

## A1: SUMMARY OF THE PETITION FILED BY NDPL

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

### Energy Sales

- 1.2 Giving the actual category-wise sales figures for 2008-09, NDPL has submitted that its energy sales were 5161 MU in 2008-09 although the quantum of sales approved in the MYT Order for that year was only 5119 MU. On the basis of this trend, NDPL has projected sales of 5644 MU in 2009-10 and 6105 MU in 2010-11, as against the projections made earlier in the MYT Order.
- 1.3 Since sales are treated as an uncontrollable factor, NDPL 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, as shown in Table 1. The table also shows 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 along with the sales approved in the MYT Order and the True up Order of 2009**

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	2102	2018	2411	2260	2606	2247
Non Domestic	1014	1135	1079	1124	1176	1464
Industrial	1767	1656	1838	1904	1985	1865
Agricultural	28	8.46	31	32	34	6.14
Railways	48	50	55	52	57	55
DMRC	76	115	91	101	100	140
Street Lighting	66	84.63	70	79	74	106.51
Others	60	51.21	69	72	73	52.11
<b>Total Sales</b>	<b>5161</b>	<b>5119</b>	<b>5644</b>	<b>5625</b>	<b>6105</b>	<b>5936.37</b>

### AT&C Losses

- 1.4 NDPL has submitted the actual loss figures for 2008-09, which are better than the loss level targets set in the MYT Order. As per the profit sharing mechanism laid down in the MYT Regulations, the gains from this over-achievement of target are to be shared between the consumers and the licensee.
- 1.5 Table 2 below shows the actual figures in 2008-09 of certain parameters, along with the figures that were approved for 2008-09 in the MYT Order. Table 2 also shows the

projections for 2009-10 and 2010-11 as approved in the MYT Order, which the licensee has retained in its petition.

**Table 2 Actual vs. approved figures for 2008-09 and 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	5161.16	5118.88		5644	6105
Distribution loss targets	%	18.40%	19.75%	1.35%	18.27%	16.58%
Power Purchase at Discom periphery	MU	6325.30	6378.51		6906	7320
Collection Efficiency	%	104.39%	99.25%	5.14%	99.50%	99.50%
<b>AT&amp;C Loss Targets</b>	%	<b>14.82%</b>	<b>20.35%</b>	<b>5.53%</b>	<b>18.68%</b>	<b>17.00%</b>

## 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 Actuals 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	5161	5119	5644	6105
Distribution Loss	%	18.40%	19.75%	18.26%	16.58%
Power Purchase at Periphery	MU	6325.30	6378.51	6906	7320

## Power Purchase Cost

- 1.10 As per the MYT Regulations, 2007, the licensee is allowed to recover the cost of power procurement from various sources.
- 1.11 NDPL 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. 2.86/unit whereas the approved rate was Rs. 2.68/unit. NDPL submits that the actual quantum of power purchased in 2008-09 was lower than the amount approved for that year in the MYT Order (6325 MU in actual, as opposed to 6378 MU approved), but due to the actual rate of purchase being higher, it incurred a higher power purchase cost in 2008-09 than the amount approved in the MYT Order (Rs. 1806 crores in actual as opposed to Rs. 1706 crores approved).
- 1.12 Tables 4, 5 and 6 below show the power purchase cost submitted by NDPL for the Commission's approval for the years 2008-09 (actuals), 2009-10 (revised estimates) and 2010-11 (projected) along with the cost approved by the Commission.
- 1.13 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 Power purchase cost for 2008-09 along with the cost approved in the MYT Order**

