

Delhi Electricity Regulatory Commission
Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi – 17

Petition No. 51/2007

In the matter of: **ARR Petition for Multi Year Tariff determination (FY 2007-08 to 2010-11).**

AND

In the matter of:

BSES Rajdhani Power Limited
Through its: **CEO**
BSES Bhawan,
Nehru Place,
New Delhi-110019.

...Petitioner

Coram:

Sh. Berjinder Singh, Chairman & Sh. K. Venugopal, Member.

Appearance:

1. Sh. Ajay Dhagat, CEO, BRPL;
2. Sh. R.C. Natarajan, , BRPL;
3. Sh. R. C. Mehta, AVP, BRPL;
4. Sh. Harsh, Asst. Manager, BRPL;

ORDER

(Date of Hearing: 22.10.2007)

(Date of Order: 26.10.2007)

1. The BSES Rajdhani Power Ltd. (BRPL) filed the Aggregate Revenue Requirement Petition for Multi Year Tariff with the Commission on 1.10.07. The said ARR Petition (No. 51/2007) is listed for admission.
2. The Commission observed that the said ARR Petition filed by BRPL is incomplete/defective as on some specific issues the Petition is not in accordance with the Delhi Electricity Regulatory Commission (Terms & Conditions for Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007. Some of the deviations from Regulations of the Delhi Electricity Regulatory Commission (Terms & Conditions for Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007 are mentioned below:
 - (i) Calculations regarding AT&C Losses, O&M Expenses, RoCE, etc., are not in accordance with the provisions made in the Delhi Electricity Regulatory Commission (Terms & Conditions for

Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007.

- (ii) The accumulated depreciation and the capital work in progress (CWIP) have not been excluded while making calculation for Regulated Rate Base (RRB) as provided in the MYT Regulations, 2007.
 - (iii) An allocation statement to apportion costs and revenues to respective business of Wheeling and Retail Supply has not been duly approved by the Board of Directors as required under Clause 4.4 of MYT Regulations, 2007.
 - (iv) The allocation Statement specifying the cost of power purchase that is attributable to trading activity of the BRPL has not been made as per Clause 5.30 of the MYT Regulations, 2007.
 - (v) Power Purchase Cost has been fixed without taking into consideration the Estimated Revenues through bilateral exchanges and UI.
 - (vi) The baselines and performance trajectory for all quality parameters has not been proposed as specified in the Delhi Electricity Supply Code and Performance Standards Regulations, 2007 and as per sub-clause (d) and (h) of Clause 8.3 of the MYT Regulations, 2007.
 - (vii) The tariff proposed for each consumer category, slab wise and voltage wise is not duly supported by a cost of service model allocating the cost of business to each category of the consumer based on voltage wise cost and losses.
 - (viii) The Business Plan filing in general, and the Capital Investment Plan thereof in particular, is not as per Clause 8.3 of the MYT Regulation, 2007.
3. The Commission heard the representatives of the BRPL at length. Sh. Ajay Dhagat, CEO, appearing on behalf of BRPL, submitted that there has been a conscious deviation in the submissions made by the

Licensee on the issues relating to the AT&C Loss Level trajectory and the method of determination of O&M Expenses etc. The MYT Regulations specified AT&C Loss Level of 17% at the end of control period. The AT&C loss achieved by the Petitioner at the end of F.Y. 2006-07 (being the base year) is 29.92%. Even though the base AT&C loss level at the start of the MYT period is different, both M/s. NDPL and the Petitioner have been given the same targets at the end of the MYT period. At the same time, the Commission has not provided any rationale for fixation of the same targets despite the Petitioner's pleading that factors like geographical area, network condition, consumer mix, unauthorised areas, etc. are quite different from M/s. NDPL.

