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DERC

## **1. Background, Procedural History and Description of ARR Filing**

### **1.1 About the Commission**

The Delhi Electricity Regulatory Commission (hereinafter referred to as 'Commission') was constituted by the Government of National Capital Territory of Delhi (hereinafter referred to as 'Government') on March 3, 1999 and it became operational from December 10, 1999.

#### **1.1.1 Functions of the Commission**

Major functions assigned to the Commission under the Delhi Electricity Reform Act, 2000 (hereinafter referred to as 'DERA') are as follows:

- to determine the tariff for electricity, wholesale, bulk, grid or retail and for the use of the transmission facilities
- to regulate power purchase, transmission, distribution, sale and supply of electricity
- to promote competition, efficiency and economy in the activities of the electricity industry in the National Capital Territory of Delhi
- to aid and advise the Government on power policy
- to collect and publish data and forecasts
- to regulate the assets and properties so as to safeguard the public interest
- to issue licenses for transmission, bulk supply, distribution or supply of electricity
- to regulate the working of the licensees
- to adjudicate upon the disputes and differences between licensees

Major functions assigned to the Commission under the Electricity Act, 2003 (hereinafter referred to as 'EA 2003') are as follows:

- determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State;
- regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- facilitate intra-state transmission and wheeling of electricity;
- issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person,

and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licence;

- adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;
- levy fee for the purposes of this Act;
- specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;
- specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- fix the trading margin in the intra-State trading of electricity, if considered, necessary; and
- discharge such other functions as may be assigned to it under this Act.

### **1.1.2 Issuance of Concept Paper on Tariff and Guidelines for Revenue and Tariff Filing**

#### **1.1.2.1 Concept Paper on Tariff**

The Commission brought out a Concept Paper on Tariff in September 2000. The Concept Paper provided a historical background of the power sector in Delhi, brought out the salient features of the first tariff proposal of Delhi Vidyut Board (hereinafter referred to as 'DVB') and sought suggestions from various stakeholders on the conceptual issues on electricity tariff.

#### **1.1.2.2 Guidelines for Revenue and Tariff Filing**

The Commission specified the 'Guidelines for Revenue and Tariff Filing' for submission of their Annual Revenue Requirement and Tariff petitions by Delhi Vidyut Board in October 2000. It contained about 29 data forms with guidelines to get data from utilities.

### **1.1.3 Regulations and Orders issued by the Commission**

In its journey from inception till date, the Commission has issued thirteen Tariff Orders and notified nine Regulations as given in Tables 1.1 and 1.2, respectively. Four regulations are in the process of being notified, as given in Table 1.3. The Orders were issued after following the due process and all stakeholders were given an opportunity to present their viewpoints.

**Table 1.1: Tariff Orders issued by the Commission**

<b>S. No.</b>	<b>Name of the Order</b>	<b>Date of issue</b>
1.	Order on Rationalization of Tariff for Delhi Vidyut Board (DVB)	16-1-2001
2.	Order on ARR for 2001-02 and Tariff Determination Principles for 2002-03 till 2005-06 for Delhi Vidyut Board	23-5-2001
3.	Order on Joint Petition for Determination BST and Opening Losses for DISCOMS	22-2-2002
4.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04 ) and determination of Retail supply tariffs for BSES – Yamuna Power	26-06-2003

	Limited	
5.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04 ) and determination of Retail supply tariffs for BSES – Rajdhani Power Limited	26-06-2003
6.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04 ) and determination of Retail supply tariffs for North Delhi Power Limited	26-06-2003
7.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04 ) and determination of Bulk supply tariffs for Delhi TRANSCO Limited	26-06-2003
8.	Order on ARR for Financial Year 2004-05 and determination of Retail supply tariffs for BSES – Yamuna Power Limited	09-06-2004
9.	Order on ARR for Financial Year 2004-05 and determination of Retail supply tariffs for BSES – Rajdhani Power Limited	09-06-2004
10.	Order on ARR for Financial Year 2004-05 and determination of Retail supply tariffs for North Delhi Power Limited	09-06-2004
11.	Order on ARR for Financial Year 2004-05 and determination of Bulk supply tariffs for Delhi TRANSCO Limited	09-06-2004
12.	Order on ARR for Financial Year 2004-05 and determination of Generation tariffs for Indraprastha Power Generation Company Limited	09-06-2004
13.	Order on ARR for Financial Year 2004-05 and determination of Generation tariffs for Pragati Power Corporation Limited	09-06-2004

**Table 1.2: Regulations notified by the Commission**

S. No.	Title of Regulations
1.	Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001
2.	Delhi Electricity Regulatory Commission (Management and Development of Human Resources) Regulations, 2001
3.	Delhi Electricity Regulatory Commission (Appointment of Consultants) Regulations, 2001
4.	Delhi Electricity Regulatory Commission (Delegation of Financial Powers) Regulations, 2001
5.	Delhi Electricity Regulatory Commission (Grant of Consent for Captive Power Plants) Regulations, 2002 (Since Repealed)
6.	Delhi Electricity Regulatory Commission (Performance Standards – Metering & Billing) Regulations, 2002
7.	Delhi Electricity Regulatory Commission (Medical Attendance) Regulations, 2003
8.	Delhi Electricity Regulatory Commission (Redressal of Consumers' Grievances) Regulations, 2003
9.	Delhi Electricity Regulatory Commission (Guidelines for establishment of Forum for redressal of grievances of the consumer and Ombudsman) Regulations, 2003

**Table 1.3: Regulations under process of notification**

S. No.	Title of Regulations
1	Delhi Electricity Regulatory Commission (Procedure for filing appeal before the Appellate Tribunal) Regulations, 2005
2	Delhi Electricity Regulatory Commission (Treatment of Income from Other Business of Transmission Licensee and Distribution Licensee) Regulations, 2005

3	Delhi Electricity Regulatory Commission (Intra- State Trading) Regulations, 2005
4	Delhi Electricity Regulatory Commission (Terms and conditions for Open Access) Regulations, 2005

Further, in compliance to the provisions of Electricity Act, 2003, the Commission has issued the following Draft Regulations for public comments:

**Table 1.4: Draft Regulations notified by the Commission**

S.No.	Title of Regulations
1	Delhi Electricity Regulatory Commission (Metering and Billing) Regulations, 2004
2	Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2004
3	Delhi Electricity Regulatory Commission (State Advisory Committee) Regulations, 2005
4	Delhi Electricity Regulatory Commission (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2005
5	Delhi Electricity Regulatory Commission (Conduct of Business) Regulations, 2005

The Commission is actively considering the responses received from the public and will finalise the above Regulations in a short period.

## **1.2 Background**

### **1.2.1 Transfer Scheme**

Pursuant to the provisions of the Act, the Government notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 (hereinafter referred to as 'Transfer Scheme') on November 20, 2001. The Transfer Scheme provided for unbundling of the functions of Delhi Vidyut Board (hereinafter referred to as "DVB") and the transfer of existing transmission assets of DVB to Delhi Transco Limited (formerly known as Delhi Power Supply Company Limited and hereinafter referred to as 'TRANSCO') and the existing distribution assets to three Distribution Companies (hereinafter collectively referred to as 'DISCOMs').

### **1.2.2 Policy Directions**

#### **1.2.2.1 Notification of Policy Directions**

In exercise of powers conferred by Section 12 and other applicable provisions of the DERA, the Government issued Policy Directions vide Notification No F.11 (118)/2001-Power/2889 of November 22, 2001 and as amended on May 31, 2002 (hereinafter collectively referred to as "Policy Directions"). A copy of the Policy Directions is attached hereto as Annexure 1.

#### **1.2.2.2 AT&C loss as a measure of efficiency**

The Government, through the Policy Directions, indicated its intent to disinvest majority shareholding in the DISCOMs to private investors with the balance 49% remaining with the



Government. The Policy Directions identified the Aggregate Technical & Commercial (AT&C) losses as the measure of efficiency of the Distribution business. It further indicated that a long-term definitive loss reduction in distribution, to be achieved over a five-year period, should be settled upfront through competitive bidding to induce investors. In this regard, the Government invited the investors to submit bids for AT&C losses, which they could reduce each year for the years 2002-03 till 2006-07. However, prior to the submission of bids by investors, the Commission was required to determine the base AT&C loss levels for each DISCOM through an Order, which were to be the opening levels of AT&C losses for the purposes of bidding.

#### **1.2.2.3 Framework for tariff determination**

The Policy Directions indicated that the AT&C loss for the purpose of tariff computation by the Commission for each DISCOM in a year shall be the opening AT&C loss and the reduction proposed for the year in the bid submitted by the investor selected by the Government for purchase of 51% equity in the Distribution Company. Further, tariffs are to be determined such that the DISCOMs recover all expenses permitted by the Commission and earn a 16% return on equity.

The Policy Directions envisaged identical retail tariffs for the DISCOMs till the end of 2006-07. An amount of approximately Rs. 3450 Crore was committed by the Government in the Policy Directions, as a loan to be disbursed to the Transmission Company, to bridge the gap between the revenue requirement of the TRANSCO and the bulk supply price that it may receive from the distribution licensees based on the above framework.

#### **1.2.3 Determination of BST and Opening Losses**

The Order on opening loss levels, to be issued by the Commission, as discussed in Para 1.2.2.2 was also required to determine the Bulk Supply Tariff (BST) applicable to each of the DISCOMs to apprise the investors of the various cost and revenue elements required in the determination of tariff.

##### **1.2.3.1 Filing of Joint Petition, BST Order and submission of bids**

A joint petition was subsequently filed by the TRANSCO and the three DISCOMs on December 21, 2001 for the determination of Bulk Supply Tariff for the period till March 31, 2002 and opening level of AT&C Losses for the DISCOMs. The Commission, after detailed analysis of the Petition and supporting information submitted by the Petitioners and after due consideration of the responses received from the various stakeholders and Policy Directions, issued an Order on Bulk Supply Tariff and Opening Level of AT&C Losses for the three DISCOMs on February 22, 2002.

Thereafter, the investors submitted the bids. After evaluation of the bids, the Government awarded 51% of the equity of the DISCOMs to the chosen private investors.

#### **1.2.4 Effective date of Transfer Scheme**

The Transfer Scheme was made effective by the Government from July 1, 2002 onwards and from this date, the Petitioner formally took over the distribution assets of DVB (as defined in the Transfer

Scheme) and became authorized to commence electricity distribution and retail supply business in the specified area as the South West Delhi Distribution Company Limited (SWDDCL) (as defined in the Transfer Scheme).

### **1.2.5 Revision of Guidelines by the Commission**

The Commission, in the meanwhile, revised the existing Guidelines for Revenue & Tariff Filing (Guidelines) to accommodate the Policy Direction framework envisaged by the Government. The revised guidelines were issued by the Commission on August 23, 2002.

The revised guidelines recognised the Sixth Schedule of the Electricity Supply Act, 1948 as amended from time to time, as the framework applicable to the TRANSCO for filing its Annual Revenue Requirement (ARR). The framework envisaged by the Policy Directions was made applicable to the DISCOMs for ARR filing purposes. The existing data formats were accordingly modified.

These guidelines also required TRANSCO to play a lead role in facilitating a common agreement between the TRANSCO and the DISCOMs in regard to the energy supply-demand position in the State for the current and the ensuing year. This was important to ensure emergence of an overall revenue gap/surplus for all the Companies from the individual filings, based on a common expectation regarding the DISCOM's demand and supply requirement for the period. The co-ordination was also required to be done well in advance of the deadline set for submission of petitions to the Commission.

### **1.2.6 ARR and Tariff Determination for FY 2002-03 and 2003-04**

During the months of November and December 2002, the Transmission Company and three Distribution Companies filed their ARR and Tariff Petitions for the nine months of 2002-03 (July 2002 to March 2003) and for FY 2003-04. The Commission had a series of discussions with the TRANSCO and three DISCOMs wherein the Commission sought additional information, clarifications and justifications on various issues critical for admissibility of the Petitions. Subsequently, the Petitioners submitted the information and justifications. However, considering the series of submissions by the DISCOMs and with the passage of time, the Commission directed the DISCOMs to file Consolidated ARR Petitions for the nine-month period of FY 2002-03 and FY 2003-04. The DISCOMs filed the Consolidated Petitions during the first week of March 2003. The Commission admitted the Petition of TRANSCO and the three DISCOMs for further processing on March 6, 2003.

The Commission brought out a Public Notice on March 7, 2003 indicating the salient features of the Petitions and invited responses from the consumers and other stakeholders on the Petitions. However, the Commission did not receive adequate responses on the Petitions due to the fact that the Petitioners did not file a Tariff Petition and due to low awareness and appreciation of the tariff determination process based on the framework specified by the Government's Policy Directions. Due to the low response on the Petitions, the Commission made a presentation to select stakeholders and briefed them about the unbundling and privatisation process followed by the

Government, the Policy Directions framework, the salient features of the Petitions, and the importance of the ARR Petitions for the tariffs to be approved by the Commission. The Commission sought responses from the participants on the ARR Petitions as well as suggestions on other related areas including tariff rationalization.

The Commission also brought out a public notice on April 11, 2003 and sought further suggestions/responses from the general public on other related areas of concern to the consumers including rationalization of tariff categories/sub-categories, tariff structure amendment, and other charges levied as per provisions of the Tariff Schedule. The Commission received a total of 78 responses from the various stakeholders. The Commission conducted the Public Hearings on the May 12, 13 and 14, 2003 in five different sessions. Subsequently, the Commission held discussions with the Petitioners and obtained the details of actual expenses, revenue and losses for the nine-month period of FY 2002-03 (July 2002 to March 2003).

The Commission, based on the detailed scrutiny of the Petitions and additional information/clarifications submitted by the Petitioners and after following the due public process, issued its Orders on the ARR and Tariff Petitions of TRANSCO and DISCOMs for FY 2002-03 (9 months) and FY 2003-04 on June 26, 2003.

#### **1.2.7 Enactment of Electricity Act 2003**

The Electricity Act 2003 (EA 2003), enacted in June 2003 repealed the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. It provides for increased competition in the sector by facilitating open access (permission to use the existing power transfer facilities) for transmission and distribution, power trading, and also allows setting up of captive power plants without any restriction.

The Commission has examined the applicability of DERA and Policy Directions issued by the GNCTD subsequent to the enactment of the EA 2003. The Sections 185 (3) and 185 (2) (e) of the EA 2003 are the relevant Sections dealing with the applicability of the Delhi Electricity Reforms Act 2000 and the Policy Directions issued by the GNCTD under the provisions of DERA.

Section 185 (3) of the EA 2003 states that *"The provisions of the enactments specified in the Schedule, not inconsistent with the Provisions of this Act, shall apply to the States in which such enactments are applicable"*. The Delhi Electricity Reforms Act, 2000 has been listed under this proviso at Sl.No. 7 of the Schedule of EA 2003.

Further, Section 185 (2)(e) of the EA 2003 states that *"all directives issued, before the commencement of this Act, by a State Government under the enactments specified in the Schedule shall continue to apply for the period for which such directives were issued by the State Government"*.

From these two provisions of EA 2003, it can be interpreted that the provisions of DERA 2000 which are not inconsistent with the provisions of EA 2003 shall still be applicable to the State of Delhi and

the Policy Directions issued by the GNCTD under the provisions of DERA shall be applicable till the period of Policy Directions i.e. 2006-07. The Commission, while analysing the Petitions and while issuing this Order has duly considered these provisions of the EA 2003 and has dealt with the matters accordingly.

#### **Procedure envisaged in the EA 2003 for Tariff Order**

Section 64 of the EA 2003 specifies the procedure to be followed for issuance of a tariff order. Sub-sections (1) and (3) of this Section of EA 2003 state as follows:

Sub-section (1): *"An application for determination of tariff under section 62 shall be made by a generating company or licensee in such manner and accompanied by such fee, as may be determined by regulations".*

Subsection (3): *"The Appropriate Commission, shall within one hundred and twenty days from receipt of application under sub-section (1) and after considering all suggestions and objections received from the public:*

*(a) issue a tariff order accepting the application with such modifications or such conditions as may be specified in that order:*

*(b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of this Act and the rules and regulations made there under of the provisions of any other law for the time being in force:*

*Provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application."*

#### **1.2.8 ARR and Tariff Determination for FY 2004-05**

The TRANSCO, Indraprastha Power Generation Company Limited (IPGCL), Pragati Power Corporation Limited (PPCL) and the three DISCOMs filed their ARR and Tariff Petitions for FY 2004-05 in December 2003. The Commission had a series of discussions with TRANSCO, IPGCL, PPCL and the three DISCOMs wherein the Commission sought additional information, clarifications and justifications on various issues critical for admissibility of the Petitions. Subsequently, the Petitioners submitted the information and justifications. The Commission admitted the Petitions of TRANSCO, IPGCL, PPCL and DISCOMs for further processing on January 16, 2004.

The Commission brought out a Public Notice on January 17, 2004 indicating the salient features of the Petitions and invited responses from the consumers and other stakeholders on the Petitions. The Commission also brought out a public notice on February 14, 2004 and sought further suggestions/responses from the general public on the issues related to Tariff Rationalisation.

The Commission received a total of 78 responses from the various stakeholders. The Commission conducted the Public Hearings on April 7, 8 and 10, 2004 in five different sessions. Subsequently, the

Commission held discussions with the Petitioners and obtained the details of actual expenses, revenue and losses for FY 2003-04.

The Commission, based on the detailed scrutiny of the Petitions and additional information/clarifications submitted by the Petitioners and after following the due public process, issued its Orders on the ARR and Tariff Petitions of TRANSCO, IPGCL, PPCL and the DISCOMs for FY 2004-05 on June 09, 2004.

### **1.3 Procedural History**

#### **1.3.1 ARR & Tariff filing by the Companies for FY 2005-06**

##### **1.3.1.1 Filing of petitions**

The TRANSCO, IPGCL, and PPCL filed their Petitions for approval of ARR and determination of Tariffs for FY 2005-06, on November 30, 2004. The Petitioner, BSES Rajdhani Power Limited (BRPL) filed its ARR and Tariff Petition for determination of Retail Supply Tariff (RST) for FY 2005-06 on December 29, 2004. The other two DISCOMS, i.e., BSES Yamuna Power Limited (BYPL) and North Delhi Power Limited (NDPL) filed their ARR and Tariff Petition for determination of Retail Supply Tariff for FY 2004-05 on December 29, 2004 and December 31, 2004 respectively.

The Policy Directions envisage uniform retail tariffs across the DISCOMs and tariffs have to be determined so as to allow the DISCOMs to recover all permissible expenses and return for the year. This implies that the BST for the DISCOMs for a period cannot be determined in isolation and one would have to take cognisance of the ARRs of the DISCOMs for further processing.

The Petitioner, in its Petition, has projected a Revenue Gap of Rs. 260 Crore for FY 2005-06 excluding revenue gap of Rs. 325 Crore for FY 2004-05 and did not propose any revision in the retail tariff. The Petitioner has requested the Commission to determine its retail supply tariff and bulk supply tariff, taking into account the provisions of the Transfer Scheme, the Policy Directions issued by the Government and filings made thereunder. The Petitioner, in its Petition, has also suggested certain tariff rationalization measures for the consideration of the Commission.

##### **1.3.1.2 Interactions with the Petitioner**

The submissions of the filings were followed by a series of interactions, both written and oral, wherein the Commission sought additional information/clarification and justifications on various issues, critical for admissibility of the petitions. The Petitioner submitted its response on the issues raised through separate submissions on February 24, 2005.

The other Distribution Companies, the TRANSCO, the IPGCL and the PPCL also provided similar information and clarifications on the issues raised in respect of their filings. The Commission admitted the Petitions for further processing on March 10, 2005.

### 1.3.2 Public Notice and response from stakeholders

#### 1.3.2.1 Publicity given to the Proposal

The Petitioners brought out a Public Notice on March 14, 2005 indicating the salient features of their own Petition, and inviting responses from the consumers and other stakeholders on their own Petition. The Commission also brought out a Public Notice on March 24, 2005 indicating the salient features of all the Petitions for FY 2005-06, inviting responses from the consumers and other stakeholders on the Petitions submitted by NDPL, BRPL, BYPL, TRANSCO, IPGCL and PPCL, in accordance with the provisions of the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001. The Public Notice was published in several dailies such as:

- The Hindustan Times and Indian Express in English;
- Dainik Jagran in Hindi; and
- Daily Milap in Urdu.

A copy of the Public Notice in English, Hindi and Urdu is attached as Annexure 2a-1, 2a-2 and 2a-3 respectively.

A detailed copy of the Petition of each Petitioner was also made available for purchase from the respective head-office of the Companies on any working day from March 14, 2005 onwards, between 11 a.m. and 4 p.m. on payment of Rs. 100/-. The Notice specified the deadline of April 14, 2005 for the receipt of responses/objections from the stakeholders which was subsequently extended till April 30, 2005. The complete copy of the Petitions was also put up on the website of the Commission, as well as that of the Petitioners.

#### 1.3.3 Public Hearing

The Commission received 98 objections in all. Some objections were received after the deadline for submission of the responses. A detailed list of the respondents is attached with this Order as Annexure 3a. The Commission forwarded the objections to the Petitioner for submission of comments to the Commission with a copy to the Respondent. The Petitioner filed its responses to the comments/objections of the stakeholders by May 18, 2005. The Commission conducted the Public Hearings on May 24, 25 and 26, 2005. All the stakeholders who had submitted responses/objections on the ARR Petitions were invited to express their views in the matter. A list of the Respondents who participated in the Public Hearing process is attached with this Order as Annexure 3b. The entire proceeding was split across four different sessions catering to distinct groups of stakeholders as given in Table 1.5.

**Table 1.5: Dates of Public Hearing**


Date	Category
May 24, 2005 (Two Sessions)	Domestic, Co-operative Societies, and Commercial
May 25, 2005 (One Sessions)	Industrial Consumers and Associations
May 26, 2005 (One Session)	Government Departments, Utilities and NGOs

### **1.3.4 Post admission interactions**

#### **1.3.4.1 Discussions during technical sessions and presentation by the Petitioner**

After admission of the ARR Petition, the Commission held further technical sessions with the concerned staff of the Petitioner to seek additional information and clarifications. Subsequently, the Commission sought additional information such as status of capital expenditure including scheme wise details, anticipated benefits of proposed capital expenditure for FY 2005-06, estimate of savings in Employee Cost for FY 2004-05 on account of Voluntary Retirement Scheme (VRS), quality of DVB Arrears and district-wise AT&C Losses. Subsequently, on April 12, 2005 the Commission directed the Petitioner to submit the Provisional Accounts for FY 2004-05 along with actual expenses and revenue for FY 2004-05. The Commission held a meeting on May 11, 2005 and May 27, 2005 and sought further details of scheme-wise actual capital expenditure for FY 2004-05, actual arrangement for funding of capital expenditure for FY 2004-05, actual benefits achieved during FY 2004-05 and anticipated benefits for FY 2005-06, details of recruitment of new employees, actual details of sales and revenue, other income and expenses during FY 2004-05, and District-wise AT&C losses. The Commission also raised the discrepancies noted from the reconciliation of data across various submissions with the Audited Accounts of the Petitioner.

#### **1.3.4.2 Petitioner's responses to queries raised by the Commission**

On February 21, 2005, the Petitioner made a presentation to the Commission on the status of the Capital Investments proposed by the Company in its Petition for FY 2004-05, R&M expenditure, A&G expenses, AT&C losses and its compliance with old and new directives. The responses to some of the queries raised in the letter dated March 29, 2005 were submitted on April 5, 2005. The information submitted by the Petitioner in these submissions pertained to details of DVB Arrears,  anticipated benefits of proposed capital investment plan for FY 2005-06 and clarification on District-wise AT&C losses and capitalisation of assets. Subsequently, on April 29, May 12, May 13, May 17, May 18, June 8, and June 9, 2005, the Petitioner submitted the Provisional Annual Accounts for FY 2004-05, actual capital expenditure incurred during FY 2004-05 and funding of the same, details of loan arrangement, details of actual revenue earned and expenses incurred, AT&C loss level achieved during FY 2004-05 and specific responses to some of the queries for reconciliation information across submissions and Annual Accounts.

#### **1.3.4.3 Visits by the Commission**

In addition to the interactions with the Petitioner in the Commission's office, the Commission also undertook several visits to the Petitioner's area during FY 2004-05 at some select locations to review the physical progress of the Capital Works and Repairs and Maintenance works.

An Activity Chart giving the details of various activities undertaken during the proceedings is attached as Annexure 4.

#### 1.4 Summary of the petition

The Petitioner has estimated the Annual Revenue Requirement (ARR) and Revenue Gap for FY 2005-06 at Rs. 2428 Crore and Rs 260 Crore respectively. The Petitioner, while estimating the ARR for FY 2005-06 has also included certain elements of difference in expenses and revenue for FY 2004-05 under the truing up mechanism. The total amount of truing up included in the ARR for FY 2005-06 is of the order of Rs. 325 Crore. A snapshot of the ARR and revenue gap at existing tariffs is provided in the Table 1.6.

**Table 1.6: Summary of ARR and Revenue of the Petitioner at existing BST and RST**

Rs. Crore

Item	Unit	FY 2005-06
A. Energy Input	MU	8558
B. AT&C Loss at the end of the year	%	36.70%
C. Expenditure other than Power Purchase Cost	Rs Crore	525
D. Existing Bulk Supply Tariff	Paise/kWh	207.78
E. Power Purchase cost at existing BST (AxD)	Rs Crore	1779
F. Total Expenditure (C+E)	Rs Crore	2284
G. Past Arrears Payable	Rs Crore	20
H. Allowable Return	Rs Crore	155
I. Non Tariff Income	Rs Crore	31
<b>J. Annual Revenue Requirement (F+G+H-I)</b>	<b>Rs Crore</b>	<b>2428</b>
K. Estimated Revenue Realisation based on existing Retail Supply Tariff	Rs Crore	2168
<b>L. Revenue Gap for FY 2005-06 at Existing Tariffs excluding Revenue Gap for FY 2004-05</b>	<b>Rs Crore</b>	<b>260</b>
<b>M. Revenue Gap for FY 2004-05</b>	<b>Rs Crore</b>	<b>325</b>

The Petitioner, in its ARR Petition, also suggested some tariff rationalization measures. The salient features of some the suggestions made by the Petitioner are summarized below:

- **Fixed Charges** – Further increase in Fixed Charges or alternatively introduction of a 'Minimum Monthly Charge'
- **KVAH Based Billing** - Extension of KVAh billing to all consumers having sanctioned load above 10 KW

#### 1.5 Layout of this Order

This Order is organised into 8 Sections. While the current Section gives the information about the Commission, the historical background and summary of the Petition, the second Section gives a detailed account of responses from stakeholders, Petitioner's comments and the Commission's views on the responses. Section 3 discusses the Annual Revenue Requirement. While Section 4



focuses on the Tariff Philosophy and Approach to bridge Revenue Gap, Section 5 deals with the Tariff Rationalisation Measures. Section 6 deals with Tariff Calculations. Section 6 also gives a comparison of Power Purchase Cost and Retail Supply Tariff in Delhi with neighbouring States and other States. Section 7 reviews the Directives issued to the Petitioner in the Commission's Order dated June 9, 2004 on the ARR and Tariff Petition filed by BRPL for FY 2004-05 and also lists down the new directives issued in this Order. Section 8 gives the revised Tariff Schedule.

DERC

DERC

## 2 Response from Stakeholders

The issues relevant to the said Petition have been dealt with in the following paragraphs:

These objections/responses mainly relate to Procedural Issues, Quality of Filing, Privatization Policy and Reform Process, Policy Directions issued by the Government of NCT of Delhi, AT&C losses, ARR and Revenue Gap, Rationalization of Tariffs, Conditions of Supply, etc.

### 2.1 Procedural Issues

#### 2.1.1 Objections

Joint Committee of Residents Welfare Associations of Pitampura has objected to the procedure of inviting responses from the public. The objector submitted that the public notice published specifies that the response from consumers and stakeholders must be on affidavit, in triplicate and either in person or by post and email responses are not permitted. The Association commented that the practice adopted this year is a departure from past practice and wanted to know the purpose of affidavit and also why three copies are required. The Association mentioned that the procedure adopted this year creates an impression that DERC is not really interested in receiving responses but is putting the public notice only to meet statutory requirements.

Jhilmil DDA Flats Residents Welfare Association has suggested that the Commission should appoint an independent consultant in association with a NGO on behalf of consumers at large to analyse Tariff Petitions and represent viewpoint of consumers during the process of approval of ARR and determination of tariff for FY 2005-06.

Mr. N. Ahuja has submitted for the Commission's consideration that a brief summary of ARR and Tariff Petition be made available by the Commission in a manner which can be understood by a common man to solicit quality inputs from consumers.

The Peoples' Power Network comprising of World Wide Fund for Nature – India, Consumer Coordination Council and Parivartan has suggested that the Commission have separate proceedings on the capital expenditure plans of the companies and in these proceedings, the Companies should be required to present their long term capital expenditure plans with a clear statement of objectives. It has also made the following submissions in respect of improvements or changes to the process:

All calculation and spreadsheets of the Commission should be made public and available in electronic form.

- **Periodic and public review of compliance with directions of the Commission on a quarterly basis**
- The Commission should have an independent audit of billing and metering systems of the DISCOMs.

The Consumer Coordination Council has suggested that consumer groups should participate in technical validation as this will provide feedback on Quality of Service problems, DJB revenues, Capital Expenditure, metering and billing, etc.

## **2.2 Jurisdictional issues**

The Bharatiya Mazdoor Sangh submitted that the DISCOMs have requested the Commission for approval of their revised expenditure for FY 2002-03, 2003-04 and 2004-05 and hence, for the review of tariff. They have opined that since the review of tariff is to be carried in review petitions and the same is not in the jurisdiction of the Commission in the present petition. They have submitted that seeking review of earlier orders of the Commission as part of the present petition is not the proper way of filing. They have further suggested that the petitions in their present form should be rejected.

The Bharatiya Mazdoor Sangh has stated that in the present petitions, the DISCOMs have requested for truing up the gap for the period 2002-03 up to 2004-05. They have opined that acceptance of this request by the Commission would require reopening and reassessment of the tariff for the said period, which is beyond the jurisdiction of the Commission. It has suggested that the petitions filed by the DISCOMs should be rejected.

## **2.3 Quality of Filing and Additional Information**

### **2.3.1 Objections**

Shri. K Ashok Rao, Convenor of the National Working Group on Power submitted that the information base available in Public is insufficient to challenge the claims of the DISCOMs since the underlying assumptions and commitments are not in public domain. He requested the Commission to direct the GNCTD to give the following documents so that the proposed tariff increases can be examined in the proper context:

Inception Report prepared by SBI Capital market Ltd.

RFQ and other documents provided to potential bidders

Final report on Restructuring of DVB by SBI Caps dated July 2001

RFP and other information issued to pre-qualified bidders

Bidders received in response to RFP

Business valuation of the DISCOMs carried out by SBI Caps with all assumptions and calculations

Documents relating to the reserve thresholds for AT&C loss reduction

Shareholders agreement

Shri. K Ashok Rao has emphasized that in the absence of documentation regarding the details of the various commitments made by the GNCTD and by the DISCOMs, it is not possible for the general public to make a proper appraisal and meaningful submissions before the DERC.

Shri. Rao has also submitted that since the data provided in the ARR is based on actuals for part of the financial year and estimates for the balance year, this exercise is based on assumptions. He has further submitted that the present tariff order should be made valid for only six months as it will ensure that in all future years, the ARR would be filed in December after the audited statement of accounts for the previous year are available and every financial data is based on actuals.

The Bharatiya Mazdoor Sangh has submitted that the DISCOMs have failed to file a consolidated petition for the perusal of the public. They have stated that the manner of filing of petitions is erroneous and there is lack on continuity in the submissions, thereby making it difficult to connect the information spread over in different groups. They have submitted that the petitions are not transparent for proper response from the public.

The Bharatiya Mazdoor Sangh has also expressed concern over the authenticity of the data/information since the audited accounts are not provided along with the petitions. They have pointed out that there are several ambiguities in the information given by the DISCOMs when compared to the Commission's Orders of June 2004. They have suggested that a fixed methodology for filing of petitions be prescribed/followed by the DISCOMs.

Mr. S. R. Abrol has raised the concerns over accounting system employed by the Petitioner and its resulting impact on reported revenues and expenses.

### **2.3.2 Response of the Petitioner**

The Petitioner has submitted that its accounts are audited as per the Companies Act. As per the license conditions, the Petitioner is required to prepare annual accounts up to the thirty-first day of March each year, and render an annual statement of his audited accounts along with auditor's report, within a period of nine months from the aforesaid date, to the Commission. The accounting statements are further scrutinized by the Commission before admitting the expenses in the ARR

## **2.4 Privatization Policy and Reform Process**

### **2.4.1 Objections**

M/s Praja has raised concerns with respect to repayment of Govt. Support after the transition period. The objector submitted that the transition period is going to end in two years and if the DISCOMs are free to buy power from other sources, how the TRANSCO will repay the loan of Rs 3450 Crore.

The Delhi Power Consumers' Guild has expressed its concerns that power sector reforms in Delhi are failing because they are based on the incorrect philosophy that all losses of the power Utilities are due to theft of power by consumers. They have further mentioned that their study has revealed that the real cause is not the theft by consumers but due to failure of the managements to run utilities on scientific principles. They have opined that since the reform policy is built on wrong assumptions and is running counter to the purposes for which it was made, it becomes illegal and void. Therefore, approval for hiking tariff under this policy does not arise.

Senior Citizens' Forum has suggested a mid term review of the Policy Directions to effect the learnings from the experience of privatisation and protect the interest of consumers.

Shri. Rao has also suggested that the Commission obtain and make public the amount of increase in subsidy for every incremental MW supplied to the DISCOMs. He has further suggested that the Commission spell out the policy with regard to repayment of loan by DTL and its implications on consumer tariffs, as well as a policy with regard to the implications for consumer tariffs and reliability of supply after the end of the transition period.

Based on the Commission's viewpoint in the Order dated February 22, 2002 which was expressed as "... At this point, the Commission opines that any shortfall in revenue gap, if any, of TRANSCO during the term of five years over and above Rs. 2,600 Crore would have to be bridged in the form of Government support, sector efficiency improvements, any other suitable mechanism or a combination of all of the above, to be decided by the Commission at the appropriate stage.", Chetna has requested the GNCTD to clarify the basis and assumptions for initial level of subsidy support of Rs. 2,600 Crore, increase in subsidy support to Rs. 3,450 Crore and whether GNCTD would support any further shortfall in revenue gap alongwith the quantum of additional support, if any, and its source of funding.

### 2.4.2 Response of the Petitioner

The Petitioner has submitted that as per para 14 of the Policy directions issued on 22nd November 2001 by GoNCTD "The Government as a matter of policy, has decided that retail tariffs for the three distribution licensees shall be identical till the end of 2006-07, i.e., consumers of a particular category shall pay the same retail tariff irrespective of their geographic location". The Policy directions envisage uniform retail tariffs across the DISCOMs and, the tariff to be determined so as to, allow the DISCOMs to recover all permissible expenses and return for the year. This implies that the Bulk supply Tariff and Retail supply Tariff's are interlinked, and therefore, this petition has been restricted to estimating ARR only. As such Petitioner has not proposed any Retail Supply Tariff, leaving the tariff determination to the Commission.

The Financial Restructuring plan (FRP) prepared by GoNCTD at the time of privatization for turnaround of the sector, has assumed an average tariff increase of 10% year on year for the first three years of the transition period which is also mentioned by the Commission in the Tariff Order FY 2004-05. The Commission in the last Tariff Order has stated that *"against the 20% average tariff increase assumed in the Financial Restructuring Plan for FY 2002-03 and FY 2003-04, the increase in the tariffs required to bridge the revenue gap based on actual assessment for FY 2002-03 and estimations for FY 2003-04 was only about 5%"*. This has led to substantial revenue gap during FY 2004-05 requiring a higher tariff increase than actually considered by the Commission.

## 2.5 Transition Issues

### 2.5.1 Objections

The Peoples' Power Network and the Consumer Coordination Council has expressed concern over the tariff structure in post-transition period including issues like whether the GoNCTD will provide additional support and how further loss reduction will be achieved. It has also requested the Commission to describe how the transition from uniform tariffs to company-specific tariff structure will be achieved once the transition period ends. It has also expressed concern over whether the DISCOMs will be free to buy power from any source after the transition period and in that event how will the loan of Rs. 3,450 crores be paid back by DTL.

## 2.6 Compliance with the Directives of the Commission

### 2.6.1 Objections

Several objectors including Chetna and Shri Vijay Kumar Gupta have submitted that though the Petitioners have been given sufficient time to comply with the various directions issued by the

Commission in the Orders issued on June 9, 2004, the Petitioners have not complied with most of the directions. He has submitted that the ARR of the Petitioners should not be cleared in view of such non-compliance.

### **2.6.2 Response of the Petitioner**

The Petitioner has provided the status of compliance of the directives issued by the Commission in Chapter 7 of the ARR petition. Further, periodic information and /or as requested by the Commission is being submitted on the status of the directives issued by the Commission

## **2.7 AT&C Losses**

### **2.7.1 Objections**

Several respondents have objected to the high level of AT&C losses, pilferage and theft of energy, etc. Resident Welfare Association, Rohini has submitted that whether the Comptroller and Auditor General of India has submitted the report relating to loss level in DISCOMs.

Resident's Federation of Rohini Coop. Group Housing Societies has submitted that the Commission may examine the AT&C losses of DISCOMs in Delhi keeping in view of the losses in other States and international data available. The Petitioner has submitted that the AT&C losses in Chennai, Kolkata, Ahmedabad and Mumbai are 20%, 19%, 15% and 13%, respectively. The Federation has suggested that the AT&C losses can be categorised as latent losses and patent losses. The objector further mentioned that the Petitioner has emphasised to justify the expenditure and action taken to curb the technical losses by improving the cable faults, faults in transformers, fault in feeder lines etc. However, the action to curb the patent losses on account of direct hooking, by passing meters and default in making payments is missing in the Petition conspicuously.

The objector further commented on the impact of reduction in AT&C losses on tariffs and mentioned that if the current losses are brought down from 46% to 20%, the tariff will down by at least 30% and as per the DISCOMs if the commercial losses are reduced, the average tariff could reduce by around 60 paise per unit. The objector has also submitted that an ordinary consumer is not interested in the voluminous petitions, but is interested to know the achievements made by DISCOMs to reduce the losses with respect to target levels.

Shri A K Chandra submitted that the three DISCOMs have indicated AT&C losses of 35-45% with BRPL and NDPL indicating losses of 35% approx. and BYPL indicating 45% approx. The objector requested that these loss levels are too high and should not be accepted. Against the DISCOMs argument that they have been reducing the losses as per their agreement with Govt., the objector submitted that the agreement nowhere stipulated that the DISCOMs cannot reduce the losses more than what is stated in the agreement. The objector submitted that the DISCOMs argument



that there is political non-cooperation for action against theft is unacceptable. The objector argued that Mumbai city is also governed by democracy and is full of slums and poor, but the AT&C losses are 11.5% comparable to international standards of 12%. The objector requested that the Commission should not accept the AT&C loss figures as considered by DISCOMs and stipulate that by March 2006, BRPL and NDPL should bring down their AT&C losses to 25% and BYPL should bring down the losses to 30%.

Young Friends Co-op. Group Housing Society Ltd. submitted that there is no reason why the AT&C losses in Delhi cannot be brought down to the level of what is prevalent in western countries because electricity does not behave differently in Delhi. The objector suggested that the difference in losses with international levels amounts to a staggering annual recurring losses to the tune of Rs 2500 Crore. The objector has categorized the losses into three categories and has suggested following measures to control the AT&C losses.

Technical losses can be substantially reduced by using transformers of 99.5% plus efficiency using copper cables (instead of Al), SF 6/VCB type ring main units, kiosk type ring mains, eliminating oil-filled switch gear, etc. Further, early fault detection and remedial measures should be provided through CDMA/AMS. These measures will reduce lower-skilled manpower and increase customer satisfaction.

For controlling theft, punitive provisions exist in the Act and such provisions may be enforced. Much of the theft cannot take place without collusion of the employees and hence a suitable carrot and stick policy should be implemented.

The objector further submitted that the bills should be presented to consumers on regular basis and for payment default by major consumers like DJB, MCD, DMRC, MES etc, the matter should be vigorously pursued at higher levels of Govt.

Senior Citizens' Forum has suggested that an extensive energy audit should be undertaken at each district level and each district should be made responsible for controlling AT&C losses. Random checking without support of extensive energy audit system would not yield adequate results.

Shri. K Ashok Rao, Convenor of the National Working Group on Power submitted that there is a need to re-examine the validity of AT&C loss as a measure as T&D loss has shown an increase in the case of BRPL and BYPL during the last two years and most of the improvement is on the commercial side. He has further submitted that even in the commercial part of the index viz. AT&C loss, most of the reduction in the losses is on account of recovery of past DVB arrears. He has pointed out that in case of BRPL, industrial consumption has reduced by about 50% from FY 2003 onwards and T&D losses have increased in almost the same measure, suggesting that the DISCOMs have failed to control (or colluded in) theft of electricity. He has submitted that AT&C loss, both as a measure for determining compensation and as an incentive should be reviewed.

TRANSCO has submitted that arrears should not be considered in computation of AT&C loss as DVB Arrears are not the receivables against energy sold by DISCOMs.

The Bhartiya Mazdoor Sangh has submitted that while the DISCOMs have made claims of over achievement in loss reduction targets at various forums, the petitions have indicated lower reduction in AT&C losses. They have suggested that appropriate action be taken by the Commission in view of false statements in respect of achievement in reduction of AT&C losses by way of affidavit.

The Udyog Nagar Industrial Complex has expressed concern over the slow pace of reduction of losses and has suggested that the annual targets of loss reduction be increased by the Government.

The Senior Citizens Welfare Association has also expressed concern over the fact that no attempt has been made by the DISCOMs to better the performance during FY 2005-06 as the projected AT&C losses at the end of FY 2005-06 have been mechanically arrived at by making adjustments in opening levels based on annual values of reduction indicated in the accepted bid level.

Engineers Association Okhla has suggested that the DISCOMs take suitable actions to stop theft/pilferage of electricity by JJ Clusters, dhabas, vegetable shops, and other such consumers who don't pay for electricity. It has also submitted that the DISCOMs should generate more revenue by arresting losses on account of theft and faulty transmission lines.

Shri Sanjeev Bhatnagar has suggested that direct theft laws should be put in place and the same should be publicized. He has also stated that the reduction in AT&C losses as shown by the DISCOMs is on the lower side and a detailed report district wise should be prepared on the same and monitored by the Commission.

Students Welfare Association has contended that while Delhi Government and DISCOMs have failed in curbing AT&C losses, the burden of the same should not be passed on to honest consumers. Delhi Government has failed in facilitating reduction drive by not opening 5 courts for specifically dealing with cases of power theft as per the Order of Supreme Court.

Udyog Nagar Factory Owner's Association has suggested following measures to reduce AT&C losses:

- Metering of streetlight
- Control theft in unapproved/unorganised sectors such as JJ Cluster of industries
- Replacement of old meters

Patparganj F.I.E. Entrepreneurs Association has suggested that industrial zone exhibiting better than desired AT&C loss level of 18% should be either rewarded with a tariff discount or recognised as a 'Clean and ideal industrial zone'. This would help in reducing AT&C losses to everyone's benefits.

Badli Industrial Estate Association, Narela Relocation Industrial Welfare Association and D.S.I.D.C. Industrial Complex, Narela have suggested that the benefit of reduction in AT&C loss beyond the target level should be passed on to the consumers of the particular DISCOMs which have been successful in achieving this performance. This would encourage consumers and DISCOMs to reduce T&D losses beyond the targeted level and build up confidence in the ongoing Reform Process.

Several objectors have submitted that timely switching off of streetlights will reduce losses.

Mr. Abrol has suggested that lighting in park should be separated from streetlight and metered to control theft from such points. He has further suggested that mobile squads be deputed at night to detect theft.

Residents of Mahavir Nagar have submitted that consumers should not bear the loss of revenue due to transmission as it is up to the DISCOMs to set transmission lines.

The Peoples' Power Network has expressed concern that the reduction in losses is not rapid in spite of the generous incentives and soft targets given to the DISCOMs. It has submitted that the AT&C loss reduction targets for the DISCOMs are easily achievable compared to international and national performance. It has also opined that past DVB arrears should not be included as revenue for the purpose of calculating AT&C loss reductions as the DISCOMs are already being generously rewarded for collecting past DVB dues.

The Peoples' Power Network and the Consumer Coordination Council have pointed out that a high reduction of about 50% has been observed in industrial consumption in both BRPL and BYPL but no reduction for NDPL has been noticed. It has therefore, requested the Commission to review the data to ensure that there are no errors in calculation by the companies.

Shri B N Ahuja of Lajpat Nagar has submitted that the Commission should come out with a specific plan and delegate authority on DISCOMs to reduce the high AT&C losses at least by 5% per annum.

Shri Tilak Raj Mukhija and the IMD Employees Co-op Group Housing Society Ltd. have submitted that the high loss in revenue due to theft and line losses shows the negligence/incompetence/carelessness of the Companies and/or their employees. They have submitted that the DISCOMs be directed to stop theft or the amount should be debited to the

profits of the Companies. They have further submitted that there would be no need for tariff revision following this measure as the DISCOMs would be forced to reduce losses.

