

A1: SUMMARY OF THE PETITION FILED BY BRPL

- 1.1 This section contains a summary of the components of the petition submitted by BRPL for the Commission's approval.

Energy Sales

- 1.2 BRPL has submitted that its actual energy sales were 7014 MU in 2008-09 against the approved energy sales of 6824 MU in the MYT Order. On the basis of this trend, BRPL has projected sales of 8042 MU in 2009-10 and 9059 MU in 2010-11, as against the projections made earlier in the MYT Order.
- 1.3 Since energy sales are treated as an uncontrollable factor, BRPL has requested the Commission to approve these revised projections instead of the comparatively lower sales approved for these years in the MYT Order and the subsequent True Up Order of 2009, as shown in Table 1. The amounts showed as 'approved' are the amounts approved by the Commission earlier in the MYT Order (applicable for the years 2008-09 and 2010-11) and the True up Order (applicable for the year 2009-10) issued by the Commission.

Table 1 Energy sales in 2008-09 (actual), 2009-10 and 2010-11 (projected) along with the approved sales

Sale of Energy (MU)	2008-09		2009-10		2010-11	
	As per petition	Approved in the MYT Order	As per petition	Approved in the True Up Order	As per petition	Approved in the MYT Order
Domestic	3515	3201	4161	4005	4644	3566
Non Domestic	2417	2543	2554	2674	2897	3280
Mixed load						
Industrial	636	642	648	651	648	671
Agricultural	24	21	23	18	23	15
Railways	23	24	26	24	26	24
DMRC	73	110	172	92	244	142
Street Lighting	130	171	138	128	144	216
Others	196	112	321	205	433	114
Total Sales	7014	6824	8042	7797	9059	8026

AT&C Losses

- 1.4 BRPL has submitted that its actual AT&C loss figures for 2008-09 are better than the loss level targets set in the MYT Order. As per the profit sharing mechanism laid down in the MYT Regulations, BRPL has asked for the gains from this over-achievement of target to be shared between the consumers and the licensee.
- 1.5 Table 2 below shows the actual figures in 2008-09 of energy sales, distribution losses, power purchase in MU, collection efficiency and AT&C losses, along with the figures

that were approved for 2008-09 in the MYT Order. Table 2 also shows the projections for distribution losses, collection efficiency and AT&C losses for 2009-10 and 2010-11 as approved in the MYT Order, which the licensee has retained in its petition for 2009-10 and 2010-11.

Table 2 Actual vs. approved figures for 2008-09, along with projections for 2009-10 and 2010-11

Particulars	Units	2008-09			2009-10	2010-11
		Actual	MYT Order	Better Achievement	As per petition	
Sales	MU	7,014	6,823	NA	8,042	9,059
Distribution loss targets	%	21.76%	22.88%	1.12%	19.83%	16.58%
Power Purchase at Discom periphery	MU	8,965	8,849	NA	10,031	10,860
Collection Efficiency	%	101.50%	99.25%	2.25%	99.50%	99.50%
AT&C Loss Targets	%	20.59%	23.46%	2.87%	20.23%	17.00%

Energy Balance

- 1.6 The energy balance for a licensee shows the balance between power purchase quantum, energy lost due to the prevailing loss level and the final energy available for sale during the year.
- 1.7 The quantum of power purchase is decided by the expected sales of energy by the licensee, as well as the loss levels projected/approved. Higher expected sales require a greater quantum of power to be purchased. Similarly, higher loss levels also require a proportionately greater amount of power purchase by the licensee because it needs to meet the expected sales (in MU) after accounting for various losses in the process of supplying electricity.
- 1.8 The energy sales for a year are grossed up by the loss levels for the year, to give the required quantum of power purchase for that year in the following manner:

$$\text{Quantum of power purchase (MU)} = \frac{\text{Energy sales}}{(1 - \text{Distribution Loss (\%)})}$$

- 1.9 Table 3 below shows the actual sales, loss levels and power purchase for the year 2008-09 by the licensee, and gives the projections for 2009-10 and 2010-11.

