as specified by the GoNCTD and post privatization the terms of their service shall in no way be less favorable than of inferior to that applicable to them immediately before the transfer. Thus, the same is not within the control of the Petitioner and need to be trued up based on actual increase in their salaries. Relevant extract of the MYT Order is produced below:

> *"Para 4.108: During the privatization process, part of the employees of the erstwhile DVB were transferred to BRPL. As per the Transfer Scheme, the terms and conditions of service applicable to the erstwhile Board employees in the Transferee Company shall in no way be less favourable than or inferior to that applicable to them immediately before the Transfer.*

Further, their service shall continue to be governed by various rules and laws applicable to them prior to privatization. Thus the salary / compensation and promotion of the erstwhile DVB employees in BRPL are still governed by the rules and pay scales as specified by the GoNCTD."

Further, the Hon'ble Commission has recognized that in the context of the 6th Pay Commission, the variation in the salary on account of the Government's decision to implement the 6th Pay Commission is an uncontrollable factor. Consequently, the same has been allowed by the Hon'ble Commission and has been prayed for as set out above. The Petitioner respectfully submits that the other terms and conditions of the FR/SR employees too are determined by the decisions of the Government, be it for D.A. or the Pay Bands, and the Petitioner has no say in the same. The Petitioner only implements the same once the Government notifies changes in the terms and conditions of service for the FR/SR employees. Accordingly, the Petitioner prays that given the lack of control over the determination of the terms and conditions of service coupled with its obligations to merely implement the decisions of the Government on these issues through payment of salary and other perquisites in accordance with the said decisions also establishes the uncontrollable nature of the said expense. Consequently, the salary expenses of FR/SR employees should be granted on actual basis.

The estimates for salary expenses for FR/SR employees during FY 2010-11 and FY 2011-12 are tabulated below:

Table 17 : Salary Expenses for FR/SR Employees

Particulars	FY11 Estimated ₹ cr.	FY12 Estimated ₹ cr.
Salary Expenses for FR/SR Employees	173.53	181.42

The Petitioner requests the Hon'ble Commission to true up the above estimates for FY 2010-11 and FY 2011-12, based on the audited accounts.

1.6.1.2. Employee expenses for employees not governed by FR/SR structure in accordance with the MYT Regulations read with ATE Order

For the employees not governed by the FR/SR structure i.e. non – DVB employees, the Petitioner has sought truing up in accordance with the MYT Regulations read with the ATE order. The relevant extracts of the MYT Regulations and the ATE order is reproduced below:

<u>MYT Regulations</u>

"....

4.16. The true up across various controllable and uncontrollable parameters shall be conducted as per principle stated below:.

(a) Variation in revenue / expenditure on account of uncontrollable sales and power purchase shall be trued up every year;

(b) For controllable parameters,

(i) Any surplus or deficit on account of O&M expenses shall be to the account of the Licensee and shall not be trued up in ARR;

.....

5.4 O&M expenses permissible towards ARR for each year of the Control Period shall be determined using the formula detailed below. The R&M expenses are linked to the Gross Fixed Assets, ***while the employee expenses and A&G expenses are linked to an Inflation Index, as shown below:***

(a) O&Mn = (R&Mn + EMPn + A&Gn) (1 – Xn)*

......

(ii) EMPn + A&Gn = (EMPn-1 + A&Gn-1)(INDXn/ INDXn-1); and*

*(iii) INDXn = 0.55*CPIn + 0.45*WPIn*

Where

....

(c) INDXn - Inflation Factor to be used for indexing can be taken as a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding five years

(d) EMPn – Employee Costs of the Licensee for the nth year;

....

(g) Xn is an efficiency factor for nth year. Value of Xn shall be determined by the Commission in the MYT Tariff order based on Licensee's filing, benchmarking, approved cost by the Commission in past and any other factor the Commission feels appropriate".

[Emphasis added]

ATE Order

*"The Commission shall allow the expenses incurred towards retirement of SVRS optees pending decision of the Acturial Arbitration Tribunal and **shall true up the employees expenses to the extent of increased cost by increase in consumer base**".*

[Emphasis added]

Therefore by a joint reading of the MYT Regulations and the ATE Order, the following is inferred for projection of Employee Expenses for the non – DVB employees:

a. The employee cost is to be determined on **a normative basis**.

b. The employee cost has to be trued up **to the extent of increased cost by increase in consumer base**.

c. The employee cost so determined **has to be linked to inflation index**

Accordingly, the Petitioner has determined the Employee cost of non-DVB employees on a normative basis by linking such cost to inflation index and has also trued up such cost to the extent of increased cost by increase in consumer base.

Further, it is submitted that with regard to the expenses incurred on account of salary hike due to the 6th Pay Commission recommendation for employees other than the employees of the erstwhile DVB, the ATE Order has directed this Hon'ble Commission to allow such expenses in the truing up exercise in case expenditure in that account has already been incurred. The relevant portion of the judgment is reproduced below:

"So far as salary hike is concerned to the extent of hike comparable to the Sixth Pay Commission's recommendations for employees other than the erstwhile DVB employees shall also be allowed in true up process in case expenditure in that account has already been incurred".

The year on year salary hike for erstwhile DVB employees for implementing the Sixth Pay Commission's recommendations is tabulated below:

Table 18 : Hike due to 6th pay Commission recommendation.

Salary of FR/SR Employees	UoM	FY06*	FY07	FY08	FY09	FY10	FY11	FY12
		Audited	Audited	Audited	Audited	Audited	Estimated	Estimated
Salary without Impact of 6th Pay Recommendation	₹cr.	75.64	85.92	97.90	116.03	119.02	173.53	181.42
Impact of 6th Pay Recommendation	₹cr.	3.56	14.56	15.17	21.56	30.93	-	-
% increase	%	18.8%	17.0%	15.5%	18.6%	26.0%		

The Petitioner estimates similar hike for others employees in terms of the ATE Order. The Petitioner states that it has been able to service an ever expanding consumer base increasing at an average of 8-10% per year by using the same employee force, however, on account of the increased work load has been constrained to offer better packages and incentives to ensure that the performance standards and service obligations are discharged at the minimal incremental cost to the consumer.

Therefore, the Petitioner most respectfully submits that the increased employee cost be allowed as it is not only in consumer interest but also has been done in the most cost efficient manner, i.e., by not adding an additional long term burden on the consumer by conducting fresh recruitment.

The Petitioner further submits that due to the financial crunch being faced by the Petitioner, the Petitioner has been unable to implement the recommendations of the 6th Pay Commission for the non-FR/SR employees. However, upon receiving a cost reflective tariff, the Petitioner proposes to implement the recommendations of the 6th Pay Commission for non- FR/SR employees as well. Therefore, the Petitioner most respectfully submits that this Hon’ble Commission may be pleased to allow the expenses on account of implementing the 6th Pay Commission for employees other than the employees of the erstwhile DVB.

Accordingly, the total Employee cost for employees not governed by FR/SR structure during FY 2010-11 and FY 2011-12 is tabulated below.

Table 19 : Normative Salary Expenses for non FR/SR Employees

Particulars	Formula	UoM	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Employee Expenses of non-DVB Employees	A	₹ cr.	45.5	51.68					
Number of Consumers	B			1090691	1171772	1394040	1527743	1662588	1858263
Annual Employee Expense per consumer (base year)	C=A / B	₹ cr.		473.83					
Index (n)/ Index (n-1) (as per MYT Tariff Order)	D				1.0415	1.0415	1.0415	1.0415	1.0415
Annual Employee Expense per consumer (after inflation)	$E = D \times E_{(n-1)}$	₹		473.83	493.49	513.97	535.30	768.38	800.27
Efficiency Factor	F	%			0%	2%	3%	4%	0%
Annual Employee Expense per consumer (after inflation and Efficiency Factor)	G = E x (1-F)	₹			493.49	503.69	519.24	737.65	800.27
Add: Impact of recommendation of 6th pay Commission		₹ cr.	3.6	14.6	15.2	21.6	30.9		
Annual Employee Expenses of non-DVB Employees (after inflation, Efficiency Factor and trued up to the extent of increased cost by increase in consumer base)	H = G x B	₹ cr.			**73.0**	**91.8**	**110.3**	**122.6**	**148.7**
Add: Impact of recommendation of 6th pay Commission		₹ cr.			(15.2)	(21.6)	(30.9)	85.8	
Total Salary Expenses for non DVB Employees		₹ cr.						208.4	148.7

1.6.1.3. Pension Payment to SVRS optees

The Petitioner has considered the Pension Payment as approved by the Commission in the MYT Tariff Order amounting to ₹ 9.99 Crores for FY 2010-11. In FY 2011-12, some SVRS optees who have attained the age of superannuation would come under the gamut of Pension Trust. The Pension for others would be subjected to increase as per applicable law. The Petitioner assumes that both would offset each other. Therefore the Petitioner during FY 2011-12 has assumed the same amount of ₹. 9.99 cr towards pension payment to SVRS optees.

To summarize, the Petitioner requests the Hon'ble Commission to allow the Employee Expenses estimated for FY 2010-11 and FY 2011-12 in terms of the Transfer Scheme, MYT Regulations and the principles set out in the ATE Order, as tabulated below:

Table 20 : Employee Expenses

Sl. No.	Particulars	FY11	FY12
		₹ cr.	₹ cr.
1	Expenses for FR/SR Employees	173.5	181.42
2	Expenses for employees not governed by FR/SR structure (normative)	208.4	148.71
3	Pension Payment to SVRS optees	10.0	10.0
4	Less: Expenses Capitalised	19.1	16.5
	Employee Expenses	**372.8**	**323.6**

The Petitioner submits that nothing stated herein limits or waives the Petitioner's rights under the petition filed by the Petitioner before this Hon'ble Commission seeking implementation of the ATE Order.

1.6.2. R&M Expenses

The Hon'ble ATE in the ATE Order has in express terms stated that the expenditure incurred by the Petitioner were not found to be imprudent by the Hon'ble Commission and has been merely denied on technical grounds. The relevant extract of the ATE Order is produced herein below for the reference of this Hon'ble Commission:

> *"The next question is whether any expense towards R&M expenses can be denied on the ground that approval of the Commission had not been taken before incurring expenses. Now R&M expense is directly related with capital works and gross fixed assets. The Commission does not say that the expense incurred were imprudent or unnecessary. Since the sole purpose of tariff fixation is to recover the cost and reasonable profit it will not be prudent to be technical on such issues. We are of the opinion that R&M expenses properly incurred should be approved and in case there is any gap between the demand made by the appellant and the amount sanctioned by the Commission, the Commission should enter into exercise of a prudent check and grant the approval to such expenses."*

It is most respectfully submitted that the aforestated directive of the Hon'ble ATE will also have an impact on the R&M Expenses approved by the Hon'ble Commission for the MYT Period due to change in the value of "K" computed in terms of the MYT Regulations. The Hon'ble Commission at Table 83 read with Section 4.140 of the MYT Order had computed K as 3.55%, i.e. average value of K for the last five years. Since the value of R&M Expenses approved now gets revised as per the principle(s) set out in the ATE Order, consequently, the value of K for the MYT Period also needs to be revised as shown below:

Table 21 : Computation of revised K Factor for MYT Period

Determination of K	UoM	FY 03	FY 04	FY 05	FY 06	FY 07	Average
GFA as approved by DERC	₹ cr.	1,533	1,552	1,658	1,751	1,883	
Revised R&M Expenses	₹ cr.	35.84	52.57	92.02	75.3	89.49	
Revised K Factor	%	2.34%	3.39%	5.55%	4.30%	4.75%	4.07%

Therefore, adopting the same methodology approved by the Hon'ble Commission in the MYT Order, the R&M Expenses for FY 2010-11 and FY 2011-12 is tabulated below:

Table 22 : R&M Expenses

Sl.No.	Particulars	UoM	FY11	FY12
			₹cr.	₹cr.
1	GFA as approved by DERC	₹cr.	3,649.23	4,063.03
2	K factor	₹cr.	4.07%	4.07%
3	Efficiency Factor	%	4.00%	0.00%
4	R&M Expenses	₹cr.	142.43	165.19

In view of the above, it is most respectfully prayed that this Hon'ble Commission may be pleased to approve the R&M Expenses for FY 2010-11 and FY 2011-12 as shown in the above table, which is a consequence of the per the principle(s) set out in the ATE Order.

1.6.3. A&G Expenses

These expenses are incurred by the Petitioner for meeting the day-to-day expenses relating to the administration, tax liability and working of the offices. All these expenses are directly affected by increase in cost of fuel, consumers, load, sales, assets, initiatives undertaken for the consumers, communication costs, as well as by GoI policies (such as Sales Tax, Service Tax, etc.).