The Naraina Small Industries Welfare Association Phase – I has also objected to the burden of theft and inefficient management of DISCOMs being passed on to consumers by way of higher tariffs. It has referred to the over achievement in reduction of AT&C losses by NDPL as compared to the performance of the BSES and submitted that the inefficient DISCOMs should be punished by reducing their margin of 16% and the benefits be passed on to consumers.

The Consumer Coordination Council has expressed concern over the fact that the AT&C loss reductions of all three DISCOMs for 2002-03 and 2003-04 are within one percentage point of the bid targets and submitted that this raises doubts on the veracity of the figures or the unwillingness of DISCOMs to achieve higher targets by efforts to increase efficiency despite generous incentives to outperform target. It has also submitted that since non-technical losses constitute 45.30% and are more amenable to administrative or management solutions, priority should be given to these measures for reducing losses rather than heavy capital expenses for reducing technical losses.

The Residents Associations of Vikram Vihar, A-Block Amar Colony, National Park (Lajpat Nagar), and Dayanand Colony have pointed out that despite the huge capital investments proposed by the Petitioner, the Petitioner has not proposed any over-achievement in reduction in AT&C losses with respect to the bid level. It has submitted that unless the DISCOMs show higher achievement in loss reduction, they should not be allowed expenses higher than the level considered by the Commission in its order of BST and opening loss levels of February 2002.

Further, in view of NDPL's overachievement in loss reduction by 6%, it has questioned the manner in which the BSES DISCOMs are maintaining their records. It has also questioned the accounting of the huge amount of cash being collected on a daily basis. Referring to the provision in the budget for FY 2005-06 which requires any person with an annual electricity bill of more than Rs. 5000 to file return, the Association has suggested that the Commission may direct the Petitioner to accept any bill exceeding Rs. 5000 by Account Payee Cheque only. It has further suggested that the Petitioner's bank name and account number should also be reflected on the cheque and cash payments should be accepted at the district and circle level only in order to discourage cash payments.

### **2.7.2 Response of the Petitioner**

The Petitioner in its response to the objections on the said matter has highlighted that the reform and privatization of the power sector in the NCT of Delhi has been initiated to address the poor financial health and supply conditions in the sector and is in public interest. Prior to the

commencement of distribution operations in central-east, south-west circles by the Petitioner companies, Electricity Distribution in such areas were being undertaken under a Government owned setup from 1997 onwards under Delhi Vidyut Board (DVB) and prior to that period under Delhi Electricity Supply Undertaking (DESU). At the time of takeover, the AT & C losses in various areas of DVB ranged anywhere from 50% to 65%. The Petitioner is making rigorous efforts in various functional areas including metering and billing and is conscious of the fact further reduction in AT&C losses than the target will benefit the overall power sector performance in Delhi. The AT&C loss reduction to the bid level over 5 years will require collections to increase significantly at the current tariff level and is projected to turnaround the sector. The incentives for overachievement will lead to greater efforts to reduce the losses further. The additional revenue from such better performance in reducing AT&C losses will be counted for the purpose of tariff fixation and passed on to the consumers.

The Petitioner has submitted that it is taking several measures to reduce electricity theft in its area of supply. The enforcement machinery has been streamlined and strengthened. Teams of enforcement officers are dedicated for the purpose of detection of theft and bringing to book the offending consumers. Necessary actions thereof are taken in accordance with the Electricity Act, 2003 and the Metering and Billing Regulations issued by the Commission. The Petitioner has taken up the task to replace the electromechanical meters by electronic meters with technologically advanced features equipped for download of data and tamper indication for accurate energy measurement and tracking the dishonest abstraction of energy. This would minimize the metering problems and reduce the level of commercial losses where most of the energy recording system are bypassed. The Petitioner has also envisaged gradually converting connections presently being billed on flat rates to metered connections and reducing losses, through proper electrification of unelectrified unauthorized colonies by implementing HVDS

The Petitioner has added that it is undertaking other measures as well to reduce revenue losses. These measures include detection of tariff category misuse, simplified procedures for people to obtain legal metered connections, IT enabled metering, billing /collection procedures to reduce manual intervention/discretion, enabling mechanisms for speedy resolution of billing disputes, prompt disconnection of non paying customers etc.

The Petitioner has proposed capital expenditure for laying down the basic infrastructure, system augmentation, LT clean up and improvements in the metering and billing systems, so as to rectify the aged distribution system. Some of these expenditures shall help the Petitioner in loss reduction while others will improve system reliability and customer services. Thus all the capital expenditure is not for bringing down the AT&C losses, while results of these expenses are already becoming visible their full impact in improving services all round will be felt in the near future.

The Petitioner has submitted that unlike other metros, Delhi has the peculiar phenomenon of over a thousand odd unauthorized colonies and a larger number of JJ Clusters. These areas are prone to illegal abstraction of power thus contributing to AT& C losses. As these areas are not planned and have come up hapazardly it becomes difficult to check power theft in such areas. Teams of enforcement officers are dedicated to counter such illegal abstraction of power and are entrusted to curb theft in these areas despite heavy resistance, lack of adequate police protection, litigation etc. Bringing in large number of unauthorized consumers numbering a few lakhs into the billing net in unauthorized colonies/ JJ Clusters is more difficult and complex than merely metering on a system that has already been created. The process is therefore difficult and time consuming and there is bound to be a transition period. Further any loss reduction in an endemic environment cannot be without reference to the socio-political context viz. electrification of JJ Clusters (even with a low tariff of Rs. 1.75 per unit with no increase in FY 2004-05 aimed at buying these residents into the billing net to reduce the burden on other paying consumers, the response has been poor).

The Petitioner has mentioned that it continues to take steps against collusion of staff/ representatives abetting illegal abstraction of power. Prompt action has been taken against agencies and their staff (after verification) involved in malpractices by dispensing with their services. Recently, a electrician from Dilshad Garden area involved in tampering meter was arrested and charged against the accused under section 135 of the Electricity Act and IPC 420. The Petitioner has also mentioned that it values the support of its consumers/RWA's in the efforts to eradicate corruption and reduce losses.

The Petitioner has submitted that it has booked about 10,000 cases of tariff violation, unauthorized use and dishonest abstraction of power during FY 2004-05 through sustained enforcement action for curbing power theft. The Special Court (set up under the Electricity Act, 2003) for trying electricity theft related cases has already issued summons or warrants in 15 cases leading to the arrest of four persons. More action is expected as over hundred cases involving sum of Rs. 17 crores are pending with the Court.

The Petitioner has submitted that the results of all these actions have translated into conversion and billing of large number of consumers both in terms of load and billing into actual category of use, increase in consumer base and sales/revenue, and consequent loss reduction.

The Petitioner has also submitted that it has overachieved the bid level loss reduction targets in FY 2003-04 as also in FY 2004-05. It has further submitted that when the companies took over the business in July 2002, the actual opening loss levels were higher than the bid opening loss levels (63.1% and 51.5% for BYPL and BRPL respectively). This in effect would translate into a cumulative loss reduction of 13% (BYPL) and 10% (BRPL) respectively in thirty three months. This has had a beneficial impact on tariffs keeping in mind rise in fuel costs, raw material costs, etc. At the same time, it is recognized that without the active cooperation of the consumer associations, consumer

groups, RWA's, and other stake holders it would not be possible to curb electricity theft. Electricity theft is a social evil and should be tackled jointly by the licensees and all likeminded consumers in the overall interest of the sector.

The Petitioner has pointed out that in the performance rating of the state power sector across all State Electricity Board's (SEB's Report dated Jan 29, 2004) by the Ministry of Power, Delhi was rated first amongst its peers.

The Petitioner has also submitted that it already installed energy meters on incoming feeders at its 66 & 33 kV grid stations and outgoing feeders from the grid stations. Indexing of consumers with respect to the distribution transformers is also nearing completion. Installation of meters on outgoing feeders of 180 distribution transformers has been completed and further work is in progress. Once end to end metering is complete a full scale energy audit will become possible.

The Petitioner has further submitted that the Commission has applied the principle of revenue realisation in its Bulk Supply Tariff Order of February 2002 which laid down the guidelines for tariff fixation for prospective investors and earlier tariff orders, wherein the revenue realized included all collections without any distinction between prior period collection and the collection for the period of ARR as the entire funds were available for meeting the ARR.

The Petitioner has added that it makes every effort in timely switching on/off the street lights as per the season. However, the street lights need to be switched on for small period during the day for the maintenance activities. Moreover as the present system of switching of the streetlights is manual there is a time lag in the on/off operation across stretches covered in a beat. Avenues for automated switching of streetlights are being explored.

As regards the comment of stakeholders that theft assessment bill should be based on the connected load/sanctioned load whichever is higher, is the Petitioner has submitted that the Tariff Order issued by the Commission prescribes that sanctioned load or connected load whichever is higher has to be taken. Moreover, electricity theft being a social evil should be discouraged at all levels and stringent penal charges should be levied on theft of electricity. Any leniency in penal action would only encourage in theft and will not be in the interest of honest paying consumers.

## **2.8 ARR and Revenue Gap**

### **2.8.1 Objections**

The major objection under this head relates to authentication of actual revenue and expenditure, restricting wasteful expenditure of the Companies, detailed examination of the accounts of the Petitioner by the Commission, establishing prudence, etc.

Shri Vijay Kumar Gupta has submitted out that all Petitioners have incurred expenditure on almost all heads in defiance of what was approved by the Commission in the Orders issued on June 9, 2004. He has pointed out that for all revenue related matters, the Govt. departments have established Preventive, Anti-evasion, Special Investigation, and Revenue Intelligence and Enforcement branches to for the checking and surveillance of even the audited and assessed accounts of the concerned parties/Petitioners. These branches have imposed huge penalties while scrutinizing the accounts of the Companies/Utilities/Petitions related to revenue. He has further submitted that the Commission should have strict checks and balances in respect of such matters because a huge amount of money is involved in the power sector of Delhi. He has mentioned that the Petitioners have exhausted almost the entire State Govt. support/grant for the power sector. Though there has been a heavy increase of retail tariff, a further increase in the same is being demanded and the same should not be allowed.

Residents Welfare Association, Rohini has inquired whether the Government has launched any inspection/check systems to control the expenditure.

Shri S C Gupta has pointed that the BRPL buys power at Rs 1.97 per unit and sells at an average tariff of Rs 3.89 per unit, BYPL buys power at Rs 1.56 per unit and sells at an average tariff of Rs 3.87 per unit and NDPL buys power at Rs 2.12 per unit and sells at an average tariff of Rs 4.15 per unit. The objector has mentioned that after meeting the cost of wages and other expenses these companies are earning hefty profit margins and how they have projected the revenue gap. The objector further stated that the honest consumers not only pays for power they consume but are also made to pay for the powers other steal while a guaranteed return of 16% on investments made by private distribution companies. The objector further mentioned that the average honest consumers shells out Rs 5000 per year to cover theft.

Young Friends Co-op. Group Housing Society Ltd. submitted that they are unable to reconcile some of the data published in the Public Notice. The objector has pointed out discrepancy that TRANSCO's energy available for sale to DISCOMs is stated as 21806 MU whereas the energy input of three DISCOMs adds up to only 19659 MU leaving an unexplained gap of 2237 MU.

Shri Sanjeev Bhatnagar has submitted that the projected shortfall in recovery in FY 2004-05 is largely due to the incompetence of the DISCOMs and payment of higher charges in respect of capital and revenue expenditure.

Senior Citizens' Forum has objected to inclusion of revenue gap for FY 2004-05 as part of the revenue requirement for FY 2005-06 and suggested that the Petitioner should be made responsible for managing its expenses within the budget and the burden of incompetence, inefficiency and mismanagement should not be passed on to the consumers. Senior Citizens' Forum has also suggested that the Government should support proposed increase in annual revenue requirement



with either a grant and loan and the same should not be passed on to consumers by way of tariff hike. The Forum has further suggested freezing the tariff for coming three years.

Senior Citizens' Forum has objected to inclusion of revenue gap for FY 2004-05 as part of the revenue requirement for FY 2005-06 and suggested that the Petitioner should be made responsible for managing its expenses within the budget and the burden of incompetence, inefficiency and mismanagement should not be passed on to the consumers.

Federation of Group Housing Societies has further reiterated its observation that if the ARR Petitions are admitted every year for review then DISCOMs would rely more on upward revision of tariff for earning their returns rather than improving their own systems through rationalisation of their workforce, improvement of productivity by better utilisation of manpower through training, other cost cutting measures like better inventory control and reduction of indefensible T&D losses.

Dehi Transco Limited (TRANSCO) has objected to the suggestion of DISCOMs to determine the BST based on paying capacity of DISCOMs. TRANSCO has drawn the attention of the Commission to the fact that the Policy Direction does not provide for determination of BST based on paying capacity and has requested the Commission to determine BST based on revenue requirement of TRANSCO after factoring in pre-determined loan support of Rs. 138 Crore from the Government.

TRANSCO has objected to the DISCOM's request for approval of revised expenditure for FY 2003-04 by stating that it would amount to re-opening of the whole tariff determination exercise which has been concluded with issue of the Tariff Orders and Orders on Review Petitions thereon.

Shri B N Ahuja of Lajpat Nagar has submitted that the details of expenses of the Utilities are not known. He has requested that the Commission examine these expenses at the micro level and bring them down to the essential minimum.

The Senior Citizens' Welfare Association has referred to media reports of the TRANSCO submitting a revised ARR petition showing a profit of Rs. 200 Crores because of better distribution management and submitted that if this be the case, there should be no need to increase tariff. It has also indicated the expenses of the DISCOMs other than power purchase costs is quite high. It has expressed concern over the expenses on account of mobile phones for the AE level and above and suggested that such expenses should be disallowed and information on the same should be sent to the Commissioner of Income Tax for taxation purposes.

The Naraina Small Industries Welfare Association Phase – I has submitted that improvement of distribution facility and VRS are capital investments and should not be considered as expenditure when computing tariffs.

The PHD Chamber of Commerce and Industry has suggested benchmarking of the various expenses of the DISCOMs. It has also suggested that the Commission re-work the revenue gap on realistic basis following the norms laid down by it before deciding any increase in retail tariff for FY 2005-06.

### **2.8.2 Response of the Petitioner**

The Petitioner has submitted that it has filed the Annual Revenue Requirement in accordance with the license conditions and guidelines for ARR/tariff filing issued by the Commission and the Electricity Act 2003. The required information is included in the ARR document (including all formats) that was submitted to the Commission and made available to the general public through sale of the ARR document and website of the Petitioner.

The Petitioner has further submitted that the figures for the ensuing year have been projected after considering the audited figures for the accounts of the previous year and first six months un-audited accounts of the current year. The accounting statements of the licensee gets authenticated and audited as per provisions of the Companies Act and in terms of the license conditions.

The Financial Restructuring and reform model of the GoNCTD envisaged a transition period of five years for the turnaround of the sector assuming reduction of losses as per committed bid level with a 10% retail tariff increase in the initial three years, gradually tapering off in the last two years. As the BST was determined equivalent to the paying capacity of the Discom's, the above model implied gradual increase in the BST with decreasing transition loan support to Transco. It was forecasted that with such retail tariff increase and the loss reduction target, at the end of the transition period the BST would reflect cost of service and the sector would be self dependent. With the gradual decrease in AT & C losses as envisaged in the Financial Restructuring plan, the costs per unit of energy sold would decrease gradually and retail tariffs would reflect the cost of service. The cost of service at the consumer end includes the generation costs, transmission costs and the distribution costs which also include losses incurred in the network system. It is to be borne in mind that at the time of takeover with over 50% losses, the DISCOMs would have to buy at least two units from Transco apart from the distribution overheads for every unit sold to the consumer. The difference in structuring the BST and RST is to be seen in this light.

As per the principles laid down in the Policy Directions of the GoNCTD, the Bulk Supply Tariff for each Discom is to be determined on the basis of its paying capacity. The paying capacity for each Discom (amount available for power purchase) is to be computed by projecting the expected revenues and deducting there from the revenue requirement excluding the power purchase expenses. Hence, even though there may be a

difference in RST and BST, the Petitioner is only entitled to the return as envisaged in the Policy Direction. For instance, BYPL in the FY 2002-03 has suffered a revenue loss for not achieving AT & C loss reduction target. In its Tariff Order the Commission has mentioned that *"The Commission would also like to clarify that 16% return on equity is subject to the achievement of AT & C loss reduction committed by the Distribution Companies during the year."*

The Petitioner has stated that as per the Policy direction AT & C losses forms the basis for determination of tariffs. The Policy direction states *"The Government is of the view that the clearest measure of overall efficiency of the distribution business is the difference between units input into the system and the units for which payment is collected. The Government is of the considered view that losses of any kind, technical, non-technical or non-realisation of payments, ultimately, amount to loss in revenues. Efficiency gains must embrace all these aspects."* Hence any underperformance as regards to underachievement of AT & C loss reduction target will be engrossed by the Petitioner and will not be passed on to the consumers in the control period.

The Petitioner further stated that the Commission in its Tariff Order for FY 2004-05 has approved an Annual Revenue Requirement of Rs. 390 Crore excluding the power purchase cost. However, the Petitioner was allowed to recover only Rs. 123 Crore to run its operations i.e. the Commission has excluded the recovery of Rs. 267 Crore for the Petitioner, which has been carved out as a regulatory asset. Creation of Regulatory Asset by the Commission has resulted in recovery of lesser revenue than what was approved as prudent in the ARR, thus creating a revenue gap. The deficit of the current year as indicated by the licensee has been added to the ensuing year in accordance with the Commission's earlier Tariff Order issued in June 2003. The Commission in the order had clearly stated that the Petitioner has to be compensated to the extent of variations, which are beyond its control, subject to prudence of expenses, to ensure its financial viability and the holding cost of the same would also be allowed. Hence, addition of deficit of the current year to the ensuing year is prudent and justified.

The Petitioner has added that it has been making every effort for reducing its revenue requirement and expenses. However the revenue requirement and expenses of the Petitioner may be seen in view of the following factors:

- The network inherited by the Petitioner requires substantial investment for system augmentation, meter replacement, energy audit, etc. It will call for higher depreciation and interest charges.

- Under the tripartite agreement with the erstwhile DVB employees transferred to the DISCOMs under the transfer scheme, terms and conditions of employment cannot be inferior to those of the erstwhile DVB.
- Merger of DA with Basic salary after GoI notification has resulted in an increase of employee costs by 10% as explicated in Table 10 of the ARR petition.
- Compared to previous year raw material costs have increased significantly.
- Implementation of sustained R & M program has resulted in a substantial decrease in the failure rates of transformers due to sustained preventive maintenance efforts. The proactive preventive maintenance initiatives taken by the Petitioner to improve quality of supply have resulted in a significant improvement of the reliability index of the system as compared to yester years.

## **2.9 Depreciation charges**

### **2.9.1 Objections**

TRANSCO has objected to DISCOM's request for review of depreciation rates for the period from FY 2002-03 to FY 2005-06 by pointing out that it would amount to reopening of past Tariff Orders. TRANSCO has further submitted that no depreciation expense should be admitted for retired assets.

The Peoples' Power Network and the Consumer Coordination Council have submitted that it may be appropriate to use depreciation rates that conform to MoP guidelines because no loan is being repaid..

Shri Vijay Kumar Gupta has submitted that the reference to old MoP notification made by the Petitioners to get higher rates of depreciation should not be considered and the same should not be allowed as expenditure in the ARR. He has further submitted that all amounts of depreciation already charged should be reversed. He has mentioned that depreciation should be charged in the books of accounts for the purpose of income tax and for the purpose of the Registrar of Companies but the same should be excluded from expenditure for the purpose of the ARR. He has mentioned that if depreciation is allowed to be charged, a policy should be formed in this regard to re-evaluate the assets of the Petitioners at the end of FY 2006-07 so that real appreciation/depreciation thereof should be accounted for to the account of the Holding Company or to the account of future tariff.

The PHD Chamber of Commerce and Industry has submitted that in view of the Petitioners submission of allowing depreciation @ 7.5% as against the 3.5% determined by the Commission in its previous tariff orders, the Commission should re-work the amount of depreciation to be allowed for FY 2005-06. It has also submitted that the Commission formulate a policy for retirement of assets at the earliest so that the true picture of the assets of the Utilities is ascertained.

### 2.9.2 Response of the Petitioner

The Petitioner has mentioned that it has deliberated on the issue relating to depreciation norms in detail in the Section 4.6 in the ARR petition. The Petitioner has highlighted that it has quoted examples of State Electricity Commissions like Gujarat and Andhra Pradesh who have considered MoP norms while determining depreciation for the ARR. The Petitioner has also pointed out that it has quoted the views of the Task force (headed by N. K. Singh) Committee on Depreciation and has considered depreciation rate as per the Companies Act 1956 for the current and ensuing year.

### 2.10 Investments

#### 2.10.1 Objections

TRANSCO has drawn attention of the Commission towards the fact that the capital expenditure projected by DISCOMs is substantially higher than that estimated prior to privatisation by the Government. TRANSCO has requested that the Commission may ask the DISCOMs to clarify the reasons for such large variations and bring out the cost benefit analysis of the executed and proposed Schemes. They have further requested the Commission to pass on additional benefits achieved by BRPL and BYPL to consumers on account of completion of additional expenditure beyond the capital expenditure considered in the Tariff Order.

TRANSCO has further brought to the notice of the Commission that the capital expenditure proposed by DISCOMs is disproportionate to the net block of assets and CWIP for BRPL and BYPL. TRANSCO has estimated that the accelerated investment proposed by BRPL would result in higher interest and depreciation expenses and greater return on equity as shown in the following Table:

DISCOM	Impact on Return on Equity	Impact on Interest Expenditure
BRPL	Increase of Rs 72 Crore from Rs 83 Crore in FY 2004-05 to Rs 155 Crore in FY 2005-06	Increase of Rs 38 Crore from Rs 16 Crore in FY 2004-05 to Rs 54 Crore in FY 2005-06

TRANSCO has submitted that the accelerated capital expenditure should be put to strict scrutiny as it has direct bearing on consumer tariffs. TRANSCO has suggested that the capital expenditure undertaken in a gradual manner would help improving viability of all Utilities in the sector without impacting consumer tariffs.

TRANSCO has requested that the Commission may examine prudence of capital expenditure by analysing physical achievements and corresponding benefits. TRANSCO has drawn the Commission's attention to the fact that DISCOMs have not been following competitive bidding procedures for procurement of capital equipment/materials and award of contracts.

Mr. Suraj Prakash has submitted to the Commission that the capital expenses incurred towards new purchases and development work should be strictly monitored. Further, the status of Development Work and Deposit Work vis-à-vis the payment of Development Charges by consumer should be made available to consumers upon request. He has further submitted to the Commission that the Commission should levy deterrent penalty on the Petitioner which has levied differentiating Development Charges in unauthorised areas and has not resolved the complain of consumers in that regard.

The Bharatiya Mazdoor Sangh has submitted that the DISCOMs have given arbitrary and inflated estimates of capital investment for FY 2004-05 compared to the actual investment undertaken by them. They have pointed out that in view of the failure by DISCOMs to execute capital investments worth Rs. 100 Crores in earlier years, it is practically and technically impossible for them to carry out such huge expenditure in one year. They have expressed concern that the DISCOMs want to increase the tariff by way of artificial rise in capital investment. They have suggested that the limit of capital investment for the DISCOMs should be fixed.

Shri. K Ashok Rao, Convenor of the National Working Group on Power has submitted that the details of investments, cost benefit of investment, priority of investments and the source of funds of such investments should be made public. He has suggested that the Commission should calculate and make public implications of such investments and borrowings on future tariffs. He has further submitted that the sudden increase in capital investment - disproportionate to the existing assets and equity base - is aimed at creating conditions that would coerce the GoNCTD to dilute its existing equity of 49%. He has submitted that the Commission ensure that 49% of equity of the GoNCTD is not diluted and no change is made in the Shareholders Agreements and Tripartite Agreement with the workers.

The Chief Engineer, Delhi Development Authority (DDA) has submitted that as per the Transfer Scheme, the DISCOMs are committed to execute works against which payments have been made by the DDA to the erstwhile DVB. It has further submitted that the Commission has already rejected the plea of the DISCOMs to allow expenditure against such schemes in the ARR on the basis of objections filed by the DDA against the ARR of 2002-03, 2003-04 and 2004-05.

Shri B N Ahuja of Lajpat Nagar has submitted that there has been little improvement in line network of the DISCOMs and slanted poles, loose over head wires are a common sight. He has suggested that the Commission plan for a full overhaul of the network in the next five years and allot funds to the DISCOMs for the same.

The Consumer Coordination Council has objected to the actual as well as projected capital expenditure from 2002-03 to 2004-05 and for FY 2005-06 for all three DISCOMs as this is on a much higher side as compared to the figures suggested by SBI Caps. It has pointed that the figures given

by SBI Caps showed a steady and modest investment during these years. The Consumer Coordination Council has also submitted that not only is the proposed expenditure of the DISCOMs highly inflated based on market prices, but that it is also disproportionate to the existing assets. Further, the DISCOMs have not identified the gains due to such investments.

The Peoples' Power Network and the Consumer Coordination Council have suggested that the DISCOMs should develop a long term capital expenditure plan with a clear statement of objectives and the best way of achieving those objectives is by listing and ranking alternatives. They have further suggested that the Companies develop a year by year plan so that 'low hanging fruits' are picked first ensuring benefits for the consumer. It has submitted that the Network Options Study done by Alstom for Reliance companies should be available for review by stakeholders.

Shri Sanjeev Bhatnagar has highlighted the failure of the DISCOMs to meet deadlines in case of must do projects. He has suggested that penalty should be levied on DISCOMs for not adhering to the deadlines.

Senior Citizens' Forum has submitted that existing consumers should not be burdened with expenses attributable to investment for load growth. Further, they have mentioned that expenses attributable to investment for social obligation should either be supported by the Government or should be borne by the Petitioner and should not be recovered through tariff.

### **2.10.2 Response of the Petitioner**

The Petitioner has submitted that in order to provide better quality of supply and enhanced consumer services to its customers and in tune with the schemes suggested by CEA in its Comprehensive Study Report and also after a network optimization study by an internationally accredited firm on the upgradation of the network, both the BSES DISCOMs have planned a major capital expenditure in the ensuing year. The Petitioner has further submitted that such expenditure is needed in view of:

- Undertaking system development to meet the load growth
- Strengthening and refurbishment of system to improve the reliability of supply
- Reducing the targeted system losses
- Carrying out automation and other improvement works to enhance customer service
- Undertaking investments to fulfil social obligations (such as electrification of JJ colonies)
- Carrying out the Consumer Deposit Works

The Petitioner has further submitted the scheme wise details of the progress reports with respect to capital expenditure are periodically submitted to the Commission. Other information on capital

expenditure as sought by the Commission has also been submitted which includes cost of materials, quantity of materials, progress till date, date of completion of the projects, etc. Representatives of the Commission also make field visits to scrutinize the progress of such works. Only after detailed assessment the expenses are allowed in the ARR by the Commission.

The Petitioner has proposed capital expenditure for laying down the basic infrastructure, system augmentation, LT clean up and improvements in the metering and billing systems. Some of these expenditures shall help the utility in loss reduction while others will improve system reliability and customer services. Thus all the capital expenditure is not for bringing down the AT&C losses and the results/benefits of these expenses will become visible over a period of time.

The Petitioner has stated that the investment proposed by the Petitioner in the ARR is required in view of the poor network condition inherited by the Petitioner, to achieve the loss reduction target, to improve the system reliability, etc.

## **2.11 Funding of Investments**

### **2.11.1 Objections**

Jan Sehyog Manch and Mr. A. K. Gupta have suggested that the Petitioner should consider funding avenues such as deposit from consumers, public borrowing before infusing additional equity in business. Further, they have suggested that as the DISCOMs have not settled financial dues of employees who have opted for retirement under SVRS Scheme, retirement proceeds may be considered as a source of funds available with DISCOMs with the consent of employees and employees should be offered a return of 16%.

The Chief Engineer, Delhi Development Authority has submitted that consumers' contribution cannot be accounted for as part of financing capital expenditure but should instead be accounted for as revenue from tariff. He has pointed out that no details are available about the amount received and spent under this head. He has suggested that the DISCOMs should give detailed account indicating year wise, scheme wise expenditure, receipts and unspent amount.

## **2.12 Employee Expenses**

### **2.12.1 Objections**

TRANSCO has drawn the attention of the Commission to the fact that the revised estimate of employee expenses for FY 2004-05 are higher by 26.7%, 20.6% and 9.8% over that approved by the Commission in the Tariff Order for BRPL, BYPL and NDPL, respectively. The higher expenses for BRPL and BYPL are attributable to claim of amortisation of expense on SVRS beyond the savings arising out of the SVRS Scheme.



Shri Vijay Kumar Gupta has submitted that employee cost paid under the golden handshake/VRS scheme by the Petitioners should not be part of the expenditure in the ARR as this is a long term investment made by the Petitioners and will yield benefits in future after FY 2006-07. He has also submitted that one time heavy payment to employees under the VRS scheme on the one hand and new recruitment of favored people who helped the Petitioners in privatization while holding senior posts in the erstwhile DVB and other people at higher salaries/wages on the other hand is not justified as the burden is ultimately passed on to the consumers.

Senior Citizens' Forum has submitted that the ad-hoc payment of Rs. 500 per month to employees of erstwhile DVB under the Agreement entered with Employee Union at the time of privatisation should not be passed on to consumers but should rather be borne by the Government.

Shri. K Ashok Rao, Convenor of the National Working Group on Power has suggested that the Commission obtain and make public data relating to the improvement, if any, in employee costs on account of VRS. He has also submitted that the Commission ensure that the wage arrears on account of wage revisions to be applied with retrospective effect from 2001 are not loaded in the tariff.

Shri Tilak Raj Mukhija and the IMD Employees Co-op Group Housing Society Ltd. have submitted that the DISCOMs have proposed to raise revenue on account of VRS to the old employees. They have submitted that consumers have been paying full bills to the DVB and the amount paid by the consumers included all expenses direct or indirect. It is the matter between the DVB/GoNCTD and the DISCOMs at the time of handing over and take over and the consumers should not be forced to pay the same again.

Senior Citizens Welfare Association has highlighted that the Petitioner has not submitted any report on its effort to control wasteful expenditure and improve productivity. It has added that the ad-hoc payment of Rs. 500 per month to employees of erstwhile DVB under the Agreement entered with Employee Union at the time of privatisation should not be passed on to consumers but should rather be borne by the Government.

The PHD Chamber of Commerce and Industry has requested to know the impact of training provided to employees on the reduction in cost of supply of power.

Jan Sehyog Manch and Mr. A. K. Gupta have contended that the Leave Travel Concession (LTC) benefit could be claimed by an employee once in a block of 4 years. Accordingly, it could be estimated that 25% of employees on an average basis would claim LTC during the financial year. However, the Petitioner has estimated that 50% of the employees would avail LTC each year.

Jan Sehyog Manch has brought to the notice of the Commission that the wide disparity between per capita consumption of erstwhile DVB employees and that of State of Delhi

indicates a possibility of theft. They have suggested that these employees should be offered an allowance depending upon their entitlement instead of being levied charges for electricity consumed at subsidised rates. . This would ensure utilisation of electricity in a prudent, economic and efficient manner.

The Residents Associations of Vikram Vihar, A-Block Amar Colony, National Park (Lajpat Nagar), and Dayanand Colony have referred to the employee expenses proposed by BRPL for FY 2004-05 and FY 2005-06 and requested the Commission to critically examine whether these expenses are necessary. They have further requested the Commission to ensure that the Petitioner has undertaken adequate measures to reduce wasteful expenditure, improve productivity for labour and staff and that the unnecessary burden for the failure of the Petitioner to improve productivity and efficiency is not passed on to consumers in tariffs. In addition to this, they have pointed out that several senior officers are enrolled for BRPL as well as BYPL. However, it is not clear how their salaries and perks are being booked. It has requested the Commission to examine this aspect.

#### **2.12.2 Response of the Petitioner**

The Petitioner has submitted that the fresh recruitments are aimed at professionalized services in the much required areas of power distribution, financial management, billing, ERP implementation, networking and certain new departments which did not exist earlier. Such recruitments are necessary for the Petitioner to discharge its obligations to improve operational efficiencies and reduce losses in terms of the Agreement at the time of takeover.

It has further submitted that the licensee utilizes services of professional agencies on need basis for bill delivery, meter reading, etc. a practice also followed by several utilities/ service providers (DISCOMs of UP, AP, telecom operators, credit card service providers, etc). This doesn't violate the provisions of the Contract Labour Prohibition & Abolition Act.

The Petitioner has stated that it has estimated the amount towards LTA claims based on the expenses incurred in the previous year and first six months of the current year. Further, details as and when required by the Commission are being provided. The Petitioner would like to state that these expenses are best estimates and are subject to truing up at the end of the year.

The Petitioner has mentioned that it is bound by the provisions of the Transfer Scheme and the Tripartite agreement with the employee unions for adhoc payment of Rs. 500 per month on account of privatization. Hence, the expenses are to be allowed as a part of Employee Expenses. The Petitioner has added that these expenses were also considered in the same manner by the Commission in the earlier Tariff Orders.

## 2.13 Voluntary Retirement Scheme

### 2.13.1 Objections

The Bharatiya Mazdoor Sangh pointed out that the DISCOMS have requested for allowing of expenditure incurred against VRS/SVRS payments made to their employees. It has pointed out that in the BST Order of February 2002, the Commission observed that it had no jurisdiction in the matter of employees. They have also pointed out that the DISCOMs have filed Civil Writ Petition before the High Court of Delhi for payment of pensionary and terminal benefits to employees opting for VRS/SVRS by GNCTD. They have submitted that the principle of res-judicata operates upon the DISCOMs as the DISCOMs have been making similar prayers at two forums when the matter is subjudice in the Court. They have further suggested that since the DISCOMs suppressed this fact in their petitions before the Commission, the DISCOMs are liable for appropriate action for not disclosing/concealing the factual position.

TRANSCO has brought to the notice of the Commission that BRPL has been recruiting additional employees at a higher cost in the same categories in which they offered VRS. Amortisation cost of SVRS and salary expense for new recruits has increased total employee cost.

Residents Welfare Association, Rohini has enquired whether the Government has made any budget provision for these companies for VRS to the employees at the time of privatisation and as to why the companies are not utilising those funds for meeting the liabilities arising out of VRS.

The Udyog Nagar Industrial Complex has objected to the passing of the VRS burden to the consumers on the grounds that the DISCOMs will benefit from VRS in the form of reduced employee costs in the coming year. It has submitted that no tariff hike should be allowed to take care of the SVRS cost. Mayapuri Industrial Welfare Association and Senior Citizens' Forum have suggested that the cost of VRS should not be passed to the consumers, as benefits are likely to be retained by the Licensees and not by the consumers.

Jan Sehyog Manch and Mr. A. K. Gupta have objected to the Petitioner's recruitment of 1916 employees during FY 2004-05 after offering of VSS Scheme to 2499 employees as the Association fears that the benefits envisaged under VSS scheme may not materialise on account of such mass recruitment. The Association has further questioned the employment of large-scale manpower by way of outsourced activities. Mayapuri Industrial Welfare Association requested the Commission to ensure that the Licensees are not recruiting new manpower as a replacement to the employees who had been offered SVRS.

The Residents Associations of Vikram Vihar, A-Block Amar Colony, National Park (Lajpat Nagar), and Dayanand Colony have referred to the tariff neutrality aspect of the VRS Scheme and pointed out that while the Petitioner has considered the amortization cost of VRS for FY 2004-05

and FY 2005-06 as part of employee expenses, the Petitioner has not considered any savings from the VRS scheme while estimating employee expenses. They have requested that the VRS expenses should not be allowed in the ARR as it will adversely affect tariffs.

### **2.13.2 Response of the Petitioner**

The Petitioner has submitted that the VRS scheme was introduced with the objective to optimize resources and control the operating costs while simultaneously improving upon the customer service levels. With the implementation of the VRS scheme there has been substantial savings in employee expenses. The Commission in its Tariff Order for FY 2004-05 has decided to amortize the VRS expenses on the assumption that the expenses incurred by the Petitioner on SVRS will be recovered through savings which will be on account of the difference in the actual expenditure on salary for the remaining employees vis-à-vis the estimated expenditure assuming that none of the employees have availed SVRS. The Commission has outlined that this method of treatment of SVRS outgo will be beneficial to the consumers, as it maintains the employee costs at prudent levels and will be tariff neutral for the amortization period. Since the VRS expense is tariff neutral, the amortization expenses should be allowed in the ARR.

It has further stated that the actual cost towards employees, before amortization of VRS expenses in FY 2004-05, has reduced to Rs. 124.09 crores and Rs. 92.06 crores for BRPL and BYPL respectively as against an amount of Rs. 166.7 crores and Rs. 137.5 crores for BRPL and BYPL respectively estimated towards employee costs assuming that none of the employees availed VRS.

The Petitioner has added that the State Government has not provided any assistance in the form of loan/grant for the VRS scheme.

### **2.14 Other Expenses**

#### **2.14.1 R&M Expenses**

##### **2.14.1.1 Objections**

TRANSCO has brought to the notice of the Commission that the variance of R&M expenses with respect to that approved by the Commission for FY 2004-05 is 31% in case of BRPL, 48% in case of BYPL and 62% in case of NDPL. Further R&M expenses are estimated by assuming escalation of 8% in case of BRPL and BYPL and 6.5% in case of NDPL. TRANSCO has requested that the Commission may verify the extent of materials issued by the stores while considering revised estimates of R&M expenses.

The Bharatiya Mazdoor Sangh has opined that the claims of huge capital investments of the DISCOMs and increased R&M expenses are contradictory. It has pointed out that R&M expenses

should be negligible in case of true capital investment. It has submitted that R&M expenses and capital investment of the DISCOMs be carefully examined.

Mr. N. Ahuja has contended that expenditure on R&M should show a reducing trend rather than an increasing trend as projected by the DISCOMs, as substantial capital investment has been carried out by DISCOMs.

Jan Sehyog Manch and Mr. A. K. Gupta have requested the Commission to contain R&M expense upto Rs. 30 Crore in FY 2004-05 and Rs. 33 Crore in FY 2005-06. The Objectors have requested the Petitioner to provide for details on the similar lines as provided by NDPL in its ARR Petition. The Objectors have further stated the following:

- Most of the new equipment do not require any significant maintenance.
- The Objectors have taken objection to the Petitioner claim of increase in maintenance expense due to road widening activities as expenses towards any shifting or damage is borne by sponsoring agency.

The Residents Associations of Vikram Vihar, A-Block Amar Colony, National Park (Lajpat Nagar), and Dayanand Colony have pointed out the poor condition of outdoor sub-stations and feeder pillar boxes, and the absence of doors or open doors therein as well as the fatal accident in the Paschim Vihar sub-station and submitted that the Petitioner has failed miserably on the R&M front. They have mentioned that though the Petitioner has not taken any measure to improve the condition of distribution of the distribution network, it has claimed huge amount towards R&M expenses. They have further pointed out that there should be a reduction in R&M expenses with improvement in the network on account of implementation of capital expenditure schemes. However, the Petitioner has proposed huge capital expenditure as well as increase in R&M expenses.

#### **2.14.1.2 Response of the Petitioner**

The Petitioner has stated that the R & M Expenses are incurred for maintaining age old asset inherited by the Petitioner, preventive maintenance activity undertaken by the Petitioner, rectification of cable faults, etc. It is submitted that the initiatives taken by the Petitioner as detailed in the ARR have resulted in visible improvements as enumerated below.

Reduction in number of transformer failures

Reduction of load shedding due to overloading of distribution transformers.

Improvement in reliability index

Reduction in average duration of interruption per feeder

However till such time the entire network is made fully healthy, additional repair and maintenance expenditure will still have to be incurred for the next couple of years to ensure continuous and reliable power supply to the consumers. This has to be seen in the context of the fact that the benefits of the network infrastructure upgradation being carried out under Capital expenditure will be realised only in the subsequent years. In the meantime the maintenance would have to be continued. The fact that the assets have suffered inadequate maintenance in the yester years and the system inherited didn't have adequate redundancy has necessitated additional R & M Expenses. As a progressive utility the Petitioner is expected to maintain its assets in accordance with best utility practices to enhance customer satisfaction by reducing breakdowns and down time of faults if any.

The Petitioner further pointed out that it is also a fallacy that new equipment doesn't require maintenance; any equipment if not maintained in timely and proper manner will only lead to escalation of R & M Costs. The newly laid network and transformers installed in the field require periodic maintenance for its optimal functioning. This periodic maintenance of the newly laid network will ensure longer lifetime of the assets and lesser breakdowns. Regulatory Commissions of states like Uttar Pradesh, Uttaranchal, etc. consider R & M Expenses as a percentile of the Gross Fixed Assets, which implies that they also consider the need for maintenance of newly formed assets. The Petitioner would like to highlight that due to the preventive maintenance efforts of the Petitioner the reliability of power supply has improved which has also been acknowledged by many stakeholders.

The Petitioner stated that in the event other utilities/government bodies approach the Petitioner for carrying out maintenance activities necessitated due to widening of roads, laying of cables, etc., such maintenance activities are carried out at the cost of the sponsoring agency. But in the event of unforeseen damage to licensees cables/lines by actions of others, the licensee cannot allow supply to remain interrupted and has to restore the supply at its own cost. Generally it is difficult to pursue claim for such damages etc. except where clear responsibility can be fixed. Such costs are accounted under R & M Expenses.

The Petitioner further stated that the R & M expenses are contingent on the raw material prices. The recent spurt in the raw material prices, labour costs, etc has resulted in higher R & M expenses for the current year. Some stakeholders have urged to peg the R & M Expenses at a particular level, which may not be feasible in view of varying raw material prices. The Petitioner has added that the Commission will take into account all the factors that impact R & M costs while approving the R & M expenses.

## 2.14.2 A&G Expenses

### 2.14.2.1 Objections

Mayapuri Industrial Welfare Association has questioned the increase in A&G expenses while the company has reduced its manpower strength by way of SVRS Scheme. The Association has requested the Petitioner to provide basis and details of outsourced services such as cable jointing, meter reading, meter replacement, and complaint handling and attending.

TRANSCO has brought to the notice of the Commission that the variance of A&G expenses with respect to that approved by the Commission for FY 2004-05 is 99% in case of BRPL, 82% in case of BYPL and about 2.5% in case of NDPL. Further A&G expenses are estimated by assuming escalation in excess of 4% over the previous year's expenses. TRANSCO has submitted that the escalation in A&G expenses be assumed considering normal growth in A&G expenses.

Jan Sehyog Manch and Mr. A. K. Gupta have contended that A&G expenses are high and should be contained at Rs 20 Crore and Rs 22 Crore for FY 2004-05 and FY 200506. The Objectors have made specific suggestions in the following respects:

- Since road tax on vehicles is paid at the time of purchase of vehicles, no tax on vehicles be further allowed through ARR
- The Objectors have brought to the notice of the Commission that some of the office premises including head office at Nehru Place do not have a clearance from fire department. Incurred expense on premia for fire insurance would not yield any benefit for the Petitioner and consumers as non clearance would lead to non-recovery of claim in the eventuality of fire.
- As regards the hire charges for vehicles, the Objectors have requested the Petitioner to provide details such as number of vehicles being hired, rate at which vehicles are hired, whether hired vehicles are taxis or private vehicles.
- The Objectors have suggested that number of operators in a Call Centre should not be increased as reliability index of the Petitioner has improved during the financial year. Further the increase in communication expenditure is not justified on account of falling telecom tariff.
- The Objectors have requested for detailed break-up of consultancy expenses, other professional charges, hire charges and other expenses claimed by the Petitioner in its ARR.

Mayapuri Industrial Welfare Association has contended that 7-fold increase in meter reading and bill distribution expense from Rs. 0.69 Crore to Rs. 5.08 Crore in FY 2004-05 is unjustifiable. The Association has further stated that such increase cannot be correlated with increase in activity duration for reading of few additional parameters.

The Vikram Vihar Resident's Association has requested the Commission to critically examine the components of A&G expenses in view of the fact that the A&G expenses estimated by the Petitioner for FY 2004-05 and FY 2005-06 is on the higher side as compared to the actual A&G expenses in FY 2003-04 and the expenses approved by the Commission for FY 2004-05. Further, it has pointed out A&G expenses have increased due to outsourcing of some activities due to reduction in the number of employees on account of the VRS scheme. It has requested that such increase in A&G expenses due to implementation of VRS should not be allowed as the VRS scheme should be tariff neutral.

It has further pointed out that several assets like vehicles, transformers etc. display logos of both BRPL and BYPL. It has requested the Commission to examine the manner in which such expenses are booked viz. whether they are shown in the books of one company or both companies. It has also suggested that the BRPL and BYPL should be directed to maintain separate accounts and that there should be no inter-mixing of assets.

#### **2.14.2.2 Response of the Petitioner**

The Petitioner has submitted that in the last Tariff Order the Commission has considered A & G Expenses for FY 2004-05 at the same level as that of FY 2003-04 despite increase in rate of inflation. It has submitted that the Regulatory Commissions in other reforming states like Uttar Pradesh, Uttaranchal, Haryana, Andhra Pradesh, Madhya Pradesh, Assam etc, have factored the impact of inflation while approving the A & G expenses for the utility. The Petitioner has added that for the ensuing year, it has estimated A & G Expenses based on the expenses incurred in the previous year and first six months of the current year. Further, details and justifications as and when required by the Commission have been provided. The Petitioner has stated that these expenses are best estimates and are subject to truing up at the end of the year.