Particulars	Actual			Approved in the MYT Order		
	Quantum (MU)	Cost (Rs. crores)	Average rate (Rs./unit)	Quantum (MU)	Cost (Rs. crores)	Average rate (Rs./unit)
Power purchase from CSGS	4284.45	1047.90	2.45	5048.00	1145.34	2.27
Inter-State Bilateral Purchase (including UI)	581.44	274.78	4.73	239.19	153.08	6.40
PGCIL Losses	(200.36)			(207.06)		
Power Purchase from Delhi Gencos	2385.95	676.86	2.84	2303.43	571.68	2.48
Intra-State Power Purchase	184.34	58.12	3.15	79.73	21.93	2.75
Power Availability at Delhi periphery	7235.82	2057.66	2.84	7463.29	1892.03	2.54
DTL Losses	(106.48)			(72.72)		
Power available to Discom	7129.34	2057.66	2.89	7390.57	1892.03	2.56
Less: Surplus Power Sold/Banked/UI Sales	(804.04)	(402.35)	5.00	(1,012.06)	(286.41)	2.83
	<b>6325.30</b>	<b>1655.30</b>	<b>2.62</b>	<b>6378.51</b>	<b>1605.62</b>	<b>2.52</b>
<i>Transmission Charges</i>						
PGCIL charges and ULDC charges		103.12			55.93	
DTL and BBMB charges		47.50			44.81	
<b>Power required for NDPL's consumers</b>	<b>6325.30</b>	<b>1805.92</b>	<b>2.86</b>	<b>6378.51</b>	<b>1706.36</b>	<b>2.68</b>

\* Petition does not show the SLDC charges of Rs. 2.08 crores allowed in the MYT Order which brings the approved total to Rs. 1708.44 Cr

**Table 5 Power purchase cost for 2009-10 and cost approved in the True up Order of 2009**

Particulars	Estimated			Approved in True up Order		
	Quantum (MU)	Cost (Rs. crores)	Average rate (Rs./unit)	Quantum (MU)	Cost (Rs. crores)	Average rate (Rs./unit)
Power purchase from CSGS	4401	1080.53	2.46	5305	1290.96	2.43
Inter-State Bilateral Purchase (including UI)	1048	583.95	5.57	519	238.63	4.60
PGCIL Losses	(276)			(204)		
Power Purchase from Delhi Gencos	2243	704.54	3.14	2380	627.38	2.64
Intra-State Power Purchase	237	75.05	3.16	52	15.49	3.00
<b>Power Availability at Delhi periphery</b>	<b>7653</b>	<b>2444.07</b>	<b>3.19</b>	<b>8052</b>	<b>2172.46</b>	<b>2.70</b>
DTL Losses	(115)			(108)		
Power available to Discom	7538	2444.07	3.24	7944	2172.46	2.73
Less: Surplus Power Sold/Banked/UI Sales	(633)	(255.74)	4.04	(1060)	(517.14)	4.88
	<b>6906</b>	<b>2188.32</b>	<b>3.17</b>	<b>6844</b>	<b>1655.32*</b>	<b>2.40</b>
<i>Transmission Charges</i>						
PGCIL charges and ULDC charges		102.02			106.25	
DTL charges		56.94			49.70	
<b>Power required for NDPL's consumers</b>	<b>6906</b>	<b>2347.28</b>	<b>3.40</b>	<b>6884</b>	<b>1811.27</b>	<b>2.63</b>

\*1655.25 as per True up Order

**Table 6 Power purchase cost for 2010-11 along with the cost approved in the MYT Order**

Particulars	Estimated			Approved in MYT Order		
	Quantum (MU)	Cost (Rs. crores)	Average rate (Rs./unit)	Quantum (MU)	Cost (Rs. crores)	Average rate (Rs./unit)
Power purchase from CSGS	6570.3	1755.65	2.67	5844.53	1442.4	2.47
Inter-State Bilateral Purchase (including UI)				266.87	170.8	6.4
PGCIL Losses	(297.78)			(254.96)		
Power Purchase from Delhi Gencos	2791.43	989.83	3.55	2130.2	547.98	2.57
Intra-State Power Purchase	230	69	3	88.96	24.46	2.75
<b>Power Availability at Delhi periphery</b>	<b>9293.95</b>	<b>2814.48</b>	<b>3.03</b>	<b>8075.6</b>	<b>2185.64</b>	<b>2.71</b>
DTL Losses	(139.41)			(78.99)		
Power available to Discom	9154.54	2814.48	3.07	7996.61	2185.64	2.73
Less: Surplus Power Sold/Banked/UI Sales	(1834.64)	(822.75)	4.48	(880.13)	(300.23)	3.41
	<b>7319.90</b>	<b>1991.74</b>	<b>2.72</b>	<b>7116.48</b>	<b>1885.41</b>	<b>2.65</b>
<i>Transmission Charges</i>						
PGCIL charges and ULDC charges		126.91			97.92	
DTL and BBMB charges		109.16			108.68	