4. Sh. Dhagat submitted that the comparison with other distribution utilities in other states has revealed that the average annual loss reduction trajectory achieved is far below than the achievement of the Petitioner in the last five years (2002 to March, 2007). This however , proves the contention of the Petitioner that it is difficult to reduce losses at a higher rate when actual losses have reached lower limits.
5. Sh. Dhagat submitted that the Abraham Committee has also appreciated the fact that high loss reductions are possible in initial years when losses are very high i.e. more than 40%. However, if losses are in the range of 30% and lower, then the yearly reduction in the loss is bound to be less as compared to the situation of higher losses. Further, the severe cash crunch situation faced by the Petitioner due to increase in power purchase cost is likely to affect its Investment Plan and loss reduction effort.
6. Sh. R. C. Mehta, appearing on behalf of BRPL stated that there has been some deviations with regard to calculation of the opening Regulated Rate Base (RRB).
7. Sh. Mehta further submitted that the Licensee has computed the RoCE for its total Rate Base and has allocated the same into Wheeling and Supply Business in proportion of percentage of GFA. Further, the Petitioner has proposed a supply margin of 5% on Consumer Contribution.

8. The Commission heard the Petitioner/Licensee with regard to the reasons for deviations from the Delhi Electricity Regulatory Commission (Terms & Conditions for Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007 and feels that the reasons given by the Petitioner are not convincing to justify the deviations from the Regulations of 2007. The Regulations have Statutory binding force and the ARR Petition is supposed to be in accordance with the Regulations. In fact, the entire exercise of determination of Multi Year Tariff has to be regulated by the Regulations of 2007. The Commission may consider to grant relaxation only in such matters which are supported by sufficient and convincing reasons, in public interest, after following the due process of law. Thus, keeping the above in mind the Commission directs the Petitioner/Licensee (BRPL) for compliance of the following:

- (i) All the calculations regarding AT&C Loss Level, O&M Expenses, RoCE, etc. shall be worked out in accordance with the provisions given in the MYT Regulations, 2007.
- (ii) The calculations for Regulated Rate Base (RRB) shall be arrived at using provisions given in the Regulations, 2007 after excluding accumulated depreciation and the capital work in progress.
- (iii) An allocation statement to apportion cost and revenue of respective business shall be duly approved by the Board of Directors of the Licensee as per Clause 4.4 of the Regulations, 2007.
- (iv) The Power Purchase Cost shall take into account apart from other parameters, the Estimated Revenues received through bilateral exchanges and UI.
- (v) To submit for each consumer category, slab wise and voltage wise tariff in accordance with Clause 8.7 of the Regulations, 2007, duly supported by cost of service model, allocating the cost of business to each category of consumer as well as subsidy if any, being granted by GoNCTD.

- (vi) The Petitioner/Licensee shall propose the baseline performance trajectory for all quality parameters as specified by Delhi Electricity Supply Code Performance Standard Regulations, 2007.
 - (vii) The Petitioner/Licensee is directed to take up the issue of past period true-up expenses with the Govt. of NCTD. The Petitioner/Licensee is further directed to propose tariff structure for recovery of aforesaid expenses in case GoNCTD is not agreeable to provide these expenses in the form of government support and same needs to be recovered through tariff.
 - (viii) It has been observed that prayer clause of the Petitioner/Licensee is vague. The Commission would like to have specific reference to the prayer and also orders of Appellate Tribunal, High Court and Supreme Court etc. on which Licensee intends to rely upon. The Licensee is further directed to file a copy each of such Orders on which they have placed reliance.
 - (ix) The Commission directs that as the issue of Consumer Security Deposit is not related to the Multi Year Tariff Determination, and has already been disposed of by the Commission by a self contained speaking order, this issue should not be made part of this petition. The Representatives of the Petitioner who were present during the hearing, have agreed to delink this issue and take it up separately before an appropriate forum.
9. In view of the above discussions the petition for ARR and Multi Year Tariff Determination is admitted. The Petitioner/Licensee shall place on record the requisite information / details as directed above within seven days of issue of this Order alongwith the draft public notice.
10. Ordered accordingly.

Sd/-
(K. Venugopal)
Member

Sd/-
(Berjinder Singh)
Chairman