The Petitioner has further submitted that A & G expenses are incurred by the Petitioner for meeting the day-to-day expenses relating to the administration of its offices, insurance, communication, professional charges, property upkeep related expenses, audit fees, advertisement expenses, freight, bill generation and collection expenses. The Petitioner has mentioned that it has provided the item-wise detailed A&G Expenses to the Commission. The Petitioner has added that these expenses are essential for prudent business operations and hence, cannot be pegged to a certain level.

The Petitioner has submitted that in the Tariff Order dated June 9, 2004, the Commission had approved Rs. 22.29 Crore (Rs. 17.29 Crore allowed as A & G expenses and Rs. 5 Crore allowed as Metering and Billing Expenses). This is much lower than the actual A & G Expenses of Rs. 32.20 Crore incurred by the Petitioner in FY 2003-04 despite increase in the rate of inflation. It has submitted that the licensee has initiated several customer care initiatives which include increasing number of



operators in the call centres to reduce the response time, Integrated Customer care help desk and helpline for complaint against theft/touts, computerised tracking & monitoring of customer complaint, implementation of Bill amendment module, New connection Module, Outage Management Module, Power Supply module etc.

In addition to providing prompt consumer service, these measures are essential to meet the loss reduction target and are essential for efficient operation of the Petitioner, has resulted in additional A & G expenses than the budget stipulated by the Commission. Moreover, Gol in its financial budget have increased the service tax component from 8% to 10% and introduced an education cess of 2% which has also increased the A & G costs of the Petitioner.

The Petitioner has highlighted that it has set up call centers to facilitate consumer to register/track his/her complaint at ease in case of any power disruption. The call centre and complaint centre performs a supplementary role in dispute resolution. Consumers call up the 24X7 call centre in case of power disruption. The call centre forwards the complaint to the complaint centres for resolution of complaint. The complaint centre is responsible for resolution of the complaint at the field level and providing feedback to the call centre. The call centre apart from receiving complaint from the consumers is also responsible for tracking and monitoring complaint resolution. The benefit of implementation of such a process change has far outweighs the costs incurred. This step has been viewed in the positive direction by many stakeholders and is also in line with the practice followed by other utilities.

### **2.14.3 Interest on Long Term Loans**

#### **2.14.3.1 Objections**

The PHD Chamber of Commerce and Industry has referred to the submission of DISCOMs of 1% additional interest being borne by them on account of delay in creating security in favour of lenders by the Holding Company and submitted that the Holding Company be asked to expedite creation of security at the earliest.

### **2.14.4 Interest on Security Deposit**

#### **2.14.4.1 Objections**

Jan Sehyog Manch and Mr. A. K. Gupta have contended that the Petitioner is liable to pay interest at bank rate on security deposits received from consumers.

The Senior Citizens' Welfare Association has submitted that the consumers should be allowed a 16% return on deposits made by consumers on the grounds that consumers have to bear the brunt of reasonable return of 16% to be provided to DISCOMs, fixed charges, consumption charges, tax

free perquisites given to the employees of DISCOMs and expenses on VRS for which eventual benefits would go only to the DISCOMs.

#### **2.14.4.2 Response of the Petitioner**

The Petitioner has submitted that it has assumed the prevalent rates for lending from its funding agencies. Moreover, in view of creation of the Regulatory Asset by the Commission in its Tariff Order for FY 2004-05, the Petitioner has to borrow funds at a premium as lending agencies are not favourably disposed in providing loans in such situation. It has further added that despite these constraints, it has managed to secure funding at competitive rate of around 8% details of which has been submitted to the Commission.

#### **2.14.5 Cost of Land**

##### **2.14.5.1 Objections**

The PHD Chamber of Commerce and Industry has pointed out to the submission of the Petitioners regarding DDA/MCD/DSIDC charging commercial rates for land to be used for building of sub-stations, etc. and requested the Commission to direct the GoNCTD to resolve the matter at the earliest. It has submitted that land should be made available to the Petitioners at subsidised cost so that there is only an incremental impact on tariffs.

#### **2.15 Truing up**

##### **2.15.1 Objections**

The Peoples' Power Network and the Consumer Coordination Council have submitted that the trued up amounts from previous years should earn return at the rate in proportion of 70: 30 Debt: Equity and not pure equity.

#### **2.16 Return on Equity**

##### **2.16.1 Objections**

TRANSCO has submitted that the proposed high return on equity is attributable to proposal of high capital investment plan of DISCOMs. Rationalisation of capital expenditure would obviate need for fresh infusion of equity capital and in turn reduce return on equity component of ARR.

TRANSCO has objected to DISCOM's request for admitting return on equity on the closing balance of equity and free reserves by stating that the capital expenditure and investment of free reserves towards capital expenditure is generally spread across the entire year. Accordingly, return on equity should be allowed on the average of the opening and closing balance of free reserves utilised for funding of capital investment.

The Peoples' Power Network and the Consumer Coordination Council have suggested that Return on Equity should be applied to average equity over the year and not to the end of year equity.

Shri. K Ashok Rao, Convenor of the National Working Group on Power has submitted that the calculations of the DISCOMs claiming the 16% rate of return includes an item called 'deemed investment on the business'. He has requested for the details of these 'deemed investments' to be made public. He has further requested the Commission to order that the Utilities make public their accounting policy along with their balance sheet and performance budget.

Shri B N Ahuja of Lajpat Nagar has submitted that the rate of return may be admitted when the Utilities have been able to achieve improvements in respect of AT&C losses and the high level of expenses.

The Naraina Small Industries Welfare Association Phase – I has referred to the over achievement in reduction of AT&C losses by NDPL as compared to the performance of the BSES DISCOMs and submitted that the inefficient DISCOMs should be punished by reducing their margin of 16% and the benefits be passed on to consumers.

Shri Vijay Kumar Gupta has submitted that Return on Equity is misinterpreted by the Commission and the Petitioners with respect to the pre-tax and post-tax return on equity. He has mentioned that the DISCOMs are claiming income tax and other related taxes as expenditure in the ARR. These taxes could be claimed in the ARR as expenditure if the Policy Directions had assured the DISCOMs a clear profit of 16%. However, the Policy Directions assure the DISCOMs of a Return on Equity of 16% thereby implying pretax 16% and not post tax 16%. He has further submitted that all income tax already claimed/allowed should be reversed while truing up the accounts of the DISCOMs.

The Bharatiya Mazdoor Sangh has pointed out that though the DISCOMs can avail loan from the open market at considerably low rates of interest, they are following the path of higher returns by way of re-investment of their return so as to further gain 16% rate of interest. The Mazdoor Sangh has stated that this process is detrimental to the interest of consumers and should not be permitted. They have suggested that RoE should be limited to the paid-up share capital of DISCOMs i.e. 51%.

Jan Sehyog Manch and Mr. A. K. Gupta have suggested that the Petitioner should fund its capital expenditure through debt instead of equity.

### **2.16.2 Response of the Petitioner**

The Petitioner has submitted that as per the principles laid down in the Policy Directions of the GoNCTD, the 16% return on equity is subject to the achievement of AT & C loss reduction committed by the Distribution Companies as per the accepted bid. In case of underachievement,

the Petitioner will not be entitled to return. For example during FY 2002-03 BYPL suffered a revenue loss for underachievement of AT & C loss during the year. The Petitioner has indicated that in the current year, it has overachieved the AT & C loss reduction target and proposes to achieve the loss reduction target envisaged in the ensuing year. The PETitioner has mentioned that in light of this, it is entitled for return as envisaged in the Policy direction.

The Petitioner has submitted that the Commission in its Tariff Order for FY 2004-05 has laid down the priority for means of financing the Capital Expenditure program, which is as follows:

- Consumer Contribution
- Unutilised Depreciation
- APDRP funds

The balance is to be met through a mix of debt and equity by applying a normative debt equity ratio of 70:30. The Petitioner has submitted that it has followed the above methodology for funding its Capital Expenditure program. The additional equity infusion indicated in the ARR has been estimated after considering the normative debt equity ratio indicated by the Commission limited to actual equity infusion. The Petitioner has added that in accordance with the policy directions issued by GNCTD, it is entitled to 16% return on the issued and paid up capital and free reserves as these reserves are put into beneficial use for purpose of electricity distribution and retail supply.

The Petitioner has mentioned that it has computed the permissible RoE based on para 13 of the policy direction which states " *tariff shall be determined such that the distribution licensees earn, at least, 16% return on the issued and paid up capital and free reserves (excluding consumer contribution and revaluation reserves but including share premium and retained profits outstanding **at the end of any particular year**) provided that such share capital and free reserve have been invested into fixed or any other assets, ...*"

On the issue of computation of returns since FY 2002-03, the Petitioner has stated that it has only considered unutilized reserves of past years to be used for the purpose of funding Capital Expenditure.

As regards the issue of Post tax returns, the Petitioner has submitted that the Commission has already deliberated on the issue in Section 2.27.16 in the Tariff Order for FY 2004-05, wherein the Commission has stated that "Post tax return has been considered in line with the Policy directions"

## **2.17 DVB Arrears**

### **2.17.1 Objections**

Shri Vijay Kumar Gupta has submitted that the arrears of the erstwhile DVB should be checked minutely as large scale misappropriation is apprehended in the same. He has mentioned that such

misappropriation is evident from the total amount shown as recovery by DISCOMs out of the arrears of approx. Rs. 5000 Crores of the erstwhile DVB.

The Consumer Coordination Council has referred to the Commission's recommendation to the Government for ploughing back the Holding Company's share of 80% in the context of recoveries against accumulated DVB arrears and submitted that it would be appropriate to plough back the recoveries against accumulated DVB arrears. It has further submitted that assuming Rs. 100 Crores per year as the 80% share, ploughing back the recoveries against accumulated DVB arrears would result in Government support of Rs. 500 Crores over a five year period.

The Peoples Power Network and the Consumer Coordination Council have submitted that the 20% commission for DISCOMs for collection of dues of DVB is enormously high given that the standard commission is 1-3% in such cases. The Consumer Coordination Council has stated that such high rate of commission relative to normal return increases the effective Return on Equity to over 21%.

### **2.17.2 Response of the Petitioner**

The Petitioner has submitted that it has followed the principles laid down by the Commission in the Bulk Supply Tariff Order and earlier tariff orders, for treatment of DVB arrears while estimating the ARR. Further as per the provisions of the Transfer scheme, the amount collected against these arrears is to be shared between the Holding Company and the DISCOM in the ratio 80:20. The Petitioner has added that the Commission in its earlier Tariff Order has opined that the amount instead of going to the Holding Company should be transferred to Transco so that the amount is ploughed back into the sector. The Commission has requested GoNCTD to revisit the matter. The program logic for extraction of DVB arrears has been verified and approved by the holding company. There are periodic interactions between the DISCOMs and the holding company on the subject.

## **2.18 Sale of Energy and Revenue Realisation**

### **2.18.1 Objections**

TRANSCO has requested the Commission to carry out a careful scrutiny of change in the consumer mix as this has a substantial impact on overall revenue gap for the Sector. TRANSCO has highlighted that DISCOMs have projected lower revenue by projecting a growth rate higher than past trends for energy sale to domestic category and a growth rate lower than past trends for non domestic (BRPL and BYPL specifically) and industrial categories (all 3 DISCOMs).

TRANSCO has drawn the attention of the fact that sale to industrial categories in case of NDPL and BYPL should show a remarkable increase due to relocation of industries operating from non-confirming areas to areas in NDPL and BYPL.

TRANSCO has further submitted that the sale to non-domestic category should also increase at a higher rate as DDA and other developing agencies are envisaging development of large commercial complexes with District Centres with air-conditioned shopping complexes/malls.

TRANSCO has requested the Commission to determine purchase requirement of energy by DISCOMs based on the projection of sale of energy by DISCOMs and not based on projection of energy sale by TRANSCO as the energy requirement projected by DISCOMs in the Petition is substantially lower than that submitted to TRANSCO prior to submission of the Petitions.

TRANSCO has drawn attention of the Commission to the fact that per unit realisation in FY 2004-05 over the period FY 2003-04 does not exhibit increase in proportion to the tariff hike and reduction in AT&C loss achieved during the period.

The Peoples' Power Network and the Consumer Coordination Council have pointed out that a high reduction of about 50% has been observed in industrial consumption in both BRPL and BYPL but no reduction for NDPL has been noticed. It has therefore, requested the Commission to review the data to ensure that there are no errors in calculation by the Companies.

Jan Sehyog Manch has brought to the notice of the Commission that the wide disparity between per capita consumption of erstwhile DVB employees and that of the State of Delhi indicates a possibility of theft. They have suggested that these employees should be offered an allowance equivalent depending upon their entitlement instead of being levied charges for electricity consumed at subsidised rates. This would ensure utilisation of electricity in a prudent, economic and efficient manner.

#### **2.18.2 Response of the Petitioner**

The Petitioner has stated that the following factors have been considered in projecting the category wise sales estimate:

- Consumer growth due to development of housing colonies, commercial establishments and new projects like DMRC etc.
- Normative growth in specific consumption of the existing consumers in billing net
- Increase in no. of existing consumers (presently indulging in un-authorized abstraction of power) falling into billing net due to various system improvement measures like HVDS etc.
- Replacement of burnt/defective/ tampered meters by electronic meters
- Better Vigilance and Enforcement

The Petitioner has submitted that the consumption of some Industrial consumers is grouped under consumption for Bulk consumers. It has added that the details are provided in Format 2.1a

enclosed in the ARR petition. The Petitioner has pointed out that some consumers have been reclassified into higher tariff categories after verification of the use of electricity in the premises. Some non-domestic consumers have been shifted to key consumer billing after enhancement of their load. The Petitioner has submitted that it has projected an increase in industrial consumption of over 10% per annum (CAGR based on actuals of FY 2003-04) in the ensuing year.

The Petitioner has further submitted that there has been a general dislocation/decline in industrial growth due to relocation of industries in Delhi pursuant to the Apex Court's orders and environmental/pollution Boards initiatives. . This has affected the industrial consumption in the its area.

## **2.19 Tariff Policy and Tariff Structure**

### **2.19.1 Tariff Policy**

#### **2.19.1.1 Objections**

Chetna has requested the Commission to define the term 'Tariff Shock, which have been used by the Commission in its earlier Tariff Orders. Chetna has suggested two alternatives for definition of Tariff Shock for the Commission's consideration. One of the options is any tariff increase beyond wholesale price index which is ruling at around 5% to 6% should be considered as Tariff Shock. Another option is any increase beyond the increase in cost of input i.e. 2% to 3% be treated as a Tariff Shock. For any increase in the ARR which have potential to result in the Tariff Shock, Chetna has submitted that the Commission should either ask the GNCTD to support the revenue gap or should find ways and means to keep tariff increase within the limit of Tariff Shock.

The Bharatiya Mazdoor Sangh has submitted that the contention of the DISCOMs for the determination of tariff on the basis of their paying capacity is unfounded and illegal as no provisions in the Transfer Scheme or Policy Directions or the Reforms Act stipulate such a conditions. They have further suggested that the submission of the DISCOMs should be rejected.

The Wazirpur Industrial Association has suggested that unit rate of HT tariff should be made equivalent to the tariff for DMRC as there are no T&D losses in case of HT metering. It has further submitted that the tariff for consumers should be reduced on account of reduction in T&D losses on LT lines.

Federation of DSIDC Entrepreneurs Association has appreciated the tariff rationalisation suggestion of lower rate for higher consumption proposed by NDPL.

Mr. R.L.S. Choudhary has suggested that minimum charges should be imposed on every user of electricity irrespective of the fact that whether he is a registered consumer or not i.e. whether he has obtained an authorised connection or not.

The Green Park Extension Association has submitted that the proposed hike in revenue to compensate for the loss of power is unjustified as the loss of power due to theft or otherwise is due to the inefficiency of the DISCOMs and the political pressure on the DISCOMs. It has further submitted that the common man should not be made to compensate for this loss of power. Moreover, every citizen should pay for the power consumed by him and not for power deemed to be consumed by a defective meter or for power loss due to the DISCOMS inefficiency.

Shri Tilak Raj Mukhija and the IMD Employees Co-op Group Housing Society Ltd. have submitted that an increase in tariff will not be required if the accounts of the DISCOMs are put to strict scrutiny by experts under the supervision of the Commission to avoid any manipulation/misrepresentation of accounts and theft and if VRS to employees is debited to the profits of the DISCOMs.

Further, they have suggested that the multiple slabs and rates in the domestic/mixed category be replaced by a single tariff system for all categories of users as the different slabs and rates tempt consumers to manipulate consumption in a manner such that the minimum bill received. They have further submitted that the loss of revenue on this account is very high and is indirectly a subsidy to manipulators at the cost of honest consumers.

Mayapuri Industrial Welfare Association, New Rohtak Road Manufacturers Association and All India Federation of Plastic Industries further submitted that since the DISCOMs are buying power in kWh, they should charge the consumption on the basis of kWh only and not on the basis of energy measured in kVAh

## **2.19.2 Cross Subsidy**

### **2.19.2.1 Objections**

Young Friends Co-op. Group Housing Society Ltd. submitted that it is often said that domestic consumers are being subsidised by industry and commercial entities who pay a higher rate but that this is a myth. The objector stated that for all such commercial ventures, electrical energy is input and the cost of final output or product also includes the cost of electrical energy. The consumers thus pay for it in proportion to the quantity they purchase the product.

Ms. Neeta Gupta has submitted that though the cost of supply at higher voltages is lower than that at lower voltages, supply at higher voltages is being charged at higher rate. As a result, the DISCOMs are deriving benefits from the HT consumers. She has mentioned that despite their best efforts, even the private Distribution Companies have failed to reduce AT&C losses which has been around 40-50% for many years now. This is mostly due to supply in lower voltages contrary to supply at higher voltage that eliminates losses. She has submitted that consumers availing HT supply has to pay more than those



availing LT supply. She has further submitted that this is unconstitutional and discourages the concept of taking supply at higher voltages.

### **2.19.2.2 Response of the Petitioner**

The Petitioner has submitted that Section 61 (g) of the Electricity Act 2003 stipulates that the tariff determined by the State Commission should reflect cost of supply. The cost of supply of electricity is dependent on fuel costs, inflation, raw material costs, operational expenses, etc. which keep varying year on year. The Petitioner has further submitted that the Commission has to take into account all these factors while determining the tariffs. It has added that as per Section 24 of the License conditions, the Petitioner is bound to file the ARR before the Commission every year.

### **2.19.3 Industrial Tariffs**

#### **2.19.3.1 Objections**

Mayapuri Industrial Welfare Association has pointed that the tariff under category 3.12 i.e for "Industrial Power (SIP) on 11 kV Single Delivery Point for Group Consumers" has been fixed based on the Power Factor of 0.85. However, for SIP Category, it seems to be based on Power Factor of 0.87 instead of 0.85 as with PF of 0.85, the tariff works out to 412 paise/kVAh instead of 424 paise/kVAh. By citing an example, the Association has submitted that for the consumption of 10,000 kWh, the bill will be higher by Rs 1379 if billed in kVAh instead of kWh considering the PF of 0.85. The Association has requested the Commission to rectify this discrepancy and direct the DISCOMs to recalculate the bills of SIP consumers for the last 10 months and refund the excess amount paid by them.

The Udyog Nagar Industrial Complex and All India Federation of Plastic Industries have also submitted that the tariff for SIP category in kVAh billing of 485 paisa./kVAh is incorrect as with PF of 0.85, the tariff works out to 412 paisa/kVAh. It has also requested the Commission to direct the DISCOMs to refund the excess amount paid by consumers. Shri Vijay Kumar Gupta has also submitted that considering kWh rates @ Rs. 4.84, kVAh tariffs for 'Small Industrial Power' for FY 2004-05 should be Rs. 4.12 instead of Rs. 4.24.


The Naraina Small Industries Welfare Association Phase – I also submitted that kVAh tariff for SIP consumers should be based on a PF of 0.85.

Engineers Association Okhla submitted that energy charges for small industrial units should not be increased on the grounds that these units are already in a bad shape due to the current business scenario.


Udyog Nagar Factory Owner's Association has suggested to introduce bulk discount scheme for industrial consumers having consumption above 5000 Units to curb theft. They have suggested slab

structure with first slab of 5000 to 7500 units, second slab of 7500 to 15000 units, third slab of 15000 to 25000 units and fourth slab of 25000 to 40000 units.

Patparganj F.I.E. Entrepreneurs Association has also suggested that bulk discount scheme should be introduced for industrial consumers to encourage higher consumption of electricity. Patparganj F.I.E. Entrepreneurs Association has also suggested that load limit for SIP category should be increased from 100 kW to 200 kW keeping in view competitive environment.

Patparganj F.I.E. Entrepreneurs Association has suggested that a consumer should be placed in LIP category from SIP category only if the meter reading is above 100 kW for successive 3 months. This would ensure that the consumer is not penalised for some electrical fault in his Plant which might have resulted in reading of MDI ve 100 kW.

Mr. Suraj Prakash has suggested that conversion from SIP to LIP category should only be applied for 2 months in addition to the month in which MDI has exceeded beyond 100 kW.

Okhla Industrial Association has own attention of the Commission to the discrepancy in tariff for the category of Small Industrial Power having load less than 100 kW by highlighting that the bill for such consumer would not work out same based on kWh based and kVAh based tariff specified by the Commission even if the consumer demonstrates average power factor of 0.85. They have suggested that the excess amounts collected by DISCOMs on account of this discrepancy should be returned back to consumers after correction of discrepancy.

Shri Tilak Raj Mukhija and the IMD Employees Co-op Group Housing Society Ltd. have pointed out that the Small Industrial consumer is forced to pay a higher tariff on account of more than one connection in the same building with power connection of less than 100 kW each. They have further pointed out that the DISCOMs are clubbing all the connections on the pretext that the MDI of all meters is above 100 kW and propose to charge a higher tariff. Further the DISCOMs are proposing that the last six months consumption be revised by changing the Tariff to LIP category. They have submitted that tariff be amended to the extent that there is no clubbing of MDI between meters and only the person whose MDI is more than 100 kW be charged extra.

#### **2.19.4 Comparison of Retail Tariff in Delhi and neighbouring States**

##### **2.19.4.1 Objections**

Shri Vijay Kumar Gupta has submitted that the comparison of retail tariffs with that prevailing in neighbouring States has no meaning as none of the Distribution Companies in these States is getting bulk supply at a rate as low as that in Delhi, i.e. from Rs. 1.56/kWh to Rs. 2.07/kWh.

The Naraina Small Industries Welfare Association Phase – I has objected to the high tariffs prevailing in Delhi on the grounds that the tariffs prevailing in Delhi are the highest as

compared with adjoining States although the services rendered in Delhi cover a smaller area compared to other States leading to a lower service cost in Delhi.

### **2.19.5 Power Factor**

#### **2.19.5.1 Objections**

Shri Tilak Raj Mukhija and the IMD Employees Co-op Group Housing Society Ltd. have expressed concern over the proposal of DISCOMs to install transformers at the site of consumers. They have submitted that the DISCOMs are looking for ways to extract money from consumers rather than providing services at a reasonable cost as the DISCOMs have the systems to improve the PF at their end but propose to provide shunt capacitors at a cost to the consumers.

Friends Colony Industrialist Association submitted that the power factor should be nearly 0.85 and not 0.9 and that the maintenance of power factor should be the responsibility of DISCOM and not the consumer. The Association also requested that the kVAh billing should not be forced on consumers.

Shri Vijay Kumar Gupta submitted that low power factor or kVAh billing should be charged only from industrial consumers. The DISCOMs are duty bound to supply quality power to the consumers and maintaining the power factor is the duty of DISCOMs. He has further submitted that the power factor for all purposes should remain at 0.85 only and not at 0.90 as proposed by the Petitioners.

The Udyog Nagar Industrial Association has submitted that the DISCOMs have proposed consideration of tariff based on a power factor of 0.90 with the objective of an indirect increase in tariff. It has further submitted that there is no provision for imposing a power factor of 0.90 as the Electricity Supply Act 1948, provides for a mandatory power factor of 0.85. The Delhi Chamber of Commerce and Industry and Federation of Delhi Small Industries Association have submitted that power factor should be 0.85 and should not be enhanced to 0.90.

Engineers Association Okhla has objected to the increase in average PF to 0.9 on the grounds that the DISCOMs cannot expect PF of 0.85 or more when they are not able to supply energy at 0.85 PF and that at the point of receipt of electricity, PF is 0.65 or less on most of the occasions. The Naraina Small Industries Welfare Association Phase – I has also objected to the proposal of BRPL to install capacitors to improve power factor on the grounds that consumers cannot be expected to maintain a PF of 0.9 when the DISCOMs themselves cannot supply with PF of 0.85. It has stated that on many occasions, PF of incoming supply has been noted as less than 0.70.

Mr. Suraj Prakash has requested the Commission to consider levying of advance consumption charges based on 2.0 months consumption.

#### **2.19.5.2 Response of the Petitioner**

The Petitioner has submitted that there is a lack of appreciation amongst the consumers of the desirability and the benefits accruing to them in maintaining the power factor of their electricity load at 0.90 (lag) or better. The Petitioner has further submitted that the consumers derives several benefits if he ensures installation of proper and required power factor correction equipment. Some benefits include enhanced equipment operation by improving voltage, improved energy efficiency, reduced line losses, delay in costly upgrades of equipment by increasing life of the equipment, and release of transformer and distribution system capacity of the service provider thereby reducing breakdown/losses and improving the system voltage profile.

The Petitioner has added that the most common method of power factor correction is through fixed capacitors. Good quality switched capacitors are now available in the market which automatically provide required reactive compensation for the consumer load without in anyway affecting the consumer's equipment.

The Petitioner has further added that as per its knowledge most State Regulatory Commissions have notified power factor not below 0.9(lag) which demonstrates the importance of maintaining the power factor nearer to unity.

#### **2.19.6 Domestic Tariffs**

##### **2.19.6.1 Objections**

Common Cause has submitted that the residents of Delhi are feeling exasperated at the continuing increase of rates of supply of electricity. The objector submitted that the extensive thefts of electricity are being compensated by the increasing the tariff.

Dr. Y K Agarwal submitted that the tariffs have increased three-four times since BSES has taken over without providing any additional facilities.

Young Friends CGHS has submitted that it is well recognised not only in India but also in other countries that domestic consumption should have slab rates for the two reasons namely socio-economic and need for conservation. The objector has suggested that the slabs shall be increased as existing earlier i.e First 100 units, next 100, next 200 and above 400 units per month as the same would also compensate for changing over of expensive CFLs from conventional bulbs. The objector has also given the domestic tariff rates in California and Texas, USA and comparison with purchase parity of rupee vis-à-vis US Dollar.

Ms. Neeta Gupta has submitted that comparing HT 11 kV supply with LT 220/440 V supply, for an average consumption of 300 units, a domestic consumer on LT supply has to pay Rs. 800 as energy charges while a domestic consumer on HT supply has to pay Rs. 910. She has submitted that the rebate of 15% on energy charges that is provided to the Domestic 11 kV CGHS Single Delivery Point Connection is insufficient to fulfil other requisite expenses and therefore, this rebate should not be considered here. She has submitted that such discrimination is unjustified.

The Federation of RWAs of Dilshad Garden has submitted that there should be no increase in tariff for consumption up to 400 units.

Mr. S. R. Abrol has suggested two slabs for domestic category, one below 300 units per month and other above 300 units per month. The suggestion of first slab upto 300 units per month is based on the recognition of necessity for minimum electronic gadgets such as geyser, colour TV, fridge, mixer grinder, water pump, washing machine, cordless telephone, emergency light, etc., besides the lighting arrangement and fans. Mr. Abrol has suggested Rs. 3/kWh for the first slab considering it as slab for a common man and Rs. 6/kWh for the second slab considering it as slab for affluent family.

The Green park Extension Association has submitted that the frequent tariff hikes are not only unfriendly to the consumers but also make senior citizens and pensioners exasperated as these people have no means to augment their income.

#### **2.19.6.2 Response of the Petitioner**

The Petitioner in its replies to the various objections on this issue has stated that the number of slabs in the domestic tariff category is made taking into consideration socio-economic factors, paying capacities of consumers, etc. The Petitioner has stated that in the Tariff Order dated June 9, 2004, the Commission had decided to reduce the number of slabs, but has not attempted a complete restructuring of the existing slabs, stating that it may lead to tariff shocks to certain consumers and benefit to some others.

The Petitioner has appreciated the suggestion to limit the slabs to two only, in the Domestic category, i.e. 0-300 units and more than 300 units per month. It has also appreciated the suggestion for charging tariff at the cost of supply to the highest slab of the domestic consumers. However, it has pointed out that it is for the Commission to take into consideration all these factors while determining the number of slabs.

## **2.19.7 Hospitals**

### **2.19.7.1 Objections**

Indraprastha Medical Corporation Limited has submitted that hospitals, being important social infrastructure for development of Delhi, should be given concessional tariffs. It has further submitted that large industrial units in Delhi are given cheaper tariff than hospitals. It stated that hospitals have laid their own 11 kV cables and installed several types of equipments for the purpose of power supply, and no maintenance expenses are incurred by DISCOMs on these equipments.

### **2.19.7.2 Response of the Petitioner**

The Petitioner has stated that the Commission in its Tariff Order for FY 2004-05 has opined that Private Hospitals/Nursing Homes will continue to be charged under Non-Domestic tariff as they are primarily commercial establishments. The Petitioner has endorsed the view point of the Commission.

## **2.19.8 Delhi Metro Railway Corporation (DMRC)**

### **2.19.8.1 Objections**

The Delhi Metro Railway Corporation (DMRC) has requested the Commission to continue with the principles and methodology adopted for determining Tariff for DMRC in the earlier Tariff Orders.

### **2.19.8.2 Response of the Petitioner**

The Petitioner has submitted that the principles/tariff proposed by the Commission in the last Tariff Order should be continued for DMRC. The Petitioner has stated that it has not proposed any Retail Supply Tariff for DMRC as this is the prerogative of the Commission and that Commission would take into account all relevant factors like increase in raw material cost, inflation etc. while determining the tariff for DMRC.

## **2.19.9 Railways**

### **2.19.9.1 Objections**

Northern Railway has requested the Commission to consider granting specific relief by way of reduction in existing Tariff by considering cost of purchase from Central Agencies like NTPC, exemption from payment of penalty charges on over drawal and containing the demand charges at existing level. Northern Railway has provided a comparison of railway traction tariffs across various States as follows:

Particulars	HVPNL	Delhi	UPPCL	PSEB
Effective from	September 2001	June 19, 2004	December 2004	October 2004
M. D. Charges Rs/kVA	60	150	165	Nil
Energy Charges Rs/kWh	3.85 (132 kV) 3.77 (220 kV)	3.75/kVAh	3.25/kVAh	4.02

Northern Railway has requested the Commission to consider the following additional suggestions:

- No element of cross subsidy be loaded in traction tariff considering the cascading effect it has on passenger fare and freight.
- For the purpose of KVAh based tariff, suggestion of average power factor level of 0.90 instead of 0.85 should not be accepted.
- Service tax should not be passed on to the public Utility like Railways.
- The Railways should be exempted from the payment of penalty charges on over drawal considering the unique nature of traction load.

#### **2.19.9.2 Response of the Petitioner**

The Petitioner has submitted that the Commission has already dealt with similar pleadings made by the Railways during the ARR petition of FY 2004-05 and created a separate tariff for Railways with lower demand charges. Hence, the claim for further reduction doesn't have merit. The Petitioner has added that many States include charges towards fuel adjustment in the tariff while such charges are non-existent in Delhi.

On the issue of relief to Railways by way of reduction in existing tariff by considering cost of purchase from Central Agencies like NTPC, the Petitioner has stated that presently it is not purchasing power from NTPC directly. Hence, the objector's request to equate Railway tariff to NTPC's rate of supply is inapt.

#### **2.19.10 Others**

##### **2.19.10.1 Objections**

The Planning Commission Co-operative House Building Society Ltd. and the AGCR Co-operative House Building Society Ltd. have submitted that the tariff for electricity used in the community halls be levied at rates applicable to domestic consumers. They further submitted that the community halls have been constructed on plots of land leased out for this purpose by the Government to the concerned societies and these halls are for community welfare, social, cultural, charitable and religious activities only and these halls are not being put to any commercial use for monetary gains or income.

The Saini Co-operative House Building Society Limited and Dayanand Co-operative House Building Society Limited have submitted that the categorisation of Community Centres built by the Co-operative House Building Societies for purpose of levy of electricity charges as 'Non-Domestic' disregards the rationale and purpose of setting up Community Centres within the premises of residential colonies on land given by the Government for a very nominal and token premium of ground rent and the use to which these are actually put. Levy of electricity charges at the rates applicable to Non Domestic consumers increases cost of the Societies, thereby restraining them from undertaking welfare activities for their members. These Societies have suggested categorising the Community Centres as Domestic consumers for the purpose of charging electricity tariff.

**2.19.10.2 Response of the Petitioner**

The Petitioner has submitted that the applicability of domestic tariffs has been provided in Section 8.6 "other terms & conditions of tariff" of the Commission's Tariff Order of June 9, 2004 and this does not cover community centres. The Petitioner has submitted that community centres are generally used for non-domestic purposes. They are let out on payment of charges for functions and in some cases reportedly for dormitory use also. Therefore, it is applying charges as per prevailing tariff order of the Commission.

**2.19.11 Creation of new Categories/Definition of Categories**

**2.19.11.1 Objections**

Shri Vijay Kumar Gupta has submitted that the DMRC/Railways/Delhi Jal Board and similar bulk consumers should be transferred to the Transco because as per the Transfer Scheme, the bulk supply functions and business have been vested in Transco.

Jan Sehyog Manch and Mr. A. K. Gupta have suggested that floriculture, horticulture and plant nursery should be considered under the category of agriculture tariff instead of NDLT category, as all such activities are essentially agricultural categories by citing a reference to the Apex Court judgement in the matter of Maheshwari Fish Farms Limited v/s Tamilnadu Electricity Board.

Senior Citizens' Forum has suggested that senior citizens should be spared from any tariff hike if the Commission decides to increase average tariff.

The Senior Citizens' Welfare Association has submitted that though their suggestion for concessional tariffs for senior citizens was not accepted by the Commission on the ground of impracticability, the Commission has allowed concessional tariff for those consuming lesser energy. It has submitted that if the Commission has reservations about concessional tariffs for Senior Citizen consumers, it may deliberate over its competence



to create categories of those consuming up to 100 units or 100-200 units, 200-400 units. It has further submitted that there should be a single tariff for all consumers in a particular category, like say domestic consumers. It has also mentioned that the Commission has no authority to subsidize tariff in case of those consuming less and pass on the burden to those consuming more. It has cited the example of MTNL, which charges concessional tariff to senior citizens.

Mr. Suraj Prakash has suggested that categorisation of consumer should be on the basis of energy consumed, paying capacity of consumers and system conditions. He has further submitted that SIP and LIP categorisation should not be removed as there is no regular surplus available.

The Federation of Co-operative Group Housing Societies Dwarka Ltd. has suggested that a different class of consumer be created as 'Domestic CGHS category' whose tariff is more realistic with addition of only wheeling charges of electricity to the basic purchase price of electricity by DISCOMs. It has submitted that the same is justified in view of the following reasons:

- Theft is not possible at 11kV.
- T&D losses at 11kV are lower than that at LT voltage
- Since the Society is billed at 11kV meter reading, T&D losses at LT level are to the account of the Society
- AT&C losses include theft of electricity, T&D losses, connivance of DISCOMs staff, poor billing efficiency, poor collection efficiency etc. and except loss of energy in transmission and distribution system, the other components are directly linked with the efficiency of management of the DISCOM. The CGHS should not be penalised with higher tariff in view of the inefficiency and lack of management skills of the DISCOMs.

#### **2.19.11.2 Response of the Petitioner**

The Petitioner has submitted that the Commission in its tariff order for FY-03-04 has not considered the proposal for separate category with lower tariffs for senior citizens, for reasons explained in the Order. The Petitioner has added that the Commission has also shown disapproval in giving any special rebate to any consumer category other than those available for supply at higher voltages.

#### **2.19.12 Co-Operative Group Housing Societies – Single Delivery Point**

##### **2.19.12.1 Objections**

Mr. S. Gyanchandani, Lt. Cdr. Lekh Raj (Retd), resident members of Aakriti Apartments and resident members of Civil Supply C.G.H.S. have brought to the notice of the Commission that different CGHS are adopting different basis and methods for charging its constituent consumers. They have requested the Commission to issue directions to the Co-Operative Housing Societies to charge its

constituent consumers as per the applicable tariff for various categories of consumers defined by the Commission in the Tariff Schedule instead of charging tariff based on bulk consumer rate applicable for CGHS. They have contended that this suggestion would help the consumers of CGHS having lower consumption in line with other consumers of National Capital Territory of Delhi and would also help in building a fund with the CGHS to undertake repair and maintenance of their distribution system.

The Federation of Co-operative Group Housing Societies Dwarka Ltd. has submitted that there is little clarity on the reasons behind stopping bulk supply connection to co-operative housing societies. It has submitted that this system continues to function after the enactment of the EA 2003 in UP, Haryana, MP etc. and that the electricity supply code has provisions of incentives for those opting for single point connection at 11kV. It has submitted that the Commission should instruct BRPL to resume the provision of SDP connection to housing societies.

It has also submitted that while an outside contractor taking electricity at 11 kV and reselling it to other consumers is getting 27% discount, an identical system managed by a democratically and voluntarily formed managing committee with the aim of co-operation and management of day to day affairs of a society on no profit and no loss basis is being given a 15% discount. It has objected to such discrimination in tariff.

Resident's Federation of Rohini Coop. Group Housing Societies has submitted that the DESU/DVB had earlier decided that CGHS, irrespective of size, should install 11 kV/400 V transformers for their supply and the reason was to eliminate the high distribution losses. Further, the cost of electrical works was shared by the societies and the entire cost of civil works was borne by society. Therefore, all CGHS have already borne a financial burden for eliminating the loss on their supply and no benefit has been extended to the societies, rather the societies are being charged at the highest slab rates even for common services which is against all accepted norms of fairness and equity. The Federation has submitted that there is justification of all CGHS installed with 11 kV x 400 V transformers to provide at least 30% rebate on all slabs for individual flats and the common services.

Young Friends CGHS has also raised the same issue and have requested for 25% rebate on all slabs for both individual connections and common services. The objector further suggested that the transformers selected by DESU/DVB are oil cooled ones which should be replaced to prevent any incidence similar to "Uphar" and also suggested that a better solution is not to bring in 11 kV supply into any residential complex.

Ms. Neeta Gupta, on behalf of Antriksh Apartments Residents Welfare Association has submitted that the rebate of 15% on energy charges being given to Domestic 11 kV CGHS Single Delivery Point Connection Holder is like a drop in the ocean. This is in view of

the fact that several expenses like initial/capital cost for the installation of equipments including transformers and panel switches, space for installation of the same, repair and maintenance of the system, risk of 11 kV/HT line in the residential premises, AT&C losses, staff for meter reading, billing, collection/recovery etc., 24 hours availability of an electrician for local/individual faults, losses due to malfunctioning/slow functioning of individual meters, and disputes due to the responsibility of supply held by society are borne by such a consumer. She has submitted that the rebate of 15% should be enhanced to at least 30% so that tariff for consumers getting supply at higher voltages is lower than that for lower voltages and HT consumers.

Shri Virender Kumar Gupta has opposed the charging of stair case lighting and stilts on commercial basis instead of domestic basis on the grounds that it will increase the financial burden on Cooperative Group Housing Societies and defeat the very concept of Coop Group Housing System.

#### **2.19.12.2 Response of the Petitioner**

The Petitioner in its response has mentioned that as per Section 45 of the Electricity Act the charges for electricity supplied by a distribution licensee shall be fixed by the State Commission. The Commission has accordingly fixed the retail tariff for CGHS (and other similar Group Housing Complexes) on 11 kV SDP in its last tariff order. The resident member consumers of CGHS are to be charged by the societies as per retail tariffs applicable to individual domestic consumers. The Petitioner has stated that in case some societies are violating this, the stakeholder may approach the Commission and/or the Licensee's Consumer Grievance Redressal Forum set up under the Electricity Act 2003 for redressal.

The Petitioner has also mentioned that the Commission has clearly explained the rationale for determining the tariff for CGHS consumers in its last as well as earlier tariff orders including the rebate component on the energy charges. The Petitioner has added that the Commission has introduced a two part tariff for all categories of consumers. The fixed/demand charge is meant to defray the capital related and the other fixed costs required to service the consumer (for further details please refer to Section 1 (II) of these comments). As per the Commission's tariff order fixed charges are to be levied on sanctioned load or MDI reading whichever is higher.

Further, the Petitioner has stated that the connection for common facilities through separate meter, in CGHS, are to be billed at the highest slab for domestic category strictly in terms of the tariff order. The logic behind this is that if the common facility consumption is not separately metered but connected to a consumer meter in the society the consumption would go into the highest slab. Infact such common facility connections use to be billed on non-domestic tariff in earlier period. The Petitioner has added that prospective CGHS consumers have the option to

either seek supply on 11 kV SDP or individual metered connections for the resident members after proper electrification by the licensee on payment of requisite charges as approved by the Commission. The Petitioner has opined that 15% rebate in tariff for CGHS is itself high in the opinion of the Petitioner.

The Petitioner has quoted the example of similar issue as treated by the Rajasthan Electricity Regulatory Commission (RERC) in its tariff order for FY 2004-05 and pointed out that the RERC has considered energy charges for Registered Societies at the highest slab for domestic consumers apart from levying fixed charges.

#### **2.19.13 Tariffs for Streetlights and Parks**

##### **2.19.13.1 Objections**

Some stakeholders have pointed out that the streetlights provided to MCD parks are misused, as these parks are let out for various functions and other commercial activities. Hence the tariff of the lighting of these parks should be higher than other streetlights.

##### **2.19.13.2 Response of the Petitioner**

The Petitioner has responded to the objections by stating that it is for the Commission to appropriately consider the suggestion while determining tariffs.

#### **2.19.14 Concessional tariff for employees**

##### **2.19.14.1 Objections**

Ms. Neeta Gupta, on behalf of Antriksh apartments Residents Welfare Association, has submitted that the tariff rebate for DESU/DVB/DISCOMs employees should be discontinued as this will help in bridging the revenue gap of the DISCOM.

Shri Ajit Singh Chauhan, General Secretary, DVB Pensioners Association has submitted that the number of units for concessional tariff for DVB retirees should be increased from 100 units to 300 units per month in case of S-I, 150 to 450 units per month for S-II, and 200 to 600 units for S-III. They further submitted that the DISCOMs are charging Fixed Charges to DVB Employees and retirees which is in violation of the conditions stipulated in the tripartite agreement executed at the time of privatisation.

The Delhi Dal Mills (Millers) Association has submitted that the practice of supplying electricity on concessional rates to the present and past employees should be stopped as the burden for the same falls directly on the consumers. They have also opined that such a step will enhance the income of the DISCOMs.

The Wazirpur Industrial Association has also suggested that electricity should not be supplied at concessional tariff to employees of erstwhile DVB and reimbursement of such amounts should not be allowed to NDPL as the burden of the same will be passed on to other consumers.

#### **2.19.14.2 Response of the Petitioner**

The Petitioner has submitted that as per Section 65 of the Electricity Act 2003, the GNCTD may grant subsidy to any consumer or class of consumers in the tariff determined by the Commission.

#### **2.19.15 Advance Consumption Deposit**

##### **2.19.15.1 Objection**

The Jan Kalyan Samiti has submitted that the current rate of deposit of Rs. 600 per kW is not justified in case of request for enhancement of load as it entails only office work and new meter is not required to be installed. It has further submitted that the advance consumption deposit should be reduced and only processing charge of Rs. 200 should be charged for enhancement of load. The objector further suggested that formalities like lease deed, affidavits etc. be abolished.

The Jan Kalyan Samiti has submitted that the current rate of deposit of Rs. 600 per kW is not justified in case of request for enhancement of load as it entails only office work and new meter is not required to be installed. It has further submitted that the advance consumption deposit should be reduced and only processing charge of Rs. 200 should be charged for enhancement of load. The objector further suggested that formalities like lease deed, affidavits etc. be abolished.

#### **2.19.16 Second Connection**

##### **2.19.16.1 Objection**

The Jan Kalyan Samiti has submitted that in case of applications for a second or third connection in the same premises where connection is provided through 'loops' only, the charges may be reduced to Rs. 200 from the current level of Rs. 500.

#### **2.19.17 FAE**

##### **2.19.17.1 Objections**

Shri Sanjeev Bhatnagar has submitted that in case of FAE, the period of charging should be limited to two times the previous inspection as in case of electronic meters, data is downloaded every month. Therefore, the penalty should not be more than double. He has further submitted that no FAE should be booked in case of bulk consumers where modem has been installed for continuous transmitting of data to the database of DISCOMs because the DISCOMs know the extent of consumption.

## **2.20 SPD Connections**

### **2.20.1 Objections**

Single Point Agency Holder Association has submitted that the DISCOMs are not preparing the SPD bills as per the Minimum Revenue and Commission clause contained in the SPD agreement with erstwhile DVB. There is arbitration clause in the agreement, which has been invoked by the members of the association. The DISCOMs have started termination of agreement and taking over the network of SPD contractor free of cost which has been created by SPD agencies without any assistance from DVB/Delhi Govt.

The Association further submitted that the franchisee agreement prepared by NPDL is unilateral and serves the NDPL's interests only. The association is not against the franchisee agreement, which can be prepared by mutual consultation and with the interference and help of DERC.