Supplementary bills for 2009-10		58.5				
<b>Power required for NDPL's consumers</b>	<b>7319.90</b>	<b>2285.31</b>	<b>3.12</b>	<b>7116.48</b>	<b>2092.01</b>	<b>2.94</b>

\* Petition does not show the SLDC charges of Rs. 2.06 crores allowed in the MYT Order which brings the approved total to Rs. 2094.07 Cr

## Correction of inflation-linked indexation for employee cost and A&G expenses

- 1.14 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.
- 1.15 Table 7 gives the revised calculations as submitted by NDPL and the amount that the Commission has been requested to now include in the ARR.

**Table 7 True up amount due to correction of inflation-linked index**

	Units	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Allowed in the MYT Order</b>						
Inflation factor (%)	%		4.15%	4.15%	4.15%	4.15%
Establishment expenses	Rs. Cr.	138.15	143.88	149.85	156.06	162.54
A&G expenses	Rs. Cr.	29.69	30.92	32.21	33.54	34.93
<b>Revised expenses proposed by NDPL (as per the corrected inflation factor)</b>						
Inflation factor	%		4.48%	4.91%	5.93%	4.15%
Establishment expenses	Rs. Cr.	138.15	144.34	151.43	160.41	167.06
A&G expenses	Rs. Cr.	29.69	31.02	32.54	34.47	35.90
<b>Amount requested to be trued up</b>						
Establishment expenses	Rs. Cr.		0.46	1.58	4.35	4.53
A&G expenses	Rs. Cr.		0.10	0.33	0.93	0.97
<b>Total</b>	<b>Rs. Cr.</b>		<b>0.56</b>	<b>1.91</b>	<b>5.28</b>	<b>5.50</b>
<b>Total for the year</b>	<b>Rs. Cr.</b>			<b>2.47</b>	<b>5.28</b>	<b>5.50</b>

## O&M Expenditure

- 1.16 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, several deviations from the planned trajectory need to be taken into account by the Commission.
- 1.17 NDPL 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 had stated that a true-up would be done later based on the actual impact. NDPL submits that it had worked out the total impact to be Rs. 103.10 crores of which it has already paid out a sum of Rs. 58 crores (Rs. 18 crores in 2008-09 and Rs. 40 crores in 2009-10). The impact of the Sixth Pay Commission for 2010-11 has been estimated by NDPL as Rs. 28.02 crores. Against a proposal of Rs. 103.10 crores that was submitted by NDPL, the Commission had allowed Rs. 33 crores (now Rs. 33.21 crores after taking into account revision of the inflation factor) till 2009-10 with an additional Rs. 8.70 crores in 2010-11. Thus, including the costs carried over from previous year, NDPL has requested the Commission to allow Rs. 69.89 crores in 2009-10 (Rs. 103.10 crores - Rs. 33.21 crores) and Rs. 19.32 crores for 2010-11.

- (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. NDPL is yet to release any amount on this account.

1.18 NDPL has submitted that due to the above mentioned reasons, the O&M costs it incurred in year 2008-09 are 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.

1.19 Table 8 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 8 Proposed and approved O&M expenses for 2008-09, 2009-10 and 2010-11**

O&M Expenses (Rs. Crores)	2008-09		2009-10		2010-11	
	As per petition	Approved	As per petition	Approved	As per petition	Approved
Employee Expenses	175.00	153.54	163.56	147.52	168.60	152.52
<i>Salary (without arrears)</i>			<i>147.70</i>		<i>153.82</i>	
<i>6<sup>th</sup> Pay Commission</i>			<i>8.36</i>		<i>8.72</i>	
<i>Pension</i>			<i>7.50</i>		<i>6.06</i>	
A&G expenses	32.21	32.21	33.54	33.54	34.94	34.94
R&M expenses	72.16	72.16	83.45	83.45	89.80	89.80
Expense capitalization	(21.45)		(16.05)		(16.08)	
Efficiency factor	(5.16)	(5.16)	(7.94)	(7.94)	(11.09)	(11.09)
<b>Total O&amp;M expenses</b>	<b>252.75</b>	<b>252.75</b>	<b>256.57</b>	<b>256.57</b>	<b>266.17</b>	<b>266.17</b>