The Petitioner since Jul 2002, has taken several steps for enhancing customer care, system augmentation and computerization for better process management. It has also taken steps to increase the communications network with the field persons so as to reduce the downtime for restoration of power. The benefits from all these initiatives have greater economic/social value and far outweigh the costs associated with these activities, besides generating higher revenue from loss reduction, etc. These initiatives help the Petitioner in discharge of its obligations including quality standards prescribed by the Hon'ble Commission. These steps have been viewed positively by many stakeholders and even acknowledged by the Hon'ble Commission in its Tariff Orders. Further these initiatives are also in line with best utility practices. The expenses are also instrumental in decreasing the losses occurring at various stages of the revenue cycle and to meet the committed loss reduction levels.

The Petitioner has considered the A&G Expenses for FY 2010-11 at the same level as approved by the Hon'ble Commission in the MYT Order. For FY 2011-12, the Petitioner has projected the expenses as per the same methodology adopted by the Hon'ble Commission in the MYT Order as shown in the table below:

Table 23 : A&G Expenses

Particulars	UoM	S.No	FY11	FY12
			₹cr.	₹cr.
A&G Expenses Approved(Previous Year)	₹cr.	A	70.49	73.42
Inflation Factor		B	1.0415	1.0415
A&G Expenses	₹cr.	C=A*B	73.42	76.46
Efficiency Factor	%	D	4.00%	0.00%
Net A&G Expenses	₹cr.	E=Cx(1-D)	70.48	76.46

1.6.4. Correction of Inflation Indices

The inflation indices as per the MYT regulations are used to allow A&G expenses and Employee Expenses. The MYT regulations provide the following for calculations of the inflation indices:

> *"5.4 (c) INDXn – Inflation factor to be used for indexing can be taken as a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding five years"*

The Hon'ble Commission has projected the inflation factors (CPI&WPI) for the FY 2007-08 onwards based on the previous trends for the period FY 2001-02 to FY 2005-06. It is requested as the figures are available on the website of Labour Bureau (www.labourbureau.nic.in) and Office of the Economic Advisor (www.eaindustry.nic.in) for CPI and WPI respectively, for the preceding five years of each year of the MYT period, the same be trued up based on the actual inflation number. However pending decision on the matter before the Hon'ble ATE, the Petitioner has not considered the impact of the above in the present petition. This does not amount to a waiver of the Petitioner's contention/claim in this regard and the same may be examined by this Hon'ble Commission upon the revised CPI and WPI figures as sought for above.

The table showing the computation of the actual inflation factor is shown below:

Table 24 : Computation of Inflation Index

Financial Year	CPI overall	WPI Overall	Consolidated	Avg. of 5yrs	Inflation Index
2000-01	444.17	155.69	314.35		
2001-02	463.33	161.32	327.43		
2002-03	481.75	166.77	340.01		
2003-04	500.33	175.90	354.34		
2004-05	519.50	187.28	370.00	341.23	
2005-06	542.41	195.56	386.33	355.62	4.22%
2006-07	578.75	206.18	411.09	372.35	4.71%
2007-08	614.63	215.80	435.16	391.38	5.11%
2008-09	670.58	233.94	474.09	415.33	6.12%
2009-10	753.53	239.19	522.08	445.75	7.32%
2010-11 (uptoDec'10)	822.60	264.07	571.26	482.74	8.30%

1.7. Interest capitalised

It is submitted that the Hon'ble Commission has erroneously deducted capitalised interest from the ARR allowed for the MYT Period. The matter was contested before the Hon'ble ATE in appeal of 142 of 2009. The Hon'ble Commission in response has agreed to correct the said error vide its written submission dated 18th January

2010 at Para 9.84-85 before the ATE wherein this Hon'ble Commission submitted as follows:

"The contents of paragraph 9.84 so far as they deal with the matters of record need no comment. It is further submitted that for the MYT period, Respondent No. 1 is following the principle of Return on Capital Employed in which it allows return on equity and interest on loan under ROCE only for the assets capitalized. Any interest cost incurred before capitalization is considered as IDC (Interest During Construction) and would be included in the asset base only after capitalization. The DERC would correct this error based on this principle in the next true up order."

Therefore it is requested that the Hon'ble Commission may be pleased to give effect to the aforestated submissions while determining the present ARR.

1.8. Carrying Cost

The Petitioner in Appeal No. 142 of 2009 before the Hon'ble ATE has requested to reconsider the carrying cost at SBI PLR rate.

Pending the decision on the same, the Petitioner in the present ARR petition has relied upon the judgment of the ATE in Appeal no. 153 of 2009 where the ATE has held the following:

"The next issue is relating to the inadequate lower rate of 9% for the allowance of the carrying cost. The carrying cost is allowed based on the financial principle that whenever the recovery of the cost is to be deferred, the financing of the gap in cash flow arranged by the distribution company from lenders and/or promoters and/or accrual and/or internal accrual has to be paid for by way of carrying cost. The carrying cost is a legitimate expense. Therefore the recovery of such carrying cost is a legitimate expectation of the distribution company. The State Commission instead of applying the principle of PLR for the carrying cost has wrongly allowed the rate of 9% which is not the prevalent market

lending rate. Admittedly, the prevalent market lending rate was higher than the rate fixed by the State Commission in the tariff order. Therefore, the State Commission is directed to reconsider the rate of carrying cost at the prevalent market rate keeping in view the prevailing Prime Lending Rate."

In view of the aforesaid, the Petitioner requests the Hon'ble Commission to allow the carrying cost at SBI PLR rate without prejudice to its rights and contentions in Appeal 142 of 2009.

The calculation of the weighted average SBI PLR is given in the table below:

Table 25 : SBI PLR rates and weighted average PLR for relevant years

Date of Change	PLR
1-Apr-07	12.25%
9-Apr-07	12.50%
16-Feb-08	12.25%
27-Feb-08	12.75%
1-Apr-08	12.75%
27-Jun-08	13.75%
12-Aug-08	13.00%
10-Nov-08	12.25%
1-Jan-09	11.75%
1-Apr-09	11.75%
29-Jun-09	12.25%
1-Apr-10	12.25%
17-Aug-10	12.50%
21-Oct-10	12.75%
3-Jan-11	13.00%
WeightedAverageRateFY07-08	12.51%
WeightedAverageRateFY08-09	12.62%
WeightedAverageRateFY09-10	12.13%
WeightedAverageRateFY10-11	12.44%

(Source: http://in.reuters.com/article/2011/02/14/india-plr-idINSGE71D01U20110214)

1.9. Costs towards new Initiatives

The Petitioner has incurred expenses on account of initiatives undertaken FY 2007-08 onwards and continued in FY 2010-11. The Hon'ble Commission at para 4.145 of the MYT Tariff Order has directed the Petitioner to take prior approval of any new initiatives planned by the Petitioner. The relevant extract of the MYT Order is reproduced as below:

> *"4.145 Thus in consideration of the above, the Commission is of the view that Petitioner should try to bring efficiency into the system, thereby, reducing the burden of inefficiencies on to the consumers of Delhi. The Commission also directs the Petitioner to carry out a proper cost benefit analysis before taking up any new initiatives and submit the same for the approval of the Commission."*

Further the Hon'ble Commission in its written submissions dated 2nd May 2008 against the Petitioner's Appeal no. 36 of 2008 in the matter of BSES Rajdhani Power Limited vs. DERC and Ors. filed before the Hon'ble ATE has stated as follows:

> *"In light of the aforementioned submissions the Respondent No.1 most respectfully submits that the Appellant is free to take any new initiative during the MYT period but at the same time Appellant has to justify the new initiative by cost benefit analysis. If cost benefit analysis of any new initiative is positive, it would mean that whatever expenses the Appellant is incurring on account of new initiatives, the Appellant is saving more money than that. It is further pertinent to mention that the MYT framework introduced by the Respondent No. 1 does not restrict the Appellant; it gives freedom to the Appellant to manage its operation effectively and efficiently. Unlike the past regulation, it rewards the Appellant for better management of the operation and higher efficiency."*

The aforesaid submissions of the Hon'ble Commission also finds mention in the judgment dated 06.10.2009 of the Hon'ble ATE in Appeal No. 36 of 2008 wherein at para. 100, the Hon'ble ATE observed as follows:

> *"...The Commission contends that the appellant would be free to take any new initiative during the MYT period provided the*

appellant is justified in new initiatives by the cost benefit analysis. We do not have to say anything more on this aspect."

Therefore in view of the above, the Petitioner requests the Hon'ble Commission to allow and consider the cost incurred by the Petitioner on account of new initiatives undertaken by it.

1.9.1. Consumer Awareness

In the meeting of the Hon'ble Commission with Chairman and Members of CGRFs and representatives of distribution licensees held on 3rd March 2011, it was desired that there is a need for creating general awareness on electricity usage and its rules & regulations among consumers. The Petitioner has been doing the same through bimonthly newsletter Synergy, Energy Bills, Bhagidari Meetings and its Website. However, it has expressed that such campaigns would be more effective if disseminated through the Print media like newspapers. The Petitioner proposes to do Consumer Education and Awareness Campaign at regular intervals to cover the objective of educating consumers about their rights & duties etc. Therefore, the Petitioner requests the Hon'ble Commission to consider a budget of ₹. 1 crore and ₹. 3 crore for FY 2010-11 and FY 2011-12 respectively towards this objective

1.9.2. Delhi Police / CISF Expenses

The Petitioner has deployed CISF forces from FY 2007-08 to help curbing theft in its licensed area. The cost of the CISF forces includes salary and other allowances, vehicles, arms and ammunition, equipments and accommodation, etc., together with the impact of recommendations of the 6th Pay Commission. It is worthwhile to point out that the theft collection, which forms a part of the revenue, have considerably increased due to the deployment of these forces. This has resulted in better collection efficiency, which has been above 99.50% efficiency prescribed by this Hon'ble Commission in its MYT Order. Delhi Police has replaced the CISF since FY 09-10

As this is an expenditure that is being incurred only from FY 2007-08 onwards, it has not formed part of the base expenditure for FY 2006-07. Consequently the said prudent and cost effective expenditure has not been factored in the normal escalation applied by the Hon'ble Commission while allowing O&M costs. Thus, this expenditure needs to be allowed separately.

The actual cost incurred by the Petitioner for FY 10-11 is ₹. 3 lacs upto December 2010 whereas, the collection estimated through enforcement of the provisions of the Electricity Act, 2003 for the FY 2010-11 is ₹ 34.8 crores.

Therefore the Petitioner requests the Commission to consider ₹ 10 lakhs and ₹ 1 crores for the same while projecting the expenses for FY 2010-11 and FY 2011-12 respectively.

1.9.3. Credit Rating

Credit Rating of banking (Fund/Non fund based) facilities has become imperative under the newly introduced Basel II Norms as per which unrated facilities would be offered facilities at higher costs as the Capital Adequacy Requirement for unrated facilities is at least 4.5% higher.

Also the Hon'ble Commission in its letter dated 06.04.2010 has stated that the Distribution Licensee may undertake the credit rating exercise to get loan at better terms and reduced rate of interest. Copy of the said letter enclosed as Annexure 16.

In view of the above mandated norms the Petitioner has provided an amount of ₹. 20 Lacs upto December 2010 on obtaining the Credit Ratings.

It may be noted that since credit rating is a statutory requirement needs no cost benefit analysis. Also the base over which the Hon'ble Commission has allowed a normative annual escalation does not include the same. The Hon'ble Commission is therefore requested to consider such expense separately for FY 2010-11 and FY 2011-12.

1.9.4. Cost of Auditors Certificate

The requirement of the Hon'ble Commission for the Audit Certificates related to various Expenses and Revenue has led to increase in the Audit Fees being paid to the Auditors. It is needless to say that the directives of this Hon'ble Commission being in public and sector interest do not require any detailed explanation on the issue of cost benefit analysis.

During FY 2010-11, the Hon'ble Commission has directed the Petitioner to get certain information like power purchase cost, sales, collections, etc. certified from the statutory Auditors, the cost of which amount to ₹. 3.70 lacs.

It may be noted that while allowing the A&G expenses for the MYT Period, the Hon'ble Commission has considered the expense during FY 06-07 as the base where there was no additional requirement from the Hon'ble Commission apart the Auditing of the Financial Accounts. Therefore we request the Hon'ble Commission to allow the incremental cost incurred on account of Audit Fees which is beyond the control of the Petitioner.