The Association also pointed out that the DISCOMs do not approach the electrical inspector of Delhi Govt. for passing the HVDS scheme. NDPL had introduced the HVDS system at more than 70 locations and the association has asked NDPL to provide a copy of clearance given by Electrical Inspector Dept. of Delhi Govt. for installing HVDS system at these locations.

## **2.21 Fixed Charges**

### **2.21.1 Objections**

Several objectors including Resident's Federation of Rohini Coop. Group Housing Societies, Joint Committee of Residents Welfare Association of Pitampura and New Rohtak Road Manufacturers Association have strongly opposed the levy of fixed charges as part of tariff component. The Federation further submitted that the fixed cost incurred by the Utilities has either not been defined in the Tariff Orders or in the Petition. The Federation wants to know the definition of fixed charge, components of fixed cost incurred by the Petitioner and its accounting in the books. The Federation has requested the Commission to give a pie graph in tariff order showing as to where a rupee received as fixed charge has been spent by the Petitioner. Young Friends CGHS has submitted that a fixed charge has been imposed based on the sanctioned load which does not exist in any other country because it is not rational and hence the fixed charge should be abolished and the Utilities should recover the entire expenses based on total consumption.

Dr. Y K Agarwal has submitted that earlier the meter rent was Rs 2 per month, which was subsequently increased to Rs 8 per month. Now, the fixed charges are being levied @ Rs 70 per month instead of meter rent of Rs 8 per month. The objector has requested that the meter rent of Rs 8 per month instead of fixed charges should be restored.

Shri Vijay Kumar Gupta has submitted that fixed charges should not be increased but should be abolished as these charges are levied to cover the fixed charges of the Utility where the consumption is very low in comparison to the infrastructure. While this may hold in other States, there is more than sufficient consumption in Delhi considering the geographical area. Further, the retail tariff is also very high.

Ms. Neeta Gupta, on behalf of Antriksh apartments Residents Welfare Association, has submitted that in 2003-04, in lieu of meter rent and minimum charges, the Commission introduced fixed charges for all categories where minimum charges were applicable for which an additional charge of Rs. 10/kWh/month was added to the energy charges in case of Domestic 11 kV CGHS Single Delivery Point Connection. She has submitted that this measure is illegal and unjustified as all the initial/capital cost for the installation of electrical equipments including transformers, panel switches, cables and sufficient space, etc. was made available by the CGHS/RWA at their own cost. The members/residents of CGHS/RWA have paid the initial/capital cost in the cost of the flat and are still paying a handsome amount of maintenance charges. She has further submitted that for 11kV CGHS SDP connection, minimum charges were based on MDI reading (as recorded by the meter) and not on the basis of sanctioned load but fixed charges are being charged on sanctioned load which is very high with respect to the connected load/MDI reading. She has requested that fixed charges should be abolished in case of Domestic 11 kV CGHS Single Delivery Point Connection where the whole system has been installed and maintained by residents only and if for any reason, the commission decides to continue with fixed charges, the MDI reading should be used as the basis of calculation instead of the sanctioned load.

The Bharatiya Mazdoor Sangh has submitted that in the case of domestic consumers there is no justification for the abolishing of 'minimum charges' and introduction of 'fixed charges' by the Commission. They have pointed out the DISCOMs have not indicated the revenue earned through the recovery of fixed charges in their petitions and this revenue is estimated at Rs. 20 Crore per annum. They have suggested that the levy of fixed charges in lieu of minimum charges.

The Delhi Dal Mills (Millers) Association has submitted that fixed charges should be abolished as the distribution of electricity in Delhi is in private hands and the DISCOMS earn at least 16% return on issued and paid up capital and free reserves. They have stated that since the DISCOMs are not paying any fixed charges to GENCO, PPCL and TRANSCO while purchasing electricity, the DISCOMs are not entitled to charge the same from their consumers particularly under the situation where supply is inadequate to fulfill the requisite demand.

The Udyog Nagar Industrial Complex has opposed the levying of fixed charges on the grounds that the load in Delhi is concentrated in nature and consumption being on the higher side, the fixed costs of the Utilities are covered.

Engineers Association Okhla has submitted that there should be no increase in fixed charges for SIP category as most of the small industrial units are incurring heavy losses on account of running and maintenance of diesel generators due to power cuts and non-availability of electricity during peak hours. They have also submitted that fixed charges levied are over and above energy charges and are not being adjusted in energy charges.

Jan Sehyog Manch and Mr. A. K. Gupta have contended that the fixed charges being levied by the Petitioner are superfluous in nature as the Petitioner is allowed recovery of capital costs associated with consumers connections. They have submitted that the fixed charges should either be eliminated or reduced substantially to not encourage theft by hooking.

Udyog Nagar Charitable Trust has questioned the rationale of levy of fixed charge on consumers when the DISCOMs do not pay the same to TRANSCO. The Trust has further suggested that the fixed charges levied on HT consumers should be treated as Minimum Charge and adjusted against the consumption. The fixed charge for HT consumers should be decided keeping in view lower capital as well as maintenance costs, lower AT&C losses than those of LT consumers. The fixed charges should be levied on average running load and not on maximum load observed during the month.

Patparganj F.I.E. Entrepreneurs Association has suggested that the fixed charges for industrial category should be reduced from Rs. 35/kW to Rs. 20/kW to ensure viability of industry.

#### **2.21.2 Response of the Petitioner**

The Petitioner in its response has mentioned that the Commission in its tariff order for FY 2003-04 has explained the importance of two-part tariff and the reasons for introduction of the same. The Petitioner has explained that the two part tariff consists of (i) Fixed/Demand Charge, meant to defray the capital related and other fixed costs and (ii) energy charges, meant to meet the variable expenses, i.e., power purchase cost, etc.

When a consumer is connected to the system, the utility has to provide/allocate certain capacity of its system to serve the consumer. When a consumer is connected to the system, the rationale for levying fixed charges is to recover a part of the fixed cost of the utility so that at least a part of the fixed cost is recovered even if there is no consumption by the consumer. The Petitioner has added that the fixed charges component in a two-part tariff is aimed at recovery of capital related and other fixed costs. It has highlighted that capital related costs are the costs incurred by the licensee on building up the infrastructure and maintaining the same in proper working condition in order to service the consumers.

The Petitioner has pointed out that the Commission has introduced fixed charges on the basis of sanctioned load/MDI reading, whichever is higher for all the categories on which minimum



charges were payable earlier. Fixed charges based on MDI reading have been introduced to circumvent the situation of under reporting of loads and do away with the requirement of calculating the connected load, if the meter is functioning properly.

The Petitioner has further submitted that the practice of levying the Fixed charge/Minimum charges is in line with the practice being adopted by other utilities /service providers viz. Delhi Jal Board (DJB), Telecom (Land Line and Mobile Services) etc. It has stated that in the recent order issued by DJB it has levied fixed charge based on the category of consumer starting from JJ Cluster to the higher income group people living in big houses/plots with the charges ranging from Rs. 40 to Rs. 120. It has added that telecom operators charge a fixed amount/minimum charges ranging from Rs. 200 to Rs. 1000 depending on the tariff plan opted by the consumer.

The Petitioner has submitted that the Commission in its Tariff Order has stated that recovery of the fixed charges from the tariffs is very nominal as compared to the fixed cost of the licensee and the same needs to be increased in a gradual manner up to a reasonable proportion of the fixed costs. It has added that currently, the licensee recovers only 7% of its total revenue by means of fixed charges.

The Petitioner has stated that it understands the approach of the Commission to consider a gradual increase in Fixed Charges. It has submitted that the same needs to be carried out in a rational manner, so as to prevent any misuse of the tariff structure by consumers and cross subsidization within the different slabs in the same category. It has submitted that the fixed charge of Rs. 20/- per household with connected Load in the range of 0-2 KW determined by the Commission in its Tariff Order for FY 2004-05, is not sufficient to meet even the basic expenditure on meter reading, bill preparation, delivery of bill to consumers premises, acknowledgement of cash receipt from these consumers and handling of the cash received, leave alone the other fixed expenditures on building and maintenance of the total system and other related fixed costs.

The Petitioner has further mentioned that in Table 24 of its petition for Annual Revenue Requirement, it has compared the Fixed and/or minimum charges in the neighbouring areas of Delhi. It has stated that it can be clearly seen from the table that the fixed charges applicable to Petitioner's consumers are the least as compared to Utilities of neighbouring areas. This reflects the inadequacy in recovering charges from the very consumers for whom the costs are incurred. Therefore, the petitioner has request the Commission to consider a suitable increase in the fixed charges, based on utility practices in other service sectors and the levels prevalent in the electricity sector of neighbouring states so as to recover a reasonable portion of the fixed costs incurred by the Petitioner.

The Petitioner has also highlighted that the tariff table of energy and fixed charges, as approved by the Commission is printed at the back of energy bills served to consumers for their information.

## **2.22 TOD Tariffs**

### **2.22.1 Objections**

The Wazirpur Industrial Association has suggested that ToD tariffs should be frame and meters with specific programming should be provided to ensure that electricity from the meters would be supplied only at the specific time. They have also suggested that tariff for night time consumption should be on the lower side as during night/off peak hours, consumption is low. They have mentioned that the implementation of ToD tariffs will result in extra revenue in case of lower night time tariffs on account of reduction in T&D losses.

Udyog Nagar Charitable Trust has suggested that time of day tariff should be introduced for industrial consumers with lower charges for consumption during night.

### **2.22.2 Response of the Petitioner**

The Petitioner has submitted that the Commission in its previous orders has favoured introduction of Time of day tariff to flatten the load curve as it will encourage off peak hour consumption. In the last tariff order the Commission opined that *ToD tariffs can be introduced for the LIP and MLHT categories, where ToD meters have already been installed.* The Petitioner has added that the Electricity Act 2003 also favours that tariff should reflect cost of supply. The Petitioner has stated that it has submitted a base paper on ToD tariff as directed, to the Commission. The Petitioner has added that electronic meters that are being installed by the Petitioner are capable of recording Time of Day consumption.

## **2.23 Low Power Factor Surcharge and kVAh based Tariff**

### **2.23.1 Objections**

The Delhi Dal Mills (Millers) Association has submitted that the consumer can install the appropriate shunt capacitor according to the connected load but can't maintain the power factor. While generating more revenue, KVAh metering/billing would lead to billing complications as a result of which the objective of improving the power factor would not be achieved. They have submitted that the DISOCMs are required to maintain the power factor like supply voltage and frequency, and it is their duty to install the necessary capacitors and other instruments for this purpose. The Delhi Dal Mills (Millers) Association has also submitted that average power factor of not more than 0.85 (lag) be considered for the purpose of tariff setting.

The Udyog Nagar Industrial Complex has objected to kVAh based billing for domestic and non-domestic consumers having a sanctioned load of above 10 kW by stating that the DISCOMs aim to bring about an indirect increase in tariff.

Engineers Association Okhla has submitted that since the DISCOMs are buying power measured in kWh, they should be charged for consumption on the basis of kWh and not on the basis of kVAh.

Jan Sehyog Manch, Chetna and Mr. A. K. Gupta have submitted that the billing on kVAh tariff should not be permitted till all NDL/SIP consumers having load of more than 10 kW have been provided with electronic meters which are capable of recording parameters such as kWh, kVAh, MDI, etc. This is to emphasize importance of meeting time targets set by the Commission regarding metering.

Jan Sehyong Manch and Mr. A. K. Gupta have also drawn the attention to the fact that consumers would be required to install automatic shunt capacitors because of variation in load. They have further pointed out that in the Electricity Act, 2003 it is the DISCOMs duty to develop and maintain an efficient, coordinated and economical distribution system.

Federation of DSIDC Entrepreneurs Association has submitted that kVAh based billing should not be implemented for small scale industry as it is difficult for the consumers to maintain power factor at their end.

The Mayapuri Industrial Welfare Association has questioned the rationale for determining kVAh based tariff at an average power factor of 0.9 while that of incoming supply is sometimes less than 0.7. Northern Railways and Chetna have suggested that average power factor of 0.90, as proposed by the Petitioner, should not be considered for determining kVAh based tariff as the Petitioner has not provided actual data on average power factor on monthly basis and adequate justification for raising level of power factor. Similarly low power factor surcharge should also be linked to present level of 0.85 power factor and should not be raised to 0.90. [This is also suggested by the Federation of DSIDC Entrepreneurs Association, Patparganj F.I.E. Entrepreneurs Association]. Mayapuri Industrial Welfare Association has further highlighted that it is the obligation of the Licensee to maintain the desired power factor even if the consumer does not improve it. The Licensee may collect the cost of equipment from the consumers.

The Delhi Chamber of Commerce and Industry and Federation of Delhi Small Industries Association have suggested that billing should be on kWh basis and not on kVAh basis on the grounds that it is difficult for small workshops and welding set users to maintain power factor even by installing any systems.



### **2.23.2 Response of the Petitioner**

The Petitioner has submitted that there is a lack of appreciation amongst the consumers of the desirability and the benefits accruing to them in maintaining the power factor of their electricity load at 0.90 (lag) or better. The Petitioner has further submitted that the consumers derives several benefits If he ensures installation of proper and required power factor correction equipment. Some benefits include enhanced equipment operation by improving voltage, improved energy efficiency, reduced line losses, delay in costly upgrades of equipment by increasing life of the equipment, and release of transformer and distribution system capacity of the service provider thereby reducing breakdown/losses and improving the system voltage profile.

The Petitioner has added that the most common method of power factor correction is through fixed capacitors. Good quality switched capacitors are now available in the market which automatically provide required reactive compensation for the consumer load without in anyway affecting the consumer's equipment.

The Petitioner has further added that as per its knowledge most State Regulatory Commissions have notified power factor not below 0.9(lag) which demonstrates the importance of maintaining the power factor nearer to unity.

The Petitioner has further submitted that power factor improvement through reactive power compensation is necessary to ensure network optimization as well as restrict the peak demand. The system power factor of the Petitioner is influenced primarily by the power factor of the consumers load. Contrary to some stake holders belief that the Petitioner only pays on the basis of kWh, the Petitioner also has to pay for the reactive energy consumed which in turn burdens the ARR. Thus in case the power factor is maintained, it will reduce the costs and the benefit can be passed on to the consumers. The Petitioner on its part maintains the power factor in its distribution network by installing suitably rated capacitors. But, considering that the load coming on the system is dynamic in nature, it has to be necessarily supplemented by corresponding initiative from the consumer end by way of adequate reactive compensation. In order to maintain power factor at the load end it is important that the consumer bears the responsibility to install suitable capacitors for reactive power compensation. Maintenance of the prescribed power factor at the consumer end will also significantly reduce the Petitioners requirement of the reactive energy which in turn will reduce the ARR.

The Petitioner has further submitted that the alternating current (AC) power consists of two components – Reactive and active - and it is only the active component that is useful energy. It is, therefore, important that reactive component is minimized as it represents pure wastage of energy. Although, the system configuration (i.e. the transmission and distribution system) also influences the power factor, the key determinant is the Load characteristic at the consumer end.

Loads such as induction motors and lighting sources using arc tube technology have inherently low power factors. For example if 1 MVA of energy is supplied to these loads they actually use only 0.7-0.8 MW and the balance represents loss. This not only affects the economics of the utility but in a power-scarcity situation it also deprives others from gainfully using that energy. The Petitioner has added that many state electricity regulatory Commissions have commented on the issue of kVAh billing.

The Petitioner has mentioned that the Commission in its Tariff Order for FY 2000-01 has highlighted that *"The tariff structure especially for the LT consumers charges only for the active energy i.e. for kWh, and therefore, the consumers may not worry to restrict their reactive energy drawl and may not be respecting SEB guidelines in maintaining the stipulated power factor of their load. Therefore, excess drawl of reactive energy causes increase in losses apart from voltage drop in the network."* However due to infrastructure constraints with erstwhile DVB, the tariff for kVAh was introduced only to consumer category where electronic trivector meter was installed by erstwhile DVB. In the present circumstances, the Petitioner has installed electronic meters capable of recording reactive energy for all consumers with load above 10 kW.

The Petitioner further stated that KVAh system of billing provides incentive to those who maintain high power factor of their installation and disincentive to those who maintain low power factor. In the process, it encourages efficient use of electricity and further, higher power factor eventually helps the system by lesser loading and reduction in losses. The Petitioner has added that the Commission has stated in its earlier Tariff Orders that in view of above benefits, it intends to gradually expand the coverage of consumers under KVAh billing. Accordingly, the Commission in its last Tariff Order expanded the scope of KVAh billing to SIP category consumers for whom electronic meters are installed. Incentivising the consumers to install capacitor banks to improve power factor will in turn reduce KVAh consumption. Since incentive for higher power factor is inbuilt in KVAh tariff, power factor penalty surcharge can also be done away with. The Petitioner has accordingly requested the Commission to consider expanding the scope of KVAh billing to all consumers with load more than 10 kW. Other state utilities are also migrating to kVAh based billing.

In respect of the observations of some stake holders regarding the KVAh Tariff determined by the Commission for SIP consumers, the Petitioner has submitted that the Commission, while formulating the retail tariffs will consider all suggestions/objections.

The Petitioner has requested the Commission to consider a power factor of not less than 0.9 for the purpose of tariff setting and kVAh billing for all consumers with load more than 10 kW.

## **2.24 Late Payment Surcharge**

### **2.24.1 Objections**

The Delhi Dal Mills (Millers) Association has stated that in case of a single day of delay in payment, a consumer has to pay interest for the whole month. They have also submitted that the rate of interest is high in view of the downward trend of interest rates. They have suggested that the Late Payment Surcharge should be charged on the fortnightly basis @ 1% per month up to one month and thereafter if payment is not made, LPSC may be charged @ 1.5% per month.

Jan Sehyog Manch and Mr. A. K. Gupta have requested for reduction in the late payment surcharge from 18% per annum to 6% per annum considering substantial reduction in prime lending rates of banks.

### **2.24.2 Response of the Petitioner**

The Petitioner has submitted that late recovery of payment puts a strain on its working capital requirement since it in turn has to pay its supplier on time. The LPSC has no linkage with the prevailing interest rates in the banking sector and is charged as a deterrent so that the consumers do not default. The LPSC is charged to meet the additional costs the licensee has to incur in creating and maintaining a mechanism to recover payment, serve additional notices, disconnect the service to a defaulting consumer, etc. It is a common practice amongst all service providers including other utilities (like telecom services, credit cards, etc.) to levy such charges on late paying consumers. The Petitioner has to make LPSC @ 2.5% per month in case of default to TRANSCO for purchase of bulk power.

The Petitioner has further submitted that the Commission has also maintained in its earlier tariff orders that LPSC is levied to act as a deterrent to consumers who delay payment of their bills for energy already consumed in advance. The LPSC is charged on the outstanding amount as per the Performance Standards (Metering & Billing) Regulations, 2002.

## **2.25 Other Suggestions**

### **2.25.1 Objections**

Jan Sehyog Manch and Mr. A. K. Gupta have objected to the Petitioner's suggestion for metering at primary side of transformer by stating that this would make the consumer responsible for transformation loss as well as the loss on account of theft from the same transformer. This amounts to transfer of responsibility from the Petitioner to the consumer for controlling theft and other commercial losses.

## 2.26 Billing for Unauthorized Usage

### 2.26.1 Objections

Patparganj F.I.E. Entrepreneurs Association has contended that the consumers should not be held responsible for any defective meter as long as the seals are intact.

Jhilmil DDA Flats Residents Welfare Association has requested the Petitioner to provide the amount of bills raised and net collection for FY 2004-05, for assessment cases booked for Dishonest Abstraction of Energy (DAE), Fraudulent Abstraction of Energy (FAE) and (DT).

Mayapuri Industrial Welfare Association has suggested that new tenant should not be made responsible for payment of Arrears of an earlier defaulter as the Licensee has entered into an Agreement to supply electricity with the persons and not with the premises.

## 2.27 Connected Load/Sanctioned Load

### 2.27.1 Objections

The Wazirpur Industrial Association has objected to the proposal for enhancement of sanctioned load of the consumer in line with the Dynamic Advance Consumption Deposit. It has also submitted that the definition of connected load be made more comprehensive as the current definition can be easily misused by the DISCOMs for their own benefit. It has mentioned that the DISCOMs have taken the rated capacities on a higher side with the objective of raising the assessment bills or levying LIP tariff. It has asked for clarification on how the rated capacity of energy consuming apparatus is to be read and computed in the absence of such a plate of the manufacturer of the apparatus.

The Delhi Chamber of Commerce and Industry and Federation of Delhi Small Industries Association have suggested that only fixed charges should vary in case of enhancement of load based on ASD and that 30% excess charges should not be levied. It has also suggested that no additional security be demanded for the same since increased fixed charges are levied as per use in the billing cycle.

The Federation of DSIDC Entrepreneurs Association has submitted that enhancement of load of the consumers based on the ASD will lead to increase in fixed charge and therefore, the consumers should not attract Load Violation Charges.

## **2.28 Billing**

### **2.28.1 Objections**

Engineers Association Okhla has submitted that excess charges are being levied on SIP consumers due to kVAh billing despite DERC's direction to charge as per kWh consumption. The Association has requested the Commission to rectify this discrepancy and direct the DISCOMs to recalculate the bills of SIP consumers for the last 10 months and refund the excess amount paid by them.

Shri Tilak Raj Mukhija and the IMD Employees Co-op Group Housing Society Ltd. have submitted that the DISCOMs are delivering bills late and are not giving clear 15 days time to the consumers in spite of the orders of the Commission. They have submitted that the Commission has directed the DISCOMs to give 15 clear days to deposit bills. They have also submitted that the DISCOMs be directed to provide a copy of the reading taken by the meter reader to avoid any dispute/confusion in the bills.

Senior Citizens' Forum has complained that the billing system of the Petitioner continues to be in a chaotic situation.

Mr. R.L.S. Sharma has suggested that fixed charges in addition to the energy charges should be printed on electric bill raised by the DISCOMs to enable consumers to understand and verify his bill.

Udyog Nagar Charitable Trust has contended that the Petitioner is not following the procedures framed by the Commission for clubbing of consumers.

Common Cause society has requested the Commission to devise a simple format of the bill which is understandable by a layman and make the same applicable to all DISCOMs.

### **2.28.2 Response of the Petitioner**

The Petitioner has submitted that the metering and billing related issues are being dealt with separately under the Performance Standards (Metering & Billing) Regulations and Complaint Handling Procedures of the Honorable Commission. Redressal mechanisms are also available through the Petitioner's internal Consumer Grievance Cell and Customer Support Service centres. The Petitioner has highlighted that other independent forums viz. Consumer Grievances Redressal Forums (one for each licensee) and Ombudsman setup (for all licensees in Delhi) under the Electricity Act, 2003, are also available.

The Petitioner has further submitted that when the new billing system was implemented it encountered some minor problems. This is natural for any process change initiative or a new system to normalize. The Petitioner has since rectified the problems in the system. The Petitioner has stated that the Commission periodically undertakes detailed scrutiny of the billing data of the Petitioner. It



has added that the Commission has also engaged consultants to study the billing procedures of the DISCOM's. The Petitioner has assured that it is committed to bring further improvements for enhanced customer satisfaction.

The Petitioner has added that it would be difficult on the part of the Petitioner to identify the bills of the "SENIOR CITIZEN" separately as the information about age of individual consumer is not available. Moreover it is commonly seen that the user in many cases is different from the consumer registered with the licensee in its billing records, as the premises might have changed hands but electricity connection has not got transferred by the present owner/occupant.

The Petitioner has stated that it has enhanced bill payment facility through 833 locations spread across its licensed area for bill payment which includes 400 outlets for payment of bills through "Easy bill" counters and "Skypak" drop boxes located very near to places of residence. Senior Citizens can avail the facility without having to approach the licensee own cash collection centres. It would also not be out of place to mention that at the time of takeover there were far fewer payment counters with restricted timings. The Petitioner has added that it has made considerable efforts for ease of payment of bills by increasing the number of outlets, increasing the timing of payment counters, etc., to facilitate all consumers for easy bill payment. However, the Petitioner assures to extend courtesy to all senior citizens who would come to deposit electricity bills at its payment counters.

The Petitioner has mentioned that the suggestion of stakeholders for a simplified bill format is well appreciated. The Petitioner has stated that it will endeavour to simplify and streamline the bill format to the extent possible keeping in view the requirement as per the Commission's tariff order/Regulations issued from time to time.

## **2.29 Metering & Replacement of Meters**

### **2.29.1 Objections**

Shri Vijay Kumar Gupta has submitted that all supplies should be metered irrespective of the category to which power is supplied. The Udyog Nagar Industrial Complex has also suggested that all supplies including supply to J J Clusters, streetlights, and unauthorized colonies should be properly metered.

The Wazirpur Industrial Association has suggested that provisions should be made to ensure that MDI recorded during any functions should not be treated for any purpose. It has pointed out that during small family functions, the MDI may go on the higher side despite the fact that the regular MDI reading is no a much lower side.

Shri. Sanjeev Bhatnagar has submitted that contrary to assurances in previous years, the DISCOMs have not installed meters at transformers and feeders to check FAE/Direct theft.

The Green Park Extension Association has submitted that the quality of the new electronic meters provided by the DISCOMs is questionable. It has submitted that it was informed that these meters are more sensitive than the previously installed mechanical meters and as such these meters showed an excess consumption of about 30% or more. It has highlighted the plight of the senior citizens who face enormous troubles as a result of bills that are three or four hundred times of the bill that was generated with the mechanical meters. It has further submitted that over and above the hikes in tariff, there has been a generation of 30% revenue on account of installation of electronic meters.

Shri B N Ahuja of Lajpat Nagar has submitted that metering problems continue to persist and that heated arguments between business managers/concerned officers of DISCOMs and the public on issues related to metering and billing are a common sight at the District Centres of DISCOMs.

The Senior Citizens Welfare Association has questioned the reliability and ISI certification of the electronic meters on the grounds that Chinese goods including electronic meters are not known for quality. It has suggested that the electronic meters be tested at the site free of charge by CPRI.

The Senior Citizens Welfare Association has suggested the introduction of meter reading cards wherein the consumer could record readings and pay accordingly without inviting penalty. It has suggested that the Licensee could make a check at mutual convenience. This would lead to a reduction in expenses on account of meter reading and bill distribution. It has cited the example of MTNL which is allowing a rebate of Rs. 10 to consumers opting not to receive original bill.

Residents of Mahavir Nagar have submitted that the new electronic meters fixed by BRPL run very fast and according to the persons who have fixed these meters, these meters run 35-40% fast as compared to the earlier ones. They have objected to increase in tariffs on the grounds that with the installation of these new meters, which are fast, BRPL will have additional income from consumers. Further, they have submitted that a survey done by a Govt. agency has confirmed that 6.5% meters are running fast though small number of meters were checked at random. They have objected to consumers being made to pay more on account of these new meters which run fast. They have submitted that the DISCOMs be forced to give a rebate at least 25-30% of the electricity consumed during the month owing to the fast running electronic meters.

Shri S C Gupta has submitted that the consumers are of the opinion that the meters are running almost double the speed. The objector further stated that the DISCOMs hired a CPRI team to test the meters, but the CPRI team has declared that the meters are in proper working condition. The consumers have been demanding thorough enquiry by an independent agency, but no response has been received in the matter.

Mr. Suraj Prakash and Mr. Abrol have suggested that all electro-mechanical meters be replaced with electronic meters equipped for download of data and temper indications.

Shri Sanjeev Bhatnagar has submitted that the meter modernization programme is infused with deficiencies. He further submitted that there is no check on private contractors executing this programme who harass consumers on flimsy faults that might have occurred in past year . Moreover, these contractors are changed frequently.

### **2.29.2 Response of the Petitioner**

The Petitioner has responded by stating that it is necessary to put the matter relating to replacement of electro-mechanical energy meters with electronic energy meters in proper perspective. Traditional electro-mechanical meters have been the instruments used by utility companies to measure power consumption for many years. With the liberalization of the power sector and ushering in of power sector reforms to ensure that generation, transmission, distribution and supply of electricity are conducted on commercial principles which would encourage competition, efficiency and good performance, consumers are also demanding better customer services, higher power quality and accurate measurement of energy consumption and more timely data. Utility companies are therefore increasingly focusing on solutions that would enable more sophisticated energy measurement methods giving greater information on the power consumption. In the last few years, electronic energy metering has emerged as the most suitable solution for this purpose. As a result, electric utilities worldwide have been replacing electromechanical energy meters with electronic energy meters.

The Petitioner has provided extracts from papers on the subject as follows:

*“An electromechanical energy meter contains many moving parts that are prone to wear over time and varying operating temperature and conditions. The mechanical gears wear with exposure to dirt, dust and humidity, affecting the accuracy of the meter. Mechanical gear lubricants may also dry up over time and cause the gear teeth to break and lose their specified gear ratios. Furthermore shock can lead to miscalibration of the meter and cause the spinning disk to jitter or possibly stop completely. Clearly, these errors do not affect the accuracy of an electronic energy meter because there are no mechanical moving parts.*

*An electromechanical meter measures power by multiplying the magnetic flux of current and voltage. The mechanisms of its energy measurement such as iron cores, potential coils, current coils and braking magnets cause the meter to react to changes more slowly than do electronic meters. For example, low and high loading errors can often*

cause over register or under register because of an iron core's lack of linearity and inertia in the spinning disk. Low loading error is due to meter creep when all loads are disconnected. High loading errors at full load is caused by the reduced ability of the compensation mechanism (typically a magnetic shunt) to offset the increased intensity of the braking magnets as the load increases. A meter that is not compensated properly and a spinning disk tilted at an angle can experience severe under register. Furthermore, at power up and power down or when an electromechanical meter jumps from a high reading to a low one, its scale factor, linearity, drift and instability can change permanently.

Electronic energy meters are more stable because the power calculation is done digitally and the absence of many mechanical and magnetic components reduces the number and magnitude of errors due to environment, use and age. In addition to accuracy and stability, electronic energy meters offer greater design flexibility and the ability to upgrade. Because the output of the electronic energy meter is digital, it can potentially interface with communications modules to allow greater design flexibility. In addition, load profiling, prepayment and multi-tariff billing would be made possible. Utility companies would have more control over their ability to provide more efficient power over the grid. As more information such as power factor could be calculated, power generation companies would be able to maintain cleaner power distributed over the grid and reduce the cost associated with building additional power generator equipment. Utility companies would also be able to detect meter tamper & outages more precisely and quickly.

The biggest advantage with the electronic meter is that it has wide working range. This wide range of working ensures recording both at very low load and very high load. Considering these factors coupled with the benefits of elimination of losses that can directly be ascribed to defective metering, low wattage loss, tamper proof features etc., electronic meter is far superior to electromechanical of similar specification."

The Petitioner has further submitted that the Commission is aware that DISCOMs have started progressively replacing electromechanical meters of consumers with electronic meters. The electronic meters being installed by the Petitioner have met with the requirements of standards as prescribed by the Bureau of Indian Standards. It is also pertinent to observe that the Accelerated Power Development and Reforms Program (APDRP) scheme of the Government of India is also providing assistance to utilities in the country for replacement of electromechanical meters with electronic meters. Further, the Commission in its tariff orders has also mandated levy of fixed

charges for all consumer categories where minimum charges were payable/to be charged on sanctioned load or on the basis of maximum demand recorded whichever is higher with provision for surcharge corresponding to the excess demand (to address problem of underreporting of loads etc). This implies that electronic meters with multiple parameter recording facilities are necessarily required to implement the tariff provision.

The Petitioner has added that Commission had *suo moto* set up a Committee in August, 2003 to look into various complaints relating faulty meters. The Committee included officials from the Commission, the DISCOMs and a prominent NGO. The Committee undertook testing of meters of various makes randomly selected from the stores of the DISCOMs, which were tested on its special test bench set up by the Committee in the Commission's premises itself. The Committee found that out of the lot selected, 2% of the meters were slow, 0.5% were fast and about 5% of the meters of a particular make procured during the DVB period were defective, usage of which was stopped.

The Petitioner has submitted that in order to further reassure its consumers of the accuracy and reliability of the electronic meters being procured and installed, the Petitioner, on the direction of Commission to undertake testing of meters with the assistance of an independent third party, had engaged the Central Power Research Institute (an autonomous body under the Ministry of Power, GoI) as an independent third party agency, for testing electronic meters being installed at the consumer premises for three months (beginning 3rd week of Jan., 05) to start with. The services of CPRI was also used for lot testing (as per IS:13779) of the electronic meters being procured. Each meter of the lot that conforms to the IS specifications is affixed with "Lot inspected by CPRI" stickers, approved by CPRI before release into the field for installation. Meters of all the consumers who had availed the third party testing by CPRI were found to be well within the permissible limits of accuracy.

The Petitioner has stated that the static electronic meters being procured are in compliance with IS:13779. The meters are BIS certified and carry the BIS certification mark on them.

The Petitioner has further stated that replacement of existing electromechanical meters with static meters would go a long way in benefiting the consumers as well as the utility through reduction of losses and also provide enabling mechanism for tariff rationalization for all categories of consumers. The benefits of the electronic meters thus are far reaching and any apprehensions on the accuracy or reliability of the meters are unfounded and misplaced.

## **2.30 Inspection/Raid of Premises**

### **2.30.1 Objections**

The Federation of RWAs of Dilshad Garden has submitted that the amateur surveyors drafted on contract basis for checking of meters with broken seals etc should be well trained. They have also emphasized on the need for these surveyors to be soft spoken and well behaved when dealing with consumers. They have also suggested that these surveyors should be accompanied either by members of the family or RWA members in order to avoid unpleasant situations. The Federation has also expressed concern over the fact that surveyors are sometimes accompanied by policemen and resort to means like threatening and extortion of money to get things done at the right track.

## **2.31 Quality of Service/Supply**

### **2.31.1 Objections**

Shri Kasturi Lal Ajmani has suggested that the incentive scheme for the concerned workers of various grids may be introduced to minimise the power failures.

Shri Sanjeev Bhatnagar has submitted that till date, the DISCOMs have not been able to satisfy their registered consumers in respect of good service, proper billing and uninterrupted power supply. He has further submitted that consumers are being harassed by the DISCOMs and their employees and contracts. He has also highlighted that the DISCOMs use English language in their day to day working. Since a large portion of the population in Delhi understand only Hindi, efforts should be made by DISCOMs to deal in Hindi so that consumers from the lowest rungs can feel at ease while interacting at the district offices of the DISCOMs.

Shri. K Ashok Rao, Convenor of the National Working Group on Power has suggested that the Commission should obtain and make public details of feeder tripping and duration of outages at the consumer end voltage wise and consumer category wise.

The Peoples' Power Network and the Consumer Coordination Council have submitted that though the DISCOMs are required to file QoS data, the Commission has neither commented nor taken action on issues of completeness or validity of data. It requested the Commission to ensure that data on QoS is complete and valid and can form the basis for an assessment of the service being provided to consumers. It has also submitted that though more power has been made available to the DISCOM i.e. load shedding due to supply shortage has declined significantly, the number of feeder trippings has increased. It has pointed out that if there is perception of fewer and/or shorter outages, the reason is greater availability of power and not improved performance of the DISCOMs.

Further, the Peoples' Power Network has mentioned that while data on outages, load shedding, etc. are already required from DISCOMs, aspects such as QoS in billing, bill payment, complaint handling etc. not covered. It has recommended that the Commission may carry out an annual survey of these aspects of QoS and the DISCOMs should be required to compensate the affected consumers if the QoS is lower than the standard.

Shri B N Ahuja of Lajpat Nagar has submitted that consumers would be willing to pay reasonable increase in tariff only when it is accompanied by courteous behaviour from DISCOMs, proper supply, and solutions to the current problems of metering and billing. He has suggested that the Commission check whether correct complaint numbers are being given in respect of complaints of no supply. He has submitted that it is felt that the DISCOMs are under staffed in respect of business managers and commercial officers and with a large number of grievances, these officers show irritation even to solve the grievance in one or two visits.

The All India Federation of Plastic Industries and the Delhi Chamber of Commerce and Industry have pointed out to continuous breakdown in main cables and power failures for long hours and suggested that the DISCOMs should replace all main feeder cables.

The Federation of RWAs of Dilshad Garden has highlighted the problem of mal functioning streetlights. It has also pointed out the need to distribute pamphlets and brochures and conduct workshops from time to time for the awareness of consumers and creation of a friendly atmosphere. It has also offered help for holding camps to facilitate consumers regarding change of name in the meters and enhancement of load.

Udyog Nagar Charitable Trust has expressed its displeasure against complaint handling process of the Petitioner.

### **2.31.2 Response of the Petitioner**

The Petitioner has reiterated its commitment to provide reliable and quality power to all its consumers. The Petitioner has stated that the quality of power and its reliability cannot be solely determined by the service commitment of the Petitioner but is contingent upon several factors that are beyond its control, such as grid supply conditions, constraints in DTL system, SLDC instructions, etc.

The Petitioner has submitted that the reliability index of power supply for the BSES DISCOMs have increased in the current year as shown in Table 21 and Table 22 of the ARR petition. The Petitioner has further submitted that the average duration of the interruption per feeder at 11 kV has significantly decreased.

The Petitioner has added that in the areas of BSES DISCOMs, load shedding due to constraints in Northern Grid/DTL has increased from 31.38 MU (26% of total load shedding) in FY 2003-04 to 58.19 MU (87% of total load shedding) in FY 2004-05 (upto Dec'04). In the corresponding period load shedding due to constraints in BSES network has reduced from 88.9 MU (74% of total load shedding) in FY 2003-04 to 8.57 MU (13% of total load shedding) in FY 2004-05 (upto Dec'04). Further, the Petitioner has added that due to sustained preventive maintenance and load management, transformer burning in the current year has drastically come down to 1 from a few hundreds in the year 2002.

### **2.32 Performance Standards**

Federation of Rohini CGHS has submitted that there can be little improvement in the working of the DISCOMs unless their performance is watched and questioned by the authority superior to DISCOMs or alternately the consumer should be given right of access to record and workings of DISCOMs.

Single Point Agency Holder Association has suggested that a separate department must be created in each DISCOM, which will provide the information to the consumers required by them as the consumers have the right to know about the performance of the DISCOMs.

Engineers Association Okhla has suggested that a time limit should be fixed for DISCOMs to render services like no supply calls, snapping of service wires and meter burnout. It has suggested that the DISCOMs should be penalised for not adhering to such time limits.

### **2.33 Service Line Charges**

#### **2.33.1 Objections**

Single Point Agency Holder Association has requested that the rates for connection to be charged by the SPD Contractor from consumers should also be decided by the Commission and the connection rates should be uniform in Delhi for all the consumers.

### **2.34 Other Suggestions**

#### **2.34.1 Consumer Interaction**

##### **2.34.1.1 Objections**

Single Point Agency Holder Association has submitted that in DVB time, the chairman of DVB was meeting with the consumers regularly at a fixed time but the CEO's of DISCOMs does not meet the consumers on regular basis and that they should be directed to meet the consumers on regular basis.



The Delhi Dal Mills (Millers) Association has expressed concern over the practice of DISCOMs of not replying to letters of consumers and the inability of consumers to meet concerned higher officials of the DISCOMs.

### **2.34.1.2 Response of the Petitioner**

The Petitioner has submitted that it has undertaken several initiatives towards enhancing customer satisfaction. These include

- IT enabled services for reducing manual intervention and faster services across all operational areas.
- Single Window Clearance for all consumer services (through Customer Care Centres).
- Establishment of a cell for redressal of customer grievances at the headquarters in addition to customer care centres at divisional office.
- Increased payment options viz 400 'Easy Bill' outlets, 200 "Skypak" drop boxes, online payment facility through "Bill desk" and "Bill junction" besides 150 own cash collection centres with flexible timings.
- Specialized services for key consumers. Implementation of automatic meter reading, resulting in error free reading and billing (no meter reading at site) and reduced bill cycle time (3000 already covered and more in the pipeline).
- Eight exclusive counters for duplicate bill facility and bill payment.
- Web enabled service for access to consumers bill/payment history and viewing the latest bill.
- Dedicated IVRS (Interactive Voice Recorded service) helpline (39999555) for KCC consumers regarding status of new connection, O&M related issues, bill payment etc.
- Delivering of KCC bills through speed posts with acknowledgement.
- Exclusive single window service for government and government agencies connections like DJB, MCD, etc.
- Computer linked outage management system for system operation and complaint management.
- Simplified procedures for new connection/load enhancement/duplicate bills/transfer of ownership of connection etc.
- Improved metering /billing and delivery of bills through courier services.
- Launched "Sahyog" – forum for regular dialogue between local MLA/RWA and DISCOM representatives.
- Meeting every 2<sup>nd</sup> Saturday of the month to cover spectrum of individual and community issues.
- Regular interactive meetings with RWA's either at BSES Headquarters or venues suggested by RWA's. During last two months nine meetings have been successfully organized.

- Issue of "Synergy" (a bimonthly news bulletin for customer awareness of the initiatives being taken) with consumer bills.
- Distribution of booklet on meters and consumer guide.
- Implementation of Bill amendment module.

The Petitioner has further submitted that it has integrated online services for faster resolution of complaints. The Petitioner has added that it has increased the number of customer touch points from 33 to 143 to facilitate consumer's easy access to facilitation centers.

The Petitioner has informed that Consumer Grievance Redressal Forums (CGRF) have been set up in each Discom under the statutory provisions of Electricity Act 2003. The Chairman and members of these forums are selected by the Commission and appointed as per its directions for speedy redressal of consumer complaints pertaining to BYPL and BRPL. The number of District Offices from (redesignated as divisional offices) has been increased from 11 to 19 in order to reach closer to consumers, to provide better services and to serve consumers more effectively. The Petitioner has added that it has also set up an efficient complaint monitoring system, which escalates complaints to middle/senior management in case of pendency beyond two hours.

The Petitioner has indicated that the above initiatives are supported with a fully automated "No Supply" call centre linked with all the divisional maintenance offices to ensure seamless flow of information between the affected customers and the O & M personnel. The call centre functions on 24/7 basis. The Key Consumer Cell (KCC) for consumers having a load of 45 kW and above was established to closely monitor and improve customer interface and control any AT & C losses relating to such large consumer connections. As mentioned earlier, Automated Meter Reading, Interactive Voice Response system and SMS alert are some of the value added services to KCC consumers.

The Petitioner has highlighted that when such new initiatives are launched there is bound to be a transition period, to completely reap the benefits but it certainly cannot be said that customer care initiatives have not benefited the consumers. It has added that it is committed to bringing in further improvements in its area of service.

#### **2.34.2 Corruption amongst Officials**

The Upbhokta Hitararth Sanstha has highlighted the issue of corruption amongst the officials of the DISCOMs.

#### **2.34.3 Street Lights**

##### **2.34.3.1 Objections**

Several consumers like Upbhokta Hitararth Sanstha's have raised the issue of malfunctioning of streetlights.

Mayapuri Industrial Welfare Association has complained that hardly 5% of streetlights are functioning in Mayapuri Industrial Area and has requested the Commission to direct the Petitioner to replace the fused and/or missing light points.

#### **2.34.3.2 Response of the Petitioner**

The Petitioner has responded by stating that street lights are maintained on behalf of the road owning agencies (MCD, PWD, etc) on payment of maintenance charges as stipulated by the Commission from time to time. It has added that joint inspections with the representatives of the MCD/PWD are undertaken to monitor the functioning of street lights every month and the functioning level has been found to be near 98%. The Petitioner has assured that any specific complaint of non-functioning of street lights will be duly attended to if brought to the notice either to the local divisional office or the Petitioner's helplines.

#### **2.34.4 Payment through ECS and Cheques**

##### **2.34.4.1 Objections**

The Senior Citizens Welfare Association has suggested for the payment of bills through ECS. Shri A K Chandra has also submitted that the DISCOMs should accept payments of their bills from consumers through ECS with a discount of 5% (five percent) as this facility will help many people who are aged, sick, disabled, working full time etc. Further, this will also improve the cashflow of DISCOMs and will result in other considerable savings like reduction in staff requirements etc.

Several objectors have referred to the provision in the budget for FY 2005-06 which requires any person with an annual electricity bill of more than Rs. 50,000 to file return and suggested that the Commission may direct the Petitioner to accept any bill exceeding Rs. 5000 by Account Payee Cheque only.

##### **2.34.4.2 Response of the Petitioner**

The Petitioner has stated that it has made a proposal in the draft Distribution And Supply Code submitted to the Commission for considering ECS mandate as a mechanism for payment of bills. It has added that rebate to consumers is admissible if approved by the Commission.

#### **2.34.5 Energy Conservation**

Young Friends Co-op. Group Housing Society has emphasised on the importance of conservation of energy and has submitted most of energy generated is thermal in origin i.e. derived from fossil fuels which are non-renewable and will eventually run out. The per capita consumption will keep on increasing and hence there is strong case for increasing the efficiency of generation, transmission, distribution and consumption of energy as energy conserved is energy generated

without attendant losses and costs. The objector has suggested that the system of incentives and disincentives in tariffs should be introduced for conservation of energy.

#### **2.34.6 Assessment of energy consumption in case of theft**

Er. S. P Gupta has submitted that the DISCOS are not following the directives/guidelines of the Commission in respect of assessment of energy and are assessing the energy consumption for establishment of theft on the basis of connected load/sanctioned load whichever is higher. He has further submitted that the assessment of energy should be based on actual connected load and not on sanctioned load.