Table 3 Actual sales, loss and power purchase for 2008-09 and projections for 2009-10 & 2010-11

Category	Units	2008-09		2009-10	2010-11
		Actual	MYT Order	As per Petition	
Sales	MU	7014	6824	8042	9059
Distribution Loss	%	21.76%	22.88%	19.83%	16.58%
Power Purchase at Periphery	MU	8965	8849	10031	10860

Power Purchase Cost

- 1.10 As per the MYT Regulations, 2007, power purchase cost is uncontrollable and the licensee is allowed to recover the cost of power procurement from various sources.
- 1.11 BRPL in its petition has submitted that the actual rate at which it purchased power in the year 2008-09 was higher than the rate approved for the year in the MYT Order. It has stated that the actual rate for 2008-09 was Rs. 2.92/unit whereas the approved rate was only Rs. 2.74/unit. Similarly, BRPL has submitted that the actual quantum of power purchased in 2008-09 was also higher than the amount approved for that year in the MYT Order (8965 MU in actual, as opposed to 8842 MU approved). Due to the actual rate as well as the actual quantum of purchase being higher than the respective approved figures, BRPL has submitted that it incurred a higher power purchase cost in 2008-09 than the amount approved in the MYT Order.
- 1.12 Table 4 (a) and (b) below show the power purchase quantum and rate of purchase submitted by BRPL for the years 2008-09 (actuals), 2009-10 (revised estimates) and 2010-11 (projected) along with the quantum approved. The amounts shown as approved are the amounts approved by the Commission earlier in the MYT Order (applicable for the years 2008-09 and 2010-11) and the True up Order (applicable for the year 2009-10) issued by the Commission.

Table 4 (a) Power purchase cost for 2008-09 (actuals) along with the cost approved in the MYT Order

Stations	2008-09					
	As per petition			Approved in MYT Order		
	Quantum	Amount	Avg. Rate	Quantum	Amount	Avg. Rate
	<i>MU</i>	<i>Rs. Cr.</i>	<i>Rs. /kWh</i>	<i>MU</i>	<i>Rs. Cr.</i>	<i>Rs. /kWh</i>
NTPC	6308.6	1,610.12	2.55	5577.2	1283.44	2.3
NHPC	717.1	127.97	1.78	680.9	118.8	1.74
Other Hydro	499.1	160.89	3.22	466.5	142.61	3.06
NPCIL	42.1	9.06	2.15	72.7	15.11	2.08
SGS	1709.9	473.34	2.77	1963.1	456.18	2.32
Future Stations	128.9	31.59	2.45	772.8	222.47	2.88
Power Purchased from other Sources	919.6	417.56	4.54	442.4	242.79	5.49
Power Sold to other Sources	904.1	466.99	5.17	874.2	229.44	2.62
Total	9421.3	2,363.55	2.51	9101.3	2,251.97	2.47
Transmission Charges						
(i) Inter State (PGCIL)	308.8	159.91		283.8	77.89	
(ii) Intra State (DTL)	147.9	65.23		95.8	60.22	
Past Period Expenses/ Other Expenses		26.88		-	-	
Gross Total	8,964.6	2,615.58	2.92	8,721.8	2,390.08	2.74

Table 4 (b) Power purchase cost for 2009-10 and 2010-11 (projected) along with the cost approved in the True up Order and the MYT Order