## Depreciation

1.20 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, NDPL has assumed the same depreciation as allowed by the Commission in its MYT Order for the purpose of ARR computation.

- 1.21 The licensee has submitted the following figures as the depreciation cost incurred for 2008-09, 2009-10 and 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.

**Table 9 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	103.36	103.36	115.85	115.85	124.02	124.02

## Return on Capital Employed (RoCE)

- 1.22 Like depreciation, Return on Capital Employed is not reviewed on an annual basis and will be trued up only once at the end of the control period (year 2007-08 to year 2010-11). Hence, for the purpose of ARR calculation, NDPL has assumed the same RoCE as allowed by the Commission in its MYT Order.
- 1.23 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 have also been computed as per the MYT Regulations, according to the licensee’s submission.
- 1.24 It has submitted the following amounts as the Return on Capital Employed for the years 2008-09, 2009-10 and 2010-11.

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

RoCE including additional Supply Margin	2008-09		2009-10		2010-11	
	As per petition	Approved	As per petition	Approved	As per petition	Approved
RoCE	200.32	200.32	222.18	222.18	234.56	234.56
Interest Cost	4.52					
Supply margin	13.00	13.00	14.80	14.80	16.08	16.08
Total RoCE	<b>217.84</b>	<b>213.32</b>	<b>236.98</b>	<b>236.98</b>	<b>250.64</b>	<b>250.64</b>

## Other Expenses

- 1.25 NDPL has submitted the following additional expenses for consideration in ARR computation. These include expenses on:
- (a) **Fees paid for new power purchase arrangements:** NDPL has submitted that in the year 2008-09, it incurred an expenditure of Rs. 0.60 crores as fees for new power purchase arrangements.

- (b) **CISF Forces:** NDPL has submitted due to additional deployment of CISF forces as well as the impact of the Sixth Pay Commission, it incurred Rs. 3.31 crores as expenditure on CISF forces.
- (c) **Trading fees:** NDPL became a member of the Indian Energy Exchange, Power Exchange, for which it incurred an expense of Rs. 0.28 crores including Rs. 0.26 crores as the membership fee.
- (d) **Credit Rating:** The licensee has submitted that it incurred Rs. 0.11 crores in 2008-09 towards the credit rating of its fund and non-fund based facilities.
- (e) **DVB arrears:** NDPL has submitted that DVB arrears of Rs. 29.85 crores were collected in 2008-09 which are considered as part of the revenue realized. The licensee has submitted that expenses on this account be included in its ARR as the same are to be paid to DPCL. NDPL has requested to include Rs. 28.87 crores in ARR calculations, which is equivalent to 80% of DVB arrears (non Government) collected and 100% of DVB arrears (Government) collected.
- (f) **Provision for tax:** NDPL has submitted that it incurred Rs. 27 crores in 2008-09 on taxes, while it was allowed only Rs. 15 crores in the MYT Order. Hence it has asked for the difference of Rs. 12 crores to be trued up.
- (g) **Tendering cost:** Due to the Commission's guidelines on competitive bidding, the licensee submits that for placing advertisements in newspapers for open tendering, it will incur Rs. 1.50 crores in 2009-10 as well as 2010-11.
- (h) **Reactive energy charges:** As per a previous Order of the Commission, Distribution companies have to pay reactive energy charges on a 'status quo' basis to DTL, which is recoverable through ARR. For 2007-08 and 2008-09, DTL has raised a bill of Rs. 2.31 crores. NDPL has received a bill of Rs. 0.54 crores till August 2009 and on the basis of that, it estimates a total bill payment of Rs. 1.30 crores each for 2009-10 and 2010-11.