#### **2.34.7 Induction of other stakeholders**

The Udyog Nagar Industrial Complex has referred to the grant of license by the Commission to BSES for the NDMC area and suggested that the Commission should consider granting license to other contenders for other areas as per the provisions of EA 2003 to achieve competitiveness in provision of service.

#### **2.34.8 Recovery of dues**

Shri Sanjeev Bhatnagar has submitted that no pro rata amount should be charged from prospective consumers as it is the responsibility of the DISCOMs to recover dues from consumers.

#### **2.34.9 Transparency**

Shri. K Ashok Rao, Convenor of the National Working Group on Power has requested the Commission to ensure transparency in the purchase of goods and services. He has submitted that the DISCOMs are public services wherein the GoNCTD holds 49% equity. There is therefore a case for a complete transparency in the purchase of goods and services by the DISCOMs. Further, he has submitted that even if Government procedures are not required to be followed by the DISCOMs, there must be sufficient public information to enable the public to know the cost at which goods and services procured by the DISCOMs.

#### **2.34.10 New Connections**

The Naraina Small Industries Welfare Association Phase – I has objected to the practice of DISCOMs not sanctioning connections on various sites on account of old dues pending against the property and old connections being disconnected due to non-payment. It has given the following reasons in support of this:

A consumer and not a property is a defaulter.

DISCOMs do not resume power supply even in cases where consumers have been exonerated of theft by Courts on the grounds that penalty imposed has not been waved

DISCOMs take security from consumers. If and when a consumer fails to make payment of the bill on time, the connection should be terminated and bill adjusted with the security amount.

Mr. Suraj Prakash has suggested that new connection upto 5 kW load should be granted to all categories of consumers in all premises in all areas.

#### **2.34.11 Policy for retirement of assets**

The PHD Chamber of Commerce and Industry has submitted that the Commission formulate a policy for retirement of assets at the earliest so that the true picture of the assets of the Utilities is ascertained.

#### **2.35 Commission's views**

The Commission has taken a note of the various comments/objections made in response to the Petitions filed by the Utilities and appreciates the keen participation in the process by the various stakeholders to provide vital feedback to the Commission on various issues.

For instilling confidence in the Utilities as well as to bring about a greater understanding and appreciation of the complexity of the issues involved, the Commission ever since its institution, has made conscious and continuous efforts to bring about transparency in the tariff setting process.

The Commission is of the opinion that for any meaningful regulation of the Utilities, an effective platform for exchange of operational and performance related information is required throughout the year, rather than having limited interactions during year-end submission of filings. Accordingly, the Commission required the Utilities to spell out detailed information/reasons for further improvement over the existing situation. The Commission also undertook visits for actual verification of the physical progress of various capital expenditure undertaken by the Utilities. The shortcomings in their information systems and processes were conveyed to the Utilities while eliciting improved performance. Information availability being the key to quicker processing of the Petitions, the Commission is in the process of developing and installing a Regulatory Information Management System (RIMS). The Commission has appointed a Consultant for developing the RIMS and the RIMS is likely to be operational by October 2005. The RIMS

aims at building an MIS with pre-defined information formats, accessible to the Utilities through the Internet for periodic updates. RIMS is expected to help the Utilities and the Commission to come to a common understanding about the level, form and diversity of information to be made available for processing of the ARR Petitions among others. It would also ease the pressure placed on the Utilities in the existing set-up to provide the desired information within a limited period for year-end review of operations.

The Commission is convinced that improvement in service standards should go in tandem with the improvement in commercial operations envisaged in the Policy Directions over the five-year period beginning FY 2002-03. For this purpose, such standards shall have to be notified and adequately disseminated amongst the consumers in order to ensure effective compliance. The Commission, with this objective, has notified several Regulations and issued some Orders as discussed in Section 1 of this Order.

The Commission recognises the impact of a good tariff design in promoting efficient consumption. In the Tariff Order of May 23, 2001, the Commission had rationalised some of the tariff related issues including the provisions in the Tariff Schedule. The Commission also introduced kVAh billing for high voltage consumers to encourage them to improve their power factor. The Commission in its Tariff Order of June 26, 2003 on the ARR and Tariff Petitions of Transmission Company and three Distribution Companies attempted to rationalise the tariffs and made certain changes in the tariff structure to simplify the same in response to the representations made by various respondents during the process. Some of the key changes in the tariff structure made by the Commission in its Orders dated June 26, 2003 are as follows:

- Abolition of Meter Rent;
- Abolition of Misuse Charges for all the provisions of misuse including that of the requirement of valid MCD licence and Lal Dora Certificate;
- Merger of Induction Arc Furnace Category with LIP Category;
- Merger of Traffic Light Category with Public Lighting Category;
- Merger of Separate Domestic Lighting and Power Connections;
- Movement of tariff towards a Two-Part Tariff regime with Provision for Fixed Charges in lieu of Minimum Charges and Meter Rent;
- Removal of Concept of Normative Consumption for levy of surcharge;
- Rationalisation of Late Payment Surcharge.

Further, the Commission in its Orders dated June 9, 2004 on the ARR and Tariff Petitions of DISCOMs have made some more changes in the tariff structure for rationalising the tariffs, to simplify the tariff structure and to minimise the operational problems in metering and billing. Some of the key tariff rationalisation measures approved by the Commission in its Orders dated June 9, 2004 are as follows:

- Reduction in Slabs in Domestic Category from 4 slabs to 3 slabs;
- Modification in Definition of Sanctioned Load;
- Increase in Fixed charges as tariff rationalisation measure;
- MDI based Tariff for NDLT and SIP was made applicable for consumers with electronic meters.

The Commission recognises the impact of the Petitions filed by the Utilities and the importance of the various issues raised during the public hearings and the comments made by the stakeholders. The Commission also appreciates the efforts of the stakeholders in bringing such issues to the notice of the Commission. However, the Commission would like to point out that several issues and comments, though important, are not relevant to the determination of the ARR and Tariff of the Utilities. Therefore, the Commission, while taking note of these issues, is not addressing such issues in this Order. The Commission will deal with such issues separately under the appropriate Forum constituted for this purpose or during the amendment of the Regulations issued by the Commission. The stakeholders may also approach the Commission separately on such issues.

With this background, the Commission now proceeds to provide its views on the various issues raised by the respondents for determination of ARR and Tariff of the Utilities.

### **2.35.1 Procedural Issues**

At the outset, the Commission would like to clarify the procedure adopted by the Commission in inviting responses from the Stakeholders on the Petitions filed by the Utilities.

While processing the ARR and Tariff Petitions of the Utilities, the Commission in accordance with the provisions of the Electricity Act, 2003 directed the Utilities to publish the salient features of their Petition in leading newspapers. In compliance to the Commission's directive, the Utilities published the salient features of the respective Petitions. Subsequently, the Commission published the public notice summarising the ARR and Tariff Petitions of all the Utilities in one notice for inviting response from

consumers and stakeholders. The Public notice published by the Commission specifies that the response from consumers and stakeholders must be on affidavit, in triplicate and either in person or by post and that email responses are not permitted. This practice is in line with the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001. The Commission has not deviated from the standard practice followed by the Commission in inviting responses from the stakeholders and considering the same for meaningful interaction.

The Commission would also like to point out that submission of responses by stakeholders on affidavit is a legal requirement. However, the Commission has considered large number of responses and objections which have not been sworn on an affidavit.

As regards the availability of only a brief summary of ARR and Tariff Petition by the Commission, the Commission would like to bring to the notice of the stakeholders that this practice is followed by the Commission and the Commission publishes the salient features of all the Petitions in one public notice for inviting responses. This is also in view of the fact that the advertising costs are also high. The ARR Petitions are posted on the website of the Commission as well. Further, the Orders issued by the Commission on the ARR and Tariff Petition of the Utilities are reasoned and all necessary explanation are given therein. For a better understanding of the ARR and Tariff Petitions, the Commission urges consumers to refer to the Orders on ARR and Tariff Petition issued by the Commission during the previous years. The Commission would also like to highlight that it is keen to encourage greater participation by various consumer groups and that the Commission will take appropriate steps for enhancing consumer awareness to enable consumers to better appreciate the Petitions filed by the Utilities.

As regard separate proceedings on capital expenditure plans of the Utilities, the Commission would like to bring to the notice of the stakeholders that in the Orders on ARR and Tariff Petitions of the Utilities for FY 2004-05, the Commission had directed the DISCOMs and TRANSCO to submit the complete Detail Project Report (DPR) along with cost-benefit analysis for schemes costing more than Rs 2 Crore for obtaining the scheme-wise investment approval from the Commission as per the terms and conditions of the License for Distribution and Retail Supply of Electricity within a month from the date of the issue of this Order. The Commission has also directed the Petitioner to submit the schemes for approval of the Commission for FY 2005-06, by September 2004. Therefore, the Commission has already instituted a separate process for the approval of the capital expenditure plans of the Companies. The Commission, after detailed scrutiny of each capital scheme, accords its approval to the capital expenditure schemes proposed by



the Companies. The Commission does not feel the necessity to conduct separate public proceedings for approval of capital expenditure plan of the Utilities as this is work is a continuous process spread over a period of few months.

In respect of making available the calculation and spreadsheets of the Commission, the Commission opines that detailed speaking Orders are issued by the Commission in respect of the ARR and Tariff Petitions filed by the Utilities covering various items which should solve the purpose of various stakeholders.

With regard to the review of compliance with directions of the Commission, the Commission would like to point out that the Commission reviews the compliance of the Utilities from time to time. The compliance of the directives by the Petitioner has been discussed in Section 7 of the Order.

As regards to the suggestion of the stakeholders for participation of consumer groups in the technical validation sessions conducted by the Commission with the Utilities, the Commission would like to bring to the notice of the stakeholders that it is with this very objective of obtaining feedback of consumers on issues like Quality of Supply, DJB revenues, Capex, metering and billing, etc that the Commission invites comments, objections and suggestions from consumers while processing the Petitions and while framing the regulations. Consumers are free to express their views and concerns to the Commission. Wherever it is not possible to have a participative process, the Commission looks into the concerned matters itself. Further, on matters like Quality of Supply problems, the Commission urges consumers to approach the Consumer Grievances Redressal Forums.

With regard to the availability of the Petition to the public for providing their responses, the Commission agrees that greater access to the Petitions of the DISCOMs would enable more and more consumers to participate in this process. The Commission directs the DISCOMS to make available copies of the Petitions in all their district offices

### **2.35.2 Jurisdictional issues**

The Commission would like to clarify that the Petitioner has not sought review of earlier Orders of the Commission as part of the present Petition. The Petitioner has also not sought review of tariff for the past period. It has requested for truing-up of expenses and revenue based on the variations in actual expenses and revenue with respect to expenses and revenue approved in the Orders. Acceptance of this request by the Commission does not require reopening and reassessment of the tariff for the past period, as the amount of ARR to be trued up is included in ensuing year's revenue gap.

This practice is not beyond the jurisdiction of the Commission. Therefore, there is no reason for rejecting the Petitions filed by the DISCOMs.

However, the Commission would like to clarify the concept of truing up. 'Truing up' is a process undertaken at the end of the year wherein the Commission examines the actual expenses/revenues of the Utilities and allows variations over the approved levels after considering the prudence of such actual expenses/revenues. The truing up mechanism has been elaborated in detail in Section 4 of the Order. The Commission would also like to point out that wherever the Orders on Review Petitions filed by the Petitioner have been passed by the Commission, the position as indicated in the Orders on Review Petition shall be maintained. The Petitioner should take note of the same for future filings to the Commission.

### **2.35.3 Quality of Filing and Additional Information**

The Commission would like to inform the stakeholders that they should approach the appropriate agencies for seeking the documents required to understand the assumptions and commitments made by the GNCTD and the DISCOMs. The Commission would like to bring to the notice of stakeholders that all documents available in the Commission's office are subject to inspection in the Commission's office after following the due procedure for access to such documents in accordance with the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001. The Commission had clarified this position during the Public Hearings also.

As regards the filing of a consolidated petition by the DISCOMs, the Commission would like to bring to the notice of the Stakeholders that the DISCOMs cannot file a consolidated petition. Petitions filed by the DISCOMs have to be on their individual business. It is with the very objective of providing continuity and giving a consolidated picture that the Commission brings out a Public Notice indicating the salient features of all the Petitions.

With regard to the quality of the Petition, the Commission would like to clarify that the original Petition was filed by the Petitioner on December 30, 2004. The Commission conducted technical sessions with the Petitioner and highlighted the basic data gaps/deficiencies in the Petition, which were required to be rectified before the admission of the Petition. The Petitioner complied with the Commission's directives and submitted the requisite information required for the admission of the Petition. The Commission examined the Petition and the subsequent information submitted by the Petitioner and found that the Petition filed (along with additional information) was in line

with the ARR and Tariff Guidelines issued by the Commission. Thereafter, the Commission admitted the Petition for further processing on March 10, 2005.

With regard to the authenticity of the data/information submitted by the Utilities the Commission would like to inform the stakeholders that the Commission obtained the audited accounts for the previous year i.e. 2003-04 while processing the Petitions. Further, the Commission also obtained provisional audited accounts for FY 2004-05 of the Utilities in May 2005. The Commission ensures verification and consistency of the data provided by the Utilities by undertaking prudence checks of the data and examining for consistency with past data submitted to the Commission.

#### **2.35.4 Privatisation Policy and Reform Process**

The Policy formulated and Directions issued by the Government in exercise of its powers under section 12 of the Delhi Electricity Reforms Act, 2000 are binding on the Commission. The Commission, therefore, does not have any further views in the matter. Furthermore, this aspect has been discussed and addressed in the Commission's Order on Bulk Supply Tariff and opening level of AT&C losses issued on February 22, 2002.

Further, the Commission suggests that the respondents may approach the appropriate agencies for seeking clarifications.

#### **2.35.5 Transition issues**

The Commission would like to inform the respondents that the issues raised herein are not related to the ARR and Tariff Petition of the Utilities for FY 2005-06. The Commission will deal with the issue of tariff structure in post transition period at the appropriate time.

#### **2.35.6 Compliance with the Directives of the Commission**

The Commission would like to inform the respondents that it monitors the Petitioners' compliance with the directives at periodic intervals. The status and details of compliance by the Petitioner on the directives issued vide the Commission's Order dated June 9, 2004 has been elaborated in Section 7 of the Order.

#### **2.35.7 AT&C Losses**

The Commission would like to highlight that the Policy Directions required the Commission to determine the opening level of AT&C loss for each DISCOM through an Order, which were to be the opening levels of AT&C losses for the purposes of bidding. The base levels of losses for each DISCOM was determined by the Commission vide its Order of February 22, 2002. The Policy Directions further indicated that the AT&C loss for the purpose of tariff computation by the Commission for each DISCOM in a year shall be based on the opening AT&C loss and the reductions proposed for the year in the accepted bid of the investor selected by the Government

for purchase of 51% equity in the Distribution Company. The Policy Directions also stipulate the mechanism for treatment of under-achievement and over-achievement of loss reduction with respect to the accepted bid levels and minimum levels specified by the Government. The Commission would like to clarify that the effective return is subject to the achievement of AT&C loss reduction committed by the Distribution Companies during the year. Any underachievement in relation to the bid level shall be to the account of the Petitioner. The AT&C losses for each of the five years beginning FY 2002-03 for tariff determination purposes has, thus, been laid out very clearly in the Policy Directions and are binding on the Commission. With regard to the re-examination of the validity of AT&C loss as a measure, the Commission would like to inform the respondents that the Commission is bound by the Policy Directions issued by the GNCTD.

As regard to the objection that while the DISCOMs have made claims of over achievement in loss reduction targets at various forums, the Petitions have indicated lower reduction, this is due to the reason that the Petitions were submitted in the month of December 2004 in which the DISCOMs have considered the AT&C loss reduction at bid level. The extent of overachievement in loss reduction targets could not be known at the time of filing of Petitions. The actual reduction in AT&C losses during the FY 2004-05 have been more than the committed level of loss reduction.

On the submission that an ordinary consumer is not interested in the voluminous petitions, but is interested to know the achievements made by DISCOMs to reduce the losses with respect to target levels, the Commission would like to highlight that the Commission deliberates on the achievements of the DISCOMs in respect of reduction of losses with respect to the bid level reduction targets in Section 6 of its Orders on the ARR and Tariff Petition of the DISCOMs. The achievements of the DISCOMs with respect to reduction of losses during FY 2004-05 have been elaborated in Section 6 of the Order.

The Commission appreciates the suggestion of the respondents for examination of AT&C loss levels of the DISCOMs vis-à-vis the losses in other States and international data. The Commission also shares the concerns of consumers against high levels of losses of the Petitioner and that the reduction in losses is not rapid in spite of the generous incentives and soft targets given to the DISCOMs. However, the Commission would like to point out that the year-wise loss reduction trajectory that was agreed between the successful investors and the Government, at the time of privatisation, forms a part and parcel of the Policy Directions issued by Government and the same cannot be changed or disregarded by the Commission.

Several objectors have submitted that despite the huge capital investments proposed by the Petitioner, the Petitioner has not proposed any over-achievement in reduction in AT&C losses with respect to the bid level. They have also submitted that unless the DISCOMs show higher achievement in loss reduction, they should not be allowed expenses higher than the level considered by the Commission in its order of BST and opening loss levels of February 2002. The

Commission would like to point out that while approving the capital investment undertaken by the Petitioner in FY 2004-05 and proposed by the Petitioner for FY 2005-06, the Commission examines the costs and benefits associated with the proposed scheme, including the impact on AT&C losses.

**For regular monitoring of AT&C losses, the Commission directs the DISCOMs to provide the break up of energy input to the DISCOM, energy sold by the DISCOM, energy billed by the DISCOM and the revenue realisation against billed energy and the district wise AT&C losses on a monthly basis within fifteen days after the end of the month.** To start with, this information shall be provided to the Commission in hard copies. Once the Regulatory Information Management System (RIMS) is operational within the Commission, this data shall be submitted through RIMS.

#### **2.35.8 ARR and Revenue Gap**

The Commission would like to clarify that it has critically examined all the elements of expenditure and revenue, and has not merely gone by the actual expenses as per the accounts of the Petitioner. The Commission considered the prudence of expenditure projected by the Utilities, the actual expenditure in FY 2004-05, as well as the committed Government support, while determining the revenue requirement and the category-wise tariffs to meet the revenue requirement. A detailed analysis of all the expenditure and the revenue components, and the methodology of projection adopted by the Commission has been provided in the relevant sections of Sections 3 and 4, respectively.

As regards to the TRANSCO's objection with respect to determination of Bulk Supply Tariff of DISCOMs based on paying capacity of DISCOMs, the Commission would like to clarify that the Commission in its Order dated February 22, 2002 on Determination of Bulk Supply Tariff and Opening Level of AT&C losses has determined the Bulk Supply Tariff considering the Policy Directions issued by GNCTD. The Commission in this regard has noted as follows:

*"As per the above principles laid down in the Policy Directions issued by the Govt. of NCT of Delhi, the Bulk Supply Tariff for each DISCOM is to be determined on the basis of its paying capacity. The paying capacity for each DISCOM (amount available for power purchase) is to be computed by projecting the expected revenues and deducting therefrom the revenue requirement excluding the power purchase expenses."*

The Commission has adopted the same approach while determining the Bulk Supply Tariff in its Orders dated June 26, 2003 on ARR and Tariff Petitions of TRANSCO and DISCOMs for FY 2002-03 and FY 2003-04 and its Orders on June 9, 2004 on the ARR and Tariff Petitions of TRANSCO and DISCOMs for FY 2004-05. The TRANSCO has not objected to the approach adopted by the Commission with respect to determination of Bulk

Supply Tariff. Therefore, at this stage, the objection raised by the TRANSCO with respect to determination of BST based on paying capacity is not tenable, as the tariff for the ensuing year is also determined under the gamut of Policy Directions. Further, the Commission would like to clarify that the entire Revenue Requirement of TRANSCO as approved by the Commission is being met by combination of Bulk Supply Tariff and Govt. Support available in accordance with the Policy Directions of the GNCTD.

Further, on the issue of creation of additional regulatory asset while approving the ARR and Tariff for FY 05-06, the Commission would like to inform that the matter with respect to Regulatory Asset created in the previous Order dated June 9, 2004 on the ARR and Tariff Petitions for FY 2004-05 is sub-judice. Further, the Commission has deliberated on the creation and amortisation of Regulatory Asset created in its Order dated June 9, 2004 in Section 4 of the Order.

#### **2.35.9 Depreciation**

The Commission has deliberated on this issue in detail in its Orders on ARR and Tariff Determination for FY 2002-03 and FY 2003-04, and for FY 2004-05. The Commission has adopted a rational approach in this regard and has allowed depreciation on the basis of the straight-line method of depreciation linked to useful life of the assets and at the rates prescribed in Appendix II to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 for various asset classes from FY 2005-06 onwards. The approach adopted by the Commission and the extent of depreciation allowed by the Commission has been discussed in detail in Section 3 of the Order.

#### **2.35.10 Investments**

The Commission has held detailed discussions with the DISCOMs and scrutinized the investments already made as well as the investments proposed to be made by the DISCOMs. The Commission has also conducted sample checks on the investments –progress of capital expenditure, quality of execution of work at site and issue of completion certificates.

Details with respect to scheme-wise investment proposed by the Petitioner, details of actual investments undertaken during FY 2004-05, and the Petitioner's preparedness for executing the works proposed under the capital investments for FY 2005-06 were obtained and the same have been duly taken into account while determining the capital investments for the purpose of determination of the Annual Revenue Requirement (ARR) as mentioned in Section 3 of the Order.

The Commission would also like to clarify that the capital investments are not included under revenue expenditure. In the revenue expenses, only the capital expenditure related charges, i.e. interest payable on the loans, depreciation as well as return on equity have been considered.

The DISCOMs shall ensure that all capital investment being undertaken by them should be approved by the Commission. Further, the DISCOMs shall comply with the provision of the Electricity

Act, 2003, License conditions, Rules, Regulations, and the procedures, principles laid down by the Commission including safety aspects and prudent utility practices during the execution of capital works.

### **2.35.11 Funding of Investments**

In respect of APDRP funds, the Commission has noted that all efforts are being made by the Licensees to ensure the availability of funds under APDRP. However, if funds are not available, works cannot suffer. As a result, the Petitioner may have to resort to other available means of finance to ensure that works are completed on time. The Commission would like to point out that for the current year, the Utilities have not projected the availability of APDRP grant.

As regards consumer contribution, the Commission would like to point out that consumers' contribution cannot be accounted as revenue from tariff. As a principle, the consumer contribution is collected for partial funding of works to be executed by the Licensee for supplying the power to the consumers. If consumers' contribution is accounted for as a revenue item, the Licensee will not have the resource to finance consumer works. Therefore, consumers' contribution is accounted for as part of means of finance for funding capital expenditure and no return is being allowed by the Commission on consumer contribution.

### **2.35.12 Employee Cost and Voluntary Retirement Scheme**

The Commission has examined the employee expenses projected by the Petitioner and the actual employee expenses for FY 2004-05. The total employee expenses allowed by the Commission for FY 2004-05 and FY 2005-06 and the treatment of VSS expenses has been discussed in detail in Section 3 of the Order.

The Commission would like to clarify that the Commission has considered employee expenses for the purpose of estimation of ARR as if no employee has taken VSS. With this approach, the Commission has considered the employee expenses without considering the costs of VSS and savings in employee costs due to VSS. This method of treatment of VSS and its savings will be beneficial to the consumers, as it maintains the employee costs at prudent levels and will be tariff neutral for the period till the one time payment due to VSS and other costs related to VSS are amortised by savings in employee costs. The Commission would like to clarify that this approach has already been accepted by the Petitioner in the Order on ARR and Tariff Petition for FY 2004-05.

On the issue of lack of clarity on how the salaries and perks of the senior officers who are common to BRPL as well as BYPL are being booked, the Commission would like to bring to the notice of the respondent that during the interactions held with the Petitioner, the Commission had asked the Petitioner to explain the manner in which expenses of the corporate office and employees common to BRPL and BYPL are being allocated to BRPL and BYPL. The Petitioner submitted this information to the Commission highlighting the proportion in which such expenses are allocated

between BRPL and BYPL. The Petitioner has added that the manner of allocation of such expenses between BRPL and BYPL represents fair and proper allocation of employee cost between the two entities.

The Commission is not satisfied with the explanation provided by the BSES DISCOMs in respect of allocation of corporate office expenses, employee expenses and A&G expenses between BRPL and BYPL. In fact, the Commission has often noticed that the information for BRPL is filed under the information desired for BYPL and vice-versa. The Commission staff faces a lot of problems in sorting out the data for these Utilities and analysing the same.

The Commission would like to point out that since tariffs are to be uniform across the three DISCOMs till FY 2006-07, the allocation of expenses between BRPL and BYPL does not have an impact on tariff at this stage. However, after FY 2006-07, when tariffs across the three DISCOMs can be different, the allocation of expenses between BRPL and BYPL would have a significant impact on the tariffs to be charged by BRPL and BYPL.

The corporate office being in the area of BRPL, a larger share of employee expenses of the corporate office has been allocated to BRPL without giving any justification. The Commission observes that as the opening level of AT&C losses in BYPL area was higher than BRPL areas, more administrative attention is required in BYPL area. Objectors of BYPL have also raised objections regarding the operation of BYPL offices from BRPL areas as they have to travel long distances to get their grievances redressed. The Commission feels that the continued practice of allocation of a larger portion of expenses to BRPL would lead to higher burden on the consumers of BRPL as against the consumers of BYPL.

**Therefore, the Commission directs BRPL and BYPL to separate the corporate offices and employees who are currently common to these two DISCOMs within three months from the date of issue of this Order and file the status of compliance on the same to the Commission.**

#### **2.35.13 Other Expenses**

The Commission has examined all the components of other expenses projected by the Petitioner for FY 2005-06 and the actual other expenses in FY 2004-05 while approving the expenses for FY 2004-05 and FY 2005-06. The details of other expenses have been deliberated in Section 3 of the Order.

#### **2.35.14 R&M Expenses**

The Commission has analysed all the components of R&M expenses projected by the Petitioner for FY 2005-06 and the actual R&M expenses in FY 2004-05 while approving the R&M expenses. Further, as mentioned in Section 1, the Commission staff undertook field visits in Petitioner's license area at



some select locations to review the physical progress of the Capital Works and Repairs and Maintenance works. The details of R&M expenses have been discussed in detail in Section 3 of the Order.

**In continuation of the directions with regard to separation of corporate office, the Commission directs BRPL and BYPL that the accounts and stores shall also be ring fenced Licensee wise within three months from the date of issue of this Order and report the compliance to the Commission.**

### **2.35.15 A&G Expenses**

The Commission has examined the A&G expenses projected by the Petitioner for FY 2005-06 and the actual A&G expenses for FY 2004-05 while approving the A&G expenses. The details of A&G expenses have been deliberated upon in Section 3 of the Order.

As regards the booking of expenses on hiring of vehicles, office equipment, transformers, professional fees, stationery, memberships and subscriptions, etc. between BRPL and BYPL, the Commission would like to bring to the notice of the respondent that during the interactions held with the Petitioner, the Commission had asked the Petitioner to explain the manner in which expenses of the A&G expenses of the corporate office and other A&G expenses common to BRPL and BYPL are being allocated between BRPL and BYPL. The Petitioner submitted this information to the Commission highlighting the proportion in which such expenses are allocated between BRPL and BYPL. The Petitioner has added that the manner of allocation of such expenses between BRPL and BYPL represents fair and proper allocation between the two entities.

The Commission is not satisfied with the explanation provided by the BSES DISCOMs in respect of allocation of corporate office expenses, employee expenses and A&G expenses between BRPL and BYPL. In fact, the Commission has often noticed that the information for BRPL is filed under the information desired for BYPL and vice-versa. The Commission staff faces a lot of problems in sorting out the data for these Utilities and analysing the same.

Further, as can be seen in Section 3 of this Order and the Order for BYPL, the actual A&G expenses for FY 2004-05 for BRPL is Rs. 41.11 Crore while that for BYPL is Rs. 26.56 Crore. Further, the A&G expenses projected for FY 2005-06 for BRPL is Rs. 37.33 Crore for BRPL and Rs. 24.48 Crore for BYPL. Thus, there is a significant difference between the A&G expenses incurred and proposed by BRPL and BYPL. The A&G expense of BRPL in both years is 50% higher than the A&G expenses of BYPL. This difference may be arising on account of the manner in which common A&G expenses are allocated between BRP and BYPL.

As discussed in earlier sections, the Commission would like to point out that since tariffs are to be uniform across the three DISCOMs till FY 2006-07, the allocation of expenses between BRPL and

BYPL does not have an impact on tariff at this stage. However, after FY 2006-07, when tariffs across the three DISCOMs can be different, the allocation of expenses between BRPL and BYPL would have a significant impact on the tariffs to be charged by BRPL and BYPL.

The Commission would like to reiterate that the corporate office being in the area of BRPL, a larger share of A&G expenses of the corporate office has been allocated to BRPL without giving any justification. The Commission observes that as the opening level of AT&C losses in BYPL area was higher than BRPL areas, more administrative attention is required in BYPL area. Objectors of BYPL have also raised objections regarding the operation of BYPL offices from BRPL areas as they have to travel long distances to address their grievances, etc. The A&G expense of such officers is also allocated between BRPL and BYPL in a manner that a larger share of A&G expenses is allocated to BRPL. The Commission feels that the continued practice of allocation of a larger portion of expenses to BRPL would lead to higher burden on the consumers of BRPL as against the consumers of BYPL.

**Therefore, the Commission directs BRPL and BYPL to separate the corporate offices and the A&G expenses that are currently common to these two DISCOMs within three months from the date of issue of this Order and file the status of compliance on the same to the Commission. Further, to mitigate the problems of BYPL consumers, the Commission directs BYPL to shift all consumer related offices of BYPL to BYPL areas within three months from the date of issue of this Order and file the status of compliance on the same to the Commission.**

#### **2.35.16 Interest on Long Term Loans**

The approach adopted by the Commission with respect to Means of Finance, interest on loans, etc. has been deliberated in Section 3 of the Order.

#### **2.35.17 Interest on Security Deposit**

The Commission would like to inform that the Commission is dealing with the matter of payment of interest on security deposits received from consumers by way of a separate Petition. Therefore, the Commission has not considered any amount towards interest on security deposit while estimating the ARR and would consider the same during truing up after the disposal of the Petition.

#### **2.35.18 Cost of land**

The Commission would like to bring to the notice of the respondents that the DISCOMs have not been given the ownership for the old sub-stations, etc. These sub-stations have been transferred to the DISCOMs on lease. In accordance with agreement entered into between the parties and the GNCTD, the DISCOMs have to pay a nominal rent of Re. 1

for these sub-stations. If the DISCOMs pay the commercial rates for the land made available to them for setting up of sub-stations etc., the same would have to be a pass thru in tariff and would result in a tariff shock to consumers.

For new land allotted to the DISCOMs, the Commission approves the associated costs after a final view is taken in consultation with the GNCTD.

#### **2.35.19 Truing up**

As regard to the suggestion that the trued up amounts should earn return at the rate in proportion of 70:30 Debt:Equity and not pure equity, the Commission would like to clarify that the carrying cost on trued up amounts as approved by the Commission for previous year is being allowed by the Commission with a normative Debt:Equity ratio of 70:30 and the same approach has been adopted by the Commission in its previous Orders also.

#### **2.35.20 Return on Equity**

The Commission has deliberated upon the issue of Return on Equity in detail in Section 3 of the Order.

On the issue of reinterpretation of Policy Directions in respect of Return on Equity, the Commission would like to point out that it has dealt with this issue in the Order on ARR and Tariff Petition dated June 9, 2004. The Commission had referred the matter to the GNCTD seeking clarification on interpretation of the methodology to be followed for allowing Return on Equity to the Petitioner and based on the clarification received from the GNCTD, the Commission has continued with the methodology of allowing return on equity on initial equity and average of opening and closing free reserves used for funding capital investments. The Commission would like to highlight that the Central Electricity Regulatory Commission also follows the same procedure in respect of Return on Equity. The Commission does not find any reason to reopen this issue.

The Petitioner in its response has referred to the Draft 'Terms and conditions for Tariff determination'. The Commission would like to point out that this document is in a draft stage and is yet to be finalized. The comments given by the Petitioner shall be dealt with when this document is finalized.

#### **2.35.21 DVB Arrears**

As regard to the ploughing back of DVB Arrears, the Commission has deliberated on the treatment of DVB arrears in detail in Section 4 of the Order.

As regard to the 20% commission for DISCOMs for collection of DVB arrears, the Commission would like to clarify that in its previous Orders, the Commission has

considered 20% of the past arrears of DVB collected by the Petitioner as income as part of total revenue while estimating the Annual Revenue Requirement. The Commission has adopted the same approach in this Order also. Therefore, 20% commission on DVB arrears to DISCOMs is being passed on to consumers while estimating the ARR and is not an additional Return to the DISCOMs.

#### **2.35.22 Sale of Energy and Revenue Realisation**

The Commission has obtained the actual category-wise and slab-wise sales details for FY 2004-05 from the Petitioner and has considered the same. For FY 2005-06, the Commission has projected the category-wise demand based on past trends including actual sales during FY 2004-05. Therefore, the Commission has examined the change in consumer mix and the trend in sales for the Petitioner. The methodology adopted by the Commission for projecting the category wise demand for FY 2005-06 has been discussed in detail in Section 6 of the Order. The Commission has also deliberated on the energy requirement of the DISCOMs in this Section.

As regards the wide disparity between per capita consumption of the employees of the erstwhile DVB, the Commission directs the Petitioner to conduct energy audit in case of those employees of the erstwhile DVB whose average consumption pattern is too low as compared to the average level of consumption for domestic consumers. The Petitioner shall submit the report of such energy audit to the Commission within three months of the issue of this Order.

#### **2.35.23 Tariff Policy and Tariff Structure**

The Commission's views on Tariff Policy and Tariff Structure have been elaborated in Section 4 (Tariff Philosophy) and Section 5 (Rationalisation of Tariff) of the Order, respectively. Section 4 deals with the overall tariff philosophy adopted by the Commission including determination of overall sector revenue gap at existing bulk supply and retail supply tariffs, treatment of AT&C losses, measures proposed to bridge the gap including tariff increase, regulatory asset, amortisation of regulatory assets, etc. In Section 5, the Commission has discussed in detail the various tariff rationalisation measures suggested by the Petitioner and other two DISCOMs, Commission's Views on the suggested measures and the Commission's views on the suggestions made by stakeholders on tariff rationalisation aspects. The issues discussed in Section 5 includes the following issues on which the response was received from stakeholders:

- Fixed Charges
- KVAh based Tariff and Power Factor

- Creation of New Categories/Merging of Categories
- Slabs for Domestic Category
- TOD Tariffs
- Low Power Factor Surcharge
- Late Payment Surcharge
- Cross Subsidy
- Definition of Tariff Shock
- Tariff for Co-operative group Housing Societies
- Railway tariff
- Clubbing of Connections

The Commission would like to point out that the issue of FAE is not related to the ARR of the Petitioner. Therefore, the Commission is not addressing this issue here.

Similarly, the matter of DISCOMs not obtaining the clearance of the electrical inspector of GNCTD before charging the HVDS scheme is not an ARR issue and is therefore, not being addressed here. **The licensees shall ensure that all electrical works are executed and commissioned as per the provisions of the Electricity Act, 2003, License Conditions, Rules and Regulations, prudent Utility practices as well as the safety aspects in this regard. In case of violation of the provisions of any of the binding Statutes, the consequences shall be to the account of the Licensees.**

On the objections that since the DISCOMs are buying power in kWh, they should charge the consumption on the basis of kWh only and not on the basis of energy measured in kVAh, the Commission would like to bring to the notice of the respondents that one of the important elements in the Policy Directions issued by the GNCTD is that the BST payable by the DISCOMs to the TRANSCO for power purchase by each DISCOM is based on the paying capacity of the respective DISCOMs. Therefore, a fixed charge cannot be levied on the DISCOMs in respect of power purchase. However, the DISCOMs pay for reactive power to the TRANSCO.

#### **2.35.24 Billing Related Issues**

Several respondents during the ARR process have highlighted the billing and collection problems in the system. The Commission is concerned about such billing problems in the system and to rectify such problems the Commission has issued "Performance Standards (Metering and Billing) Regulations" on August 19, 2002. The Commission directs the

Petitioner to strictly adhere to the guidelines set in the "Performance Standards (Metering and Billing) Regulations" and improve the billing and collection system. In case there are any lapses on the part of the Petitioner in adhering to these performance standards, then the consumers should come forward and report the same under the relevant provisions of the Regulations. Further the Commission is in the process of revising the "Performance Standards (Metering and Billing) Regulations, the draft of which was issued for public comments and the public hearing was also held during November 2004. Further, the Government of India in June 2005 has issued certain Rules with respect to theft provisions. The Commission will incorporate the appropriate provisions for assessment of energy consumption in case of theft while revising the Performance Standards (Metering and Billing) Regulations in due course of time.

The Commission in March 2004 notified the Guidelines for establishment of Forum for redressal of grievances of the consumer and Ombudsman Regulations, 2003. Subsequently in August 2004, all the three DISCOMs have established the Grievance Redressal Forums and the Forums are operational. The consumers should address their problems related to the metering and billing issues to the respective Forum for redressal of grievances.

Further the Commission has also appointed an Ombudsman in the month of August 2004 to settle the grievances of any consumer who is aggrieved by non-redressal of his grievances by the Forum.

The Commission agrees with the views of the respondents that the billing, collection and complaint handling procedures should be more consumer friendly. The Commission appreciates the initiatives taken by the Petitioner in this regard and expects that the Petitioner will further improve its system to make the operations more consumer friendly.

#### **2.35.25 Metering Related Issues**

Several respondents during the ARR process have questioned the quality of meters and raised the issues on faulty meters and fast running of meters. The Commission in August 2003 had set up a Committee to look into the various complaints regarding faulty meters. The Committee included officials from DERC, the DISCOMs and a prominent NGO, namely, Common Cause. The Committee undertook testing of about 375 meters, which were randomly selected from the stores of the DISCOMs. The meters were tested in a test bench set up by the Commission in its premises. The Committee had observed that more than 91% of the meters recorded consumption levels within the prescribed limits given in the Indian Electricity Rules. About 2% of the meters were found to be slow and 0.5% of

the meters were faster than the prescribed limit. About 5% of the meters, however, were found to be defective (seemingly due to design features) and they belonged to a particular brand. The Committee had made certain recommendations for testing of meters on the basis of which a fresh 'meter testing drive' was initiated by all the DISCOMs in Delhi during the period July 19, 2004 to August 18, 2004. As per the details provided by the DISCOMs, out of more than 6200 meters tested, about 93% were found to be working within the specified limit.

Subsequently, the Commission directed the DISCOMs to undertake testing of meters with the assistance of an independent third party. Accordingly, the DISCOMs have tied up with the Central Power Research Institute (CPRI), an autonomous body under the Ministry of Power, Govt. of India for testing of meters. Any consumer may lodge a request with the DISCOM and get his meter tested through the CPRI. The issues with respect to replacement of meters, levying of theft charges in case of faulty/burnt meters are not the ARR related issues and the Commission will deal with these issues while revising the Performance Standards (Metering and Billing) Regulations.

#### **2.35.26 Inspection/Raid of Premises**

With regard to the various issues raised in respect of inspection and raid of premises by the Petitioner, the Commission would like to highlight that this issue is not related to the ARR of the Petitioner.

#### **2.35.27 Quality of Service/Supply**

The Commission in its last Tariff Order has mentioned that with the substantial expenditure towards capital investments and for R&M, the Companies will be able to achieve substantial progress in improvement in quality and consumer service.

The Commission is in the process of finalising the Grid Code, Supply Code and Distribution Code for dealing with the issues related to Quality of Service/Supply.

#### **2.35.28 Service Line Charges**

As regard to the fixation of rate for Service Line Charges to be charged by the SPD Contractor from its consumers, the Commission is of the view that this issue is not relevant to the ARR and Tariff Petition of the Petitioner and is therefore, not being addressed here.

#### **2.35.29 Payment through ECS and Cheques**

As regard to the various modes of payment by the consumers to the Petitioner including Electronic Clearing Scheme, the Commission is of the opinion that this is a commercial matter to be decided between the Utilities and the Consumers.

In respect of payments thru cheques, the Commission would like to highlight that in the budget for FY 2005-06 of the Govt. of India, the Finance Minister has amended the one-in-six criteria for filing income tax returns. Payment for electricity of more than Rs. 50,000 per year has been included as a criterion for filing a return of income. **In line with the above, the Commission directs that in case the bill for consumption of electricity is more than Rs. 4,000, payment for the bill shall only be accepted by the licensee by means of an Account Payee cheque/DD. No cash payments shall be allowed in such cases. The Commission directs the DISCOMs to indicate on the bills where the amount to be paid is more than Rs. 4,000 that the bill shall be "Payable by local cheque/DD" only. Further, the Commission suggests that all consumers other consumers whose bill amount is less than Rs 4000, any also be encouraged to pay their bills by Account Payee cheque/DD irrespective of the amount of the bill.**

#### **2.35.30 New Connections**

The issues related to new connections are not related to ARR and Tariff Petitions. The Commission will deal with these issues while finalising the Supply Code.

#### **2.35.31 Policy on Retirement of Assets**

As regards the Policy on Retirement of Assets, the Commission in this Order has directed the Petitioner to submit a separate Petition towards treatment of loss on retirement of assets covering various assets retired or proposed to be retired. The Commission will process this Petition separately.



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### 3. Analysis of Annual Revenue Requirement

#### 3.1 Introduction

Section 28 (5) of the Delhi Electricity Reform Act, 2000 requires a licensee to provide to the Commission, at least 3 months before the ensuing financial year, full details of its calculation of the expected aggregate revenue from charges for the ensuing financial year, which the licensee is permitted to recover pursuant to the terms of its license. The Section further stipulates that the licensee shall also furnish such further information as the Commission may reasonably require to assess the licensee's calculations.

Pursuant to the above stipulation, and consequent to restructuring of the DVB in July 2002, the Commission, in August 2002, issued the revised guidelines for methodologies and procedures to be adopted by the TRANSCO and DISCOMs for filing of ARR. As already explained in Section 2, according to the Policy Directions issued by the Government of NCT of Delhi, bulk supply tariff for supply of energy from TRANSCO to DISCOMs is required to be determined on the basis of the paying capacity of each DISCOM up to FY 2006-07. The forms contained in the guidelines call for a variety of information/data relating to expenditure, return, various performance parameters, etc.

The Commission in its Order issued on June 26, 2003 has proposed the truing up mechanism, under which the Commission has proposed to adjust the variation in the various elements of expenses and revenue figures considered in the Order with the actual expenses and revenue next year after determining the prudence of each component of ARR and Revenues. The principles of truing up mechanism are elaborated in Section 4 of the Order.

The Petitioner in its Petition for FY 2005-06 has submitted the revised estimates for FY 2004-05 and requested the Commission to allow the variation in expenses and revenue based on the revised estimates as compared to the expenses and revenue approved by the Commission. The Petitioner has also requested for the truing up of certain elements of ARR for FY 2003-04.

The Commission has considered various submissions made by the Petitioner during the course of the ARR and tariff determination process and has carefully analysed the different heads of expenditure to true up the ARR for FY 2004-05 and to project the realistic level of allowable expenditure during FY 2005-06. During the ARR and Tariff determination process for FY 2005-06, the Commission obtained the details of actual expenses and revenue for FY 2004-05. As the actual details of expenses and revenue for FY 04-05 are available based on the provisional accounts, the Commission has trued up all the elements of ARR based on the actual expenses and income of BRPL after ensuring that the expenses satisfy the test of reasonable prudence. Further, the Commission has also examined the Petitioner's request for truing up of certain elements for FY 2003-

04 based on the final audited accounts. The expenses to be trued up for FY 2003-04 have been discussed while analysing the relevant head of expenditure for FY 2004-05 and FY 2005-06.