1.9.5. Training Expenses

The National Training Policy formulated by CEA highlights the need for planning for training as an integrated Human Resource Development (HRD) activity with a commitment to imparting training for all in the power sector at entry level as well as in-service. This is in sector and consumer interest as the same results in a more efficient and modern work force, capable of handling the developments in the sector/license area in a manner consistent with the requirements specified under the Performance Standards and the Supply Code, specified by this Hon'ble Commission. As per the Training Policy, the Petitioner shall allocate at least 1.5% (to increase the same to a level of 5%) of the Salary Budget to Training and Development activities. The Hon'ble Commission vide its letter number F.17(44)/Engg./DERC/2010-11/3537 dated 11.11.2010 has also acknowledged the same.

Accordingly, the Petitioner during FY 2010-11 and FY 2011-12 has provided for 1.5% of the Salary Budget towards Training Expenses as tabulated below:

Table 26 : Training Expenses

Particulars	UoM	FY11	FY12
		₹ cr.	₹ cr.
Net Employee Expenses	₹ cr.	372.8	323.6
% allocated towards Training Expenses	%	1.50%	1.50%
Training Expenses	₹ cr.	5.59	4.85

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1.9.6. Tender Cost for procurement of Material

The Competitive Biding Guidelines notified by the Hon'ble Commission during FY 2009-10 provide for procurement of any material/services of an amount exceeding ₹. 0.25 Crores through open tendering. Further in its revised guidelines notified on 9th October 2009, the Hon'ble Commission subsequently increased the limit of ₹. 0.25 Crores to ₹. 1 Crore.

Further, the Hon'ble Commission during FY 2010-11 vide its letter number F.17(44)/Engg./DERC/2010-11(Pt. Fl. 1)/4408 dated 20.01.10 (sic) directed the distribution Licensee to publish advertisement in at least two leading newspapers (in Metros) once in a year for information of bidders, to see website regularly on the last day of every month for quantum available for sale and purchase of power along with the general terms and conditions for bidding as accepted by DPPG.

It may be appreciated that the Petitioner had to incur additional advertisement expenses during FY 2010-11 on this account as compared to the Base year of FY 2006-07. Therefore, the same needs to be considered independent of the entitlement for A&G as determined under the MYT Regulations and has to be provided for separately. Given the fact that this additional expense has been necessitated as per the Order of this Hon'ble Commission, the Petitioner may be allowed an amount of ₹. 3.33 lacs incurred, upto December 2010 towards advertisement for open tendering during FY 2010-11. Pending the audited accounts, the same amount has been assumed for FY 2011-12.

1.9.7. License Fee paid to Hon'ble Commission

As per Section 12 of the license condition, the Petitioner is liable to pay a license fee equivalent to 0.05% of the amount billed during previous financial year. Since the Sales and the amount Billed during the previous financial year is uncontrollable in nature, the License Fee paid to the Hon'ble Commission over and above the License Fee paid in FY 2006-07, consequently also becomes uncontrollable.

The incremental License Fee incurred by the Petitioner due to increase in Sales, which is uncontrollable expense in terms of MYT Regulations, for FY 2010-11 and FY 2011-12, is tabulated below:

Table 27: Incremental License Fee (in ₹. Cr.)

Particulars	UoM	FY11	FY12
		₹ cr.	₹ cr.
Amount Billed (Previous Year)	₹ cr.	3,594.5	3,941.5
License Fee Rate	%	0.05%	0.05%

Particulars	UoM	FY11	FY12
		₹ cr.	₹ cr.
Actual / Estimated Cost	₹ cr.	1.80	1.97
License Fee approved	₹ cr.	1.20	1.20
Incremental Cost	₹ cr.	0.60	0.77

Therefore the Petitioner requests the Commission to consider the incremental License Fee for FY 2010-11 and FY 2011-12.

1.9.8. Incremental Bill Printing Expenses

As per the MYT Regulations Sales is an uncontrollable factor. Consequently, the increase in number of consumers is also uncontrollable in nature. Further, the universal service obligations of the Petitioner under section 43 of the Electricity Act, 2003 also makes the increase in the number of consumers as uncontrollable in nature. Therefore, the bill printing expenses incurred by the Petitioner to cater to the new consumers over and above the Bill Printing Expenses incurred by the Petitioner in FY 2006-07, consequently also becomes uncontrollable. Finally, the Petitioner is also entitled to the same in view of the observations of the ATE in Appeal No. 37 of 2008, as initiatives to meet with increased consumers. Relevant extract of the observations of the ATE at para. 2 in Appeal No. 37 of 2008 are produced below for the sake of convenience of this Hon'ble Commission:

"…Mr. Haksar appearing for the Commission stated that the Commission has already contended that the appellant would be free to take any new initiatives in the MYT period provided such new initiatives are justified on cost benefit analysis. In other words, the Commission is willing to consider additional expenditure on new initiatives during the MYT period if the new initiatives are found to be justified. New initiatives also include the initiatives that are needed to cope with the increased consumer base. This is sufficient to take care of the appellant's grievances. This issue has been dealt with in the same manner in our judgment in appeal No. 36 of 2008."

The incremental Bill Printing Expenses estimated by the Petitioner for FY 10-11 and FY 2011-12 is tabulated below:

Table 28: Incremental Bill Printing Expenses

Particulars	UoM	FY 07	FY11	FY12
		₹ cr.	₹ cr.	₹ cr.
Number of Consumers		1,090,691	1,662,588	1,858,263
Avg. Bimonthly Consumers		885,369	1,402,188	1,565,314
Avg. Monthly Consumers		205,322	260,400	292,949
Number of Bills generated in the year		7,776,078	11,537,928	12,907,272
Bill Printing Expenses Approved	₹ cr.	0.55		
Expenses per bill per month (approved)	₹	0.70	0.83	0.83
Incremental Cost	₹ cr.		0.31	0.42

Therefore the Petitioner requests the Commission to consider the incremental Bill Printing Expenses for FY 2010-11 and FY 2011-12.

Table 29: Summary of New Initiatives/ other uncontrollable parameters

Particulars	FY11	FY12
	₹ cr.	₹ cr.
Consumer Awareness	1.00	3.00
Delhi / CISF Expenses	0.10	1.00
Credit Rating	0.20	0.20
Cost of Auditors Certificate	0.04	0.04
Training Expenses	5.59	4.85
Tender Cost for procurement of Material	0.03	0.03
Incremental License Fees paid to DERC	0.60	0.77
Incremental Bill printing expenses	0.31	0.42
Total Other Expenses	**7.87**	**10.32**

1.10. Energy Conservation

India's targeted growth in GDP can be achieved with commensurate input of energy, primarily electricity. However, the fossil fuel reserves are limited. Energy being an important element of the infrastructure sector has to be ensured its availability on sustainable basis. On the other hand, the demand for energy is growing manifold and the energy sources are becoming scarce and costlier. Among the various strategies to be evolved for meeting energy demand, efficient use of energy and its conservation emerges out to be the least cost option in any given strategies, apart from being environmentally benign.

Recognizing the fact that efficient use of energy and its conservation is the least-cost option to mitigate the gap between demand and supply, Government of India has enacted the Energy Conservation Act – 2001 and established Bureau of Energy Efficiency (BEE) with the primary objective of reducing energy intensity of the Indian economy.

Various promotional provisions in support of the EC Act have, been initiated by the Petitioner to help conserve depleting natural resources of energy. The Petitioner has been continuously engaging different sections of the society and stakeholders, towards the need for energy conservation at multiple levels and across all available platforms. Besides educating the stakeholders on the needs and benefits of energy conservation, the company has also launched / taken several recent initiatives in this direction. One of the major initiatives taken by the Petitioner was "CFL exchange programme". The programme received huge response from consumers. Around 3 lacs CFLs were distributed at discounted price. Further, to create energy conservation awareness among children "Bijli Gyan Abhiyan" programme was conducted. Many schools across Delhi took active participation and school children were educated and encouraged to follow energy conservation measures. BSES also promoted the "Earth Hour" initiative which is supported by WWF throughout the world. The Petitioner proposes to earmark ₹ 15 crores during FY 2011-12 to continue its initiative in this direction.

1.11. Corporate Income Tax

The Hon'ble Commission in the MYT Regulations has treated Income tax as an expense recoverable from consumers through tariff. The relevant portion is reproduced below:

"*Corporate Income Tax*

5.20 Income Tax, if any, on the Licenced business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its Licenced business shall not be a pass through, and it shall be payable by the Distribution Licensee itself.

5.21 The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

5.22 Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. However any tax liability on incentives due to improved performance shall not be considered."

Further, the Hon'ble ATE in Appeal 68 of 2009 has held that the income tax allowed should be grossed up. The relevant portion of the judgment is reproduced below:

"*Grossing up of the return would ensure that after paying the tax, the admissible post tax return is assured to the Appellant. In this way the Appellant would neither benefit nor loose on account of tax payable which is a pass through in the tariff*".

Therefore the Petitioner in this Petition has limited the Income Tax computation on a normative basis to tax on return on equity component of capital employed after grossing up as tabulated below:

Table 30: Computation of Income Tax during FY 2010-11 and FY 2011-12

Sl. No.	Particulars	FY11	FY12
		₹ cr.	₹ cr.
1	Return on Capital Employed	312.5	401.3
2	RoE component of capital employed	158.6	181.8
3	Income including Tax	237.6	269.1

Sl. No.	Particulars	FY11 ₹ cr.	FY12 ₹ cr.
4	Tax Rate	33.28%	32.45%
5	Income Tax (Grossed up)	79.08	87.31

It is submitted that the Petitioner might incur higher Income Tax since it may consider “Income recoverable from future tariff” i.e. the Un-recovered Gap on a conservative basis upto FY 2010-11 as a part of its Income in the current year. The Petitioner reserves its right to file such additional information and consequently amend / revise the Application / Petition.

1.12. Expenses pertaining to the period before July 2002

As per the transfer scheme, any expenses incurred in respect of litigation pertaining to the period before privatisation i.e. July 2002, the liability of DISCOMS was limited to ₹. 1 cr.

1.12.1. Litigation Expenses

The litigations inherited by the Petitioner from erstwhile DVB need to be diligently pursued to safeguard the interests of the Petitioner and possible exposure on account of these litigations. During FY 2009-10, the Petitioner has incurred an amount of **₹. 24.97 lacs** on this account during FY 2010-11 upto Dec ’10 (details are enclosed as **Annexure 17**). The Hon’ble Commission is therefore requested to allow the same in the ARR for FY 2010-11 and FY 2011-12.

1.12.2. Directions of Hon’ble Supreme Court in SLP No. 4270/2006

The Hon’ble Supreme Court of India vide its judgment dated 3.5.2010 in SLP No. 4270/2006 has held that the Petitioner along with other distribution utilities are responsible for meeting the liabilities relating to employees who ceased to be the employees of erstwhile Delhi Electric Supply Undertaking (Predecessor of Delhi Vidyut Board-DVB) prior to

1.7.2002 on account of their retirement, removal, dismissal or compulsory retirement in accordance with the provisions of Delhi Electric Reforms Act 2000.

The Hon'ble Supreme Court has also held in para 29 of the said judgment that the purpose of sub-Rule(3) of Rule 8(3) of the Transfer Scheme is to cap any liability arising out of litigation, suits ,claims etc., either pending on the date of transfer and/or arising due to events prior to the date of transfer to be brome by the relevant DISCOMS respectively. However, it will be subject to a maximum of Rupees One Crore per annum and any amount above this shall be to the account of the Holding Company and even for any reason the Commission does not allow the amount to be included in the revenue requirements of the DISCOMS.

On the basis of the aforestated judgment, the Petitioner has received claims amounting to ₹ 90 lakhs from erstwhile DESU employees till date. The employee wise details are enclosed as Annexure – 21. Further the petitioner anticipates additional claim of ₹ 11 lakhs during this financial year. The Hon'ble Commission is therefore requested to allow an amount of ₹ 1.01 crores on this account in the ARR for FY 2010-11.

It is also requested that the Hon'ble Commission may be pleased to allow the Petitioner amount incurred on this account on actual while determining the ARR for FY 2011-12.