1.26 These proposed costs are shown in Table 11, along with the costs approved earlier.

**Table 11 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 as per the MYT Order	As per petition	Approved as per the True up Order	As per petition	Approved as per the MYT Order
New initiatives:						
<i>Expenses related to power arrangement</i>	0.60					
<i>Fee for Power Exchange</i>	0.28		0.05		0.05	
<i>CISF expenditure</i>	3.31		2.70		2.70	
<i>Credit rating</i>	0.11		0.11		0.11	
<i>License fee of land</i>			0.79		0.79	
<i>Financing charges</i>			0.38		0.38	

Tendering cost			1.50		1.50	
Reactive energy charges (arrears for 2007-08 and 2008-09)			2.31			
Reactive energy charges			1.30		1.30	
<b>Total cost for new initiatives</b>	<b>4.30</b>		<b>9.14</b>		<b>6.83</b>	
DVB arrears	28.78					
Provision for tax	27.00	15.00	15.00	15.00	15.00	15.00
Financing cost of power banking	10.77		4.06			
Energy conservation			10.00	10.00		
<b>Total Cost of Other Expenses</b>	<b>70.85</b>	<b>15.00</b>	<b>38.20</b>	<b>25.00</b>	<b>21.83</b>	<b>15.00</b>

## Non Tariff Income (NTI)

- 1.27 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.
- 1.28 NDPL has proposed the following NTI for 2008-09, 2009-10 and 2010-11. The amounts showed as 'approved' are the amounts approved earlier in the MYT Order.

**Table 12 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	As per petition	Approved	As per petition	Approved
Non Tariff Income	62.27	29.10	29.86	29.86	30.63	30.63

## Aggregate Revenue Requirement (ARR)

- 1.29 On the basis of the 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, NDPL has projected the following Aggregate Revenue Requirement.

**Table 13 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 the MYT Order	As per petition	Approved as per the True up Order	As per petition	Approved as per the MYT Order
Power purchase cost	1805.92	1708.44	2347.26	1811.20	2286.31	2094.07
DTL bills on account of truing up	-	-	31.73	-	-	-
O&M expenses	252.75	252.75	256.57	256.57	266.17	266.17
Correction of inflation factor	2.47	-	5.28	-	5.50	-
Increase in FRSR salary	12.12	-	12.56	-	16.88	-

Impact of Sixth Pay Commission	4.29	-	80.09	-	29.86	-
Depreciation	103.36	103.36	115.85	115.85	124.02	124.02
ROCE including supply margin allowed	217.84	213.32	236.98	236.98	250.64	250.64
Other Expenses	70.85	15.00	38.20	25.00	21.83	15.00
<i>Less:</i>						
Other income including Non Tariff Income	62.26	29.10	29.86	29.86	30.63	30.63
Interest/other expenses capitalized	-	9.71	-	5.69	-	5.15
<b>Aggregate Revenue Requirement</b>	<b>2407.35</b>	<b>2254.05</b>	<b>3094.65</b>	<b>2410.05</b>	<b>2970.58</b>	<b>2714.12</b>

## Revenue from Sale of Power

1.30 NDPL 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, along with projections for 2009-10 and 2010-11, as given below in Table 14.

**Table 14 Revenue from sales in 2008-09, 2009-10 and 2010-11**

Revenue from Sale of Power	Units	2008-09		2009-10		2010-11	
		As per petition	Approved	As per petition	Approved	As per petition	Approved
Sales	MU	5161	5119	5644	5625	6105	5936
Revenue at existing tariff	Rs. Cr	2254.30	2425.67	2532.38	2671.37	2736.14	

## Revenue Gap

1.31 NDPL has submitted 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 in Table 15.

**Table 15 Break up of the revenue gap**

Breakup of the Revenue Gap (Rs. Crores)	2008-09	2009-10	2010-11
Opening Gap	360.49	463.54	1092.84
Gap during the Year	67.57	562.27	234.44
Carrying Cost @ 9%	35.48	67.02	49.18
<b>Closing Gap</b>	<b>463.54</b>	<b>1092.84</b>	<b>1376.46</b>

\* Assumption

## Tariff Proposal

1.32 In order to recover entire revenue gap of Rs 1376.46 Cr, the tariff (fixed and energy charges) will need to be increased by 50.31% across all consumer categories.