Stations	2009-10						2010-11					
	As per petition			Approved in the True up Order			As per petition			Approved in the MYT Order		
	Quantum	Amt.	Avg. Rate	Quantum	Amt.	Avg. Rate	Quantum	Amt.	Avg. Rate	Quantum	Amt.	Avg. Rate
	<i>MU</i>	<i>Rs. Cr.</i>	<i>Rs./ kWh</i>	<i>MU</i>	<i>Rs. Cr.</i>	<i>Rs./ kWh</i>	<i>MU</i>	<i>Rs. Cr.</i>	<i>Rs./ kWh</i>	<i>MU</i>	<i>Rs. Cr.</i>	<i>Rs./ kWh</i>
NTPC	6134	1769.55	2.88	2703	570.08	2.11	6346	1980.17	3.12	2692	596.04	2.21
NHPC	691	190.44	2.76	701	132.82	1.89	683	214.68	3.14	681	118.8	1.74
Other Hydro	667	221.12	3.31	487	150.41	3.09	664	225	3.39	467	142.61	3.05
NPCIL	46	10.08	2.18	76	16.01	2.11	51	10.86	2.12	73	15.4	2.11
State Generating Stations	1603	498.28	3.11	5562	1443.64	2.60	1515	483.94	3.2	5704	1435.12	2.52
Future Stations	48	11.43	2.39	1832	524.66	2.86	4599	1068.25	2.32	2167	656.26	3.03
Power Purchased from other Sources	2,094	1,147.40	5.48	513	241.75	4.71	711	289.79	4.08	608	-485.03	
Power Sold to other Sources	864	347.99	4.03	1709	835.48	4.89	3257	1302.63	4			
Total	10419	3500.46	3.36	10166	2243.89	2.21	11312	2970.06	2.63	12391	2479.2	2.00
Transmission Charges												
(i) Inter State (PGCIL)		193.45		288	157.99			344.92		379.46	146.24	
(ii) Intra State (DTL and SLDC)		167.35		152.8	74.23			71.91		117.5	165.4	
Past Period Expenses/ Other Expenses		0.15						-				
Gross Total	10419	3861.26	3.85	9726	2476.11	2.55	11,312	3386.89	3.12	11894.29	2790.84	2.35

1.13 Table 5 below shows the total power purchase cost submitted by BRPL for the Commission's approval for the years 2008-09 (actuals), 2009-10 and 2010-11 along with the cost approved in the MYT Order (applicable for the years 2008-09 and 2010-11) and the True up Order (applicable for the year 2009-10) issued by the Commission.

Table 5 Power purchase cost proposed for 2008-09, 2009-10 and 2010-11 along with the cost approved in the MYT Order

Power purchase cost (in Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved in the MYT Order	As per petition	Approved in the True Up Order	As per petition	Approved in the MYT Order
Cost of power purchase	2,390.43	2,251.97	3,500.50	2,243.89	2,970.10	2,479.20
ISTS charges	159.91	77.89	193.40	157.99	344.90	146.24
Delhi Transco charges	65.23	59.07	167.30	71.24	71.90	162.32
SLDC/ ULDC fees		2.74		2.99		3.08
Total cost	2,615.58	2,390.08	3,861.20	2,476.11	3,386.90	2,790.84

ATE Order for Past Period

1.14 BRPL appealed to the Appellate Tribunal for Electricity (hereinafter referred to as 'ATE') seeking review/modification of the MYT Order issued by the Commission, after which the ATE issued an Order dated October 6, 2009. The salient features of the ATE Order are detailed below:

- (a) **Reactive energy charges:** The ATE allowed BRPL to recover the Reactive energy charges incurred by it on the basis that these charges are a part of the power procurement cost. BRPL was allowed to recover reactive energy charges of Rs. 0.66 crores for 2006-07 through tariff. BRPL in its petition has claimed Rs 0.66 Cr as reactive energy charges for 2006-07 along with carrying cost.
- (b) **R&M Expenses:** BRPL in its appeal in ATE has submitted that the Commission in its MYT Order had not approved its entire R&M expenses for the years 2004-05, 2005-06 and 2006-07. The ATE in its order held that BRPL's entire R&M expenses, as shown in its audited accounts, should be allowed by the Commission after prudence check. BRPL in its petition has claimed following additional R&M expenses based on the ATE order.

Table 6 Additional R&M expenses to be trued up as per ATE Order

R&M Expenses (Rs. Crores)	2004-05	2005-06	2006-07
As per Audited Accounts	92.02	75.3	89.49
As approved by DERC	68.99	71.75	70.98
Amount to be trued up as per the ATE Order	23.03	3.55	18.51

Further, this change in the amount of R&M expenses granted to BRPL will have an impact on the value of the “K-factor” computed as per the MYT Regulations, 2007. The K-factor is a constant (expressed in %) governing the relationship between R&M costs of the nth year and Gross Fixed Assets (GFA) in the following manner:

$$R\&M_n = K * GFA_{n-1}$$

BRPL has submitted that since the value of approved R&M expenses will now get revised, consequently the value of K for the MYT period also needs to be revised as shown below:

Table 7 Revision in K factor proposed by BRPL due to change in R&M expenses

Determination of K	Units	2002-03	2003-04	2004-05	2005-06	2006-07	Average
GFA as approved by DERC	Rs. Cr.	1,533	1,552	1,658	1,751	1,883	
Revised R&M Expenses	Rs. 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%

Due to this revision in the amount of approved R&M cost and in the value of “K”, BRPL has proposed the following addition to O&M costs.