1.13. Capital Expenditure and Capitalisation

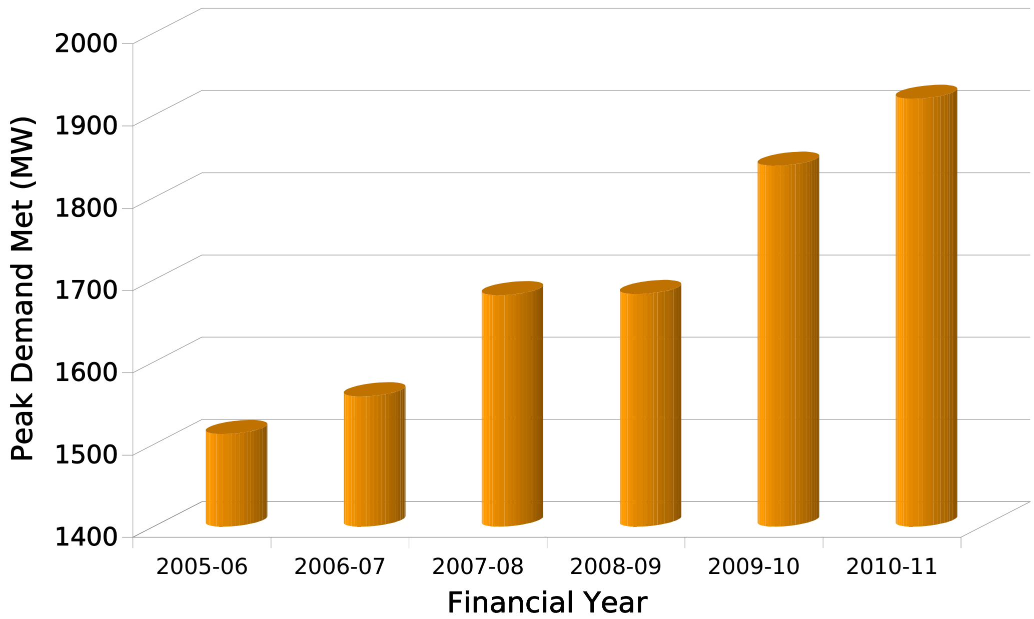
1.13.1. Capital Expenditure for FY 2011-12

The Petitioner has experienced peak load of 1920 MW in FY 2010-11 and 1851 MW in FY 2009-10. Considering past trends and percentage share of each division, the peak demand projected by CEA has been distributed in each division. It is also considered that 2.1 MVA shall be required at sub-transmission level to cater to an incremental load of 1 MW. Accordingly, the requirement of Grid Substations at 66 & 33 kV level has been worked out. It is assumed that 66 & 33 kV shall have an initial capacity of 50 MVA and a 220 kV substation shall have an initial capacity of 200 MVA.

Table 31: Demand Growth

Particulars	UoM	2008-09	2009-10	2010-11
BRPL Demand Met	MW	1683	1839	1920
% Growth	%		9.3%	4.4%
Average Growth	%			6.8%
BRPL Consumption	MW	8941	9442	10382
% Growth	%		5.6%	10.0%
Average Growth	%			7.8%
BRPL Unrestricted Demand	MW	1683	1867	1956
% Growth	%		10.9%	4.8%
Average Growth	%			7.8%

Figure 10 : Peak Demand Met



1.13.1.1. Planning criteria and Assumptions

- The required Installed Power Transformation Capacity has been taken as 2.1 times the expected peak demand.
- Capacity of the Grid Stations has been decided based on the Load Centers requirement.
- The Grid Stations shall be located near/close to the Load Centers.
- Redundancy of (n-1) has been taken for planning any EHV GSS.
- Each Grid-Station will have preferably dual in-feeds.
- The voltage level of the Grid-Stations shall be based on the operating Voltage level in the surrounding/proposed network.
- Transformers shall be 20/25 MVA ONAN/ONAF type. At initial stage, only 02 Nos. 25 MVA Power Transformers shall be installed, keeping the scope of addition in hand, in due course of time.
- In-feed shall be through U/G Cables of 1C x 630/1000 sq.mm for 66 kV level and 3C x 400 sq.mm for 33 kV level.

1.13.1.2. Load Growth Pattern:

In view of the above the anticipated load is projected as shown in the figure and table below:

Figure 11 : Anticipated Load (MW)

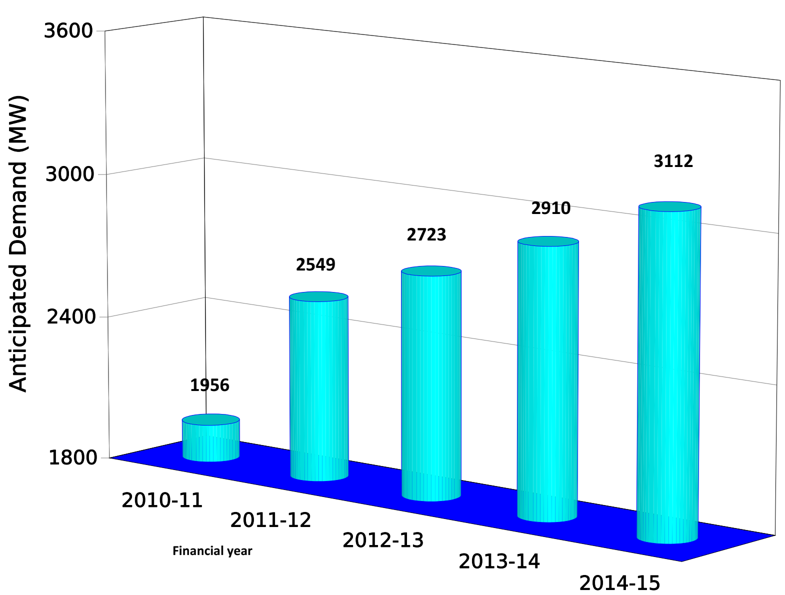


Table 32: Anticipated Installed Capacity Requirement (MVA)

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Peak Demand in Delhi IN MW (Projected) as per CEA		6111	6528	6976	7460
Peak Demand in BRPL IN MW	1956	2549	2723	2910	3112
Increase in Peak Demand (MW)		593	174	187	202
Addition in Installed Capacity (MVA) @ 2.1		1245	365	392	424
No of New Sub/Stns Proposed		25	7	8	8
Total Installed Capacity (MVA)	4294	5539	5904	6297	6328
Year wise growth (%)		30%	7%	7%	7%

1.13.1.3. Proposed Capital Expenditure

Analysis of Load Growth suggests that the peak demand in the Petitioner's area would be 3112 MW in FY 2014-15 which is 1084 MW more when compared to FY 2010-11. The average increment of peak load figure over the period is 271 MW. The system is therefore required to be designed adequately to cater to the load requirement continually as also to meet the requirement in emergency conditions such as sudden peaks etc.

Considering, that the capital requirement for development of power transmission & distribution system @ ₹ 2 Crore per MW, the average capital requirement shall be ₹ 542 Crore per year upto FY 2014-15.

1.13.1.4. Other Factors

1.13.1.4.1. Approval from DERC for FY 2010-11:

- DPR Submission- ₹ 837 Crores
- Approval till Feb 2011 - ₹ 193.4 Crores

1.13.1.4.2. Additional Capital Expenditure required for spill over works:

Apart from the required Capital Expenditure for system improvement in next years, some additional Capital Expenditure might be needed for completing the in-progress works. The total estimated expenditure on such spill-over works is estimated as ₹ 200 Crs of which it is anticipated that the Petitioner would incur ₹ 150 Crs in FY 2011-12 itself.

1.13.1.4.3. Bulk Load development:

In several divisions, the commercial load has mushroomed; post-commonwealth games these commercial loads such as Hotels, other amenities & services shall need bulk power as soon as they are fully operational.

1.13.1.4.4. Increased Floor area ratio by DDA:

DDA, in it's Master Plan 2021, has increased the Floor Area Ratio (FAR). As a result, the Dwelling units have also increased considerably.

1.13.1.4.5. Regularization of unauthorized colonies:

In yet another move of the State Government, some unauthorized colonies have been regularized. The development of such colonies have been taken over by the builders which has resulted in increase in demand for electricity.

1.13.1.4.6. Research & Development Works:

Additional Capex shall be required for carrying out some research and development works and implementation through pilot projects for improvement of existing system and introduction of new technologies.

As such the additional Capex requirement under broad category has been tabulated as under subject to cost reflective tariff revision & cash availability with the Company.

Table 33: Proposed Capital Expenditure

Sl. No.	Category	Estimated Expenditure (in ₹ crores)
1	Spill Over Works	150
2	Loss Reduction Works to be started in FY 2011-12	20
3	Load Growth Works to be started in FY 2011-12	80
4	System Improvement Works to be started in FY 2011-12	80
5	Infrastructure Development (IT, Building & Offices)	5
6	New Consumers (Metering Points)	50
7	Other Works (Conversion of Oil to Dry DTs & DT Repair)	40
8	Research & Development (Pilot Projects)	5
9	BRPL Share in Deposit Works	20
	TOTAL	450

1.13.2. Proposed Capitalisation for FY 2011-12

The Hon'ble Commission in the **Tariff Order for FY 2009-10** at para 3.106 has stated that any shortfall in Capital Expenditure with respect to the figures considered in the MYT Order dated 23 February, 2008 shall be considered at the end of the MYT Control Period. The relevant portion is reproduced below:

"*The Commission emphasized that as per MYT Regulations, any shortfall in Capital Expenditure with respect to the figures considered in the MYT Order dated 23 February, 2008 shall be considered at the end of the MYT Control Period. Necessary* *adjustment to various parameters relating to capital expenditure at the end of the Control Period, will be done with carrying cost*".

Since the Hon'ble Commission has extended the Control Period by one more year, the Petitioner has maintained the amount of Capital Expenditure and Capitalisation as per the MYT Order. Further for FY 2011-12, the Capitalisation has been assumed as per the Hon'ble Commission's letter no. F.3 (130-A)/Tariff/DERC/2006-07/C.F.No. 2787/Pt. File-I/5089 dated 08.03.2011 as tabulated below:

Table 34: Capital Expenditure & Capitalisation

Particulars	FY11	FY12
	₹ cr.	₹ cr.
Capital Expenditure	350.0	450.0
Capitalization Schedule		
Opening CWIP	532.3	432.3
Addition During the Year	350.0	450.0
Capitalization	450.0	413.8
Closing CWIP	432.3	468.5

(Note: Opening CWIP is considered as per the MYT Order pending truing up as per the audited accounts read with ATE Order)

1.13.3. Depreciation

The Hon'ble Commission in the MYT Tariff Order has stated that "*As per the MYT Regulations, 2007 Clause 4.16 (b) (ii), Depreciation shall be trued up at the end of the Control Period*". Therefore the Petitioner for the purpose of computation of the ARR has assumed the depreciation as allowed by the Hon'ble Commission in the MYT Tariff Order.

Further, since Hon'ble Commission has now extended the Control Period by one more year, the Petitioner has maintained the amount of Depreciation as per the MYT Order. Further for FY 2011-12, the Petitioner has maintained the same depreciation rate. Based on the Capitalisation proposed by the Petitioner, the Depreciation for FY 2011-12 is tabulated below:

Table 35: Depreciation

Particulars	UoM	FY11	FY12
		₹cr.	₹cr.
Gross Fixed Assets			
Opening GFA	₹cr.	3,649.23	4,099.23
Addition During the Year	₹cr.	450.00	413.80
Closing GFA	₹cr.	4,099.23	4,513.03
Depreciation	₹cr.	142.20	158.05
Depreciation Rate	₹cr.	3.67%	3.67%

1.13.4. Return on Capital Employed

As per Clause 4.7 of the MYT Regulations, RoCE is a controllable parameter, for which the Commission has set targets for each year of the Control Period. Further, as per Clause 4.14 of the MYT Regulations, adjustment to depreciation and return on capital employed for the actual investment vis-à-vis approved capital investment shall be done at the end of the Control Period. Clause 4.16(b)(ii) of the MYT Regulations also provide for true up of Depreciation and ROCE at the end of the Control Period.

Accordingly the Petitioner has considered the approved RoCE for the FY 2010-11 as per the MYT order of the Commission. The Petitioner has considered the RoCE for the FY 2011-12 by extending the Commission's approval for FY 2010-11 with an estimated capitalisation of ₹ 300 Cr as tabulated below:

Table 36: Regulated Rate Base

Particulars	UoM	FY11	FY12
		₹ cr.	₹ cr.
Regulated Rate Base(RRB)			
Opening RRB	₹ cr.	2,294.9	2,671.7
Change in RRB	₹ cr.	248.1	230.7
Investment capitalised	₹ cr.	450.0	413.8
Depreciation	₹ cr.	142.2	158.1
AAD	₹ cr.	-	-
Consumer contribution	₹ cr.	59.7	25.0
Change in WC	₹ cr.	53.4	-
Closing RRB		2,671.7	2,911.1
Equity Average	₹ cr.	931.5	1,043.1
Debt	₹ cr.	1,579.6	1,629.4

Particulars	UoM	FY11	FY12
		₹ cr.	₹ cr.
Re	%	14.0%	14.0%
Rd	%	9.2%	12.4%
WACC	%	11.0%	13.0%
RoCE	₹ cr.	292.7	378.6

1.13.5. Additional Return

As per the MYT Regulations, the supply margin to be allowed for the Retail Supply business shall cover all the expenses of the retail supply business (except power purchase & transmission cost), RoCE allocated to retail supply business and shall also provide an additional return such that the total return from the Wheeling and Retail business shall not exceed 16% of equity.