### **3.2 Annual Revenue Requirement**

Typically, the Annual Revenue Requirement of the licensee consists of the following major items: -

a) Expenses: -

- Power Purchase Cost (Discussed in the Order on ARR and Tariff Petition of TRANSCO)
- Employee expenses
- Administrative and general expenses
- Repairs and maintenance expenses
- Interest expenditure
- Depreciation

b) Return on Equity

c) Taxes on Income

d) Non Tariff Income

### **3.3 Employee Expenses**

#### **3.3.1 Petitioner's Submission**

The Petitioner, in its ARR and Tariff Petition for FY 2005-06, provided the revised estimates for FY 2004-05. The Petitioner has estimated gross employee expense of Rs. 176.54 Crore for FY 2004-05, which is higher than the Commission's approval of Rs. 139.43 Crore. The Petitioner has submitted that this increase is mainly due to the following reasons:

- Merging a part of DA (an amount of DA equivalent to 50% of the Basic Salary) with the Basic Salary in case of erstwhile DVB employees in accordance with the relevant Order of GoI
- Actual DA being 14% of basic salary against 11% considered by the Commission
- Consequent increase in components such as HRA, DA, Terminal Benefits, etc that are directly linked with the Basic Salary
- Increase in inflation rate from about 4% in FY 2003-04 to about 8% in FY 2004-05 resulting in increase in components such as DA that are directly linked with inflation

For FY 2005-06, the Petitioner has projected gross employee expenses at Rs. 194.53 Crore. The Petitioner has also proposed capitalization of Rs. 6.50 Crore, thereby resulting in a net employee cost of Rs 188.03 Crore. The assumptions made by the Petitioner in projecting expenses for FY 2005-06 on some of the components of the employee expenses are outlined below:

- Increase in basic salary of employees on account of promotions and annual increase in pay. The Petitioner has submitted that annual increase depends on the pay scale of an employee and such increase is mandatory for employees of erstwhile DVB. For other employees, the promotions and annual increase is linked to performance during the year.
- Annualised increase in DA by 6% on account of increase in inflation over the past few months
- Increase in other allowances on account of increase in basic salary. The Petitioner has submitted that under the salary structure based on 'Cost to Company' concept, which is being adopted for new recruits, the proportion of 'Other Allowances' to 'Basic Salary' is higher in comparison to erstwhile DVB employees transferred to the Petitioner. The Petitioner has further submitted that with gradual increase in the proportion of fresh recruits to the erstwhile DVB employees over the years on account of retirement of employees, the proportion of 'Other Allowances' to 'Basic Salary' is likely to increase.
- Terminal benefits @ 26% on Basic and DA
- Effective control of medical related expenses due to various steps undertaken to contain these expenses, for example, having employee health check-up in empanelled Hospitals and direct payments to hospitals by the Petitioner in the event of hospitalisation, etc.
- 
- **Petitioner's Submission on Special Voluntary Retirement Scheme (SVRS)**

The Petitioner had implemented Special Voluntary Retirement Scheme (SVRS) during the FY 2003-04, and the benefits of this SVRS have been availed by 2499 employees. The Petitioner estimated the net employee expenses at Rs. 112.63 Crore and Rs. 123 Crore for FY 2004-05 and FY 2005-06, respectively without considering the SVRS expenses. The Petitioner proposed to amortize Rs. 65.63 Crore and Rs. 64.70 Crore during FY 2004-05 and FY 2005-06, respectively. The Petitioner therefore, determined the net employee expenses including the SVRS outgo as Rs. 177 Crore and Rs. 188 Crore for FY 2004-05 and FY 2005-06, respectively.

The Petitioner added that once the SVRS costs are recovered, the employee costs will substantially reduce and benefit of such reduction can be passed on to the consumers. The Petitioner has also highlighted that the savings in future years shall progressively reduce as some of the employees who opted for VRS would have naturally retired in the coming years.

Further, the Petitioner submitted that the issue of additional liabilities related to pension, on account of implementation of SVRS, is yet to be resolved between the Pension Trust and the DISCOMs. The Petitioner has added that pending resolution of the devolvement of additional liabilities on account of implementation of SVRS and in the interest of welfare of the employees who have opted for VRS, an MoU has been arrived at between the GoNCTD and the DISCOMs for creation of a trust purely as a pro-tem arrangement up till March 31, 05 for disbursal of their pension dues, subject to the GoNCTD issuing Policy Direction to the Commission for inclusion of the expenses on account of SVRS in the ARR of the DISCOMs. The Petitioner has requested the Commission to consider such expense, if any, while truing up the costs of the ARR for FY 2004-05.

### 3.3.2 Commission's Analysis

The Commission has analysed the employee expenses proposed by the Petitioner along with the methodology adopted for estimation of the employee expenses. During the technical sessions, the Commission directed the Petitioner to submit the actual employee expenditure incurred during FY 2004-05. The Commission also directed the Petitioner to submit the actual savings out of SVRS along with the Cost Benefit Analysis.

Accordingly, the Petitioner submitted the details of actual employee expenses for FY 2004-05 and the details of savings from SVRS. The total actual employee expenses for FY 2004-05 as submitted by the Petitioner are Rs. 178.26 Crore including the SVRS amortisation expense of Rs 65.63 Crore. The Petitioner estimated the amount of savings on account of SVRS at Rs. 64.01 Crore for FY 2004-05. The Petitioner added that it has incurred an additional expense of Rs. 19.60 Crore on account of payment towards SVRS terminal benefits during FY 2004-05. The Petitioner submitted that this amount has been included in the total employee cost.

The Petitioner has capitalised Rs. 11.44 Crore during FY 2004-05 instead of Rs. 5.85 Crore indicated in the Petition. The total actual employee expenses including SVRS related expenses for FY 2004-05 works out to Rs 189.70 Crore and the net expenses after capitalisation works out to Rs 178.26 Crore.

The Commission in its Order on ARR and Tariff Petition for FY 2004-05 has elaborated on the mechanism to be followed for treatment of SVRS expenses and the treatment of employee expenses in lieu of SVRS. The Commission has opined that the expenditure on SVRS, the borrowing cost, retirement dues of employees who have availed SVRS and increase in other expenses due to implementation of this scheme, if any, have to be met from the savings in Employee Costs over the future years. With this mechanism, once the cumulative savings on account of reduction in employees are equivalent to the one time SVRS outgo after adjusting for the increase in the other expenses, the savings in employee expenses will be available for the purpose of ARR computations and thus in the tariff to the consumers. The Commission further opined that the Commission has projected the employee expenses without considering the costs of SVRS and savings in employee costs due to SVRS. The increase in A&G expense on account of outsourcing of meter reading and billing expenses has also not been considered by the Commission in the ARR. This mechanism of treatment of Employee and SVRS expenses has been accepted by the Utilities in the Tariff Order for FY 2004-05.

As elaborated in its Order on ARR and Tariff Petition for FY 2004-05, the Commission would like to continue with the same approach for considering the employee expenses in the ARR i.e. without considering the costs of SVRS and savings in employee costs due to SVRS. This method of treatment of SVRS outgo and its savings will be beneficial to the consumers, as it maintains the employee costs at prudent levels and will be tariff neutral for the period till the one time payment due to SVRS and other costs related to SVRS are amortised by savings in employee costs. Once the net savings in employee expenses are equivalent to SVRS cost along with its related cost, the substantial

reduction in employee expenses will also be passed on to consumers in ARR and tariffs. **The Commission directs the Petitioner to incorporate the details of actual date of superannuation of employees who opted for SVRS in the estimated savings from SVRS and submit the same to the Commission.**

In line with the above approach, for FY 2004-05, the Commission has considered the various components of employee expenses as approved in Order for FY 2004-05 except DA and capitalization of employee expenses. The Commission has considered the DA as 14% of Basic Salary based on average actual DA rate applicable during the year (11% for first 3 months, 14% for next 6 months and 17% for remaining 3 months of the year). As regards capitalisation, the actual employee expenses capitalised during the year are Rs. 11.44 Crore, and the Commission has considered the same while approving the net employee expenses for FY 2004-05.

As regards to the Petitioner's submission regarding merger of DA equivalent to 50% of Basic with the basic salary has been considered by the Commission while approving the employee expenses in the Order on ARR and Tariff Petition for FY 2004-05 issued on June 9, 2004.

For estimating the employee expenses for FY 2005-06, the Commission has projected each component of the employee expenses rather than applying a growth rate on the overall employee expenses of FY 2004-05. The assumptions made by the Commission with regard to the projections for FY 2005-06 are stated below:

- Basic Salary: Growth of 3% on Basic Salary
- Dearness Allowance: Increase in DA by 6%
- Terminal Benefits (excluding the additional liabilities of terminal benefits arising out of SVRS) –In line with the terminal benefits as approved for FY 2004-05.
- Other Allowances and expenses: Considered in proportion to the Basic, as these components are linked to the Basic Salary

Based on the above assumptions, the employee expenses for FY 2005-06 have been approved at Rs 150.47 Crore as against Rs. 188 Crore proposed by the Petitioner for FY 2005-06. The Commission has considered capitalization of Rs 11.80 Crore in proportion to the actual employee expenses capitalised as percentage of total employee expenses during FY 2004-05.

Further, the Commission has examined the details of actual savings in the Employee Expenses during FY 2004-05 due to implementation of VRS, which works out to Rs. 64.01 Crore. Further, as submitted by the Petitioner the matter of additional liabilities related to pension, on account of implementation of VRS, is yet to be resolved between the Trust and the DISCOMs. Based on the interim arrangement between BRPL and GNCTD, the actual expenditure incurred by the Petitioner towards the additional liabilities is around Rs 19.60 Crore. Further, as indicated by the Petitioner, no Policy Directions have been received by the Commission from the GNCTD in this regard. The Commission would also like to highlight that the payback period of 3.5 years towards implementation of SVRS scheme worked out in its earlier Order was without considering the Trust

Liabilities and the payback period may extend beyond 3.5 years after factoring into the additional liabilities to be borne by BRPL. The Commission would like to separately monitor the VRS including savings from the scheme, financing costs for funding the VRS liabilities, additional liabilities to be paid by BRPL in line with the final settlement between BRPL and GNCTD so as to ensure that the savings in the employee costs due to implementation of VRS are passed on to consumers in ARR after the revised pay back period of the scheme.

The Table 3.1 provides a snapshot view of the employee expenses as proposed by BRPL in the Petition and as approved by the Commission.

DERC



**Table:3.1 Employee Expenses (Rs. Crore)**

Particulars	FY 2004-05				FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Salaries	77.44	45.48	45.58	77.44	34.64	79.76
Dearness Allowance	8.52	5.83	5.51	10.84	23.69	11.49
Terminal Benefits	14.14	13.04	9.00	14.14	15.17	14.56
Other Costs	54.82	52.41	63.98	54.82	56.33	56.46
SVRS Related Costs		65.63	65.63		64.70	
<b>Total</b>	<b>159.42</b>	<b>182.39</b>	<b>189.70</b>	<b>157.24</b>	<b>194.53</b>	<b>162.27</b>
less expenses capitalized	15.49	5.85	11.44	11.44	6.50	11.80
<b>Total</b>	<b>139.43</b>	<b>176.54</b>	<b>178.26</b>	<b>145.80</b>	<b>188.03</b>	<b>150.47</b>

### 3.4 Administrative and General Expense (A&G)

#### 3.4.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2005-06, submitted that against the approved Administrative and General expense of Rs. 18.28 Crore for FY 2004-05, the revised estimates of A&G expenses for FY 2004-05 are Rs. 34.35 Crore. The Petitioner has submitted that this increase is largely on account of the initiatives taken by the Petitioner for enhancing customer care, system augmentation and computerization for better process management. The Petitioner has added that the benefits from these initiatives have greater economic/social values than the cost associated with these activities, besides generating higher revenue from loss reduction, etc. The main reasons cited by the Petitioner for increase in this expense are as follows:

- Initiation of several customer care initiatives during FY 2004-05. These initiatives include increased number of operators in the call centres to reduce response time, integrated customer care help desk and help line for complaint against theft/touts, computerised tracking and monitoring of customer complaint, and implementation of bill amendment module, new connection Module, outage management module, power supply module etc. The Petitioner has highlighted that these measures are necessary not only for providing prompt consumer service but are also essential to meet the loss reduction target as well as for the efficient operation of the petitioner.
- Increase in taxes by GoI viz. increase in service tax component from 8% to 10% and introduced an education cess of 2% which has increased various expenses like insurance, communications, professional charges, audit fees, advertisement expenses, conveyance and traveling, freight etc.
- Steps taken to increase the communications network with the field persons so as to reduce the time gap for restoration of power.

- Consultancy services for Sales Tax matter, audits of journal entries through Bill amendment module, internal audit, stock valuation, software modification, and financial and operational improvements.
- Increase in fuel prices by approximately 40% as compared to FY 2003-04
- Expenses incurred for security personnel
- Increase in charges on account of meter reading and bill distribution for consumers. The Petitioner has submitted that it is required to record additional parameters like MDI, kVAh, kVARh, Power Factor, etc. which requires additional resources.

The Petitioner has projected Administrative and General Expense of Rs. 37.33 Crore for FY 2005-06 which is lower than the Petitioner's revised estimates for FY 2004-05.

The Petitioner further submitted that in the Order on ARR and Tariff Petition for FY 2004-05, the Commission considered A&G Expenses for FY 2004-05 at the same level as that of FY 2003-04 despite increase in rate of inflation. In this manner, the Petitioner has requested the Commission to consider the effect of inflationary trend while approving the A&G expenses for FY 2004-05 as well as for FY 2005-06.

#### **3.4.2 Commission's Analysis**

During the technical validation sessions, the Commission had asked the Petitioner to submit actual A&G expenses for FY 2004-05. The Petitioner has submitted the actual A&G Expenses for FY 2004-05 as Rs. 41.11 Crore and has shown same amount in the Annual Accounts.

The Commission has analysed the various submissions made by the Petitioner and feels that the expenses relating to consultancy charges are very high. While the Commission welcomes the Petitioner's initiative to improve its internal processes as well as the system, it feels that the Petitioner should not over burden the consumers with business related consultancy expenses.

The Petitioner, vide its letter dated November 29, 2004 had requested the Commission to enhance the budget of A&G Expenses for FY 2004-05 from Rs 18.28 Crore to Rs 36.04 Crore in line with the Commission's direction for obtaining the prior approval for the increase in A&G expenses beyond the A&G expenses approved by the Commission.

The Commission has examined the detailed break-up of A&G expenses of Rs 36.04 Crore submitted by the Petitioner during November 2004 and has noticed that the A&G expenses includes Rs 7 Crore towards meter reading and bill distribution expenses. The Commission is of the opinion that the meter reading and bill distribution expenses are mainly due to outsourcing of meter reading and bill distribution activities as a result of implementation of SVRS. In line with the approach adopted by the Commission towards treatment of SVRS expenses, any increase in expenses due to SVRS has to be met through savings on account of SVRS and therefore an amount of Rs 7 Crore towards meter reading and billing expenses are not allowed as A&G expense.

The Petitioner has not submitted any details for increase in A&G expenses from Rs 36.04 Crore to Rs 41.11 Crore for the Commission's approval in accordance with the directions of the Commission.

Considering that the Petitioner has not submitted any details for increase in expenses from Rs 36.04 Crore to Rs 41.11 Crore and after adjusting for meter reading and bill distribution expenses, which the Commission feels is due to implementation of SVRS and checking the prudence of other expenditure incurred under this head, the Commission approves A&G expenses for FY 2004-05 as Rs 29.04 Crore. For FY 2005-06, the Commission has considered an escalation of 4% in A&G expenses.

Table 3.2 provides a summary of A&G expenses as proposed by the Petitioner and as approved by the Commission.

**Table:3.2 Administrative and General Expenses (Rs. Crore)**

Particulars	FY 2004-05				FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
<b>Total A&amp;G Expense</b>	18.28	34.35	41.11	29.04	37.33	30.20

**The Commission directs the Petitioner to take prior approval for any increase in A&G expenses during the FY 2005-06 beyond A&G expenses approved before committing/incurred such additional A&G expenses.**

### **3.5 Repairs and Maintenance (R&M)**

The Petitioner in its ARR and Tariff Petition for FY 2005-06 submitted that against the approved R&M expense of Rs. 52.57 Crore for FY 2004-05, the revised estimates for FY 2004-05 are Rs. 69 Crore. The Petitioner has highlighted that the distribution network inherited by the Petitioner from the DVB is ageing and weak and requires complete revamping. This revamping requires bare minimal level of R&M expenses for the next couple of years to maintain the vast distribution network to a normal level. The Petitioner submitted that after taking over the distribution business, it has added substantial assets through increased capital expenditure. Such assets also require adequate level of maintenance activity for their smooth operation. The Petitioner has added that the new assets inducted in the distribution network due to additional capital expenditure envisaged by the Petitioner require minimal maintenance for maintaining their fair value of life.

The Petitioner has submitted that the R&M Expenses incurred by the Petitioner in FY 2003-04 and FY 2004-05 have already started yielding results. The Petitioner has further submitted that the proactive preventive maintenance initiatives taken by the Petitioner in FY 2004-05 to improve the quality of supply in its distribution area have resulted in a significant improvement of the reliability index of the system as compared to the yester years.

The Petitioner has mentioned that during FY 2004-05, the Petitioner prioritised the activity of maintenance of streetlights in its area of supply with the result that almost 97% of the streetlights on an average are functioning as compared to 80% in FY 2003-04.

Further, the Petitioner has submitted that rise in prices of raw materials required for the R&M activities has also contributed to the increase in R&M expense for FY 2004-05. The Petitioner has cited that prices of raw materials have increased in the range 10.85% - 41.94% (depending on the material) during the period January - June 2004.

The Petitioner has submitted that the actual R&M expense in FY 2002-03 as per audited accounts was Rs. 76.36 Crore against Rs. 56.23 Crore considered on the basis of unaudited accounts by the Commission in the Tariff Order for FY 2003-04. The Petitioner has further submitted that against this submission of Rs. 56.23 Crore of R&M expenses, the Commission had approved an amount of Rs. 35.84 Crore and transferred Rs. 18.78 Crore as capital expenditure. The balance amount of Rs. 1.61 Crore relating to streetlight was not included either in capital expenditure or as part of R&M expenses. The Petitioner has submitted that it has shown a corresponding income from street light maintenance as a part of non-tariff income while considering the ARR. The Petitioner has therefore, requested the Commission to approve the balance amount of Rs. 1.61 Crore.

The Petitioner has also submitted that the actual R&M expense incurred by it in FY 2003-04 was Rs. 60.43 Crore against which the Commission approved Rs. 52.57 Crore in the Order on ARR and Tariff Petition for the Petitioner for FY 2004-05. In the Order on Review Petition filed by the Petitioner on "Order on ARR Petition for FY 2004-05", the Commission approved R&M expenses for FY 2003-04 at Rs. 60.43 Crore but did not revise the R&M Expenses for FY 2004-05, which was considered at the same level of FY 2003-04 despite the increase in material / labour costs. The Petitioner has added that the Commission had stated in the said Order on Review Petition filed by the Petitioner that the additional cost of Rs. 7.86 Crore in FY 2003-04 would be considered in the next ARR.

The Petitioner has, in its ARR and Tariff Petition for FY 2005-06, projected Repairs and Maintenance Expense of Rs. 74.51 Crore for FY 2005-06. The Petitioner has submitted that it has taken into account the current inflationary trend in material prices and labour costs while projecting this expense.

### **3.5.1 Commission's Analysis**

During the technical validation sessions, the Commission had asked the Petitioner to submit actuals for FY 2004-05. The Petitioner has submitted the actual R&M expenses for FY 2004-05 as Rs. 92 Crore.

The Commission, in its previous Order on ARR Petition for FY 2004-05 dated June 9, 2004 had directed the Petitioner to provide quarter wise details of the R&M activities as under:

*"The Commission directs the Petitioner to maintain a separate record of the items issued from the Stores for R&M works, and submit the same to the Commission along with the details of the actual*

*R&M Works carried out at the end of each quarter. The Report on transformer failure rate should also be submitted on a quarterly basis along with the above data on the R&M items issued."*

The Petitioner has complied with the directive of the Commission and submitted the details of the actual R&M works carried out during the quarter at the end of each quarter along with the items issued for R&M works and transformer failure rate.

Further, the Commission in its Order on ARR Petition for FY 2004-05 also directed the Petitioner to take prior approval for any increase in R&M expense during FY 2004-05 beyond the approved R&M expense before committing/incurred such expense.

The Petitioner, vide its letter no. DER/BRPL/R&M/04-05 dated December 1, 2004 had requested the Commission to enhance budget for R&M for FY 2004-05 to Rs. 68.99 Crore. Further, during the presentation made to the Commission in the month of February 2005, the Petitioner has estimated the R&M expenses for FY 2004-05 as Rs 68.99 Crore.

The Commission, in its previous Order on ARR Petition for FY 2004-05, has opined that the Commission expects that with the execution of capital works under the various schemes, the extent of R&M works will decrease over a period, thus reducing the R&M expenses.

The Commission is of the opinion that with the capital investments made in previous three years, the Repairs works would have been reduced during FY 04-05. However at the same time, the Petitioner has to provide adequate attention towards the preventive maintenance of existing assets as well as assets capitalised during the last three years. The Commission in its Order on Review Petition filed by BRPL on "Order on ARR Petition for FY 2004-05" has approved the R&M expenses for FY 2003-04 as Rs. 60.43 Crore.

Further, in compliance to the Commission's directive on obtaining the prior approval for increase in R&M expenses, the Petitioner has requested the Commission to enhance the R&M expenses to Rs 68.99 Crore. The Petitioner has not submitted any details for increase in R&M expenses from Rs 68.99 Crore to Rs 92 Crore for the Commission's approval in accordance with the directions of the Commission.

Considering that the Petitioner has not submitted any details for increase in expenses from Rs 68.99 Crore to Rs 92 Crore, the Commission approves R&M expenses for FY 2004-05 as Rs 68.99 Crore after checking the prudence of the expenditure incurred. For FY 2005-06, the Commission has projected R&M expenses as Rs 71.75 Crore by considering 4% increase over FY 2004-05 approved figure. The Commission is of the opinion that this increase of 4% will be adequate to take into account the inflation in expenses and the additional expenses required towards preventive maintenance of assets including additional assets capitalised during the year.

As regard to the truing up of R&M expenses for FY 2002-03, the Commission has deliberated on the truing up mechanism in Section 4 of the Order. As mentioned in Section 4 of the Order, the truing up of expenses for any particular year cannot be considered beyond the ARR for the year after

the ensuing year. Therefore, in this Order, the Commission has not considered any truing up for FY 2002-03.

***"The Commission directs the Petitioner to maintain a separate record of the items issued from the Stores for R&M works, and submit the same to the Commission along with the details of the actual R&M Works carried out at the end of each quarter. The Report on transformer failure rate should also be submitted on a quarterly basis along with the above data on the R&M items issued."***

**The Commission also directs the Petitioner to take prior approval for any increase in R&M expense during FY 2005-06 beyond the approved R&M expense before committing/incurred an expense.**

Table 3.3 provides a summary of R&M expenses as proposed by the Petitioner and as approved by the Commission.

**Table:3.3 Repairs and Maintenance Expenses (Rs. Crore)**

Particulars	FY 2004-05				FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
<b>Total</b>	52.57	69.01	92.00	68.99	74.51	71.75

### **3.6 Capital Investments**

#### **3.6.1 Petitioner's submission**

In its Petition, the BRPL has presented that it has undertaken the task of upgrading an ageing and weak distribution network to a desirable standard so as to provide a high degree of network reliability and sustainable performance. The Petitioner has carried out a network optimisation study with the help of internationally accredited firm, on the upgradation of the network. The Petitioner has also considered the recommendations of Comprehensive Study Report on Transmission and Sub-transmission System prepared by CEA and accordingly prepared an in-house report on the implementation of the network upgrade plan. While preparing the Report, they have also interacted with TRANSCO so as to have a synchronised and integrated approach to the upgrade implementation.

The Petitioner has submitted that in its endeavour to provide world-class distribution system in its license area, it has proposed an investment of Rs. 800 Crore for FY 2004-05 in its Petition against the investment of Rs. 525.82 Crore considered by the Commission in the ARR and Tariff Order dated June 9, 2004 (Tariff Order). Further the Petitioner has proposed an investment of Rs. 1400 Crore during FY 2005-06.

Further, the Petitioner has submitted that the actual R&M expense in FY 2002-03 as per audited accounts was Rs. 76.36 Crore against Rs. 56.23 Crore considered on the basis of unaudited accounts by the Commission in the Tariff Order for FY 2003-04. The Petitioner has submitted that this

has resulted in understatement of R&M expenses for FY 2002-03 by Rs. 20.13 Crore. The Petitioner has requested the Commission to approve this amount, which is mainly on account of transformers, meters, switchgears, etc., and consider it as capital expenditure.

During the Technical Sessions, the Commission has directed the Petitioner to submit physical and financial progress of the Schemes during FY 2004-05. In compliance with the Commission's Directive, the Petitioner has submitted quarterly progress reports covering physical and financial progress of various schemes. However, the Progress Report does not provide adequate details of the category-wise physical and quantitative achievement vis-à-vis targets during FY 2004-05. The Petitioner has subsequently submitted actual investments carried out in FY 2004-05.

In its Petition, the Petitioner has indicated that it has submitted the Detailed Project Reports (DPRs) on various capital schemes for the approved capital expenditure and the proposed additional capital expenditure, to the Commission. In the subsequent submissions, the Petitioner has indicated that it would submit Scheme-wise target of completion and milestones for FY 2005-06 after assessing/reviewing the latest positions of various capital schemes.

The investments proposed by the Petitioner for FY 2004-05 and FY 2005-06 in the Petition and the actual investment carried out by the Petitioner during FY 2004-05 is summarised in the Table 3.4.

**Table 3.4 : Capital Investments proposed by the Petitioner (Rs Crore)**

Description	FY 2004-05		FY 2005-06
	Rev. Est. (Petition)	Actual	Petition
HVDS based electrification projects	296	502	170
EHV Schemes	184	186	309
Distribution Schemes and LTMP	236	139	643
Installation of Capacitor Banks	8	11	7
Installation of Supervisory Control and Data Acquisition (SCADA) systems	4	4	66
Development and installation of Geographical Information Systems (GIS)	5	5	8
Meters and Automated Meter Reading	45	57	132
Test equipment, tools and tackles	3	1	1
Service Cable	2	0	8
Distribution Automation	0	0	25
Vehicles	4	5	2
IT & Communication	12	9	1
Land and Building	1	2	29
Miscellaneous		4	
<b>Total</b>	<b>800</b>	<b>923</b>	<b>1400</b>

The Petitioner has also estimated differential cost arising out of investment beyond the approved normative level during FY 2004-05, which is summarised in the Table 3.5:

**Table 3.5 : Effect of Additional Capital Expenditure (Rs. Crores)**

Sl. No.	Details	FY 2004-05
1	Additional Capital Expenditure over the capital expenditure approved in the Order for FY 2004-05	274
2	Depreciation	0.45
3	Interest	6.51
4	Return on Equity	-
5	Less Expenses Capitalised	6.51
6	Net Expenditure	0.45

In its Petition, the Petitioner has submitted that the proposed significant level of investments in the current and ensuing year, as mentioned above, are being made to achieve the following objectives:

- a. Undertaking system development to meet the load growth
- b. Strengthening and refurbishment of system to improve the reliability of supply
- c. Reducing the targeted system losses
- d. Carryout automation and other improvement works to enhance customer service
- e. Undertake investments to fulfil social obligations (such as electrification of JJ colonies)
- f. Carry out the Consumer Deposit Works

During the Technical Sessions, the Commission directed the Petitioner to project the aggregate benefits of the investment proposed in FY 2004-05 and FY 2005-06. The Petitioner has projected the benefits of the Schemes Capitalised and Schemes under implementation during FY 2004-05 over the period from FY 2004-05 to FY 2009-10. The following Table 3.6 summarises the benefits estimated by the Petitioner:

**Table:3.6 Estimated Benefits during FY 2004-05 arising out of Capital Expenditure**

Sr.No.	Head of Expenditure	Amount (Rs Crore)	Revenue benefits arising of AT&C Loss reduction over FY 2004-05 to FY 2009- 10 (Rs Crore)	Payback Period (Years)
<b>1.0</b>	<b>For investments capitalised during FY 2004-05</b>			
1.1	EHV Schemes	10	6.44	7
1.2	Distribution Schemes	52	46.73	5
1.3	Capacitors	0	0.00	
1.4	Meters and accessories	56	96.27	2.5



**Table:3.6 Estimated Benefits during FY 2004-05 arising out of Capital Expenditure**

Sr.No.	Head of Expenditure	Amount (Rs Crore)	Revenue benefits arising of AT&C Loss reduction over FY 2004-05 to FY 2009- 10 (Rs Crore)	Payback Period (Years)
1.5	HVDS (Electrification of unauthorised colonies)	125	154.24	4
1.6	Miscellaneous items	22	19.80	6
<b>1.7</b>	<b>Subtotal</b>	<b>265</b>	<b>323.48</b>	
<b>2.0</b>	<b>For investments under progress (CWIP) during FY 2004-05</b>			
2.1	EHV Schemes	176	113.30	7
2.2	Distribution Schemes	85	74.94	5
2.3	Capacitors	11	9.17	
2.4	HVDS (Electrification of unauthorised colonies)	376	459.91	4
2.5	SCADA/GIS	10	0.00	
<b>2.6</b>	<b>Subtotal</b>	<b>658</b>	<b>657.32</b>	

**3.6.2 Commission's Analysis**

The Commission has analysed the submissions made in the Petition and subsequent revisions with respect to the actual investments carried out during FY 2004-05 and the investment plan for FY 2005-06. The Commission has conducted site visits during FY 2004-05 to verify the submissions made by the Petitioner, check the progress of sample works and status of completion of works for sample schemes during FY 2004-05.

The actual investments made by the Petitioner during FY 2004-05 is Rs. 911.07 Crore excluding capitalisation of salary and interest expense as against the investment of Rs. 525.82 Crore considered by the Commission in its Tariff Order and the revised estimated investments of Rs. 800 Crore as submitted by the Petitioner in its Petition.

The Commission has held detailed discussions with the Petitioner for scrutinising the investments already made. The Commission in its Order on ARR and Tariff Petition of BRPL for FY 2004-05 issued on June 9, 2004 has directed the Petitioner to submit the complete DPR of the proposed schemes and the Commission in the Order has noted as follows:

*"The Commission would also like to highlight that the approval of the schemes has to be undertaken separately from ARR and Tariff Determination process, as it requires significant time and resources of the Commission. The Commission directs the Petitioner to submit the complete DPR along with cost-benefit analysis for schemes more than Rs. 2 Crore for obtaining the scheme-wise investment approval from the Commission as per the terms and conditions of the License for*

*Distribution and Retail Supply of Electricity within a month from the date of the issue of this Order. The Commission further directs that the Petitioner should submit a separate Petition for approval of schemes for FY 2005-06, by September 2004."*

In compliance to the Commission's directives, the Petitioner had submitted the DPR for some capital investment schemes proposed to be executed during FY 2004-05 during the months of July and September 2004. The Commission has examined the details submitted by the Petitioner and accorded the approval for some of the schemes, for an aggregate amount of Rs 284.09 Crore. As against the scheme wise approval for capital investment of Rs 284.09 Crore, the Petitioner has incurred total capital expenditure of Rs 923 Crore including capitalisation of interest and employee expenses during FY 2004-05. On examination of details of actual capital investments, the Commission has observed that most of the capital expenditure incurred by the Petitioner does not correspond to the schemes approved by the Commission. While examining the actual capital expenditure for FY 2004-05, the Commission noticed that the capital cost as claimed by the Petitioner for the various approved schemes was higher than the costs approved by the Commission. Considering these variations in the actual capital expenditure with respect to the schemes approved by the Commission, the Commission asked the Petitioner to provide the complete scheme wise details of actual capital expenditure incurred during FY 2004-05 along with the completion certificate in the format prescribed by the Commission, The Petitioner has not submitted the complete details of the scheme wise actual capital expenditure incurred during FY 2004-05.

Further, out of total capital expenditure of Rs 923 Crore, the Petitioner has capitalised the investments in FY 2004-05 only to the extent of Rs 265.63 Crore. Further, based on the analysis of provisional accounts for FY 2004-05, the Commission has observed that the level of inventory at the end of FY 2004-05 has substantially increased to Rs 230.08 Crore as compared to Rs 42.54 Crore at the end of previous year FY 2003-04. The Commission has also analysed the actual means of finance for the actual capital expenditure of Rs 923 Crore and has observed that out of Rs 923 Crore of capital expenditure, Rs 545.31 Crore is financed through sundry creditors and Rs 207 Crore through the commercial borrowings availed in the month of March 2005. The substantial increase in level of inventories at the end of year, funding of capital expenditure through the sundry creditors and commercial borrowings availed during March 2005 indicates that though the Petitioner has purchased substantial equipment/material by incurring capital expenditure during FY 2004-05, the same is yet to be utilised in the works.

The Petitioner has not complied with the directive of the Commission in submitting the scheme wise details alongwith DPR for the capital expenditure incurred during FY 2004-05. Further the Petitioner has not submitted the details of actual capital expenditure incurred alongwith the completion certificate in the requisite format. In the absence of these details, the Commission is not in a position to scrutinise the actual capital expenditure of Rs 911.07 Crore excluding capitalisation of interest and employee expenses incurred by the Petitioner during FY 2004-05. Pending detailed

scrutiny of the actual capital expenditure incurred during FY 2004-05 the Commission has considered the total investment at the level of Rs 525.28 Crore as considered by the Commission in its Order dated June 9, 2004 on the ARR and Tariff Petition for FY 2004-05.

**The Commission would like to clarify that the consideration of capital investment of Rs 525.28 Crore by the Commission for the purpose of determination of ARR does not imply the approval of capital investment of Rs 525.28 Crore and the Petitioner has to obtain the scheme wise approval for the capital expenditure incurred during FY 2004-05.**

The variation in the capital expenditure considered in the Order with respect to the scheme wise approval by the Commission will be taken up during truing up process.

As regard to the capital investment for FY 2005-06, the Commission has partially scrutinised the investments proposed to be made during FY 2005-06 out of the DPRs submitted before the submission of the Petition. The Commission in its Order on ARR and Tariff Petition of BRPL for FY 2004-05 issued on June 9, 2004 directed the Petitioner to submit the details of scheme wise capital expenditure (alongwith DPR) proposed to be incurred during FY 2005-06 by September 2004. However, the Petitioner has submitted the DPRs for the schemes proposed to be implemented in FY 2005-06 during February 2005, i.e. after the deadline prescribed by the Commission for submission of DPRs for obtaining approval for Schemes proposed for FY 2005-06.

The Commission is of the opinion that the capital expenditure of Rs 1400 Crore proposed for FY 2005-06 is very high and is not justified. The Commission in its Order dated June 9, 2004 with respect to huge capital investment in the Distribution system has noted as follows:

*"The Commission has recognised the need for an integrated and co-ordinated approach between the TRANSCO and the three DISCOMs for a pragmatic Capital Expenditure Plan. CEA has also stressed upon the co-ordinated development of the system. An integrated and co-ordinated approach amongst the TRANSCO and DISCOMs is a must for system augmentation and improvement to ensure that the benefits of system improvement are available to the end consumer. Any unreliable or weak link in the chain would weaken the entire chain and it is essential that the system improvement should be carried out on a holistic basis. Till the system is augmented at transmission level, substantial capital works towards augmenting the system at distribution level will not result in substantial benefits to the consumers".*

The Commission is of the view that for FY 2006-07 and the subsequent period, the capital expenditure for system improvement will reduce and the capital expenditure for expansion of the system to meet the growth in load will only be required.

In the absence of scheme wise approval for the capital expenditure proposed by the Petitioner during FY 2005-06 and considering the present status of preparedness of the proposed investment and need for integrating the implementation plan, the Commission is of the opinion that it is not prudent to allow the full investments as proposed by the Petitioner. Hence, the Commission has

approved the investment plan for FY 2005-06 at the normative level. For arriving at a normative level of capital investment, the Commission has considered actual investment made during the last three years, extent of assets capitalised during the last three years and the corresponding AT&C loss reduction achieved by the Petitioner. For FY 2005-06, the Commission has considered the investment of Rs 477 Crore excluding capitalisation of interest and employee expenses. The Commission re-iterates that the consideration of capital investment of Rs 477 Crore by the Commission during FY 2005-06 for the purpose of determination of ARR does not imply the approval of capital investment of Rs 477 Crore and the Petitioner has to obtain the scheme wise approval for the capital expenditure incurred during FY 2005-06.

The Commission is further of the opinion that, in case, the Petitioner intends to incur the capital expenditure beyond the normative level during FY 2005-06, then such capital expenditure shall only be considered for approval considering the cost benefit analysis of such additional capital expenditure. This capital expenditure should also be tariff neutral. For such additional capital expenditure proposed, the Petitioner should separately submit the scheme wise details alongwith DPR and the benefits of the scheme.

As regard to the truing up of capital expenditure for FY 2002-03 due to difference in actual R&M expenses with respect to the expenses approved by the Commission, the Commission has deliberated on the truing up mechanism in Section 4 of the Order. As mentioned in Section 4 of the Order, the truing up of expenses for any particular year cannot be considered beyond the ARR for the year after the ensuing year. Therefore, in this Order, the Commission has not considered any truing up for FY 2002-03.

As elaborated in earlier sections, the Commission would like to highlight that the approval of the schemes has to be undertaken separately from ARR and Tariff Determination process, as it requires significant time and resources of the Commission. **The Commission directs the Petitioner to submit the complete DPR along with cost-benefit analysis for all the schemes more than Rs. 2 Crore on which the capital expenditure has been incurred during FY 2004-05 which were not approved by the Commission earlier and the schemes proposed during FY 2005-06 for obtaining the scheme-wise investment approval from the Commission within a month from the date of the issue of this Order. The Petitioner should also obtain the approval from the Commission for individual schemes less than Rs. 2 Crore but aggregating to Rs. 20 Crore. The Commission further directs that the Petitioner should submit the complete details of the investments proposed during FY 2006-07 for approval of schemes, by September 2005, after which the Commission will not entertain any request for approval of capital expenditure for any new scheme not covered by the schemes submitted upto September 2005, except in emergency cases which shall be decided by the Commission on the basis of merits of each case. As regard to the reallocation of funds within the schemes listed in the annual investment plan or for new schemes that is not included in annual investment plan in case of unforeseen circumstances, the Petitioner shall comply with Section 10 of the License Conditions.**

**The Commission reiterates its direction to the Petitioner to submit the quarterly progress report of investments in the format prescribed by the Commission.**

The summary of the investments as proposed in the Petition and as considered by the Commission for FY 2004-05 and FY 2005-06 is provided in the Table 3.7.

**Table:3.7 Capital Investment (Rs. Crore)**

Description	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Total Investments	525.82	800.00	525.82	1400.01	477.00

### 3.7 Asset Capitalisation

#### 3.7.1 Petitioner's Submission

In its Petition, the BRPL has estimated to capitalise around Rs 316 Crore during FY 2004-05 as it expected majority of the Schemes would be under progress at the end of FY 2004-05. The Petitioner has proposed to capitalise Rs. 1112 Crore of investments during FY 2005-06. In the subsequent submissions made by the Petitioner, the actual assets capitalised during FY 2004-05 have been reflected at Rs. 265.63 Crore.

The Petitioner has requested the Commission to consider difference between approved level of R&M expense and actual R&M expense over the period from FY 2002-03 to FY 2004-05 as capital expenditure and capitalise the same as such expense mainly related to transformers, meters, switchgears etc. Accordingly, the Petitioner has requested to capitalise additional amount of Rs. 64.26 Crore over the period from FY 2002-03 to FY 2004-05.

In its Petition, the Petitioner submitted that it has not provisioned any amount towards retirement of assets in its ARR pending decision of the Commission on the treatment of loss on sale/retirement of assets. However the petitioner estimates an amount of Rs. 20 Crore towards retirement of assets and also clarified that no assets have been retired in the books of accounts during FY 2002-03 and FY 2003-04. The Petitioner has submitted that it has identified the assets to be retired and provided the Commission with details of gross block and accumulated depreciation towards the same. However, pending decision of the Commission on the issue, the Petitioner has not provisioned any amount towards retirement of assets in its ARR and Petitioner in the subsequent submissions mentioned that these assets are under technical evaluation.

#### 3.7.2 Commission's Analysis

The Commission has analysed the asset capitalization proposed in the Petition and the subsequent submissions made by the Petitioner. As elaborated in earlier section, the Commission has observed that most of the capital expenditure incurred by the Petitioner does not correspond to the schemes approved by the Commission. While examining the actual capital expenditure for FY

2004-05, the Commission also noticed that the capital cost as claimed by the Petitioner for the various approved schemes was higher than the costs approved by the Commission.. Considering these variations in the actual capital expenditure with respect to the schemes approved by the Commission, the Commission asked the Petitioner to provide the complete scheme wise details of actual capital expenditure incurred during FY 2004-05 along with the completion certificate in the format prescribed by the Commission. The Petitioner has not submitted the requisite details of the scheme wise actual capital expenditure incurred during FY 2004-05.

Pending detailed scrutiny of investments capitalised during FY 2004-05, the Commission has considered actual asset capitalisation for FY 2004-05. Capitalisation of employee expense has been considered as per the Provisional Accounts for FY 2004-05. As regards capitalisation of interest expense, the approach has been elaborated in Section 3.10.2.2. The Commission has considered capitalisation to the extent of Rs. 265.63 Crore for FY 2004-05 as per the Provisional Accounts. Actual asset capitalisation pertaining to new investments as a ratio of opening works in progress plus new investments undertaken during FY 2004-05 works out to 46%.

**The Commission would like to clarify that the consideration of asset capitalisation to the extent of Rs 265.63 Crore during FY 2004-05 for the purpose of determining the ARR does not imply the Commission's approval for assets capitalised during the year. The Commission will separately examine the details of actual assets capitalised such as type of schemes capitalised, unit rates, completion certificates etc. The Petitioner is directed to submit the complete details of assets capitalised during FY 2004-05 for the approval of the Commission within one month from the date of issue of this Order.**

For FY 2005-06, considering the extent of opening works in progress and capital expenditure for FY 06, capitalisation has been considered as 100% of opening works in progress and 50% of the new investments considered for FY 2005-06. Based on these assumptions, the Commission has considered capitalisation to the extent of Rs. 558.18 Crore during FY 2005-06.

As mentioned in Section 2.34.11 the Commission has directed the Petitioner to submit the separate Petition for loss on retirement of asset. Therefore, the Commission has not considered the retirement of fixed assets while arriving at closing balance of fixed assets.

The summary of the asset capitalisation and closing balance of original fixed assets at the end of the Financial Year as proposed in the Petition and as considered by the Commission are summarised in the Table 3.8.

**Table:3.8 Asset Capitalisation (Rs. Crore)**

Description	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Opening balance of fixed assets	1658.01	1,683.79	1658.01	2,000.04	1923.64

**Table:3.8 Asset Capitalisation (Rs. Crore)**

Description	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Addition during the year	363.01	316.25	265.63	1,111.57	558.18
Retirement during the year	17.41	0.00	0.00	0.00	0.00
Closing balance of fixed assets	2003.63	2000.04	1923.64	3111.61	2481.82

### 3.8 Depreciation

#### 3.8.1 Petitioner's submission

The BRPL has proposed depreciation charges in accordance with the depreciation rates for continuous process plants (5.28% p.a.) and rates for other assets provided in the Schedule XIV of the Companies Act, 1956. The BRPL has proposed the depreciation rates based on the recommendations of a Task Force constituted by the GoI on Power Sector Investments and Reforms. The Task Force has recommended that "the provisions relating to depreciation may be harmonised with the provisions of the Companies Act, 1956 and for the purpose of tariff determination, depreciation rate as per the Schedule XIV of Companies Act, 1956 may apply. All power sector entities may be treated as 'continuous process plant' for the purpose of determination of depreciation rate till new rates are evolved." The Petitioner has submitted that Ministry of Power (MoP) notification of 1994 provides for a depreciation rate of 7.84% as against 3.75% considered by the Commission. As the change in rate of depreciation is impacting cashflow and return of the Petitioner, the Petitioner has requested the Commission to review the depreciation rates allowed for FY 2002-03 and FY 2003-04 and provide corresponding impact of such review in the ARR of FY 2005-06. In the subsequent submissions made by the Petitioner, the proposed depreciation charges are revised by the Petitioner in line with the actual asset capitalisation achieved in FY 2004-05.

The following Table 3.9 summarises the depreciation charge estimated by the Petitioner for FY 2004-05, depreciation charge provided under the books of accounts for FY 2004-05 and depreciation charge proposed by the Petitioner for FY 2005-06.

**Table:3.9 Depreciation (Rs. Crore)**

Description	FY 2004-05		FY 2005-06
	Rev. Est. (Petition)	Actual	Petition
Depreciation expense	108.26	126.43	138.84

The Petitioner has considered depreciation utilisation of Rs. 48 Crore during FY 2004-05 and Rs. 113 Crore during FY 2005-06 for financing capital works. The Petitioner has estimated working capital requirement of Rs. 118 Crore and Rs. 144 Crore for FY 2004-05 and FY 2005-06, respectively and proposed to fund the same from the depreciation. The petitioner has considered Working Capital Requirement as a sum of the following:

- a. One twelfth of the sum of the book cost of stores, materials and supplies including fuel in hand at the end of each month of the year.
- b. One twelfth of the sum of (cash and bank balance) and call and short-term deposits at the end of each month of the year of account, not exceeding in the aggregate an amount equal to one-quarter of the expenditure under sub paragraph(2) (b) excluding sub-clauses (i) ,(iv),(iv-a),(iv-b) & (x) of the Sixth Schedule of the erstwhile Electricity (Supply) Act,1948.

The Petitioner has subsequently submitted that out of depreciation of Rs. 126.43 Crore, it has utilised Rs. 90.95 Crore and Rs. 35.48 Crore for funding Regulatory Asset and working capital requirement, respectively.

### **3.8.2 Commission's Analysis**

The Commission has adequately discussed the issue of depreciation in the Tariff Order dated June 26, 2003 and June 9, 2004. The Commission's view on the concept of depreciation both from an accounting perspective and from a regulatory perspective from the Tariff Order dated June 9, 2004 has been reproduced below for reference.

*"From an accounting perspective, Depreciation is a charge to the Profit and Loss account and represents a measure of the wearing out, consumption or other loss in value of an asset arising from use, efflux of time or obsolescence through technology and market changes. From a regulatory perspective, depreciation is a small amount of the original cost of the capital assets, built into the tariff computation every year with a view to providing the utility a source of funding to repay instalments of debt capital. As the asset is used over its operational life, Depreciation is proportionately charged over the useful life of the asset."*

#### **3.8.2.1 Asset Block on which depreciation is applicable**

In the BST Order of February 22, 2002, the Commission had directed the DISCOMs and the TRANSCO to submit the details of the GFA and CWIP in the opening balance sheet of DISCOM within one month of the issue of the Order. The Petitioner has submitted the Fixed Assets Register (FAR) on May 27,2003 and finalised the summary report on July 31,2003. The FAR submitted by the Petitioner is on the basis of the business valuation, on the basis of which the opening balance sheets of successor entities of DVB were prepared and FAR does not provide the historical cost for various categories of assets. In the absence of availability of historical cost for various categories of



Assets, the Commission has continued to provide the depreciation considering the valuation of assets based on the Transfer Scheme for the assets transferred on July 1, 2002.