Table 8 Addition to O&M costs proposed

Particulars	Units	2007-08	2008-09	2009-10	2010-11
Opening GFA approved in the MYT Tariff Order	Rs. Cr.	2,030.14	2,558.38	3,099.23	3,649.23
K factor	%	4.07%	4.07%	4.07%	4.07%
Revised R&M Expenses	Rs. Cr.	82.54	104.02	126	148.37
R&M Expenses approved in the Tariff Order	Rs. Cr.	72.08	90.84	110.04	129.57
Efficiency factor	%	0%	2%	3%	4%
Additional amount added to O&M Costs	Rs. Cr.	10.46	12.91	15.48	18.04

- (c) **SVRS Pension:** As per the ATE Order, the Commission must allow BRPL the expenses incurred towards retirement of those who opted for the Special Voluntary Retirement Scheme (SVRS) and include the same in its ARR computation. The SVRS amount claimed by the BRPL in the petition is shown below in Table 9.

Table 9 SVRS expenses to be included in ARR calculations

Particulars	Units	FY 08	FY 09
SVRS Payment (in terms of High Court Order)	Rs. Cr.	62.60	20.80

- (d) **Increase in employee expenses corresponding to expansion in consumer base:** The ATE Order held that the Commission shall true up the additional employee expenses of BRPL incurred due to increase in its consumer base. ATE in its order has also allowed the impact of Sixth Pay Commission for all employees of BRPL

against only for DVB employees allowed by the Commission. On account of these, the additional O&M expenses projected by BRPL after factoring in the increase in consumers upto FY 2010-11 is shown below.

Table 10 Additional O&M expenses projected after factoring in the increase in consumers upto FY 2010-11

Particulars	Units	Formula	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Index (n)/ Index (n-1)		A	-	-	1.0415	1.0415	1.0415	1.0415
Number of Consumers	Lakhs	B	-	10.91	11.72	13.94	15.3	15.87
Increase in Consumers	%	$C = \frac{(B_{(n)} / B_{(n-1)} - 1) * 100}{}$	0.00%	0.00%	7.43%	18.97%	9.77%	3.74%
Employee Cost with Revised Base	Rs. Cr.	D	121.13	137.6				
10% Escalation due to Sixth Pay Commission on all employees w.e.f. 1 Jan 2006	Rs. Cr.	$E = D * 10\%$	4.04	13.76				
Revised Employee Expenses with Inflation and Increase in Consumers	Rs. Cr.	$F = F_{(n-1)} \times (1+C) \times A$	125.17	151.36	169.36	209.85	239.91	259.21
Arrears	Rs. Cr.	G	-4.04	-13.76	-14.33	32.13	-	-
Employee Cost with Revised Base	Rs. Cr.	$H = F + G$	121.13	137.6	155.03	241.98	239.91	259.21
Less: Capitalized	Rs. Cr.	I	-	-	6.76	9.55	9.27	9.33
Net Employee Costs in terms of ATE Order	Rs. Cr.	$J = H - I$	-	-	148.27	232.43	230.64	249.88
Employee Costs allowed in the MYT Order	Rs. Cr.	K			136.55	168.46	155.88	162.88
Gross Additional amount added to O&M Costs	Rs. Cr.	$L = J - K$			11.72	63.97	74.76	87.2
Efficiency factor	%	M			0%	2%	3%	4%
Net Additional amount added to O&M Costs	Rs. Cr.	$N = L \times (1-M)$			11.72	62.69	72.52	83.71

- (e) **A&G expenses:** BRPL in its appeal to ATE has submitted that the Commission in its MYT Order had not approved the entire A&G expenses of BRPL for 2004-05. The ATE in its order has directed the Commission to approve entire A&G expenses for 2004-05 after prudence check. Based on the ATE Order, the licensee has submitted the remaining amount of A&G expenses to be trued up, as shown below in Table 11.