Accordingly the Petitioner has considered Additional Return for the FY 2011-12 by extending the Commission's approval for FY 2010-11 as tabulated below:

Table 37: Additional Return

Particulars	UoM	FY11	FY12
		₹ cr.	₹ cr.
RoCE at 14% RoE	₹ cr.	293	379
Revised RoCE	₹ cr.		
RRB	₹ cr.	2,671.68	2,911.09
Equity (Average)	₹ cr.	931.49	1,043.06
Debt	₹ cr.	1,579.58	1,629.37
Rate of Return on Equity	₹ cr.	16%	16%
Rate of Return on Debt	₹ cr.	9.2%	12.4%
WACC	₹ cr.	11.7%	13.8%
Revised RoCE	₹ cr.	312.51	401.34
Additional Return	₹ cr.	19.82	22.72

1.14. Expenses in terms of ATE order no 153 of 2009

1.14.1. Late Payment Surcharge

The Petitioner has challenged the inclusion of late payment surcharge and unutilised return of past period and the inclusion of rebate obtained on power purchase as non-tariff income by the Hon'ble Commission before the ATE in Appeal Number 142 of 2009. The Petitioner reiterates its contentions and submissions in this regard and seeks for the exclusion of the aforesaid heads of claim from the determination of non-tariff income. This contention of the Petitioner is conclusively established by the order of the Hon'ble ATE in Appeal No. 233 of 2006 in the matter of M.P. Electricity Consumer Society's case wherein the ATE has upheld that the ARR does not include late payment surcharge. The Hon'ble ATE on the issue has held as set out hereinbelow:

"*On a consideration of contentions of all parties, we are inclined to agree with the decision of the Commission to* ***not include delayed surcharge revenue in the ARR*** *in view of the fact that the working capital amount has been reduced to the bare minimum, 100% collection is not happening as of now, and therefore, to meet its cash requirements, the Discoms will have to borrow from Banks to compensate for the outstanding payments from consumers*". [Emphasis added]

Pending the decision of ATE, without prejudice to the contentions raised in the aforesaid Appeal (142 of 2009), the Petitioner in the present petition has relied upon the Hon'ble ATE's judgment dated 30.07.2010 in Appeal No. 153 of 2009 passed in case of NDPL vs. DERC. The relevant extract of the judgment is reproduced as under:

"The normative working capital compensates the distribution company in delay for the 2 months credit period which is given to

the consumers. The late payment surcharge is only if the delay is more than the normative credit period. For the period of delay beyond normative period, the distribution company has to be compensated with the cost of such additional financing. It is not the case of the Appellant that the late payment surcharge should not be treated as a non-tariff income. The Appellant is only praying that the financing cost is involved due to late payment and as such the Appellant is entitled to the compensation to incur such additional financing cost. Therefore, the financing cost of outstanding dues, i.e. the entire principal amount, should be allowed and it should not be limited to late payment surcharge amount alone. Further, the interest rate which is fixed as 9% is not the prevalent market Lending Rate due to increase in Prime Lending Rate since 2004-05. Therefore, the State Commission is directed to rectify its computation of the financing cost relating to the late payment surcharge for the FY 2007-08 at the prevalent market lending rate during that period keeping in view the prevailing Prime Lending Rate."

Therefore in view of the above observations by the Hon'ble ATE, the Petitioner has considered the entire amount of late payment surcharge as part of Non- tariff Income, however the financing cost of outstanding dues has been claimed separately as an expense while determination of the ARR for FY 2009-10.

1.14.2. Rebate earned on Power Purchased

The Petitioner also relies upon the said judgment of the ATE in Appeal No. 153 of 2009 for the treatment of rebate earned on account of prompt payment to generators. The Hon'ble ATE has held that the purpose of granting rebate to the distribution companies by the generating companies is in order to incentivize the distribution companies to make their payment of the bills for the power purchase to the generation company promptly before due date of the bill. The relevant extract of the aforesaid Judgment is reproduced as under:

> *"The Appellant, through its efficient management, has paid all the bills immediately on raising of the bills by the generating company and, therefore, it has to be allowed a rebate of 2%. Therefore, there is no justifiable reason for the State Commission to reduce the power purchase cost by rebate earned by the Appellant. The normative working capital provides for power purchase cost for one month. Therefore, rebate of 1% available for payment of power purchase bill within one month should be considered as non-tariff income and to that extent benefit of 1% rebate goes to reducing the ARR of the Appellant. The rebate earned on early payment of power purchase cost cannot be deducted from the power purchase cost and rebate earned only up to 1% alone can be treated as part of the non-tariff income. Therefore treating the rebate income for deduction from the power purchase cost is contrary to the MYT Regulations".*

Therefore in view of the above observations by the Hon'ble ATE, the Petitioner has considered the amount of rebate earned upto 1% alone as part of Non-Tariff Income.

1.14.3. Interest earned on Un-utilised Return

The Petitioner relies upon the judgment of the ATE in Appeal No. 153 of 2009 passed in case of NDPL v. DERC, wherein the Hon'ble Commission's methodology of including the interest on unutilized return as a part of non-tariff income was set aside. The Hon'ble ATE categorically held that the interest on unutilized return (either on account of return on equity earned, overachievement in AT&C losses, efficiency in controllable parameters, working capital, etc.) cannot be considered as part of non-tariff income. The Hon'ble ATE held that the benefit derived by the company by a company through such income cannot be considered as part of non-tariff income.

In accordance with the principle of equity amongst DISCOMs as spelt out by the Hon'ble ATE in Appeal No. 36 of 2008, the Petitioner requests for a similar treatment with respect to the interest earned on unutilized return of the Petitioner. Consequently the inclusion of the same in terms of the tariff order dated May 28, 2009 is set aside and the amount be allowed to the Petitioner in terms of the present true up petition.

However, nothing in the present response constitutes a waiver or abandonment of any claim and issue raised by us in Appeal No. 142 of 2009 before the ATE and of any issue, argument or contention that the company is entitled to raise in law. Further, the submissions raised in Appeal No. 142 of 2009 before the ATE, form part of the Response and are not repeated herein for the sake of brevity. We crave leave to place the order of the ATE in Appeal No. 142 of 2009 before the Hon'ble Commission, as and when a copy of the same is received. We would seek revision of our revenue entitlement in terms of the ATE order.

1.15. Non-Tariff Income

The petitioner has considered the Non Tariff income of ₹ 54.6 Cr. as per the approval of the Commission for FY 2010-11 and has extended the same for FY 2011-12.

1.16. ARR and Revenue available for ARR

The ARR estimated by the Petitioner vis-à-vis the ARR approved by the Hon'ble Commission in the MYT Tariff Order is tabulated below:

Table 38: Computation of Annual Revenue Requirement (₹ Crores)

Particulars (in Rs. Cr.)	FY10-11			FY 11-12
	DERC Approved	Actual	Difference	
Expenditure (A)	**3,611.2**	**5,500.0**	**(1,887.6)**	**7,104.7**
Cost of power purchase	2,479.2	3,948.3	(1,469.1)	5,212.5
Inter-State Transmission charges	146.2	227.2	(80.9)	392.3
Intra-state Transmission (Delhi Transco) charges	165.4	159.2	6.2	224.7
O&M Expenses	360.6	503.4	(142.8)	565.3
Arrears of Sixth Pay Commission	-	82.4	(82.4)	-
Any other Expense	-	7.9	(7.9)	10.3
Depreciation including Advance Against Depreciation	142.2	142.2	-	158.1
RoCE	292.7	292.7	-	378.6
Additional Return	19.8	19.8	-	22.7
Income Tax	5.0	79.1	(74.1)	87.3
Expenses in terms of ATE order no 153 of 2009	-	36.7	(36.7)	37.6
Energy Conservation				15.0
Litigation Expenses pertaining to Pre- privatization period		1.3		0.2
Less (B)	**66.8**	**54.6**	**(12.2)**	**54.6**
Other Income (Including income from wheeling charges)	54.6	54.6	-	54.6
Interest Capitalized	12.2	-	(12.2)	-
Aggregate Revenue Requirement (A-B)	**3,544.4**	**5,445.4**	**(1,875.4)**	**7,050.0**
Revenue at approved Tariffs		**3,842.0**		**4,204.8**
(Gap) / Surplus		**(1,603.4)**		**(2,845.2)**

Table 39: Computation of Revenue available for the purpose of ARR (in ₹. Cr)

Particulars	FY 10-11	FY 11-12
Amount Collected	4,009.2	4,393.1
Less: E tax	167.2	188.3
Revenue available towards ARR	**3,842.0**	**4,204.8**

2. Basis for segregation of Wheeling and Retail Supply Business

As per the MYT Regulations notified by the Hon'ble Commission, the distribution licensee is required to segregate its accounts into Wheeling Business and Retail Supply Business. The Hon'ble Commission in the MYT Regulation has stated that "The Distribution Licensee shall segregate the accounts of the Licensed business into Wheeling Business and Retail Supply Business". (Ref: Section 4.3 of MYT Regulations).

For the Purpose of Annual Revenue Requirement, the Petitioner has segregated its accounts of FY 2009-10 into Wheeling Business and Retail Supply Business based on the cost audit report enclosed in Annexure – 18.

3. Cost of Supply

As per Section 8.7 (c) of the MYT Regulations "*Each tariff proposal submitted by the Distribution Licensee shall be supported with a cost-of-service model allocating the costs of the Licenced business to each category of consumers based on voltage-wise costs and losses*". The Petitioner in the following Sections has attempted to estimate the voltage wise cost (EHV, HV and LV) of Supply for FY 2010-11 and FY 2011-12 in line with the approach adopted by the Hon'ble Commission in the MYT Tariff Order. For the purpose of bifurcation of ARR across different Wheeling and Retail Supply and across different Voltage Level, the Petitioner has relied on the cost audit report enclosed in Annexure - 18.

The Petitioner has enclosed the detailed computation regarding cost of Supply at Annexure - 24

4. Compliance to Directives

The Hon'ble Commission in its Tariff Order dated 28th May 2009 for the Petitioner had issued various directives. The Petitioner through various submissions had provided to the Commission the information / status report sought on the directives issued. The Petitioner at **Annexure - 25** of this Petition provides the status of compliances against all the directives issued by the Hon'ble Commission.

5. Performance during FY 2010-11

The Petitioner in compliance to the Delhi Electricity Supply Code and Performance Standards Regulations, 2007 has submitted the monthly Performance parameters upto January 2011 to the Hon'ble Commission vide its letter number RA/2010-11/01/J/183 dated 23.02.2011.

A copy of the letter submitted to the Hon'ble Commission is enclosed as **Annexure – 26**.

6. Tariff Rationalisation Proposal

Section 8.6 and Section 8.7 of the MYT Regulations, requires the Petitioner to propose Wheeling Tariff voltage wise and the Retail Supply Tariff supported with a cost to serve model.

As per the Electricity Act 2003 determination of electricity tariff to be charged from a category of consumer for Wheeling of Electricity and Retail Supply of Electricity is the prerogative of the Hon'ble Commission. **Therefore, in the materialization of Tariff Proposal or rationalization measures proposed by the Petitioner, the Hon'ble Commission has the final say while finalizing tariff for Wheeling of Electricity and Retail Supply.** The Petitioner would like to reassure the stakeholders including its consumers that while proposing Tariff Rationalization measures, the intention is not to earn any extra revenue but to endeavor and make good for the increased costs e.g. power purchase costs, transmission costs, statutory levies etc. as per the Order of Hon'ble Supreme Court and Hon'ble ATE, inflation, etc. so as to make the operations viable and improved delivery of services to consumers.