1.33 NDPL has also proposed some measures for tariff rationalization. The petition submits that these measures are not proposed to earn extra revenue but to improve the

commercial processes of the Distribution business. NDPL has further requested the Commission to determine tariff in such a manner that the impact of the implementation of these measures on the total revenue requirement is nil.

1.34 NDPL's main proposals on tariff rationalization are detailed below:

- (a) **Proposal for implementation of Automatic Power Purchase Price Adjustment mechanism:** NDPL 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 before the recovery of legitimate power purchase costs for which NDPL has to make payments to power suppliers on an immediate basis. Therefore, NDPL has requested the Commission to institute a mechanism for pass-through of variations in power purchase cost to consumers on a regular basis (at quarterly intervals). The licensee has proposed details of an automatic Power Purchase Price Adjustment for this purpose.
- (b) **Reduction in slabs for Domestic category:** To simplify the tariff structure and to reflect the true cost-of-service to the Domestic consumer category, NDPL has proposed that only two slabs be retained for energy charges. The licensee has submitted that this would reduce the amount of cross-subsidy that is currently being provided to the Domestic category by the Industrial category (since the Domestic category tariff is lower than the actual cost of supply to this category). The two slabs that NDPL has proposed are:
  - (i) 0-200 units per month; and
  - (ii) Above 200 units per month (with the rate of energy charges being higher for this slab)
- (c) **Merger of MLHT and NDLT (Non-Domestic) consumer categories, and merger of SIP and LIP (Industrial) consumer categories:** To simplify the tariff structure, NDPL has proposed the merger of MLHT and NDLT consumer categories since they both use power for the same "commercial activity" purpose. Similarly, since both SIP and LIP use power for the same "industrial activity" purpose, NDPL has proposed that these two categories be merged as well.
- (d) **HT Metering:** NDPL has requested the Commission to make HT metering mandatory for all 11 kV and above consumers (with load more than 100 kW), and for allowing HT metering for consumers with load less than 100 kW who insist on a connection under HVDS scheme with a dedicated transformer of required rating. As a rationale, the licensee has submitted that HT metering helps in reducing AT&C losses to a great extent.
- (e) **Enhancement of load of consumers based on Consumption:** NDPL has requested that the Sanctioned Load (SL) of consumers should be considered enhanced based on actual consumption, and the same should be revised for calculation of fixed charges and consumer security deposits. The licensee has submitted that this would help

consumers have an enhanced/reduced load based on their actual consumption and ease the licensee's task too.

- (f) **Uniform fixed charges up to the load of 5.0 kW:** NDPL has stated that currently there are two slabs of fixed charges under 5 kW, with most Domestic consumers having a sanctioned load less than 2 kW, although their connected load is greater than 2 kW. NDPL 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 are paying the fixed charges. To avoid this, the licensee has requested the Commission to restructure the fixed charges for the Domestic category so that uniform fixed charges are levied up to 5 kW load.
- (g) **Prepaid metering:** NDPL had introduced prepaid metering as a pilot project and submits that it has various benefits such as elimination of provisional billing and reduction in costs associated with metering/billing. In addition, it makes consumers more conscious about energy consumed. NDPL has requested that to propagate prepaid metering, consumers applying for temporary connections or caught in theft should be mandatorily required to take connections through prepaid meters only so that it may help regulate their electricity consumption.
- (h) **Fixed charges and surcharge thereof, to be levied based on Maximum Demand Indicator (MDI) reading for Domestic category consumers:** NDPL has proposed that the provision of charging fixed charges based on MDI reading and levying a 30% surcharge for the Domestic category should be reintroduced in the tariff, since increase in demand by any consumer category more than the sanctioned amount leads to overloading in the system and increases losses in the network.
- (i) **kVAh billing for industrial and non-domestic consumers with MDI greater than 10 kW:** NDPL 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.