Table 11 Additional A&G expenses to be trued up as per ATE Order

A&G Expenses	Units	2004-05
As per Audited Accounts	Rs. Cr.	38.54
As approved by DERC	Rs. Cr.	29.04
Amount to be trued up in terms of ATE Order	Rs. Cr.	9.50

- 1.15 The total year on year impact due to implementation of the ATE Order as submitted by BRPL in its petition is shown in Table 12.

Table 12 Total year-on-year impact of the ATE Order

Particulars	Units	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Reactive Energy Charges	Rs. Cr.	-	-	0.66				
R&M Expenses	Rs. Cr.	23.03	3.55	18.51				
SVRS Payment (in terms of High Court Order)	Rs. Cr.				62.6	20.8		
Net O&M Expenses for the MYT Period	Rs. Cr.				22.17	75.6	88	101.76
<i>R&M Expenses</i>	<i>Rs. Cr.</i>				<i>10.46</i>	<i>12.91</i>	<i>15.48</i>	<i>18.04</i>
<i>Employee Expenses</i>	<i>Rs. Cr.</i>				<i>11.72</i>	<i>62.69</i>	<i>72.52</i>	<i>83.71</i>
A&G Expenses	Rs. Cr.	9.5						
Total	Rs. Cr.	32.54	3.55	19.17	84.77	96.4	88	101.76

- 1.16 On a carry-forward basis, the net impact of the ATE Order has been given by BRPL as shown below.

Table 13 Impact on revenue gap due to ATE Order with carrying costs (pre-MYT period)

Particulars	Units	2004-05	2005-06	2006-07	2007-08
Net Impact of ATE Order during the year	Rs. Cr.	32.54	3.55	19.17	84.77
Opening Revenue Gap	Rs. Cr.	-	34.00	40.77	64.47
Expenses Incurred during the year	Rs. Cr.	32.54	3.55	19.17	84.77
Carrying Costs @ 9%	Rs. Cr.	1.46	3.22	4.53	9.62
Closing Revenue Gap	Rs. Cr.	34.00	40.77	64.47	158.86

O&M Expenditure

- 1.17 As detailed in the previous section, although O&M expenditure has been considered to be a “controllable” element according to the MYT Regulations, 2007, due to various factors outside the licensee’s control, licensee in its petition has requested the Commission to allow true up of O&M costs.
- 1.18 BRPL has stated the following reasons in its petition for true-up of O&M costs:

- (a) **Impact of Sixth Pay Commission on the pay of DVB employees:** The Commission in its MYT Order had recognised the uncontrollable nature of Sixth Pay Commission recommendations in determination of employee expenses incurred on ex-DVB employees during the Control Period. It has accordingly considered a provisional increase @10% in the total employee expenses w.e.f. January 2006 and has stated that a true-up would be done later based on the actual impact. BRPL has now submitted that it has already paid a sum of Rs. 78.27 crores (Rs. 8.35 crores in 2008-09 and Rs. 69.92 crores in 2009-10) but has

considered Rs. 31.49 crores in 2008-09 as per the methodology adopted by the Commission read with the ATE Order. The balance for ex-DVB employees will be paid in 2009-10 and has been considered accordingly.

- (b) **Impact of Sixth Pay Commission on the pay of non-DVB employees:** As per the ATE Order, a salary hike comparable to the Sixth Pay Commission's recommendations for employees other than ex-DVB employees shall also be allowed in true up process in case expenditure in that account has already been incurred. BRPL is yet to release any amount on this account.
- (c) **Correction of inflation-linked indexation for employee cost and A&G expenses:** The MYT Regulations, 2007 say that employee cost and A&G expenses shall be linked to an inflation-based index that takes into account the inflation indices of the immediate past five years. However, while fixing the tariff for FY 2007-08, the Commission had taken inflation figures for FY 2001-02 to FY 2005-06 because the figures for FY 2006-07 were not available then. However, now that inflation indices for FY 2006-07 are available, the Commission has to replace the provisional computation for FY 2007-08 with confirmed figures by correcting the indexation.