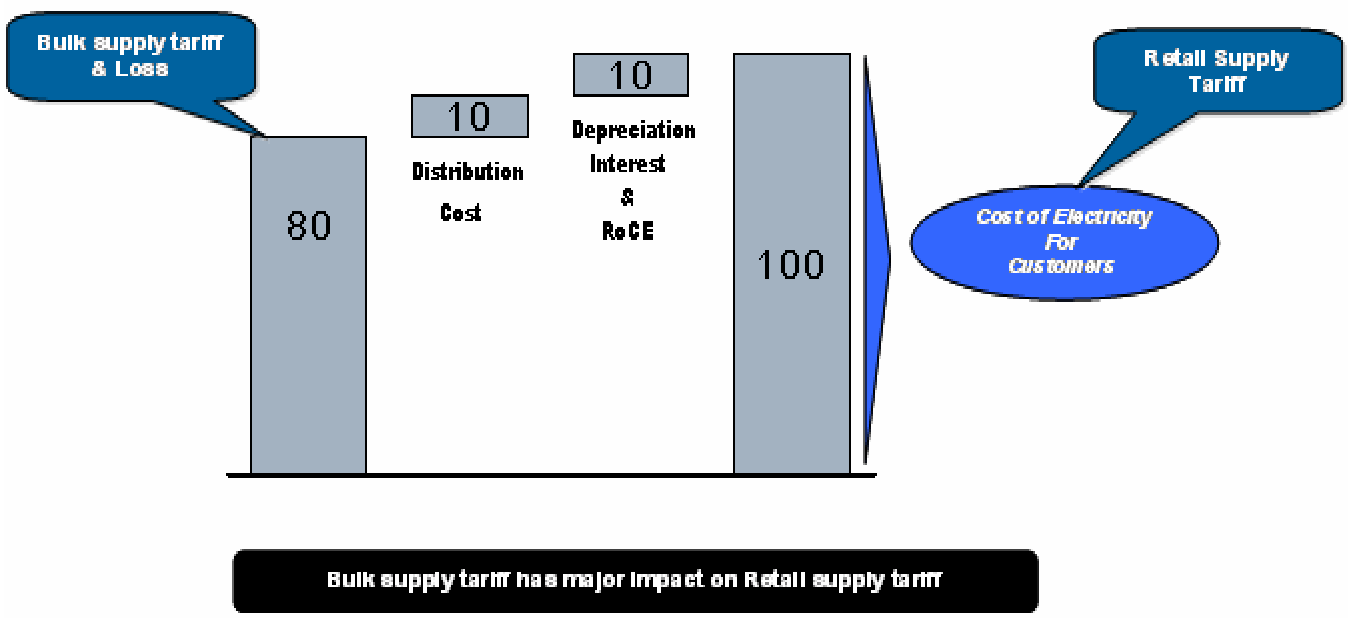
6.1. Tariff Increase during the year

Retail tariff which a consumer is required to pay consists of THREE major components, the first and foremost is the cost at which a distribution utility is procuring power from the power generation organisations, including the allocated power from the central generating stations. Added to this is the second component of the cost incurred to distribute the power. The third element constitutes the financing costs associated with the distribution operations, other O & M expenses, return on equity (or return on capital employed), etc.

As a distribution utility, the Petitioner is responsible for bringing power to its consumers, which it has purchased from those who produce i.e. the Generators. The Petitioner itself does not produce a single unit of power! Since power can't be stored, the Petitioner gets them transported through thousands of kilometers of cables and wires (which are like roads for electricity) to homes, factories, offices, shops and showrooms. The Petitioner purchases power in bulk and distributes to individual consumers who need them in small quantities.

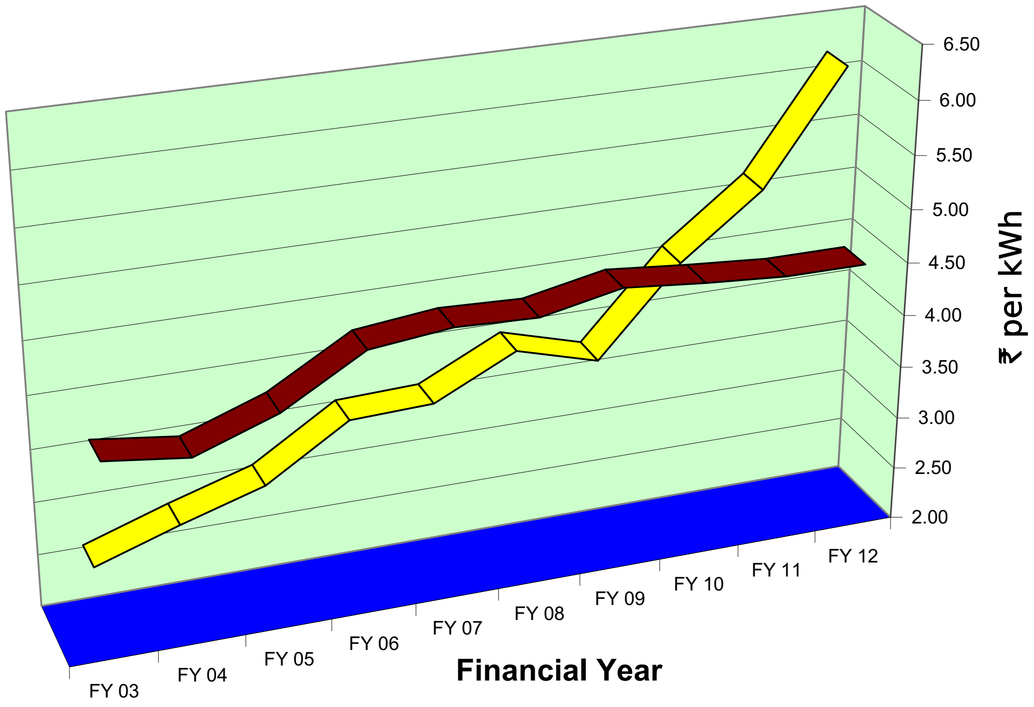
In a typical scenario, the bulk supply tariff (BST) for procurement of power through power purchase agreements, medium-term arrangements, short-term arrangements through trading, and fire-fighting arrangements through power exchanges constitutes the bulk of the cost i.e. around 80% of total cost. The balance is to take care of the financial cost, i.e. to say the cost of funding, the distribution expenses (operations and maintenance) including the salary and wages of employees, and the return on equity or capital employed. Generally these costs – which together constitute Retail Tariff – are 80 % for purchase of power, 20 % for distribution cost, Financial cost and RoE.

Figure 12 : Economics of DISCOM – Value Chain



Power Purchase Cost, i.e. the cost of power at which the Petitioner procures the power, which forms almost 80% of the Retail Tariffs, consists of the following four components: Fixed Cost; Variable Cost; Fuel Price Adjustments; and Transmission charges. Now these cost components are not always stable. For instance Fuel Price Adjustment (FPA) per kWh as on December 2010 has witnessed an annual average increase of 225% since FY 2007-08 for NTPC power generating stations – from whom the Petitioner sources approximately 63 % of total power purchase for its consumers. As per the revised estimates, in FY 2010-11, the average Power Purchase cost of the Petitioner is ₹. 4.17 / kWh which is ₹ 1.62 /kWh more than the estimate made by the Hon'ble Commission in the last Tariff Order thereby impacting the Petitioner's finances by ₹ 1687 cr.

Figure 13 : Petitioner's Income vis-à-vis Power Procurement Cost



	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Income per unit of energy Sold	3.81	3.71	3.99	4.43	4.52	4.49	4.64	4.57	4.52	4.52
Power Procurement Cost per unit of Energy Sold	2.55	2.81	3.05	3.54	3.57	3.94	3.73	4.54	5.12	6.15

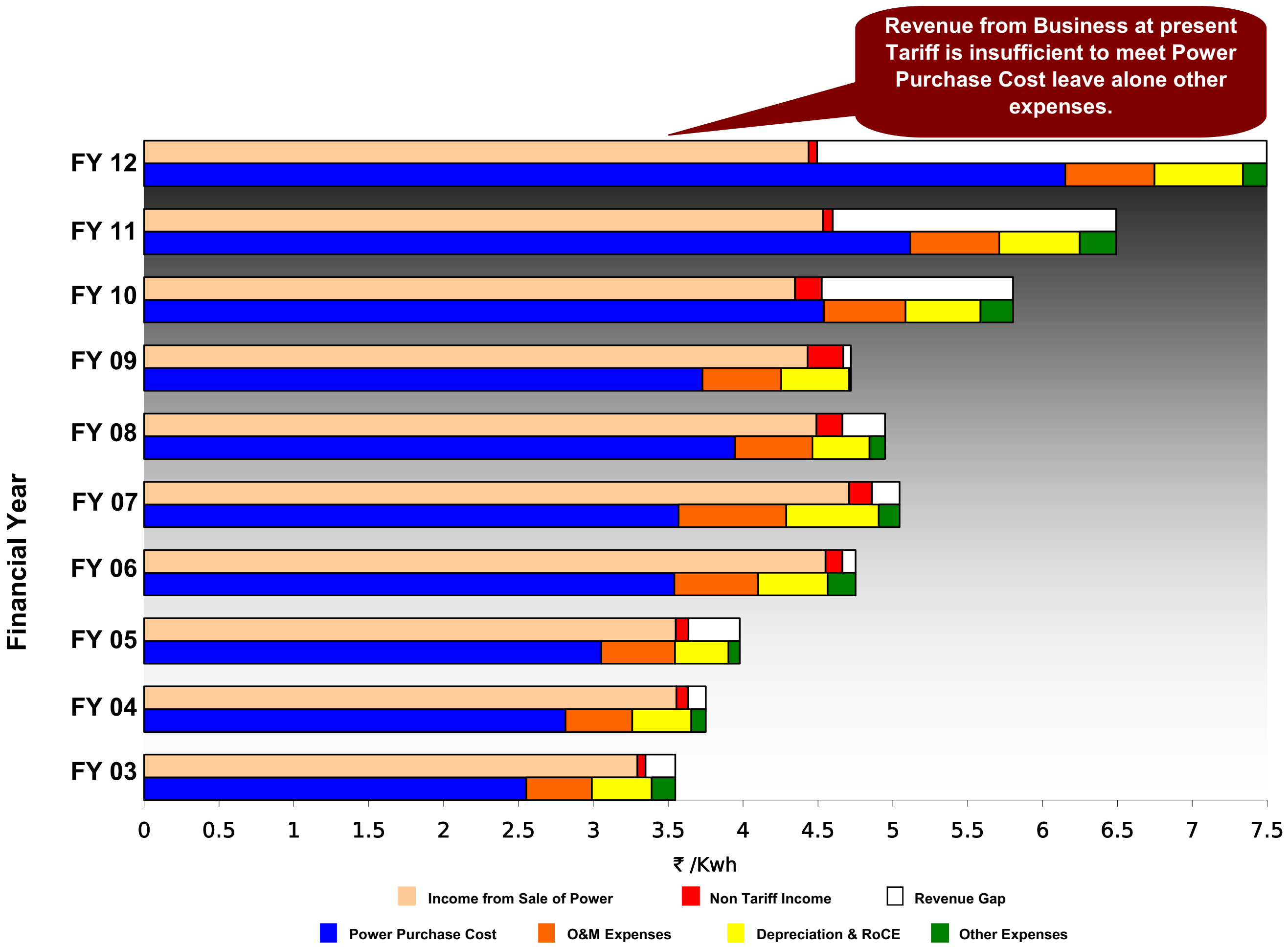
During FY 2010-11, even though the electricity wholesale prices exceeded retail prices, the Petitioner still had to purchase power to maintain continuous supply to its consumers, albeit at a loss in order to ensure compliance with its obligations under the Supply Code. Since the Petitioner has to pay upfront to buy power, such escalations severely impact the economics of the DISCOMs. More so because, consumers are generally billed a month after they have consumed the electricity and as per the Tariff determined in the last Tariff Order. Managing the cash flow in such adverse condition is very strenuous, which ultimately reflects on the Retail Supply Tariff. The Petitioner is unable to pass the higher prices on to consumers without approval from the Hon'ble Commission. The Petitioner is presently retailing electricity at tariffs determined by the Tariff Order dated 29.05.2009, which was determined on the basis of figures appearing in the audited accounts of the financial year 2007-08. The Petitioner operates in a dynamic business environment wherein the essential factors, which go into determination of tariff have witnessed a manifold increase whereas the tariff approved for the Petitioner has remained constant.

The Objective of the National Electricity Policy is to make available access to electricity to all households with financial turn-around and commercial viability of the power sector, the real challenge being that of reforms of distribution sector. The policy also emphases the need for ensuring recovery of cost of service, to make the power sector sustainable. More important is the financial viability of any business in this operation for growth and development.

Non existence of a cost reflective tariff has made the Delhi Power Sector, which is also a model for the entire nation, struggle for existence. The point is that Delhi's retail electricity tariffs have remained quite unchanged in the last five years — and have barely gone up in eight years — while bulk supply tariffs have more than doubled during the period. The Retail Tariff of the Petitioner has been insufficient to recover the full costs incurred by the Petitioner during the year. This fact has not only been confirmed by the Hon'ble Commission but also by independent third party such as M/s SBI Caps. The situation has become worse since FY 2009-10, where revenue from the business is insufficient to meet the Petitioner's Power Purchase costs.