The Petitioner has clarified through letter dated September 16, 2003 that no details have been provided to the Commission, as there was no Opening CWIP transferred to BRPL as on July 1, 2002 in the opening Balance Sheet. The Commission is of the view that the organisations like erstwhile DVB would possibly have some capital work in progress, which would have been transferred to the DISCOMs concerned. Accordingly, the Commission vide its letter dated October 27, 2003 has requested the GNCTD to confirm the stand taken by the DISCOM that there were no capital works in progress on the date of transfer. The Commission, on April 20, 2004, has requested the Government to provide its comments to the Commission urgently. However, the Commission has not received any response from the Government till date. In the absence of availability of information about CWIP, the Commission is unable to incorporate the same while determining asset block on which depreciation is applicable.

As set out in the Tariff Orders dated June 26, 2003 and June 9, 2004, the Commission had allowed the depreciation expenditure for the purpose of tariff determination only on the Gross Fixed Assets at the beginning of the year, in line with the Schedule VI of the Electricity (Supply) Act. However, with the repeal of the Electricity (Supply) Act on promulgation of the Electricity Act, 2003, the Commission has decided to revise the methodology of calculation of depreciation. The Commission has decided to admit depreciation based on the usage of the asset in a particular year from FY 2005-06 onwards. Depreciation shall be chargeable from the first year of operation. For the purpose of estimating tariff for Ensuing Year FY 2005-06, the Commission has considered capitalisation of asset on an average basis in the middle of the year. **However, the Commission directs the Petitioner to provide pro-rata depreciation considering actual usage/operation (in number of days) of asset during the Financial Year.** With the IT initiatives undertaken by the Petitioner, the Commission expects that the Petitioner would be able to track the actual usage of each asset during the year. Any difference between depreciation estimated on an average basis and the depreciation determined based on actual usage of days during the Financial Year shall be trued up at the time of tariff determination for next Financial Year.

For removal of any doubt, it is being clarified that while truing up expenses for FY 2004-05, the Commission has considered the same methodology of determining depreciation expense as was specified under the Tariff Order for FY 2004-05.

### **3.8.2.2 Depreciation Rate**

The Commission has summarised its methodology of depreciating the assets in its Tariff Order dated June 9, 2004, which has been reproduced below for reference.

*"In its Order of June 26, 2003, the Commission adopted the methodology of depreciating the asset upto a cumulative 90% uniformly over the entire useful life of the asset. This will avoid front loading*

of tariffs while at the same time ensuring necessary cash flow to the licensees over a long period of time."

The Commission had mentioned in its Tariff Order dated June 26, 2003 that "The Commission has hence considered the depreciation rate as 3.75% for the purposes of this ARR. The Commission is of the view that in the future, the depreciation computed at the rate of 3.75% may be higher or lower than the rate based on the actual FAR, and is of the opinion that this can be adjusted against the actual depreciation chargeable, under the truing up mechanism."

The Commission had mentioned in its Tariff Order dated June 9, 2004 that "In the absence of details of CWIP and the historical value of various categories of the assets, the Commission had continued to use the depreciation rate at 3.75% for the purposes of the ARR considering the average fair life of the lines and cables network at distribution voltages as 25 years.

The Commission is of the view that as depreciation is a non-cash expenditure and there is no scheduled loan repayment, the reduction in the depreciation expenditure will not affect the Petitioner's operations as all legitimate and prudent expenditure is being considered for the purposes of determination of the ARR. Accordingly, the Commission has continued to use the depreciation rate of 3.75% for the purposes of the ARR."

The Commission has again considered the rates of depreciation for the purpose of determination of ARR and has decided to consider depreciation based on straight line method over the useful life of the asset and at the rates prescribed in Appendix II to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 for various asset classes from FY 2005-06 onwards. The residual life of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the cost of the asset.

For determining the weighted average depreciation rate, addition to asset needs to be estimated for each asset class. Though the Petitioner has proposed addition to each class of assets based on the unapproved DPRs and projected schedule of completion of schemes, the Commission is not in a position to estimate addition to class-wise assets as the Commission has not evaluated and approved the proposed Schemes. In such a situation, the Commission has considered the following asset break-up as available from the Provisional Accounts for FY 2004-05 for estimation of depreciation expense for FY 2005-06.

**Table:3.10 Depreciation Rates**

Sr. No.	Description of Assets	Asset Gross Block as at March 31, 2005 (Rs Crore)	Rate (%)
1.0	Transformer > 100 kVA	206.79	3.60%
2.0	Transformer <= 100 kVA	66.13	3.60%
3.0	Switchgear	231.29	3.60%
4.0	Lighting Arrestor	16.38	3.60%
5.0	Batteries	13.17	18.00%

**Table:3.10 Depreciation Rates**

Sr. No.	Description of Assets	Asset Gross Block as at March 31, 2005 (Rs Crore)	Rate (%)
6.0	Underground cables	424.82	2.57%
7.0	Overhead lines	509.96	3.60%
8.0	Energy meters	161.04	2.57%
9.0	Vehicles	7.00	18.00%
10.0	Furniture and fixtures	2.96	6.00%
11.0	Office equipment	5.08	6.00%
12.0	Computers	11.56	6.00%
13.0	Motors/Pumps etc	0.00	4%
14.0	Communication Equipment	0.02	6.00%
15.0	Offices and Showrooms	212.34	1.80%
16.0	Temporary Structures	1.97	18%
17.0	Pucca Roads	0.91	1.80%
18.0	Fault Locating Equipment	6.87	18.00%
19.0	Miscellaneous Equipment	6.49	3.60%
	<b>Total</b>	<b>1884.78</b>	<b>3.32%</b>

The Petitioner is hereby directed to submit the break-up of opening block of assets and assets capitalised during the year as per the classification specified in the said Appendix II while submitting the Petition for FY 2006-07. Any difference in depreciation arising out of calculation of depreciation as per above classification and rates and actual classification of assets as per the said Appendix II and corresponding rates shall be trued up at the time of tariff determination for next Financial Year.

For removal of any doubt, it is being clarified that while truing up expenses for FY 2004-05, the Commission has considered the rate of depreciation as 3.75% as specified under the Tariff Order for FY 2004-05.

The Commission has further explained the methodology for allowing a higher depreciation for repayment of loans in its Tariff Order dated June 26, 2003, which has been reproduced below for reference:

*"It therefore follows that when the loan repayment commences in future, then the Petitioner may require higher cashflow to meet the repayment obligations. In such case, the Commission opines that it would be appropriate to consider various mechanisms to enable building in a higher cashflow, including an advance against depreciation."*

The Commission further clarifies that any depreciation utilised towards funding of capital asset shall not be treated as available for repayment for future years.

### **3.8.2.3 Truing up of depreciation expense for FY 2002-03 and FY 2003-04**

As regards the request for reconsidering depreciation rates for FY 2002-03 and FY 2003-04, the Commission had considered applicable depreciation rates in the Tariff Order dated June 26, 2003

by considering all the issues raised by the Petitioner in this Petition. Hence, the Commission does not admit reconsideration of applicable depreciation rates for FY 2002-03 and FY 2003-04.

### 3.8.2.4 Summary of Depreciation Expense

The Table 3.11 provides a summary of the Depreciation as proposed by the Petitioner and as approved by the Commission for FY 2004-05 and FY 2005-06.

**Table:3.11 Depreciation (Rs. Crore)**

Description	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Opening Balance of Fixed Assets	1658.01	1683.79	1658.01	2000.04	1850.96
Addition during the year	363.01	316.25	265.63	1111.57	558.18
Retirement during the year	17.41	0.00	0.00	0.00	0.00
Closing Balance of Fixed Assets	2003.63	2000.04	1923.64	3111.61	2481.82
Depreciation	62.18	108.26	62.18	138.84	73.19

### 3.8.2.5 Depreciation Utilisation

The Commission has considered utilisation of depreciation in line with the priority of utilisation mentioned in the Table 3.8 in its Tariff Order dated June 26, 2003. The priority order of utilisation of depreciation has been summarised below:

- Loan Repayment, if any
- Working Capital Requirement
- Capital Investment

Loan repayment is considered based on repayment schedule of long term loans availed from financial institutions/lenders and notional repayment over 10 years commencing from the next financial year after drawdown of loans for funding through notional loans. However, no repayment has been considered for short-term loan used for financing capital expenditure.

The Working Capital requirement has been estimated by considering two months Stores (R&M expenses) and one month cash expenses i.e., salary, A&G and R&M expenses. While providing for funds for working capital, funds provided towards working capital for the period from FY 2002-03 to FY 2004-05 are also considered as available to meet working capital requirement of FY 2005-06. The Commission has provided funding of Rs. 71.81 Crore towards working capital requirement by allowing to utilise depreciation of Rs. 20.08 Crore in FY 2002-03, Rs. 25.57 Crore in FY 2003-04 and Rs. 26.16 Crore in FY 2004-05 towards Working Capital requirement. Since net requirement of working capital for FY 2004-05 is lower than cumulative funding provided, the funding for working capital is capped at Rs. 26.16 Crore as was provided under the Tariff Order for FY 2004-05. No additional funding has been considered towards working capital requirement for FY 2005-06 considering the availability of such funds.

The utilisation of depreciation as proposed by the Petitioner and as considered by the Commission is summarised in Table 3.12.

**Table:3.12 Utilisation of Depreciation (Rs. Crore)**

Description	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
For debt repayment	0.00	0.00	0.00	0.00	0.00
For working capital requirement	26.20	60.11	26.16	25.62	0.00
For capital investment	48.39	48.15	36.02	113.22	73.19
Total depreciation	62.18	108.26	62.18	138.84	73.19

### 3.9 Means of Finance

#### 3.9.1 Petitioner's Submission

The BRPL has proposed funding of the capital expenditure through a mix of consumer contribution, depreciation after adjusting for working capital, APDRP grant, APDRP loan, internal accruals and domestic loans. During the Technical Sessions, the Commission directed the Petitioner to submit the details of actual means of finance availed during FY 2004-05. In the subsequent submissions, the Petitioner has submitted the actual source of funding corresponding to capital expenditure of Rs. 923.06 Crore. The capital expenditure of Rs. 545.31 Crore has been funded by Sundry Creditors in FY 2004-05. The Petitioner has utilised unutilised reserves for the previous years to the extent of Rs. 110.39 Crore and drawn loans of Rs. 207.46 Crore for funding capital expenditure for FY 2004-05. The Petitioner has drawn Rs. 172 Crore from Punjab National Bank and Rs. 35 Crore from Bank of Punjab as a short-term loan having one year tenure. During FY 2005-06, the Petitioner has proposed infusion of fresh equity to the extent of Rs. 228 Crore to attract lenders for financing capital expenditure and Regulatory Asset. However in the subsequent submissions, BRPL has clarified that the proposal of infusion of equity has not yet been approved by its Board of Directors.

The means of finance for the capital investments suggested in the Petition for FY 2004-05 and FY 2005-06, and actual means of finance arranged by the Petitioner for FY 2004-05 is summarised in the Table 3.13.

**Table:3.13 Means of Finance (Rs. Crore)**

Source of Funds	FY 2004-05		FY 2005-06
	Rev. Est. (Petition)	Actual	Petition
Consumer Contribution	68.00	59.91	57.00
APDRP Grant	62.71	0.00	0.00
APDRP Loan	62.71	0.00	0.00
Depreciation	48.15	0.00	113.22
Internal Accruals	233.84	110.39	368.57
Commercial Debt	324.59	207.46	861.21
Sundry Creditors		545.31	
<b>Total Funds</b>	<b>800.00</b>	<b>923.06</b>	<b>1400.00</b>

### 3.9.2 Commission Analysis

The Commission has analysed in detail the Means of Finance proposed by the Petitioner in its Petition and in its subsequent submissions. The Commission has retained the same order of priority of means of finance as adopted in the Tariff Order dated June 26, 2003. The priority of means of finance adopted is as follows:

- Consumer Contribution
- Unutilised Depreciation considering available unutilised depreciation of the previous years
- APDRP Funds available during the year
- Balance Funds required - balance fund requirement is assumed to be met through a mix of debt and equity by applying a normative debt to equity ratio of 70:30

The Commission has considered actual receipt of consumer contribution of Rs. 59.91 Crore during FY 2004-05. As no APDRP funds were available during FY 2004-05, the Commission has not considered the same for funding capital expenditure. Considering the uncertainty in availability of APDRP funds over past 2 years, the Commission has not considered the same for FY 2005-06. If the Petitioner is able to draw down funds under APDRP Scheme, the same shall be considered while truing up the expenses for FY 2005-06.

Further, for FY 2004-05, the Commission has considered the actual loan of Rs 207 Crore availed by the Petitioner for funding capital expenditure. Further, the Commission has considered the funding through internal accrual (free reserves) to the extent of Rs 88.71 Crore based on normative Debt: Equity Ratio considering the actual debt of Rs 207 Crore. After considering all these sources of financing i.e. Consumer Contribution, unutilised depreciation, Debt and Internal Accruals, for the balance capital expenditure, the Commission has considered the funding through sundry creditors. The extent of funding through sundry creditors as considered by the Commission is Rs 146.85 Crore as against Rs 545.31 considered by the Petitioner.

Further, the Commission has obtained the details of sundry creditors and the time period for making payment to sundry creditors. The Petitioner submitted that the sundry creditors represent the credits given by various vendors/suppliers for supply of equipment/material and the Petitioner has to make payments to sundry creditors within first three to six months of FY 2005-06.

For FY 2005-06, the Commission has adopted the same priority of means of finance as discussed above. Further the Commission has also considered the funding of sundry creditors through the loan and free reserves based on normative Debt:Equity Ratio. The Commission has considered funding of investments through internal accruals to the extent of Rs. 88.71 Crore during FY 2004-05 and Rs. 142.56 Crore during FY 2005-06, respectively. In case, the return on equity during the year is less than the requirement of funding through internal accrual based on debt to equity ratio of 70:30, the Commission has considered unutilised internal accruals of FY 2002-03, FY 2003-04 and FY 2004-05 for funding of capital investments. If the requirement of internal accruals are not met by

considering unutilised reserves for previous years, the Commission has considered loan funding towards the same.

Table 3.14 provides a summary of the Means of Finance as proposed by the Petitioner and as approved by the Commission for both the years.

**Table:3.14 Means of Finance (Rs. Crore)**

Source of Funds	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Consumer Contribution	57.14	68.00	59.91	57.00	57.00
APDRP Grant	62.71	62.71		0.00	
APDRP Loan	62.71	62.71		0.00	
Depreciation	48.39	48.15	36.02	113.22	73.19
Internal Accruals	94.57	233.84	88.71	368.57	155.00
Commercial Debt	220.67	324.59	207	861.21	361.66
Sundry Creditors			146.85		
<b>Total Funds</b>	<b>546.21</b>	<b>800.00</b>	<b>538.49</b>	<b>1400.00</b>	<b>646.85</b>

### 3.10 Interest Expenditure

#### 3.10.1 Petitioner's Submission

In its Petition, the BRPL has not proposed any interest in FY 2004-05 and FY 2005-06 on loan of Rs. 690 Crore from the Holding Company as the loan carries a moratorium for first 4 years on payment of interest and principal repayment as per the Transfer Scheme. The Petitioner has considered an interest of Rs. 3.95 Crore and Rs. 9.24 Crore in FY 2004-05 and FY 2005-06, respectively at an interest rate of Rs. 11.5% p.a. on APDRP loan component of Rs. 81.34 Crore. The Petitioner has considered an interest rate of 9.5% p.a. for balance commercial borrowings and has estimated interest of Rs. 35 Crore for FY 2005-06.

The Petitioner has estimated an interest expense of Rs. 12.47 Crore and Rs. 80.98 Crore for FY 2004-05 and FY 2005-06, respectively. The Petitioner has proposed to capitalise interest of Rs. 9.51 Crore and Rs. 39.70 Crore in FY 2004-05 and FY 2005-06, respectively. Accordingly, The Petitioner has proposed to charge an interest expense of Rs. 2.96 Crore and Rs. 41.28 Crore in the ARR for FY 2004-05 and FY 2005-06, respectively.

Subsequently, the BRPL has submitted actual interest cost as per the Provisional Accounts, details of actual means of finance for actual capital expenditure for FY 2004-05. For FY 2004-05, the Petitioner has incurred an interest expense of Rs. 2.66 Crore pertaining to the loans utilised to fund the capital works. The Petitioner has proposed to capitalise interest expense of Rs. 0.52 Crore.

In addition to the interest on long-term loans, the Petitioner has estimated an interest on security deposit as per the provisions of the Section 47(4) of the Electricity Act, 2003 that states that the distribution licensee shall pay interest equivalent to the bank rate or more, as specified by the concerned State Commission. The Petitioner has further highlighted that the draft Performance

Standards (Metering and Billing) Regulations 2004, issued by the Commission, also provides for payment of interest on consumer security deposits. The Petitioner has mentioned that as a major portion of the Security deposit has been retained by the Holding Company (DPCL), the allocation of the amount transferred to the Petitioner against individual consumers is unknown to the Petitioner. The opening balances of the Consumer Security Deposit amount were also not available to the Petitioner. Accordingly, the Petitioner has separately petitioned the Commission to intervene in the matter and clarify the position. Pending the decision on the subject, the Petitioner in its best estimate has compiled the Consumer Security Deposits based on the available information with the Petitioner. The Petitioner has not provided any interest on security deposit in FY 2004-05. For FY 2005-06, the Petitioner has estimated an interest on security deposit of Rs. 12.23 Crore at the rate of 6%. In the subsequent submissions, the Petitioner has submitted that closing balance of Security Deposit as on March 31, 2005 is Rs. 108.94 Crore.

The summary of interest charges as submitted in the Petition and actual interest charges for FY 2004-05 and the interest charges for FY 2005-06 as submitted in the petition is summarised in Table 3.15.

**Table:3.15 Interest Charges (Rs. Crore)**

Source of Funds	FY 2004-05		FY 2005-06
	Rev. Est. (Petition)	Actual	Petition
Interest charges	12.47	2.66	80.98
Interest capitalised	9.51	0.52	39.70
Net interest charged to expenditure	2.96	2.14	41.28
Interest on security deposit	0.00	0.00	12.23

### 3.10.2 Commission's Analysis

#### 3.10.2.1 Interest on Long Term Loan

The Commission has considered actual interest on long term loans as per the Provisional Accounts for FY 2004-05.

For FY 2005-06, the Commission has considered interest rate as available from the loan agreements furnished and assumed an interest of 8.5% p.a. for other untied commercial borrowings, considering prevailing long term lending rates. As elaborated in its Tariff Order dated June 9, 2004, the Commission has considered a notional Debt:Equity ratio of 70:30 and correspondingly the interest expense has been allowed on the notional debt component.

As regards to the outstanding loan of Rs 690 Crore to the Holding Company in the books of BRPL in accordance with the provisions of Transfer Scheme, the Policy Direction stipulates as follows:

*"The successor companies viz. GENCO, TRANSCO and the three Distribution Companies shall undertake to repay the loan payable to Holding Company mentioned in the relevant schedules of the Transfer Scheme, within thirteen years from the date of transfer with a waiver of interest and moratorium on principal repayment for the first four years. Thereafter the loan would carry an*



*interest at the rate of 12% per annum and would be repaid in eighteen equal half yearly instalments”*

The Commission is of the view that there is waiver on interest for the first four years from the date of transfer and hence no interest is payable by BRPL to the Holding Company till July 2006. Therefore, the Commission has not considered any interest liability on this account while determining the interest expenses for FY 2005-06. Further, the Commission has examined that the total outstanding loan in the books of all the successor entities i.e. GENCO, TRANSCO and three DISCOMs is of the order of around Rs 1900 Crore. The Commission is of the opinion that in case while determining the ARR and sector revenue gap for FY 2006-07, the repayment and interest on this loan is to be considered as pass through in the ARR of the Utilities, the overall sector revenue gap will increase substantially, which in turn will result in tariff shock to the consumers. Thus, it will be difficult at any stage to service this outstanding loan in the books of all the successor companies of erstwhile DVB through the ARR. Therefore, the BRPL shall take up this matter of servicing of outstanding loan of Rs 690 Crore with the appropriate authority and make arrangements for servicing this loan without affecting the ARR of BRPL for the future years.

### **3.10.2.2 Capitalisation of interest**

While considering the capitalisation of interest, the Commission has considered the provisions of Accounting Standard (AS) 16 on Borrowing Costs.

Paragraph 6 of AS 16 provides that "Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation should be determined in accordance with this Statement. Other borrowing costs should be recognised as an expense in the period in which they are incurred."

Paragraph 3 of the AS 16 defines that "A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale."

Paragraph 3 of the Accounting Standards Interpretation (ASI) 1 provides that "The issue as to what constitutes a substantial period of time primarily depends on the facts and circumstances of each case. However, ordinarily, a period of 12 months is considered as substantial period of time unless a shorter or longer period can be justified on the basis of facts and circumstances of the case. In estimating the period, time which an asset takes, technologically and commercially, to get it ready for its intended use or sale should be considered."

**The Commission directs the Petitioner to ensure that the individual schemes of capital expenditure submitted to the Commission for the Commission's approval should indicate the gestation period of each scheme.** The time period for the purpose of capitalisation of borrowing costs for the purpose of tariff determination shall be determined by the Commission as part of approval of each scheme.

Paragraph 16 of AS 16 further provides that "The activities necessary to prepare the asset for its intended use or sale encompass more than the physical construction of the asset. They include technical and administrative work prior to the commencement of physical construction, such as the activities associated with obtaining permits prior to the commencement of the physical construction. However, such activities exclude the holding of an asset when no production or development that changes the asset's condition is taking place."

In the absence of scheme-wise availability/approval of gestation period of scheme and interest accrued and capitalised, the Commission has considered capitalisation of interest based on capitalisation of assets and capital expenditure incurred during the post reform period. However, the Petitioner is directed to determine the capitalisation of interest based on the philosophy outlined above. Any difference in capitalisation of interest as considered by the Commission and as computed by the Petitioner by applying philosophy outlined above shall be trued up at the time of truing of costs for FY 2005-06 along with the necessary corrections to interest charged to revenue account.

### 3.10.2.3 Interest on Security Deposit

As the Petition on Consumer Deposit is being separately processed, the Commission has not considered any interest on Consumer Security Deposit for the purpose of determination of ARR. Based on the outcome of the referred Petition, the interest on Consumer Security Deposit shall be considered at the time of truing up of expenses and revenues for FY 2005-06.

### 3.10.2.4 Summary of Interest Charge

The summary of interest charges as proposed in the Petition and as considered by the Commission is provided in Table 3.16.

**Table:3.16 Interest Charges (Rs. Crore)**

Component	FY 2004-05			FY 2005-06	
	Approved	Rev. Est. (Petition)	Commission	Petition	Commission
Interest charges	15.68	12.47	2.66	80.98	36.46
Interest capitalised	4.89	9.51	1.23	39.70	11.22
Net interest charged to expenditure	10.79	2.96	1.44	41.28	25.24
Interest on security deposit	0.00	0.00	0.00	12.23	0.00

## 3.11 Arrears to Holding Company

### 3.11.1 Petitioner's Submission

For FY 2004-05 and FY 2005-06, the Petitioner has estimated the total collections towards DVB Arrears as Rs 30 Crore and Rs 25 Crore, respectively. As 80% of these arrears have to be remitted to

the Holding Company, the Petitioner has considered Rs 24 Crore and Rs 20 Crore during FY 2004-05 and FY 2005-06, respectively to be remitted to Holding Company.

### 3.11.2 Commission's Analysis

The Commission has elaborated on the methodology for treatment of DVB Arrears in detail in its Tariff Order dated June 26, 2003 in which the Commission has highlighted that the entire DVB arrears should be ploughed back to the sector and 80% of the past DVB arrears should be passed on to TRANSCO instead of Holding Company. On the matter of ploughing back of 80% of DVB arrears to the Sector by passing these arrears to TRANSCO instead of Holding Company, the Commission has discussed the matter in Section 4.

During the technical validation session, the Commission has obtained the details of actual DVB arrears collected by the Petitioner during the year. The actual DVB arrears collected during FY 2004-05 are Rs. 29.35 Crore. The Commission has considered 80% of these actual arrears i.e. Rs. 23.5 Crore to be passed on to TRANSCO. For FY 2005-06, the Commission has considered the collection of DVB arrears at the same level as projected by the Petitioner at Rs 25 Crore and treated 80% of total arrears equivalent to i.e. Rs. 20 Crore as an expense to be passed on to TRANSCO.

### 3.12 Return on Equity

#### 3.12.1 Petitioner's Submission

The BRPL has submitted that the Policy Directions stipulate a return of 16% on closing balance of equity and free reserves as per clause 13 of the Policy Directions. The Petitioner has submitted that providing for deferred tax liability as per the provisions of Accounting Standard 22 results in lower free reserves. The Petitioner has accordingly requested the Commission to allow 16% returns on closing balance of equity and free reserves. The Petitioner has estimated Return on Equity for FY 2004-05 and FY 2005-06 at Rs. 112.72 Crore and Rs. 154.57 Crore, respectively.

#### 3.12.2 Commission's Analysis

The Commission has deliberated the issue of providing return on the original equity plus closing balance of free reserves at the end of the year in the Tariff Order dated June 26, 2003, Review Order dated November 25, 2003, Tariff Order dated June 9, 2004, Review Order dated October 29, 2004. Based on the clarification received from the GNCTD dated February 16, 2004, the Commission has continued with the methodology of allowing return on equity on initial equity and average of opening and closing free reserves used for funding capital investments. The extract from the clarification is reproduced below.

*"Regarding the applicability of returns on additions made during the year, it is evident that such additions normally occur due to infusion of fresh equity or due to generation of surplus during the course of operations in a year, which subsequently get invested as assets in the business. Therefore, on applying the principle stated in the clarification, it is clear that the additions made during the*

year could at best be considered eligible for the returns only for the period in which they are beneficially deployed in the business, which could either be the entire year or a part thereof."

"However, as the exact timing of such generation and deployment of incremental surplus during a financial year is extremely difficult to ascertain, an approximation is generally resorted to whereby the amount eligible for returns is calculated by taking the average of opening and closing balance for a financial year."

"Examination of a few tariff orders of Central Electricity Regulatory Commission (CERC) reveals that CERC has also been adopting a similar methodology for arriving at the eligible amount for calculating return on equity."

"Under the circumstances, we are inclined to suggest that the return on equity may be permitted on the backdrop of the guiding principle that such returns should be applicable for the period when such amounts have been invested into fixed or any other assets, which have been put to beneficial use for the purpose of electricity distribution. Incidentally, the language of the notification also suggests the same intent. However, as conveyed by the legal advisor, we would like to state that it is ultimately for DERC to decide the extent of free reserves admissible for rate of return."

The view considered by the Commission based on the clarification received from the GNCTD is final.

The Commission has undertaken a detailed analysis of the investments and means of finance proposed by the Petitioner. Details of investments and means of finance considered by the Commission have been provided in earlier sections. As elaborated in the earlier sections, the Commission has considered funding of investments through internal accruals to the extent of Rs. 88.71 Crore during FY 2004-05 and Rs. 155.00 Crore during FY 2005-06.

Based on this, the Commission has estimated Return on Equity and Free Reserves at Rs. 82.40 Crore for FY 2004-05 and Rs. 101.90 Crore for FY 2005-06. The extent of Free Reserves considered for funding capital investments and the Return on Equity and Free Reserves proposed in the Petition and considered by the Commission for determining ARR is summarised in Table 3.17.

**Table:3.17 Return as estimated by Commission (Rs. Crore)**

Component	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Opening Equity Capital	460.00	460.00	460.00	460.00	460.00
Addition to Equity Capital	0.00	0.00	0.00	214.00	0.00
Closing Equity Capital	460.00	460.00	460.00	674.00	460.00
Opening Free Reserves	10.67	10.67	10.67	244.51	99.38
Addition during the	94.57	233.84	88.71	154.57	155.00

**Table:3.17 Return as estimated by Commission (Rs. Crore)**

Component	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
year					
Total Free Reserves	105.24	244.51	99.38	399.08	254.38
Average Reserves	57.96		55.03		176.88
Total Equity & Free Reserves	517.96	704.51	515.03	1073.08	636.88
16% Return on Equity & Free Reserves	82.87	112.72	82.40	154.57	101.90

### 3.13 Contribution to Contingency Reserves

#### 3.13.1 Petitioner's Submission

BRPL has proposed to contribute Rs. 8.42 Crore for FY 2004-05 and Rs. 9.90 Crore for FY 2005-06 as contingency reserves. In the subsequent submissions, the Petitioner has submitted that it has contributed Rs. 8.10 Crore as contingency reserves in FY 2004-05.

#### 3.13.2 Commission's Analysis

The Commission would like to bring to the notice of the Petitioner that the creation of contingency reserve was mandated in the Sixth Schedule to the Electricity (Supply) Act, 1948 as was in force before the repeal of the said Act by the EA 2003. The EA 2003, however, does not provide for the creation of contingency reserve. Therefore, in accordance with the EA 2003, the Commission does not feel the necessity to provide this reserve. The Commission is not approving any expenses with respect to contingency reserve for FY 2005-06.

The Commission will deal with the treatment of contingency reserve created during the past after the issue of this Order and communicate its decision to the Petitioner.

**Table: 3.18 Contingency Reserves (Rs. Crore)**

Component	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Contribution to Contingency Reserves	8.29	8.42	8.10	9.90	0.00

### 3.14 Summary of Truing up Expenses and Carrying Cost

#### 3.14.1 Petitioner's Submission

BRPL has proposed truing up of expenses for FY 2004-05 and the carrying cost on truing up on following counts as follows:

<b>Year</b>	<b>Amount (Rs Crore)</b>	<b>Carrying Cost (%)</b>	<b>Carrying Cost (Rs Crore)</b>
Total Gap in FY 2003-04	26.55		
ROE deferred in FY 2003-04	26.55	16.00%	4.25
Amount of loan deferred in FY 2003-04	-		
Total Gap estimated in FY 2004-05	298.62		
<i>ROE component deferred</i>	<i>71.00</i>	<i>16.00%</i>	<i>5.68</i>
<i>Loan Component</i>	<i>227.61</i>	<i>9.50%</i>	<i>10.81</i>
<b>Total</b>	<b>325.16</b>		<b>20.74</b>

### 3.14.2 Commission's Analysis

The Commission has while determining the ARR and revenue gap for FY 2004-05 has analysed each component of expense and revenue separately and has worked out the revenue gap for FY 2004-05 based on expenses and revenue approved for FY 2004-05. The specific elements separately considered by the Commission for truing up and the carrying costs allowed by the Commission are as follows:

As regard to the truing up of expenses for FY 2003-04 provided in the Order for FY 2004-05, the Commission has considered the estimated revenue gap of Rs 10 Crore for FY 2003-04 after truing up the expenses and revenue based on actuals. Further, the Commission has considered this revenue gap as a part of total revenue gap of FY 2004-05 to be bridged during the year 2004-05. The Commission would like to emphasise that in case the Petitioner would have recovered this amount in FY 2003-04, the same would have been recovered during the entire year. As the Commission has considered the revenue gap of FY 2003-04 as part of revenue gap of FY 2004-05, the carrying costs are to be provided only for one year.

Further, the Commission in its Order on ARR Petition for FY 2004-05 has clearly specified that it would allow the carrying cost for truing up of expenses at a weighted average cost of funds considering debt:equity ratio of 70:30.

As regard to additional R&M expenses of Rs 7.86 Crore for FY 2003-04 approved by the Commission in Order on Review Petition, the Commission has considered the same while truing up the expenses for FY 2004-05. Further, the Commission has also considered the carrying cost on this additional R&M expense as per the principles discussed in Section 4.

As regard to treatment of revenue gap and regulatory asset for FY 2004-05 and the carrying cost on Regulatory Asset, the Commission has elaborated on this matter in Section 4 i.e. Tariff Philosophy of the Order.

### 3.15 Retirement of Assets

### 3.15.1 Petitioner's Submission

The Petitioner has submitted that the Hon'ble Commission in its last Tariff Order has reiterated that "for the purpose of ARR computation, the Commission has not considered loss on retirement/sale of assets as an expense and the Commission based on its decision on the aspect after detailed examination will consider the impact during the truing up process. The Petitioner further submitted that pending decision of the Hon'ble Commission on the issue, the Petitioner has not provisioned any amount towards retirement of assets in its ARR. However, the Petitioner estimates an amount of Rs 20 Crore towards retirement of assets.

### 3.15.2 Commission's Analysis

As regards to loss on sale/retirement of assets, the Commission has further examined this issue in detail. **The Commission directs the Petitioner to file a separate Petition to the Commission within one month of the issue of this Order providing the details of the assets that are to be retired. The Petition shall include complete details with respect to each asset retired/proposed to be retired.** The Commission will finalize its approach towards the retirement of assets following the receipt of such Petition.

## 3.16 Taxes on Income

### 3.16.1 Petitioner's Submission

In its Petition, the petitioner has not made any provision of tax liability in FY 2004-05 and FY 2005-06 and has requested the Commission to allow such expenses as per actual expense incurred by the Petitioner in future years. The Petitioner has estimated the tax liability as Nil and Rs. 1.89 Crore for FY 2004-05 and FY 2005-06, respectively. In the subsequent Submissions, the Petitioner has provided for Rs. 9.78 Crore of Income Tax liability for FY 2004-05 in the Provisional Accounts.

In the subsequent submissions, the Petitioner has estimated Fringe Benefit Tax at Rs. 1.17 Crore.

### 3.16.2 Commission's Analysis

The Commission has detailed the methodology adopted for estimating taxes on income in the Tariff Order dated June 26, 2003 and Review Order dated November 25, 2003. The issue of the deferred tax has been addressed by the Commission in the Review Order dated November 25, 2003 and accordingly the Commission does not reconsider the issue.

The Petitioner has submitted the Provisional Accounts, wherein the actual tax liability in the FY 2004-05 has been provided as Rs. 9.78 Crore. The Commission has hence considered the actual tax liability, as submitted in the Provisional Accounts, in the ARR for FY 2004-05 after adjusting for the tax on additional income on the loans given to BYPL as the income on these loans has also not been considered by the Commission as Non Tariff Income. The Income Tax considered for FY 2004-05 will be subject to adjustment after the assessment of Income Tax by the Income Tax Department.

For FY 2005-06, the Commission has continued with the same methodology followed by it to estimate the tax on income realistically as described in its Tariff Order dated June 26, 2003. The Return on Equity assured to the Petitioner is the regulatory Profit after Tax. The Profit before Tax has been computed by dividing Profit after Tax by  $(1 - \text{Income Tax rate})$ . The regulatory depreciation considered by the Commission has then been added to the regulatory PBT, while the estimated income tax depreciation has been deducted from the above sum, to arrive at the PBT in line with the Income Tax Act. As PBT comes out as negative, the Minimum Alternate Tax (MAT) will be applicable on the Profit before Tax (PBT), in accordance with the IT Act. The actual tax liability will be considered by the Commission under the 'truing up' mechanism in case there is a difference between the actual tax liability and the estimated tax liability.

The Commission also recognises the fact that in the above method of estimating tax liability, there is a possibility that in some years, the tax liability may be higher in the scenario when tax depreciation is lower than the book depreciation.

The Commission has not provided for Fringe Benefit Tax as the Commission is not in a position to assess the impact of Fringe Benefit Tax on the Petitioner. The same shall be considered at actuals on submission of documentary evidence at the time of truing up for FY 2005-06.

The Table 3.20 below provides the taxes on income as proposed by the Petitioner and as considered by the Commission for determining the ARR.

**Table: 3.20 Taxes on Income and Profits as estimated by Commission (Rs. Crore)**

Component	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Taxes on income and profits	9.86	0.00	9.19	1.89	9.36
Fringe Benefit Tax			0.00		0.00

### 3.17 Non Tariff Income (NTI)

#### 3.17.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2005-06, submitted that against an approved NTI of Rs. 35.06 Crore for FY 2004-05, the revised estimates for FY 2004-05 is Rs. 37.04 Crore. The Petitioner has estimated commission on collection of Electricity Duty @3% of the total electricity duty.

For FY 2005-06, the Petitioner has projected a Non Tariff Income of Rs. 31.04 Crore.

#### 3.17.2 Commission's Analysis

During the technical sessions, the Commission has obtained the details of the actual Non- Tariff Income for FY 2004-05. The Petitioner submitted actual non-tariff income as Rs. 49.91 Crore. Later, the Petitioner revised the actual non-tariff income to Rs. 51.67 Crore and indicated that non-tariff



income has increased due to the inclusion of sale and repair of lamps as portion of non-tariff income.

The Commission has examined the components of the Non-Tariff Income submitted by the Petitioner. The Commission observed that the Petitioner has considered an income of Rs. 5.84 Crore on account of interest on loans given to BYPL. The Commission has observed that this represents the income earned on the loans given out of surpluses due to the dis-allowance of ploughing back the entire Return on Equity. In case, the Petitioner distributes the free reserves arising out of Return on Equity not allowed to invest in the business as dividend to shareholders, the Company will not earn any income. Therefore, the Commission has not considered income on these loans as part of non-tariff income and the Commission has adjusted the income tax on pro-rata basis as the tax liability on this income will not be allowed as pass through in ARR.

The Commission has accepted the other components of non-tariff income submitted by the Petitioner for FY 2004-05. The Commission has considered non-tariff income for FY 2004-05 as Rs. 45.83 Crore.

For FY 2005-06, the Commission has projected non-tariff income based on the following assumptions:

- Income from compulsory investments estimated on the basis of level of compulsory investments at the end of FY 2004-05.
- Sale of Scrap, Rebate on power purchase and reconnection charges considered at the same level of FY 2004-05
- Commission on the collection of the electricity duty based on 3% of the Electricity Duty.

The Table 3.21 provides a summary of the Non-tariff Income, as proposed by the Petitioner and as approved by the Commission.

**Table:3.21 Non Tariff Income (Rs. Crore)**

Particulars	FY 2004-05				FY 2005-06	
	Order for FY 2003-04	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Income from investments	1.38	2.95	0.64	0.64	1.48	0.64
Commission on collection of Electricity Duty	2.15	2.30	2.39	2.39	2.67	2.94
Rebate on Power Purchase	1.17	0.38	3.56	3.56		3.56
Sale and Repair of Lamps		1.75	1.76	1.76	1.89	1.98
Sale of Scrap	0.00	4.54	8.82	8.82	2.00	8.82
Other Income	30.36	25.12	13.71	13.71	23.00	13.71
Unclaimed liabilities written back			14.95	14.95		
<b>Total</b>	<b>35.06</b>	<b>37.04</b>	<b>45.83</b>	<b>45.83</b>	<b>31.04</b>	<b>31.65</b>

### 3.18 Total Expenditure excluding Power Purchase Cost

Table 3.22 provides a summary view of the various expenses as proposed by the Petitioner and as approved by the Commission for FY 2004-05 and FY 2005-06. Detailed analysis of each expense head has already been provided in the above sections.

**Table: 3.22 Total expenditure excluding power purchase cost (Rs. Crore)**

Component	FY 2004-05			FY 2005-06	
	Order for FY 2004-05	Rev. Est. (Petition)	Commission	Petition	Commission
Employee expenses	154.92	182.39	157.24	194.53	162.28
A&G expenses	18.28	34.35	29.04	37.33	30.20
R&M expenses	52.57	69.01	68.99	74.51	71.75
Depreciation	62.18	108.26	62.18	139.00	73.19
Interest charges	15.68	12.47	2.66	80.98	36.46
Past Arrears	41.00	24.00	23.48	20.00	20.00
Truing up expenses and Carrying Cost	11.00	48.00	35.10		17.90
<b>Total Gross Expenditure</b>	<b>355.63</b>	<b>478.48</b>	<b>378.69</b>	<b>546.35</b>	<b>411.79</b>
Less: Expenses capitalized	15.49	5.85	11.44	6.50	11.81
Less : Interest capitalized	4.89	9.51	1.23	39.70	11.22
<b>Total Net Expenditure</b>	<b>335.25</b>	<b>463.12</b>	<b>366.02</b>	<b>500.15</b>	<b>388.76</b>
Contingency Reserves	8.29	8.00	8.10	10.00	0.00
Income Tax	9.86	0.00	9.19	2.00	9.36
Total Appropriations	18.15	8.00	17.29	12.00	9.36
<b>Net Expenses incl. Spl Appropriations</b>	<b>353.40</b>	<b>471.12</b>	<b>383.31</b>	<b>512.15</b>	<b>398.12</b>

### 3.19 Revenue Requirement Excluding Power Purchase Cost.

The Revenue Requirement excluding Power Purchase Cost for FY 2004-05 and FY 2005-06 as proposed by the Petitioner and as approved by the Commission is provided in Table 3.23.

**Table 3.23 : Revenue Requirement excluding Power Purchase Cost (Rs Crore)**

Component	FY 2004-05		FY 2005-06	
	Rev. Est. (Petition)	Commission	Petition	Commission
Expenditure (A)	471	383	512	398
Return on Equity and Free Reserves (B)	113	82	155	102
Non Tariff Income (C)	37	46	31	32
<b>ARR excluding Power Purchase Cost (A+B-C)</b>	<b>547</b>	<b>420</b>	<b>636</b>	<b>468</b>

DERC

DERC

## 4. Tariff Philosophy

### 4.1 Background

The first Tariff Order issued by the Commission for the erstwhile DVB in 2001 was largely in line with the approach mentioned in the Concept Paper issued by the Commission in September 2000, which followed the provisions of the Electricity (Supply) Act, 1948. Subsequently, the DVB was restructured and unbundled into one Generation Company (GENCO), one Transmission Company (TRANSCO) and three Distribution Companies (DISCOMs). The GNCTD issued Policy Directions on November 22, 2001 in exercise of the powers conferred under Section 12 and other relevant Sections of the Delhi Electricity Reform Act, 2000 (DERA), to facilitate the process of privatisation of the unbundled distribution entities of DVB. The Policy Directions specified that the Distribution Licensees would earn a return of at least 16% on their paid up equity capital and free reserves, based on predetermined efficiency parameters for the five-year period from FY 2002-03 to FY 2006-07. Through the Policy Directions, the Commission was mandated to issue the Order on opening level of AT&C losses and the Bulk Supply Tariff payable by DISCOMs to TRANSCO before bidding for privatisation of distribution business.

The Commission issued the Order on Bulk Supply Tariff and the Opening Level of AT&C losses, on February 22, 2002. The GNCTD, issued another set of Policy Directions on May 31, 2002 in amendment to the Policy Directions issued on November 22, 2001, specifying (i) the trajectory of AT&C losses to be achieved by the DISCOMs as agreed during the bidding process towards privatisation of DISCOMs (Accepted Bid AT&C loss reduction target) over the five year Policy period, (ii) the loss reduction target specified by GNCTD for bidding process (minimum loss reduction target) and (iii) the treatment in tariff in case of underachievement or overachievement in actual AT&C losses with respect to Accepted Bid AT&C loss reduction target.

Subsequently, the Commission issued the revised "Guidelines for Revenue & Tariff Filing" (Guidelines) on August 23, 2002 to accommodate the framework established by the Policy Directions. The DISCOMs and the TRANSCO filed their ARR Petitions for FY 2002-03 (9 months) and FY 2003-04 during November and December 2002 in accordance with the revised Guidelines. The Commission after a detailed analysis of the Petitions and following due public process issued its Order on these Petitions, on June 26, 2003, considering the provisions of the Policy Directions and the tariff philosophy adopted by the Commission.

The DISCOMs, TRANSCO, GENCO and PPCL filed their ARR Petitions for FY 2004-05 during December 2003. The Commission after a detailed analysis of the Petitions and following due public process issued its Order on these Petitions, on June 9, 2004, considering the provisions of the Policy Directions and the tariff philosophy adopted by the Commission.

#### 4.1.1 Elements of Policy Directions

There are four important elements in the Policy Directions issued by the GNCTD, which are relevant from the point of view of tariff philosophy. First, the retail tariffs across the three DISCOMs have to be uniform over the tenure of Policy Directions i.e. upto FY 2006-07. Second is the determination of a Differential BST payable to TRANSCO for power purchase by each DISCOM based on the paying capacity of the respective DISCOMs. Third is the aspect of Government Support for bridging gap of TRANSCO and lastly, the concept of AT&C loss and the treatment of over/under achievement in AT&C losses by the DISCOMs. All these aspects of Policy Directions have been explained in detail in the Commission's Orders dated June 26, 2003 and June 9, 2004.