1.19 BRPL has submitted that due to the above mentioned reasons, the O&M costs it incurred in year 2008-09 are much higher than what was approved in the MYT Order. Hence it has requested the Commission for a true-up of costs and revision of ARR.

1.20 Table 14 below shows the proposed O&M expenses for year 2008-09, 2009-10 and 2010-11 along with the expenses approved in the MYT Order.

Table 14 Proposed O&M expenses for 2008-09, 2009-10 and 2010-11 along with approved expenses

O&M Expenses (Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved	As per petition	Approved	As per petition	Approved
Total O&M expenses	430.60	334.22	511.00	338.31	462.40	360.63

Depreciation

1.21 According to the MYT Regulations, 2007, depreciation charges are not to be trued up on an annual basis and shall be trued up only once at the end of the control period (year 2007-08 to year 2010-11). Hence, BRPL has assumed the same depreciation as allowed by the Commission in its MYT Order for the purpose of ARR computation.

1.22 The licensee has submitted the following figures as the depreciation cost incurred for year 2008-09, year 2009-10 and year 2010-11. The petition figures here are the amounts that were proposed in the licensee's petition before the issue of the MYT

Order. The amounts showed as ‘approved’ are the amounts approved earlier in the MYT Order issued by the Commission.

Table 15 Depreciation incurred for 2008-09, 2009-10 and 2010-11

Depreciation (Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved	As per petition	Approved	As per petition	Approved
Depreciation	103.3	103.3	123.9	123.9	142.2	142.2

Return on Capital Employed (RoCE)

1.23 Like depreciation, Return on Capital Employed is not reviewed on an annual basis and will be trued up only at the end of the control period (year 2007-08 to year 2010-11). Hence, for the purpose of ARR calculation, BRPL has assumed the same RoCE as allowed by the Commission in its MYT Order.

1.24 The Regulated Rate Base (RRB) on which the return is calculated includes the original cost of Fixed Assets and the Working Capital less the accumulated depreciation. The licensee has submitted that it has calculated the RRB after considering the methodology specified in the MYT Regulations, 2007. The Weighted Average Cost of Capital (WACC) and the Cost of Debt (R_d) have also been computed as per the MYT Regulations, according to the licensee’s submission.

1.25 It has submitted the following amounts as the Return on Capital Employed for the years 2008-09, 2009-10 and 2010-11.

Table 16 Return on capital employed for 2008-09, 2009-10 and 2010-11

RoCE including additional Supply Margin (Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved	As per petition	Approved	As per petition	Approved
RoCE	201.90	201.87	268.40	268.41	312.50	292.69
Supply margin	13.10	13.05			19.82	
Total RoCE including additional Supply Margin	215.00	214.92	268.40	268.41	312.50	312.51

Other Expenses

1.26 BRPL has submitted the following additional expenses for consideration in ARR computation. These include expenses on things like:

- (a) **New initiatives:** BRPL has submitted that it has taken several new initiatives such as installation of kiosk machines for accepting payment of bills by consumers (around Rs. 18.24 lakhs), installing Minc Bill Boxes for accepting bill payments, at a cost of Rs. 5392, Project Jeevan for multi-utility payments by consumers, etc. The combined cost of these new initiatives is proposed to be Rs. 0.2 crores for each of the three years, i.e. 2008-09, 2009-10 and 2010-11.
- (b) **CISF Forces:** BRPL has submitted that it has deployed additional CISF forces in order to prevent electricity theft, at a cost of Rs. 3.37 crores in 2008-09, Rs. 3.51 crores in 2009-10 and Rs. 3.65 crores in 2010-11.
- (c) **Provision for Tax:** BRPL has shown Rs. 1.7 crores as the provision for tax in 2008-09, Rs. 5 crores in 2009-10 and Rs. 5 crores again in 2010-11.
- (d) **Training Expenses:** BRPL has stated that a National Training Policy for the Power Sector has been formulated by the Central Electricity Authority (CEA) which requires that a minimum of 1.5% of the salary budget of the organization be allocated for training of staff to begin with, and that this should gradually be increased to 5% of the salary budget. BRPL has proposed to earmark Rs. 2.31 crores and Rs. 12.49 crores towards training and development of its staff during 2009-10 and 2010-11 respectively. The amount is 1% and 5% of the total Employee Costs during 2009-10 and 2010-11 respectively.
- (e) **Incremental expenses:** BRPL has submitted that it is facing additional expenses due to uncontrollable factors like increase in the cost of bill printing, and in the license fee paid to DERC.