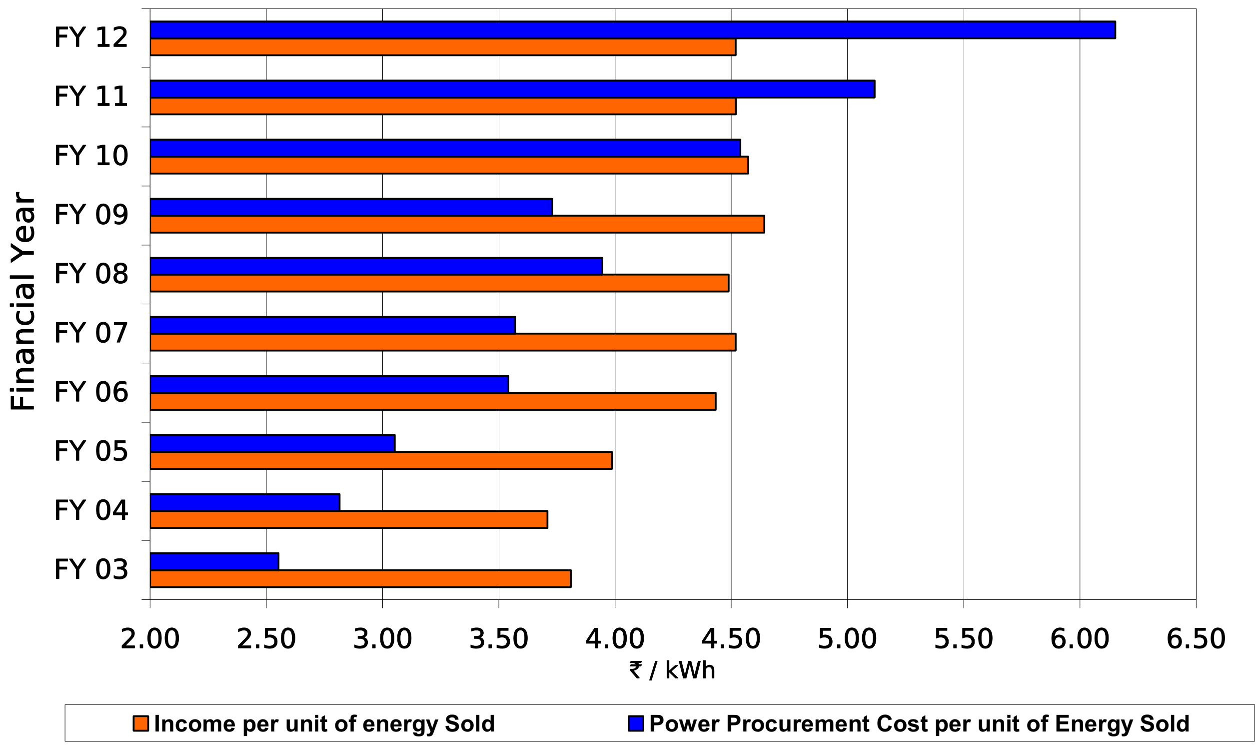
If one were to compare the price variations in the various components that forms the Retail Supply Tariffs vis a vis the Income from the Retail Supply Tariffs since FY 2002-03, it is evident that there existed uncovered revenue gap in almost every financial year.

Figure 14 : Non-existent cost reflective Tariff



In a business where the power purchase cost constitutes 75% to 80% of the total revenue, the denial/deferment of recovery of expenditure has put the Petitioner in a precarious financial situation which is now fast reaching a situation wherein it will be constrained to default on its power purchase obligations due to lack of funds. This would necessarily lead to the Petitioner being unable to meet its universal supply obligations under Section 42 and 43 of the Electricity Act, 2003 and a resultant likely default of the Performance Standards that the Petitioner has to maintain and adhere to. In fact, the Petitioner has already approached various generating companies for relaxation in its payment obligations. In case of any default in its power purchase obligations, the consumers of electricity in Delhi will suffer shortage in supply.

Figure 15 : Income at present Tariff vis a vis Power Purchase cost



Income at existing Tariff is insufficient to cover Power Purchase Cost

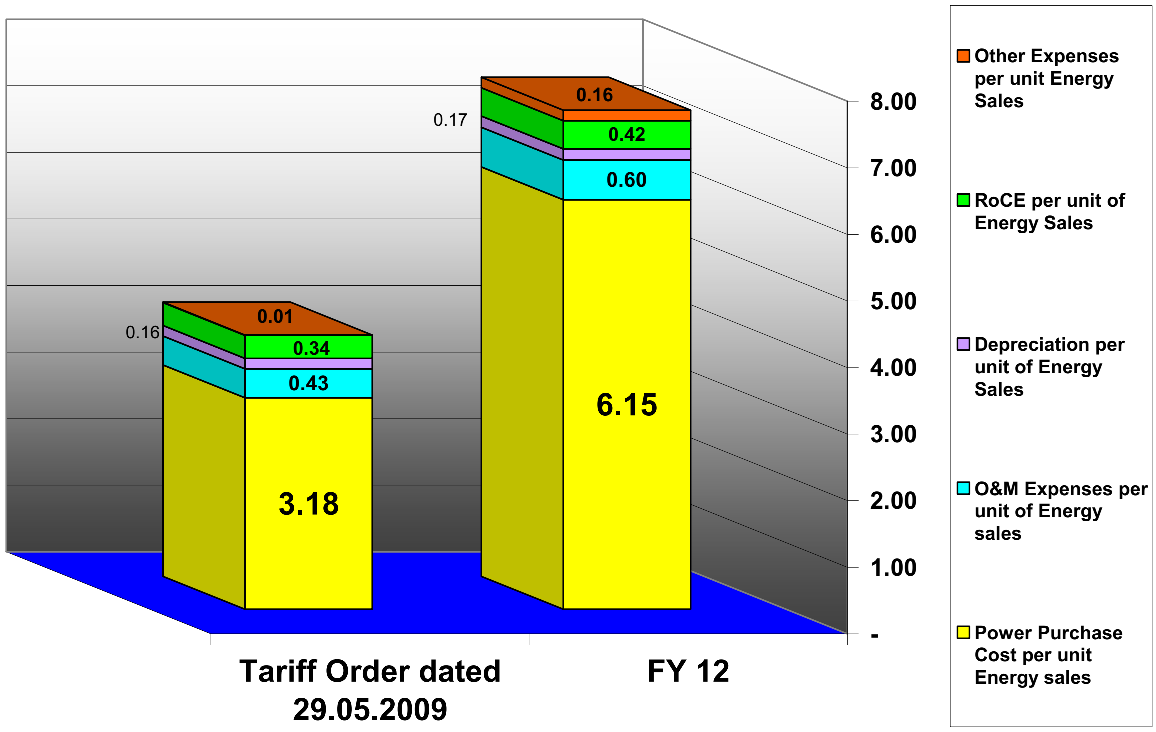
The Ministry of Power, GoI, vide D.O letter dated 21.01.2011 (copy enclosed as Annexure 19) has raised its concern on the severe financial strain faced by the distribution utilities due to gap between the ARR and average cost of Supply. The relevant portion of the letter is reproduced below:

> *"The debt trap of distribution utilities has serious implication on the financial health of the electricity sector as a whole. The distribution utilities should generate adequate internal resources to honour the Power Purchase Agreements (PPA) made with the generating companies and hence any default in payment will have repercussions on the financial institutions lending to generating companies and future investments in capacity addition. One of the most important reasons for poor financial health of DISCOMS is the inadequacy of tariff to cover the cost incurred by the utilities to procure and supply electricity to the public. In a study conducted by Forum of Regulators of ten states for assessment of tariff revision and financial viability of DISCOMS (published in November 2010), it is estimated that additional increase to the tune of 1% to 39% is required to fully recover the cost of supply."*

The Ministry of Power, GoI had requested Hon'ble ATE to consider issuing directions under Section 121 of the Electricity Act 2003 to the State Regulatory Authorities to revise the tariff appropriately, in the interest of improving the financial health and long term viability of the electricity sector in general and distribution utilities in particular. The Hon'ble ATE has accordingly issued notices (copy enclosed as Annexure 20) to all the State Commissions / Joint Commissions to send the status report with reference to the determination of annual revenue requirement / tariff for all the years from the date of the constitution of the Commission.

The Petitioner submits that it is ultimately the consumer who will suffer the most as a consequence of the Petitioner's legal entitlements being deferred endlessly. The Petitioner submits that longer the delay in allowing a cost reflective tariff the higher the burden on the consumer to bear the carrying costs on account of such a delay, which is certainly not in public interest and is against the National Tariff Policy. It is submitted that had there been a cost reflective tariff all these years, the increase in Retail Supply Tariff required during FY 2011-12 would only have been **15.7%.** However, in absence of a cost reflective Tariff since last three years, the Petitioner would require a uniform Tariff Increase across all categories of **67.7%,** to recover the Revenue Gap for FY 2011-12 alone. In order to highlight the reasons for increase in tariff the Petitioner in the figure below compares the various cost element per unit of energy sold as approved in the last Tariff Order and the revised estimates for FY 2011-12.

Figure 16: Cost elements per unit sold as approved in the last Tariff Order **vis-à-vis** Estimates for FY 2011-12



The above figure shows that the primary reason for Petitioner seeking an increase in Retail Supply Tariff is due to the increase in Power Purchase costs of the Generators. The Hon'ble Commission in its last Tariff Order had designed the Retail Tariff on the assumption that Power Purchase cost per unit of energy sold to the consumers would be ₹ 3.18 / kwh, Due to reasons beyond the control of the Petitioner, the Power Purchase cost per unit of energy sold to the consumer for the ensuing year is estimated to be ₹ 6.15 / kWh. The difference in Power Purchase cost i.e. ₹ 2.98 /kWh (i.e. ₹ 6.15 / kWh less ₹ 3.18 / kWh) has forced the petitioner to seek a tariff hike of 67.7% on the assumption that the Hon'ble Commission's Tariff Order on the present Petition will be applicable from 1st April 2011 as tabulated below:

Table 40 : Tariff Proposal

Particulars	UoM	FY 11-12
Annual Revenue Requirement (ARR)	₹ cr.	7,050.02
Revenue at approved Tariffs	₹ cr.	4,204.77
Revenue Gap during the year	₹ cr.	2,845.25
Tariff Hike required to amortize the Revenue Gap during the year	%	67.7%

Since the Petitioner is seeking Tariff revision to amortize the revenue gap during the financial year of FY 2011-12, it has not considered any carrying cost on the accumulated revenue gap of the previous years. The Petitioner requests the Hon'ble Commission to allow recovery of the same as per applicable law.

Further, the Petitioner most respectfully states and submits that for the revenue gaps till FY 2009-10, separate petitions have already been filed before this Hon'ble Commission. It is submitted that even though the said historical gaps are not being raised in the present petition, the same does not amount to a waiver on part of the Petitioner. It is submitted that the said revenue gaps after being adjudicated by this Hon'ble Commission may be given in the form of a one time surcharge independent of tariff as fixed in the present petition based on consumption of each individual. This one time surcharge may continue till such time as the said historical revenue gap is amortised in a manner consistent with Regulation 7 of the National Tariff Policy and in any event not later than three years from the beginning of the said amortisation. Needless to say, the Petitioner be compensated for the deferment of its recovery of the revenue gap through carrying costs which should be determined in terms of ATE's order dated 30.07.2010 in Appeal No. 153 of 2010. The Hon'ble Commission is requested to allow levy of such a surcharge under a separate head as "Surcharge for Amortisation of Regulatory Asset", so as to distinguish itself from the normal tariff for FY 2011-12. The Petitioner states that in case any stakeholder wishes to get a copy of its petitions for historical gap, the Petitioner is ready and willing to share the same with such stakeholder and the said petition are not being annexed to the present petition as they are not being claimed through the present petition.

The Delhi's power sector reforms have delivered results. Average AT&C losses have come down from 55% of supply to under 20%. In parallel, outages, load-shedding, etc, are by and large a feature of the past and there is improved, quality supply of power. However, it is essential to follow through with reforms, with viable tariffs and transparent mechanisms in place for revising the rates as required. The Thirteenth Finance Commission report issued by GoI has categorically stated, progress in expansion of power supply and introduction of a functional market for electricity needs to be accompanied by corresponding improvements in utility finances. There is a need for competitive and viable tariffs to incentivise adequate power generation, supply and distribution. There is an immediate need to fix reasonable tariffs and avoid accumulation of regulatory assets in future. A positive step towards this could be implementation of Power Purchase Price Adjustment formula as envisaged under section 62 (4) of the Electricity Act 2003, which provide a mechanism to pass on the adjustments due to changes in the cost of power generation and power procured arising from the variation in the fuel cost or fuel-mix or source of procurement or market price or any such other factor; where the variations are measured from the average power purchase cost approved at the time of tariff determination.