1.27 These proposed costs are shown in Table 17 below, along with the costs approved for each year in the MYT Order.

Table 17 Additional expenses proposed for 2008-09, 2009-10 and 2010-11

Other Expenses (Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved in the MYT Order	As per petition	Approved in the True Up Order	As per petition	Approved in the MYT Order
Income tax	1.7	5.0	5.0	5.0	5.0	5.0
FBT						
DVB arrear	3.1	0.0		0.0		0.0
New initiatives	0.2	0.0	0.2	0.0	0.2	0.0
Expenses towards bifurcation of shared services	0.0	0.0	0.0	0.0	2.0	0.0
Energy conservation	0.0	0.0	15.0	15.0		0.0
Training expenses	0.0	0.0	2.3	0.0	12.5	0.0
CISF expenses	3.4	0.0	3.5	0.0	3.7	0.0

Additional expenses due to uncontrollable factors	0.0	0.0		0.0		0.0
(i) Incremental bill printing expenses	0.2	0.0	0.2	0.0	0.3	0.0
(ii) License fee paid to DERC	0.2	0.0	0.4	0.0	0.7	0.0
Total Cost for Other Expenses	8.8	5.0	26.6	20.0	24.4	5.0

Non Tariff Income (NTI)

1.28 Apart from the revenue earned in accordance with the tariff schedule from supplying power to consumers, Distribution licensees also earn income from other sources such as interest received on deposits, loans and advances; delayed payment surcharge levied on bills that are paid late; sale of scrap, etc. This income is called Non-Tariff Income (NTI) and it needs to be subtracted from the total expenditure of the licensee in order to compute the licensee's Aggregate Revenue Requirement of the licensee.

1.29 BRPL has proposed the following amounts as NTI for the years 2008-09, 2009-10 and 2010-11.

Table 18 Non Tariff Income for 2008-09, 2009-10 and 2010-11

Non Tariff Income (Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved in the MYT Order	As per petition	Approved in the MYT Order	As per petition	Approved in the MYT Order
Non Tariff Income	167.0	48.2	51.4	51.4	54.6	54.6

Aggregate Revenue Requirement (ARR)

1.30 On the basis of its costs incurred in the year 2008-09, and projections for 2009-10 and 2010-11, and after subtracting the Non Tariff Income for each of the three years, BRPL has projected the following Aggregate Revenue Requirement as shown in Table 19. The table also shows the ARR approved by the Commission earlier in its MYT Order (applicable for the years 2008-09 and 2010-11) and True Up Order (applicable for the year 2009-10).

Table 19 Proposed ARR for 2008-09, 2009-10 and 2010-11

Aggregate Revenue Requirement (Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved as per MYT Order	As per petition	Approved as per True up Order	As per petition	Approved as per MYT Order
Power purchase cost	2,615.50	2,390.08	3,861.20	2,476.11	3,386.90	2,790.84
O&M expenses	430.60	334.22	511.00	338.31	462.40	360.63
Depreciation	103.30	103.32	123.90	123.85	142.20	142.20
Interest expense capitalized	(12.50)	(12.48)	(15.00)	(14.98)	(12.20)	(12.16)
ROCE including supply margin allowed	215.00	214.92	268.40	268.41	312.50	312.51

Past Period ATE Order	158.87					
Other Expenses	8.80	5.00	26.60	20.00	24.40	5.00
Less: Non Tariff Income	(167.00)	(48.21)	(51.40)	(51.37)	(54.60)	(54.63)
Aggregate Revenue Requirement	3,352.57	2,986.85	4,724.70	3,160.33	4,261.60	3,544.39

Revenue from Sale of Power

1.31 BRPL has submitted that it achieved greater sales in the year 2008-09 than projected in the MYT Order and has shown the energy sales of 2008-09 as given below.