With a view to further the principles enshrined in the Electricity Act and the National Tariff Policy, many State Electricity Regulatory Commissions in the country have adopted suitable mechanisms to speedily recover the variations in power purchase costs through retail tariffs. This ensures that future consumers are not burdened with costs of the past and also allows the utilities to economically and efficiently recover the power purchase costs.

The Petitioner has filed a Petition for implementation of suitable Power Purchase Price Adjustment (PPPA) formula on 25.06.2010 in this regard before the Hon'ble Commission, which was admitted on 11th October 2010. The Petitioner states that the present recital is only for the sake of bringing on record the complete facts. Further the Petitioner submits that upon implementation of PPPA formula, in the event in any quarter if there is a credit to be provided to the consumers through a negative surcharge the same may first be set off against the accumulated Regulatory asset upto FY 2009-10. The same is in the interest of the consumers as they would not be subjected to the carrying cost. We further request Hon'ble Commission to independently and favourably deal with the same and nothing contained in the present petition constitutes a waiver or an abandonment of any claim raised in the said petition.

6.2. Other Tariff Rationalisation Measures Proposed

The Petitioner would also request the Hon'ble Commission to consider the following while determining the Retail Tariffs for various categories of consumers for the FY 2011-12:

6.2.1. Enhancement of limit for cash payment of energy bills by consumers

The Hon'ble Commission had issued directions to the Petitioner in its earlier Tariff Orders that in case the bill for consumption of electricity is more than ₹. 4,000, payment for the bill shall only be accepted by the Petitioner by means of an Account Payee cheque/DD. No cash payments shall be allowed in such cases.

The Petitioner vide its letter No. RCM/BRPL/08-09/82 dated 20.08.2008 had apprised the Hon'ble Commission of the difficulties in enforcing this in case of consumers from outer Delhi/rural areas where they wish to deposit in cash only and in many cases they claim not to have a bank account. It will be appreciated that this adversely affects our recovery besides inconvenience to such consumers.

The Commission was also apprised that the background in which the ₹. 4000/- limit was introduced by the DERC was in the context of one of the criteria for filing a income tax return included in the Finance Bill, 2005 of the Govt. of India. It is noteworthy that this particular criterion was subsequently withdrawn and was applicable only up to 1st April 2005. Also as per the Section 40 A of the Income Tax Act, 1961 and provisions under Income Tax Rules, the maximum limit for payments/receipt in cash is ₹. 20000.

In the circumstances, the Petitioner has requested that restricting acceptance of cash payments of energy bills to ₹. 4000/- may be reviewed as it is affecting revenue recovery besides inconveniences to section of consumers. The Hon'ble Commission was requested to reconsider its direction and enhance the cash limit to ₹. 20000/- which is in line with the statutory provisions mentioned above and is in larger interest of the stake holders. The Hon'ble Commission vide its letter No. F.3 (239)/Tariff/DERC/2008-09/2210 dated 03.09.2008 stated that the matter shall be considered at the time of processing of the next Tariff Petition.

In view of the aforesaid, the Petitioner would like to request the Hon'ble Commission for appropriate consideration.

6.2.2. Applicability of Tariff with load > 100 kW for Residential uses.

As per the MYT Tariff Order, the following provisions contained in "Other Terms & Conditions of the Tariff" forming part of the Tariff Schedule relates to the applicability of tariff for Residential Use with loads above 100 KW:

Other Terms & Conditions of the Tariff

Category	*Availability*	*Character of Service*
1.2 Domestic Lighting /Fan and Power on 11 KV single delivery point	*Same as 1.1(A) and for CGHS flats and loads above 100 kW **in case of individual***	*AC 50 Hz, three phase, 11 KV ; on single delivery point*
2.1 Mixed Load (High Tension) – MLHT *a) Supply on 11 kV* *b) Supply on LT (400 Volts)*	*Available to consumers having load (other than industrial load) above 100 kW for lighting, fan, heating/cooling and power appliances in **Domestic**/Non-Domestic establishment including pumping loads of Delhi Jal Board/DDA/MCD and supply to Delhi Metro Rail Corporation (DMRC) Ltd. for their on going construction projects etc and for commercial purposes other than traction. Supply at extra high voltage (33 kV and more) may also be given.*	*AC 50 Hz, 3 phase 11 kV;* *AC 50 Hz, 3 phase, 400 Volts*

Individual consumers having load more than 100 kW is mentioned under item 1.2 (clubbed with CGHS category) of the "*Other Terms & Conditions of the Tariff*", but item 1.3 of the Tariff Schedule which provides the tariff rate is for "*Domestic Lighting/Fan And Power on 11kV single delivery point for CGHS and other similar group housing complexes*" only and not for individual consumers having load more than 100 kW. This was brought to the notice of the Hon'ble Commission during the course of responding to petitions preferred before the Commission by certain consumers but the anomaly remains unaddressed.

In this regard the following submissions are being made:

a) Residential Tariff rates under the heading "Tariff Schedule, 1.0 – Domestic" are for LT consumers with load upto 100KW.

b) Even the availability of residential tariff rate for CGHS (i.e.1.2 of the above table) has to be seen in the following context:-

c) Either the society takes a single point supply on 11 KV but the electricity is ultimately used by individual flat owners on LT supply for load less than 100 KW,

OR

The Individual flat owners are provided electricity by the licensee on LT supply for load less than 100 KW.

So it would be seen that single point 11 KV supply (for a combined load of group of consumers) is only in the nature of an alternate mechanism available for CGHS but the end use is the same i.e. LT supply for load below 100 KW by individual residential consumers.

d) In the case of individual consumer having load above 100 KW for residential use (most of it due to substantial cooling/heating load) the treatment in terms of Tariff is expected to be different like it is for other categories e.g. Non- Domestic, Industrial etc. where consumers with load > 100 kw are treated separately.

Perhaps it is in this background load more than 100 KW for Domestic use figures under the MLHT category in the Tariff Schedule, but since it also figures under Domestic Tariff rate, there is an anomaly which needs to be suitably addressed /clarified by the Commission for proper implementation.

6.2.3. kVah billing for Non-Domestic consumers having load < 10 kW.

As per the present tariff structure, kVAh billing is applicable for non-domestic and Industrial Consumers having load more than 10 KW. Further, fixed/demand charges are to be levied on sanctioned load or MDI reading, whichever is higher, on per kW or part thereof basis. Where the MDI reading exceeds sanctioned load, a surcharge of 30% shall be levied on the fixed/demand charges corresponding to excess demand in kW for such billing cycle only.

The Supply Code and Performance Standard Regulations, 2007 prescribe that normally loads up to 10 KW are to be serviced through single phase supply only.

However, there are some old consumers with poly phase meters (these meters have built in provision for kVAH reading) and sanctioned load below 10 kW. There are several instances where the MDI of such consumers recorded more than 10 kW. The Petitioner had encouraged such consumers to enhance their load commensurate with their usage. While the Petitioner’s Amnesty Scheme did receive some response from such consumers, but there exist consumers who continue to draw load more than 10 kW (as recorded by the meter) even when the sanctioned load is less than 10 kW. This would be at the expense of honest paying consumers who had declared their load diligently. Moreover this also have an adverse impact on Petitioner’s distribution system.

It is proposed that where MDI recorded has crossed 10 kW continuously for three billing cycles or more, inferring that their load usage is more than 10 kW, the billing may be done on kVaH (as in the case of loads > 10 kW) . In case the consumer reduces the load to less than 10 kW for three consecutive billing cycles (as per recorded MDI) the billing to be reverted to kWh.

It is requested that the Hon'ble Commission may suitably consider the proposal.

6.2.4. Uniform Fixed Charges upto sanctioned load of 5 kW

The Hon'ble Commission had in its tariff orders noted that recovery from fixed charges is nominal as compared to the fixed costs of the Licensees. The Petitioner requests that the Commission may also explore the possibility of rationalising the slab based fixed charges for domestic category upto sanctioned load of 5 kW (most connections of less than 2 kW sanctioned load are generally seen to use much higher load) to reduce the cross subsidy burden on consumers who declare their actual load and pay fixed charges as per billed load.

Affidavit

BEFORE THE DELHI ELECTRICITY REGULATORY COMMISSION

C BLOCK, SHIVALIK, MALVIYA NAGAR, NEW DELHI

File No._________

Case No._________

IN THE MATTER OF:-

BSES Rajdhani Power Limited ("BRPL")
BSES Bhawan, Nehru Place,
New Delhi-110 019. ... **PETITIONER**

AND

IN THE MATTER OF:-

Petition/Application for Aggregate Revenue Requirement for the Financial Year (hereinafter referred to as "**FY**") 2011-12 and Review of FY 2010-11 as per Hon'ble Delhi Electricity Regulatory Commission (hereinafter referred to as "**Hon'ble Commission**") letter number F.3 (312)/Tariff/DERC/2011-12/4481 dated 24.02.2011 read with letter number F.3 (130-A)/Tariff/DERC/2006-07/C.F.No. 2787/Pt. File-I/5089 dated 08.03.2011, under the Multi Year Tariff (hereinafter referred to as "**MYT**") framework for the financial year 2007-08 to FY 2010-11 (excluding the entitlements as raised in the Petition filed by the Petitioner on 20.11.2009, 15.12.2009 and 07.10.2010 respectively for period upto FY 2009-10 but including a determination of the entitlements of the Petitioner available pursuant to the principles set out in the orders of the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as the "**ATE**") vide Orders dated 06.10.2009 and 30.07.2010 in Appeal 36 of 2008 and 153 of 2010 (of M/s NDPL) respectively is filed under Section 62 of the Electricity Act 2003 (hereinafter referred to as "**Act**"), read with Section 8.4, Section 8.5, Section 8.7, Section 8.8, Section 8.9, Section 11.1, Section 11.2, Section 11.3, Section 11.4 and Section 13.4 of the Delhi Electricity Regulatory

Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2007 (hereinafter referred to as "**MYT Regulations**"), Section 11 and Section 28 of Delhi Electricity Reforms Act 2000 to the extent applicable, the Delhi Electricity Regulatory Commission (Conduct of Business) Regulation 2001 and Section 24 of the License for Distribution and Retail Supply of Electricity issued by the Hon'ble Commission.

AND

IN THE MATTER OF:-

Compliance with the Hon'ble Commission's letter being letter No. F.3(312)/Tariff/DERC/2011-12/4481 dated 24.02.2011

AND

IN THE MATTER OF:-

Compliance with the Hon'ble Commission's letter being letter No. F.3(130-A)/Tariff/DERC/2006-07/C.F. No.2787/Pt. File-I/5089 dated 08.03.2011

AFFIDAVIT VERYFYING THE PETITION

I, Rajeev Chowdhury S/o Shri Sunil K. Chowdhury, aged 39 years, having my office at BSES Bhawan, Nehru Place, New Delhi-110019, do hereby solemnly affirm and state as follows:

1. I am working with BSES Rajdhani Power Limited, the Petitioner, as Head (Regulatory Affairs) and am duly authorized by the said Petitioner to make this affidavit.
2. I say that on behalf of BSES Rajdhani Power Limited, I am filing this Petition under the Electricity Act, 2003 read with Delhi Electricity Reforms Act 2000 and the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulatory, Aggregate Revenue Requirement for the Financial Year 2011-12 and Review of FY 2010-11.

NOTARY
Name H. L. Jad
Area NCT. Delhi
Regd. No. 531
Juris : Ext : Govt

3. I further say that the statements made and data presented in the aforesaid petition are to the best of my knowledge derived from records of the Company and based on estimations arising from data and or records of the company. Further, to my knowledge and belief, no material information has been concealed in the aforesaid Petition.

DEPONENT
RAJEEV CHOWDHURY
Head (Regulatory Affairs)
Authorized Signatory
BSES Rajdhani Power Limited: Respondent

VERIFICATION:-

I, Rajeev Chowdhury, the respondent hereby solemnly affirms that the contents of above affidavit are true to the best of my knowledge, no part of it is false and nothing material has been concealed there from.

Verified by me on this the 24th March'2011 at New Delhi.

DEPONENT
RAJEEV CHOWDHURY
Head (Regulatory Affairs)
Authorized Signatory
BSES Rajdhani Power Limited: Respondent

WITNESS:

Harsh Gulati
Manager (Regulatory Affairs)
BSES Rajdhani Power Ltd.
BSES Bhawan, Nehru Place,
New Delhi-110019

NOTARY Name H. L. Jad Area NCT. Delhi Regd. No. 531 Juris : Ext : Govt. of India

Attested as Identified
Notary Public Delhi (India)

24 MAR 2011

NOTARIAL Name H. L. Jad Area NCT. Delhi Regd. No. 531

BSES

BSES Rajdhani Power Limited

MYT Formats