Table 20 Energy sales in 2008-09, 2009-10 and 2010-11

Energy Sales	2008-09		2009-10		2010-11	
	As per petition	Approved	As per petition	Approved	As per petition	Approved
Sales (MU)	7014	6824	8042	7797	9059	8026
Revenue Billed (Rs. crores)	2989	3318	3542		4017	
ABR (Rs./unit)	4.59	4.90	4.62		4.66	

Revenue Gap

1.32 BRPL has submitted in its petition that after reducing the revenue obtained from tariff at existing rates from its Aggregate Revenue Requirement, it is facing a revenue gap as shown below.

Table 21 Computation of revenue gap by BRPL

Computation of Revenue Gap (Rs. Crores)	2008-09	2009-10	2010-11
Opening Gap	575.63	1,003.68	2,330.15
Gap during the Year	363.49	1,182.91	244.48
Carrying Cost @ 9%	75.32	143.56	220.71
Gap adjusted during the year	(10.81)	-	-
Closing Gap (Rs. Crores)	1,003.68	2,330.15	2,795.34

Tariff Proposal

1.33 In order to cover the entire gap of Rs 2795.34 crores submitted by the licensee, the tariff (fixed and energy charges) will need to be increased by 69.6% across all consumer categories.

1.34 BRPL has also proposed certain tariff rationalization measures, as described in brief below:

- (a) **Proposal for implementation of Automatic Power Purchase Price Adjustment mechanism:** BRPL submits that at present, due to the methodology of true-up of power purchase costs on the basis of actual audit accounts, it takes two years for legitimate power purchase costs to be passed on to the consumers due to which future consumers have to bear the burden of past revenue gap along with the carrying cost. Therefore, BRPL has requested the Commission to institute a mechanism for automatic Power Purchase Price Adjustment on quarterly basis, and has proposed details of the same.
- (b) **Tariff intervention to address under-declaration of load:** BRPL has proposed that the provision of charging fixed charges based on Maximum Demand Indicator (MDI) reading for the Domestic category should be reintroduced in the tariff, since increase in demand by any consumer category more than the sanctioned load leads to overloading in the system and increases losses in the network.
- (c) **Uniform fixed charges up to the load of 5.0 kW:** BRPL has stated that most Domestic consumers have a connected load greater than 2 kW although their sanctioned load is less than 2 kW. BRPL has submitted that this gives undue advantage to consumers who have not increased their declared load to the actual connected load, while consumers of other billed load have to pay the fixed charges. To avoid this, the licensee has requested the Commission to rationalize the slab-based fixed charges.
- (d) **kVAh billing for industrial and non-domestic consumers with MDI greater than 10 kW:** BRPL has requested that for industrial and non-domestic consumers with MDI greater than 10 kW, it should be entitled to charging kVAh tariff since it encourages consumers to improve their power factor which eventually helps the system by less loading and reduction in losses.
- (e) **Public Hoardings/ display boards using electricity for lighting to be charged on separate tariff:** BRPL has submitted that hoardings/public display boards that use high energy consuming luminaries cause a significant wastage of energy. The licensee submits that such hoardings/public display boards may be considered for billing under separate category at a tariff higher than the Non-Domestic category. However, hoardings/public display boards using LED devices for lighting may be provided with appropriate incentive to encourage more efficient use of electricity.
- (f) **Introduction of time differential tariffs for Consumers with Load > 10 kW for demand side management:** The licensee has submitted that Time Differential Tariffs would result in smoothening of demand curve which ultimately results in savings for the consumers by way of lower power purchase cost. BRPL has suggested that the Commission may review the possibility of introduction of time differential tariffs for consumers, say for load > 10 kW to start with, through informed deliberations with stakeholders.