The requirement of uniform retail tariff across the three DISCOMs in Delhi implies that the tariff for a particular category of consumer shall be uniform till the end of FY 2006-07, irrespective of geographical location of the consumer. This requires that the uniform retail tariff for all the DISCOMS have to be determined by considering the ARR of TRANSCO and all DISCOMS simultaneously, after providing a minimum of 16% return for each DISCOM. The determination of Bulk Supply Tariff has to be inter-linked with revenues through the retail tariff and individual parameters including AT&C losses of DISCOMS. Further, the other important aspect of Policy Directions is the support envisaged to be provided by GNCTD to TRANSCO to bridge the revenue gap of the TRANSCO and the Bulk Supply Tariff it receives from the DISCOMS. The provisions of the Policy Directions in this regard are as follows:

*"The Government will make available to Transmission Company an amount of upto, approximately, Rs. 3450 Crore during the period 2002-03 to 2006-07 as loan to be repaid by the Transmission Company to the Government in a manner agreed to between the Transmission Company and the Government".*

The Policy Directions laid down performance targets/efficiency level to be achieved by the Distribution Companies measured in terms of AT&C loss. Following the principles specified in the Policy Directions, the determination of AT&C loss involves estimation of three parameters, i.e., T&D loss, collection efficiency, and units realised. T&D loss is the difference between the units input to the DISCOM and units billed by the DISCOM, expressed in terms of ratio of energy input to the DISCOM. Collection efficiency is the ratio of the amount collected to the amount billed and units realised is the product of units billed and collection efficiency. AT&C loss is the difference between units input and units realised, expressed as a percentage of units input. In the Commission's Order issued on June 26, 2003, the Commission has explained in detail, the method of determination of AT&C losses. The Commission also discussed in detail, the impact of lag in the collection and billing and the results of the analysis showed that, although the AT&C loss for a particular month might be very high or low, the overall AT&C loss for the year follows a definite trend and has minimal variation. Hence, the Commission concluded that the impact of time lag is minimal and that it may not be necessary to differentiate between the collection efficiency with time lag and without time lag.

#### **4.1.2 Treatment of Over Achievement and Under Achievement of Efficiency Targets**

The amendment to the Policy Directions issued by the Government on May 31, 2002, further elaborates the method of treatment of overachievement and underachievement over the period FY 2002-03 to FY 2006-07. The relevant provisions have been reproduced below:

*"2. The following shall be the method of computation and treatment of over-achievement and underachievement for the years 2002-03 to 2006-07:*

*i) In the event the actual AT&C loss of a distribution licensee in any year is better (lower) than the level based on the minimum AT&C loss reduction levels stipulated by the Government for that year the distribution licensee shall be allowed to retain 50% of the additional revenue resulting from such better performance. The balance 50% of additional revenue from such better performance shall be counted for the purpose of tariff fixation.*

*ii) In the event the actual AT &C loss of a distribution licensee in any year is worse (higher) than the level based on the AT&C loss reduction levels indicated in the Accepted Bid for that year, the entire shortfall in revenue on account of the same shall be borne by the distribution licensee.*

*iii) In the event the actual AT&C loss of a distribution licensee in any year is worse (higher) than the level based on the minimum AT&C loss reduction levels stipulated by the Government for that year but better (lower) than the level based on AT&C loss reduction levels indicated in the Accepted Bid for that year, the entire additional revenue from such better performance shall be counted for the purpose of tariff fixation.*

*Provided further that for paras 2(i), 2(ii) and 2(iii) above, for every year, while determining such additional revenue or shortfall in revenue the cumulative net effect of revenue till the end of the relevant year shall be taken, in regard to over-achievement/underachievement and appropriate adjustments shall be made for the net effect."*

The Commission has already elaborated upon the treatment of over/under achievement as per the provision of Policy Directions in its Orders on ARR Petitions of DISCOMs for FY 2002-03 and FY 2003-04 issued on June 26 2003 and its Orders on ARR Petitions of DISCOMs for FY 2004-05 issued on June 9, 2004.

#### **4.1.3 Treatment of Over/Under Achievement in AT&C Losses**

The Commission while determining the ARR of DISCOMs for FY 2002-03 had considered the actual AT&C losses and AT&C loss reduction trajectory in Policy Direction framework. During FY 2002-03, two of the DISCOMs (NDPL and BYPL) under-achieved the AT&C loss reduction vis-à-vis their corresponding bid level targets. For these two DISCOMs, the Commission for computing the ARR for FY 2002-03 had considered the AT&C loss considering the bid level AT&C loss reduction target as per the provisions of Policy Directions. The third DISCOM (BRPL) over-achieved the AT&C loss reduction vis-à-vis its bid level target and hence the Commission had considered the actual AT&C

loss while computing the ARR as per the provisions of Policy Directions in case of over-achievement in AT&C loss reduction as compared to bid level target.

For FY 2003-04, the Commission, had considered the closing AT&C loss level of FY 2002-03 based on the bid targets as the opening level for FY 2003-04 for two DISCOMs (NDPL and BYPL), due to under-achievement of AT&C loss reduction vis-à-vis the bid level target. For BRPL, the Commission had considered the opening level of AT&C loss for FY 2003-04 as the actual loss level at the end of FY 2002-03 due to company's over-achievement of AT&C loss reduction vis-à-vis the bid level target. This effectively implies that the over achievement in AT&C loss during one particular year had been considered for succeeding years.

Subsequent to the Commission's Order dated June 26, 2003, BRPL filed a Review Petition on the Order on ARR for FY 2002-03 and FY 2003-04 issued by the Commission, in which BRPL in addition to other issues had also raised an issue that as per the Policy Directions, the over achievement in AT&C loss reduction during one particular year cannot be considered for determining ARR and Tariffs for succeeding years.

As this was a matter of interpretation of Policy Directions and considering that this issue has substantial impact on the future ARR and Tariff Determination process, the Commission felt it appropriate to seek clarifications from GNCTD on the methodology to be followed for treatment of over-achievement in AT&C losses in any particular year for the future.

The Commission requested the GNCTD to provide clarification on the issue of treatment of under/over achievement vis-à-vis AT&C loss targets in the context of the interpretation of Para 2 of the Policy Directions notified on May 31, 2002, vide letter No. F.11 (42)/DERC/2003-04/3719 dated November 5, 2003. In response, the GNCTD, in its letter No. F11 (118)/2001-Power/Partfile/2336 dated December 26, 2003, had given its clarifications on the points raised by the Commission. In addition to explaining the treatment of under/over achievement of AT&C losses, the GNCTD had explained the proviso to Para 2 of the Policy Directions issued on May 31, 2002, on the question of cumulative effect of the AT&C loss achieved by the DISCOMs. The GNCTD in its letter stated that

*"The proviso again has no effect on the annual AT & C loss reduction targets, but only related to the determination of additional revenue or shortfall in revenue on account of over-achievement or under-achievement of the loss reduction targets..... The intention of proviso was only to give the DISCOMs the benefit of certain financial adjustments in respect of financial consequences of underachievement or over achievement and has no effect on the AT & C loss reduction targets themselves. Indeed the idea of shifting the targets themselves would be contrary to the whole scheme of policy directives. Again, if the targets themselves were likely to shift upwards on over-achievement, it would not only imply serious disincentive for loss reduction, but might equally have led to demands for a corresponding revision in case of underachievement. It would not, therefore be consistent with the Policy Directions to shift the targets. "*



The Government along with the letter providing clarification on this issue also attached the illustrative examples (hypothetical situations) of underachievement and overachievement in different years and how the cumulative net effect ought to be taken into account.

The Commission while estimating the ARR for FY 2004-05 duly considered the clarification on this issue of treatment of overachievement in a particular year.

In FY 2004-05 also, all the three DISCOMs overachieved vis-à-vis their cumulative AT&C loss reduction targets. In fact, NDPL has achieved AT&C loss level lower than the Minimum Bid level specified by the GNCTD. Accordingly, the provisions of the Policy Directions and the GNCTD's clarification have been applied to determine the extent of additional revenue to be retained by the DISCOM and that to be passed on to the consumers while determining the Annual Revenue Requirement of the Utilities. In case of BRPL and BYPL, as the over-achievement in AT&C loss reduction is less than the minimum level target, the entire additional revenue due to over-achievement has been considered as additional revenue for the purpose of ARR determination. In case of NDPL, as the over-achievement in AT&C loss reduction is more than the minimum level target the entire additional revenue as a result of AT&C loss reduction upto minimum level with respect to bid level and 50% of the additional revenue beyond minimum level has been considered as additional revenue for the purpose of ARR determination and balance 50% of the savings beyond minimum level has been approved to be retained by NDPL.

The extent of over-achievement achieved by DISCOMs during FY 2004-05 vis-à-vis AT&C loss reduction targets and the quantum of savings due to over-achievement of AT&C loss is given in Tables 4.1 to 4.3 below:

**Table 4.1 : Over achievement by NDPL in AT&C Loss Reduction and quantum of savings (Rs Crore)**

	Bid Level	Min Level	Actual
A. AT&C Loss (%)	40.85%	37.10%	33.79%
B. Over/Under Achievement	7.06%	3.31%	
C. Energy Input (MU)	5549	5549	5549
D. Units Realised (MU)	3283	3491	3674
E. Average Rate (Rs.)	4.06	4.06	4.06
F. Amount Realised (Rs Cr)	1333.3 (X)	1417.8 (Y)	1492.3 (Z)
G. Total benefit on account of over achievement (Rs Cr) [Z-X]	159.1		
H. Benefit on account of overachievement beyond the minimum AT&C loss reduction level (Rs Cr) [Z-Y]	74.5		
I. Benefit on account of over achievement from minimum AT&C loss reduction level and bid level (Rs. Cr.) [G-H]	84.6		
J. Benefits to be shared with consumers (Rs Cr.) [H x 0.5 + I]	121.8		
K. Benefits to be retained by the DISCOM (Rs Cr) [H x 0.5]	37.25		

**Table 4.2 : Over achievement by BRPL in AT&C Loss Reduction and quantum of savings (Rs Crore)**

	Bid Level	Actual
A. AT&C Loss (%)	42.70%	40.64%
B. Over/Under Achievement	2.06%	
C. Energy Input (MU)	8405	8405
D. Units Realised (MU)	4816	4989
E. Average Rate (Rs.)	4.05	4.05
F. Amount Realised (Rs Cr)	1949.3 (X)	2020.3 (Y)
G. Total benefit on account of over achievement beyond the bid level (Rs Cr) [Y-X]	71	
H. Benefits to be shared with consumers	71	

**Table 4.3 :Over achievement by BYPL in AT&C Loss Reduction and quantum of savings (Rs Crore)**

	Bid Level	Actual
A. AT&C Loss (%)	50.70%	50.12%
B. Over/Under Achievement	0.59%	
C. Energy Input (MU)	5337.50	5337.50
D. Units Realised (MU)	2631	2662
E. Average Rate (Rs.)	3.91	3.91
F. Amount Realised (Rs Cr)	1029.7 (X)	1042 (Y)
G. Total benefit on account of over achievement beyond the bid level (Rs Cr) [Y-X]	12.3	
H. Benefits to be shared with consumers	12.3	

The total additional revenue of all three DISCOMs to be considered for the purpose of ARR determination works out to Rs 205 Crore. The treatment of additional revenue due to over-achievement of AT&C losses to be considered for the purpose of ARR determination has been discussed in Section 4.5 i.e Efficiency Gains in FY 2004-05. Further, in line with the clarifications obtained from GNCTD, the Commission has also not considered overachievement in a particular year for determining the opening level of AT&C loss for the next year. For FY 2005-06, the Commission has considered the AT&C losses of each DISCOM based on the cumulative Bid Level AT&C loss reduction as specified in the Policy Direction till FY 2005-06.

#### 4.1.4 'Truing up' Mechanism

While analysing the ARR Petitions filed by TRANSCO, DISCOMs and GENCO, the Commission has to rely on the information available at that point of time and also project the sales, expenses and revenues while determining the Annual Revenue Requirement. The Commission recognised the fact that at the end of the year, the actual sales, expenses and revenues can be different vis-à-vis the projections made by the Commission in its Order. The Commission has detailed its view in its earlier Orders that the licensees have to be compensated to the extent of variations, which are beyond their control, subject to prudence of the expenses, to ensure their financial viability. The

Commission instituted a process of 'Truing up' at the end of the year, based on the actual expenses/revenues, considering the prudence of such variations over the approved levels. Further, the Commission clarified that while approving such expenses/revenues to be recovered in the future years, the holding costs of the same would also be allowed. The Commission in its Order dated June 9, 2004 on ARR and Tariff Petitions for FY 2004-05 have considered the carrying cost for truing up of expenses and revenue at a weighted average cost of funds considering debt: equity ratio of 70:30. The Commission has continued with the same principle and has allowed the carrying cost for truing up of expenses at a weighted average cost of funds considering debt:equity ratio of 70:30

The DISCOMs and TRANSCO in the ARR and Tariff Petition for FY 2005-06 have requested for truing up for FY 2004-05 based on the revised estimates and for FY 2003-04 and FY 2002-03 based on audited accounts.

The Commission would like to clarify that the truing up for any year will be taken up during the ARR and Tariff determination process of the ensuing year based on revised estimates or provisional accounts which will take into account the impact of major variations in each component of expenses and revenues. Further, to account for small variations arising out of difference in audited accounts with revised estimates or provisional accounts, the truing up will be taken in the year after ensuing year. In no circumstances, the truing up for any year will be considered after two years i.e. the year after the ensuing year. This principle has been elaborated with example as follows:

The first truing up of expenses and revenue for FY 2004-05 based on revised estimates or provisional accounts has been taken up during the ARR and Tariff determination process of FY 2005-06 and the second truing up of expenses and revenue for FY 2004-05 based on audited accounts will be taken up during the ARR and Tariff determination process of FY 2006-07.

In line with the principles mentioned above, the Commission while determining the ARR for FY 2005-06 has considered the truing up of expenses and revenue for FY 2003-04 based on audited accounts and the truing up of expenses and revenue for FY 2004-05 based on the provisional accounts. The Commission has not considered for truing up of expenses and revenue for FY 2002-03 at this stage, as this has already been carried out in the Order for FY 2004-05.

The Commission has also considered the carrying cost on truing up amount considering a normative debt:equity ratio of 70:30. For the amount allowed as a truing up for FY 2003-04, the Commission has considered the carrying cost for two years and for the amount allowed as a truing up for FY 2004-05, the Commission has considered the carrying cost for one year.

#### **4.1.5 Treatment of DVB Arrears**

According to the provisions of the Transfer Scheme, the amount of DVB arrears realised by the DISCOM shall be shared between the Holding Company and DISCOM in the ratio of 80:20. The Commission in its previous Tariff Order dated June 26, 2003 has deliberated on this issue and the Commission's views on this issue as mentioned in Tariff Order dated June 26, 2003 are as follows:

"In the Transfer Scheme, notified by the Government of NCT of Delhi on 20th November 2001, the following has been stated:

"All the receivables from sale of power to consumers of the erstwhile Board other than to the extent specifically included in Schedules D, E and F shall be to the account of Holding Company. The DISCOMs will be authorised to realise the receivables of the Holding Company in their respective area of supply. Upon realisation of such receivables of the Holding Company the same shall be shared between the Holding Company and the DISCOMs in the ratio 80:20".

These specified receivables are the past dues against the power sold by the erstwhile Delhi Vidyut Board (DVB), prior to its restructuring. These receivables have been passed on to the distribution companies and are reflected in their balance sheets, as assets. According to the terms of the Transfer Scheme, the Holding Company is to receive 80% of the receivables while the balance 20% would be retained by the distribution companies. In the ARR Petitions filed by the three distribution companies, while 20% of the receivables have been accounted as non-tariff income, the remaining 80% is treated, as expense, and passed on to the Holding Company. This would, of course, increase the revenue gap, which would, in turn, imply that tariffs would have to be raised.

It is the considered view of the Commission that the 80% of the receivables, which is going to the Holding Company, should, in fact, go to Delhi Transco Ltd., to be ploughed back into the sector. This would be the most logical course of action since at the time of the calculation of the Bulk Supply Tariff in February, 2002, the entire receivables was taken into account as an income being generated within the sector. It is to be borne in mind that, as mentioned above, in case 80% of the receivables is repatriated to the Holding Company, the consumers of Delhi would have to incur the burden by way of an enhanced tariff shock. In this context, the Commission also notes that in determination of AT&C losses, no distinction is made between the amounts realised against current billing and amounts realised against the past receivables. The Commission is of the view that it could not possibly have been the intention of the GNCTD, while drafting the Transfer Scheme that the expense is passed on to the consumers. It would, indeed, be ironical if the consumers of Delhi were to bear the burden of the receivables, estimated at close to Rs. 200 Crore during financial year 2002-03 (09 months) and financial year 2003-04, in the post privatisation period. **In view of the above, the Commission asks the GNCTD to revisit this matter and issue an appropriate amendment to the Transfer Scheme. In so far as the present Petitions are concerned, the Commission has considered 80% of the collected arrears remaining within the sector while determining the annual revenue requirements."**

The GNCTD reviewed the matter and issued a clarification through letter No.F.11(99)/2001-Power/531 dated March 31, 2004 that the original Transfer Scheme would remain as it is and the receivables against DVB arrears would be shared between the Holding Company and the DISCOMs in the ratio of 80:20 respectively.

The Commission felt that it would be equitable and fair if the revenue realised on account of recovery of arrears remain in the sector and as recommended in the Tariff Order dated June 26, 2003, are passed on to the Delhi Transco Limited, instead of the Holding Company. Accordingly, the Commission vide its letter dated April 25, 2004 again requested the Government to reconsider the matter in the interest of consumers of Delhi.

The GNCTD further replied on June 4, 2004 mentioning that the Government has reviewed the matter and the original Transfer Scheme would remain as it is and the receivables against DVB arrears would be shared between the Holding Company and the DISCOMs in the ratio of 80:20 respectively.

The Commission in its Order dated June 9, 2004 has opined as follows:

*"The Commission is of the opinion that it will not be fair at all to pass on the burden of past receivables of the sector to consumers of Delhi as also this will warrant huge tariff shock to consumers. The 80% of total receivables for three years i.e. FY 2002-03, FY 2003-04 and FY 2004-05 works out to around Rs. 300 Crore. In case these receivables are to be passed on to Holding Company instead of TRANSCO as envisaged in Commission's Order dated June 26, 2003, these receivables along with carrying cost on arrears of FY 2002-03 and FY 2003-04 has to be considered as expense in ARR, which will increase the Revenue Gap by around Rs. 330 Crore. To bridge this additional sector revenue gap of Rs. 330 Crore, the tariff increase required will be around 9%. It is not ending here and infact more and more past arrears will be collected by DISCOMs in future years and if these arrears will go out of the sector, this will lead to increase in tariffs in future. Considering these aspects, the Commission vide its letter dated June 7, 2004 again approached the Government so as to protect the consumers of Delhi from unwarranted tariff hike. Accordingly, the Commission while estimating the ARR and Revenue Gap for FY 2004-05 considered 80% of the collected arrears remaining within the sector as revenue to TRANSCO".*

TRANSCO filed the Review Petition for review of the Order of the Commission dated June 9, 2004 (Order) passed on the Petitioner's Petition no. 1/2004 in respect of its Annual Revenue Requirement (ARR) and determination of Bulk Supply Tariff (BST) for the Financial Year 2004-05. The TRANSCO raised the issue of DVB arrears in the Review Petition filed on July 22, 2004.

Subsequently, the GNCTD further replied on August 12, 2004 mentioning that the Government has reviewed the matter and the original Transfer Scheme would remain as it is and the receivables against DVB arrears would be shared between the Holding Company and the DISCOMs in the ratio of 80:20 respectively.

The Commission on October 29, 2004 issued the Order on Review Petition filed by TRANSCO and the Commission in its Order on Review Petition had not admitted the issue of remittance of DVB Arrears to Holding Company instead of remittance to TRANSCO for review.

In the above backdrop, this issue has been further examined by the Commission in light of Policy Directions regarding treatment of efficiency gains with respect to over achievement and under achievement of AT&C loss reduction during the period FY 2002-03 to FY 2006-07. According to the arrangement as stipulated in the Policy Directions, the benefits of over-achievement by the DISCOMs in AT&C losses which is calculated by taking into account the past DVB arrears has to be passed on to consumers fully if the AT&C loss reduction is upto minimum level and if the AT&C loss level reduction is beyond the minimum level, revenue realised on account of AT&C loss reduction between the Minimum level and actual level has to be equally shared between the consumers and the Licensees. The additional revenue to be passed on to consumers due to over-achievement has to be taken into account for the purpose of determination of ARR for next year. In case, the DVB arrears are passed on to the Holding Company, the arrangement proposed for treatment of over achievement of efficiency targets in the Policy Direction is not implementable. Therefore, the Commission while estimating the ARR and Revenue Gap for FY 2005-06 has considered 80% of the collected DVB arrears remaining within the sector as revenue to TRANSCO, in line with the practice followed in previous years

#### **4.1.6 Regulatory Asset created in FY 04-05 Orders**

The Commission in its Orders on ARR and Tariff Petitions for FY 2004-05 after deliberating all the options of bridging the revenue gap has created Regulatory Asset of Rs 696 Crore to bridge the entire revenue gap of Rs 696 Crore.

The Commission's philosophy on the creation of Regulatory Asset, the quantum of Regulatory Asset apportioned to TRANSCO and DISCOMs and its amortization have been elaborated in the Tariff Order for FY 2004-05 as under:

##### **"Need for Regulatory Asset**

*The total consolidated revenue gap of all the utilities (TRANSCO and DISCOMs) during FY 2004-05 as estimated by the Commission works out to Rs. 1762 Crore which is 48% of revenue at existing tariffs. The committed support from the GNCTD for FY 2004-05 is Rs. 690 Crore. After considering this Government support, the net revenue gap of the utilities works out to Rs. 1072 Crore. As mentioned earlier, if the entire net revenue gap is to be bridged by increase in tariffs, the average tariff increase required would be to the extent of 30%.*

##### **Concept of Regulatory Asset:**

*Creation of a Regulatory Asset is a mechanism to carry forward a portion of the revenue requirement for a particular year that has not been included while designing the tariffs for that year. The amount equivalent to the Regulatory Assets is thus effectively removed from the revenue requirement for the year in question. Such a situation generally arises when the projected revenues are significantly lower than the revenue requirement and it is not feasible to recover the entire amount either through increase in tariffs or through other means such as Government subsidy during that year. In such situations, the Regulator may choose to create a Regulatory Asset*

equivalent to the uncovered expenses and allow the licensee to amortise the same over a period of time. The Regulatory Asset mechanism is resorted to mainly to avoid tariff shocks to the consumers in a given year, while at the same time allowing the utility to recover the costs in a reasonable manner so as to protect its interests as well as those of the consumers.

Generally, Regulatory Assets are amortised over a reasonably long period of time, say 3-7 years, so as to even out the sudden increase in tariff. It is also common that over the period of amortisation, financing cost of the outstanding Regulatory Asset and the funds required to retire the Regulatory Asset through amortisation is allowed by the Regulators. In such cases, the Revenue Requirement for the future years would include the amount towards amortisation of the Regulatory Assets as well as the carrying cost of the Regulatory Assets. This allows spreading the impact of tariff increases over a period of time and thereby mitigates the possibility of a rapid and upward pressure on tariffs.

In view of the circumstances in the Delhi Power sector as explained in the above Sections, the Commission feels it is imperative to resort to the mechanism of Regulatory Assets in the interest of viability of the sector and also to ensure that the consumers are not subjected to an unusually high tariff increase after the last tariff increase effected in July 2003.

#### **4.1.6.1 Estimated Regulatory Assets**

Out of the total revenue gap, the revenue gap to be bridged from the increase in tariff as approved by the Commission works out to Rs. 376 Crore. The balance revenue gap of Rs. 696 Crore is proposed to be treated as a Regulatory Asset to be amortised in future years through various measures.

The Commission would like to highlight the fact that the total revenue gap estimated for FY 2004-05 is based on information submitted by the Petitioners and certain assumptions based on past trends. However, the actual revenue gap for the year might vary based on the actual performance during the year. Hence, the quantum of uncovered/excess Revenue Gap that will be permitted under truing up mechanism after prudence check, and the Regulatory Assets will also undergo a change after the truing up process for FY 2004-05.

#### **4.1.6.2 Proposed Amortisation Mechanism for the Regulatory Asset**

The Commission proposes to amortise the Regulatory Asset through a combination of several measures such as through the efficiency gains i.e. over-achievement in AT&C losses, and inclusion of certain component of Regulatory Asset in future years' ARR, (when the revenue gap for that particular year is not substantial) and any other appropriate measure..

The Commission while amortising the Regulatory Asset will also consider the carrying cost of the Regulatory Asset. The period of amortisation of the Regulatory Asset and the amount to be amortised each year is contingent upon several factors such as Revenue Gap approved by the Commission for the particular year including the ensuing year, actual AT&C loss reduction during the year, etc. The Commission is of the opinion that it would be ideal to amortise this Regulatory

Asset fully within the Policy Direction Period i.e. by FY 2006-07. At this stage, it is difficult to define the quantum of amortisation in future years. However, in principle, while deciding the quantum of Regulatory Asset to be amortised, the Commission will consider the following:

- Actual AT&C loss reduction achieved by the DISCOMs
- AT&C loss reduction proposed by the DISCOMs.
- Actual Revenue Gap/Surplus for the previous year, if any, after Truing up
- Estimate of Revenue Gap for the sector during the ensuing year"

#### 4.1.6.3 Apportionment of Regulatory Asset between the Utilities

The Commission apportioned Rs. 100 crore of the gap as a Regulatory Asset to the TRANSCO, considering the potential and scope for efficiency improvement in terms of efficient operation under the ABT regime and tariff increase in future years for TRANSCO. The Commission evaluated various parameters for the apportionment of the balance gap of Rs. 596 crore between the DISCOMs, viz. revenue of each DISCOM, energy purchase by the DISCOM, power purchase cost of the DISCOM, and revenue gap of the DISCOM. The Commission also studied the proportion of apportionment of the Regulatory asset to the various DISCOMs for each of the parameters as the basis of apportionment. Based on the analysis, the Commission apportioned the balance gap of Rs. 596 Crore as Regulatory Asset in proportion to Revenue of each of the DISCOM, as given in the Table below: The following Table 4.4 details the apportionment of the Regulatory Asset and the quantum of Regulatory apportioned to TRANSCO and DISCOMs.

**Table 4.4: Apportionment of the Regulatory Asset in FY 2004-05 Order :**

Sr. No.	Company	Regulatory Asset Apportionment Ratio amongst DISCOM (%)	Regulatory Asset Apportionment Ratio amongst all players (%)	Regulatory Asset (Rs. Crore)
1	BRPL	44.7%	38.3%	267
2	BYPL	23.1%	19.8%	138
3	NDPL	32.2%	27.6%	192
4	Subtotal DISCOMs	100%	85.6%	596
5	TRANSCO		14.4%	100
6	<b>Total</b>		<b>100%</b>	<b>696</b>

#### 4.2 Impact of Truing up for FY 2004-05

While determining the quantum of Regulatory Asset for FY 2004-05, the Commission had specified that the actual revenue gap for the year might vary based on the actual performance during the year and hence, the Regulatory Asset would also undergo change after the truing up process for FY 2004-05.



The truing up for FY 2004-05 based on the actual expenditure and after prudence check by the Commission has revealed that the actual gap between revenue and revenue requirement is lesser than that estimated by the Commission at the time of the Tariff Order for FY 2004-05. The revised revenue gap for FY 2004-05 as estimated by the Petitioner and as approved by the Commission in this Order is given in Table 4.5 below:

**Table 4.5 : Revised Revenue Gap for FY 2004-05 based on truing up**

	2004-05	
	Petition	Commission
NDPL	309	207
BRPL	325	221
BYPL	139	120
DTL	141	0
<b>Total</b>	<b>914</b>	<b>548</b>

As the total sector revenue gap for FY 2004-05 based on truing up of expenses and revenue of Utilities has reduced as compared to the quantum of Regulatory Asset created for FY 2004-05, the quantum of Regulatory Asset required to be created for FY 2004-05 has also reduced from Rs. 696 crore to Rs. 548 Crore.

The Commission has consequently restated the quantum of Regulatory Asset for FY 2004-05 in accordance with the philosophy stated in the Tariff Order for FY 2004-05, as Rs. 548 Crore based on the actual revenue gap of the Utilities. The quantum of Regulatory Asset created in the Orders dated June 9, 2004 on ARR and Tariff Petitions for FY 2004-05 and revised Regulatory Asset for FY 2004-05 based on truing up has been shown in the Table 4.6 below:

**Table 4.6 : Quantum of Revised Regulatory Asset (Rs Crore):**

	Regulatory Asset Created in FY 04-05 Order (Rs Crore)	Revised Regulatory Asset (Rs Crore)
DTL	100	0
NDPL	192	207
BRPL	266	221
BYPL	138	120
	<b>696</b>	<b>548</b>

### 4.3 Sector Revenue Gap for FY 2005-06

The total sector revenue gap estimated by the Commission for FY 2005-06 is Rs. 458 Crore excluding the Government Support. The details of the revenue gap as estimated by the Petitioners for FY 2005-06 and the revenue gap as approved by the Commission is provided in Table 4.7 below:

**Table 4.7: Proposed and Approved Revenue Gap for FY 2005-06 (Rs Crore)**

	2005-06	
	Petition	Commission
NDPL	244	101
BRPL	260	31
BYPL	129	-30
DTL	1442	356
<b>Total</b>	<b>2075</b>	<b>458</b>
Govt Support*	138	138
Transco Rev Gap after Support	1304	218
<b>Net Revenue Gap</b>	<b>1937</b>	<b>320</b>

As already discussed earlier, while issuing the Policy Directions, the GNCTD has committed to provide Rs. 3450 Crore during the period FY 2002-03 to FY 2006-07 as a loan to TRANSCO, which is to be used to bridge the gap between its revenue requirement and the bulk supply price that it receives from the Distribution Licensees. The Table 4.8 below shows the committed level of Government support for the period FY 2002-03 to FY 2006-07, as given in the Financial Restructuring Plan approved by the GNCTD.

**Table 4.8: Committed GNCTD Support**

(Rs. Crore)

Year	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Total
GNCTD Support	1364	1260	690	138	0	3452 (say 3450 )

The Commission in its Order on ARR for FY 2002-03, FY 2003-04 and FY 2004-05 has taken into consideration the Government Support available to TRANSCO for respective years while estimating the sector revenue gap and for setting the tariffs for FY 2004-05. For FY 2005-06 the extent of Government support available to TRANSCO to bridge the revenue gap is Rs. 138 Crore. Considering this, the net revenue gap for FY 2005-06 works out to Rs. 320 Crore.

#### **4.4 Consolidated Sector Revenue Gap for FY 2004-05 and FY 2005-06**

The total consolidated sector revenue gap for FY 2004-05 based on truing up and FY 2005-06 as approved by the Commission works out to **Rs 1006 Crore** including the Revised Regulatory Asset of Rs 548 Crore and excluding the Govt. support of Rs. 138 Crore.

#### **4.5 Efficiency Gains in FY 2004-05 and its treatment**

As anticipated and assumed by the Commission in its Order dated June 9, 2004, the DISCOMs have made significant efficiency improvement in FY 2004-05, with the most notable achievement being made by NDPL which has exceeded the AT&C loss targets specified in the Minimum Bid criteria by the GNCTD. The over-achievement in AT&C loss reduction achieved by each DISCOM

and the extent of additional revenue to be considered while ARR determination has been discussed in Section 4.1.2.

As discussed in Section 4.5.1.2, the Commission in its Order dated June 9, 2004 on ARR and Tariff Petitions of FY 2004-05 has opined that the Commission will utilise the efficiency gains for amortising the Regulatory Asset. The Commission has considered the benefits of the efficiency gains to be passed on to consumers for amortising the Regulatory Asset of the respective DISCOM in view of the fact that no transition support by way of Government Loan is available to TRANSCO in FY 2006-07 from the total support of Rs 3450 Crore during the Policy Direction Period. If the efficiency gains achieved during FY 2004-05 are not utilised for amortising the Regulatory Asset while determining the ARR and Revenue Gap for FY 2005-06, the revenue gap during FY 2006-07 including the amortisation of entire Regulatory Asset may increase to unmanageable proportions. Further, the issue of creation of Regulatory Asset is sub-judice in Hon'ble Delhi High Court, where the Commission has taken a stand that it is preferable to amortise the Regulatory Asset created during FY 2004-05 during the tenure of Policy Direction Period i.e. FY 2006-07.

Considering the above aspects, the Commission adjusted the efficiency gains achieved by each DISCOM against the revenue requirement of each DISCOM, by amortizing the Regulatory Asset of each DISCOM to the extent of additional revenue as a result of over-achievement to be considered for ARR determination purpose.

The Regulatory Assets amortized against efficiency gains for each DISCOM and TRANSCO, and the balance Regulatory Asset to be amortized in future years is given in the Table 4.9:

**Table 4.9 : Amortisation of Regulatory Asset and Balance Regulatory Asset (Rs Crore)**

	DTL	NDPL	BRPL	BYPL	Total
Revised Reg. Asset	0	207	221	120	548
Amortisation of Reg. Asset	0	122	71	12.2	205
Balance Regulatory Asset	0	85	150	108	343

The balance Regulatory Asset after amortising the Regulatory Asset of Rs 205 Crore through the efficiency gains works out to Rs 343 Crore. Amortization of balance regulatory asset of Rs. 343 Crore will be considered in the following years.

As regards to the carrying cost on Regulatory Asset, the Commission is of the opinion that the savings from efficiency gains have been made by the Utilities during the course of the entire year i.e. FY 2004-05 which have been considered for amortising the Regulatory Asset. Therefore, the Commission has allowed the carrying cost for FY 2004-05 on the balance unamortised Regulatory Asset considering the normative debt:equity ratio of 70:30.

Further, the Commission has also considered the carrying cost on balance Regulatory Asset for FY 2005-06 considering the normative debt:equity ratio. The carrying cost on balance Regulatory

Asset for FY 2005-06 shall be trued up at the end of the year after taking into account the amortisation of Regulatory Asset during FY 2005-06.

#### **4.6 Measures to Bridge the Revenue Gap**

While issuing the Tariff Order for FY 2004-05, considering the quantum of revenue gap the Commission had explored various options to bridge the revenue gap and the options examined by the Commission were:

##### **Option I: Increase in Retail Supply Tariffs:**

The increase in the revenue requirement determined after prudent regulatory process has to be met through increase in tariffs, as the user charges need to reflect the cost of operations. However, considering the quantum of revenue gap, substantial increase in tariff in the range of around 30% would have been necessary during FY 2004-05 if the entire revenue gap was to be met through revision in tariffs. This would have resulted in a severe tariff shock to consumers.

##### **Option II: Efficiency Improvements**

The other option was to assess the expected efficiency improvements and its financial benefits to bridge the revenue gap to certain extent.

##### **Option III : Creation of Regulatory Asset:**

This involved deferring the recovery of the revenue gap and staggering it over a longer period, through creation of a Regulatory Asset, to avoid tariff shock to the consumers in the current year.

The details of the above Options and the Commission's approach in FY 2004-05 are detailed in the Commission's Orders dated June 9, 2004.

The Commission has considered these three options as well as other options for bridging the total consolidated revenue gap of Rs 663 Crore FY 2004-05 and FY 2005-06 as approved by the Commission for FY 2005-06 including unmet gap i.e balance regulatory asset of FY 2004-05.

##### **4.6.1 Option I: Increase in Retail Tariff**

The Commission is of the opinion that the burden on the consumers should be minimised to the extent possible and licensees should operate at efficient levels to bridge the revenue gap. As discussed earlier, the total sectoral revenue gap including unmet revenue gap FY 2004-05 (i.e. balance Regulatory Asset) works out to Rs 663 Crore.

At the time of restructuring and privatisation, the GNCTD had initially committed a support of Rs. 2600 Crore for the period of five years FY 2002-03 to FY 2006-07. Accordingly, while issuing the Bulk Supply Tariff Order in February 2002, the Commission considered the Government support to the extent of Rs. 2600 Crore. The Commission in its BST Order with regard to quantum of Government Support to bridge the revenue gap had mentioned as follows:

"The Commission has taken note of the position of the Govt. of NCT of Delhi regarding the issue envisaging turnaround of the Distribution Companies and the viability of the Transmission Company well within five years, enabling TRANSCO to meet the loan liability and at the same time resulting no tariff shocks to the consumers. The Commission is not aware of the assumptions made by the Government to arrive at Rs. 2600 Crore in terms of loss reduction trajectory envisaged and the level of tariff increases. However, the accumulated revenue gap for TRANSCO could be higher or lower than the amount estimated by the Government depending upon the level and structure of future retail tariffs and the committed loss reductions. At this point, the Commission opines that any shortfall in the revenue gap, if any, of TRANSCO during the term of five years over and above Rs. 2600 Crore would have to be bridged in the form of Government support, sector efficiency improvements, any other suitable mechanism or a combination of all of the above, to be decided by the Commission at the appropriate stage."

Subsequently, the Government enhanced the support during the five year period from Rs. 2600 Crore to Rs. 3450 Crore based on assumptions about key parameters which were not provided to the Commission at the time of issuance of amendment to the Policy Directions.

Subsequently, the GNCTD provided the copy of Financial Restructuring Plan prepared at the time of privatisation upon a specific request from the Commission during the processing of the ARR and Tariff Petitions for FY 2002-03 and FY 2003-04.

It may be noted that the Financial Restructuring Plan prepared by GNCTD at the time of privatisation, has assumed an average tariff increases for the period FY 2002-03 to FY 2006-07 as given in the Table 4.10 below:

**Table 4.10: Tariff Increases Projected in the Financial Restructuring Plan**

Year	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Projected Tariff Increase	10%	10%	10%	5%	3%

The Commission would like to highlight that the tariff increase projected in the Financial Restructuring Plan and the estimated Government Support were based on broad assumptions for the period FY 2002-03 to FY 2006-07 with respect to increase in sales, consumption mix, loss reduction trajectory, capital investment programme, operational expenses, etc.

The Commission while determining the ARR on year-to-year basis has to consider the actual revenue and expenses, operational parameters and loss reduction of the previous and current year and estimate of the ARR parameters based on the recent trends for the ensuing year. The extent of tariff increase approved by the Commission in its previous Orders after the restructuring of erstwhile DVB and privatisation of DISCOMs is discussed in following sections.

#### **4.6.1.1 Tariff Increase during FY 2002-03 and FY 2003-04**

Based on the estimation of ARR for the Transmission Company and Distribution Companies for FY 2002-03 and FY 2003-04, the Commission estimated the Sector Revenue Gap of Rs. 87 Crore for the two years after considering the Government Support of Rs. 1364 Crore and Rs. 1260 Crore for FY 2002-03 and FY 2003-04, respectively. To bridge this estimated revenue gap of Rs. 87 Crore and to compensate for the loss in revenue due to the rationalisation measures undertaken, the Commission increased the tariff by 5.01% for FY 2003-04. Thus, against the cumulative 21% average tariff increase assumed in the Financial Restructuring Plan for FY 2002-03 and FY 2003-04, the increase in tariffs required to bridge the revenue gap based on actual assessment for FY 2002-03 and estimations for FY 2003-04 was only about 5%.

#### **4.6.1.2 Tariff Increase during FY 2004-05**

As discussed in the previous Order, the Government Support during FY 2004-05 reduced to Rs. 690 Crore as compared to the amount of Rs. 1260 Crore during FY 2003-04. The reduction in Government Support during FY 2004-05 coupled with other factors resulted in substantial revenue gap at the existing bulk and retail supply tariffs during FY 2004-05, estimated at Rs. 1072 Crore. The tariff increase required to meet the entire estimated gap in FY 2004-05 was around 30%, which was very high and would have resulted in a severe tariff shock to the consumers. Considering all the aspects, the Commission decided to peg the average tariff increase for FY 2004-05 at 10%. The estimated increase in revenue on account of the tariff revision approved by the Commission was Rs. 376 Crore out of the total unbridged revenue gap of Rs. 1072 Crore. For bridging the balance revenue gap of Rs. 696 Crore, the Commission after exploring other options such as efficiency improvements and creation of Regulatory Asset, created Regulatory Asset of Rs 696 Crore which has already been discussed in Section 4.5.1.1 above.

Thus, the cumulative tariff increase from FY 2002-03 to FY 2004-05 has been only 15.55% as against 33% envisaged in the Financial Restructuring Plan.

As discussed earlier, the Government Support during FY 2005-06 is Rs 138 Crore as compared to the amount of Rs. 690 Crore, Rs. 1260 Crore and Rs 1364 during FY 2004-05, FY 2003-04 and FY 2002-3, respectively. The reduction in Government Support during FY 2005-06 coupled with other factors has resulted in substantial revenue gap at the existing bulk and retail supply tariffs during FY 2005-06, estimated at Rs. 663 Crore (including balance regulatory asset) even though the performance of the DISCOMs have improved as compared the previous years. The average tariff increase required to meet the entire estimated gap works out to around 13.60%, which appears to be on higher side and would result in a severe tariff shock to the consumers.

The Commission after exploring the other options of bridging the revenue gap as discussed in subsequent sections has deliberated on the tariff increase approved for FY 2005-06.

#### **4.6.2 Option II: Efficiency Improvements and Regulatory Asset**

In this regard, the Commission in its Tariff Order for FY 2004-05 has opined as follows:

"The Commission has also explored the option of bridging the revenue gap through efficiency improvements. The Commission strongly feels that during the ensuing year FY 2004-05, there is a good chance for substantial overachievement in reducing AT&C losses and the improvement in efficiencies in terms of over achievement in AT&C loss reduction can bridge the estimated revenue gap to some extent. However, as elaborated in earlier Sections, in accordance with the Policy Directions, the Commission is bound to consider Accepted Bid Level AT&C loss reduction target while determining the ARR and setting the tariffs for the ensuing year 2004-05. Therefore, for the said purposes, it is not appropriate to consider efficiency improvements during the ensuing year in terms of over achievement in AT&C loss reduction for bridging the revenue gap.

#### **4.6.2.1 Importance of over achievement of Efficiency Gains**

The Commission wishes to highlight the importance of efficiency gains in achieving the goals set out in the reform process. This requires improvements in the functioning of the licensee to over - achieve the performance targets set out in the Policy Directions. The investments made towards system improvement as a part of APDRP including the metering programme and improvements in billing and collection have resulted in some improvement. The significant investments planned under the APDRP scheme, along with other capital and R&M investments approved for FY 2003-04 and FY 2004-05, were not envisaged at the time of bidding. These include system augmentation and commercial loss reduction measures on account of energy audit activities like metering and billing, consumer coding, feeder and Distribution Transformer (DTR) metering, and part outsourcing of metering and billing proposed during the two years. The Commission, therefore, expects that the higher investments during the initial years should lead to a far more aggressive AT&C loss reduction trajectory as compared to the committed loss reduction trajectory.

Based on the submissions by the DISCOMs, the actual AT&C losses reduction achieved by all three DISCOMs in FY 2003-04 was higher than the bid levels for FY 2003-04. Thus the trend of over achievement in AT&C loss reduction target has commenced from FY 2003-04, even when the investments made by two DISCOMs were substantially lower than the investment plan approved by the Commission in its Order of June 26, 2003. While appreciating the efforts put in by the licensees, the Commission expects that this tempo will be continued with added vigour in the coming years and the licensees will strive to surpass the efficiency targets set out in the GNCTD's Policy Directions. The extent of investments proposed by DISCOMs has been discussed in earlier Section. Considering the achievement made in FY 2003-04 and the proposed investment programme, the Commission is optimistic in this regard, and is of the opinion that there will be substantial over achievement in reduction in AT&C loss levels over the bid and minimum levels. A one-percentage point reduction in AT&C losses in the Delhi power sector is expected to result in additional surplus of Rs. 90 Crore in the system at the current level of sales and tariffs. The AT&C loss reduction targets as per the Accepted Bids and Minimum Bid levels stipulated in GNCTD's Policy Directions for FY 2004-05 is about 4% and 4.5 % respectively for the sector.

As per the Policy Directions, the revenues on account of over achievement and under achievement has to be shared between consumers in the form of tariff reduction and DISCOMs based on cumulative underachievement and overachievement in lines with the principles of Policy Directions. Considering the cumulative AT&C loss reduction target for two years FY 2002-03 and FY 2003-04, two DISCOMs i.e. NDPL and BRPL have already over-achieved the AT&C loss reduction and hence the benefit of overachievement in future years will be available in the form of lower ARR from FY 2004-05 onwards. However, in case of BYPL, over achievement in FY 2003-04 does not completely compensate BYPL for under achievement of FY 2002-03. Hence, the over achievement in AT&C loss reduction in future years in BYPL has to first set off against the cumulative under achievement till the end of FY 2003-04. Once the revenue from over achievement is set off against the cumulative underachievement till FY 2003-04, the benefits of over achievement in BYPL will also start flowing in the ARR. By following the mechanism of treatment of overachievement of AT&C loss targets as per the Policy Directions, over achievement of 0.5% in FY 2004-05 will lead to a reduction of around Rs. 30 Crore of revenue requirement of the Sector, as this portion is completely passed on to the consumers. In case the overachievement is higher than 0.5%, the incentive will be shared between the consumers and the licensees, which will again effectively lead to a reduction in ARR of the licensees. However, in the case of years 2005-06 and 2006-07, as the bid level loss reduction targets are higher than the minimum loss reduction target, the entire benefit of over achievement will be shared between the consumers and the licensees. For example 1% improvement in the loss levels over the bid level, will generate additional revenue of Rs. 90 Crore per annum, estimated at current level of tariff and sales. This additional revenue will be shared equally between the consumers and licensee (i.e. Rs. 45 Crore each). This feature highly incentivises the licensees to over achieve and exceed the loss reduction targets.

The Commission further opines that for the success of reform and restructuring and to achieve the viability of the Sector by FY 2006-07, it is essential to exceed the AT&C loss reduction targets as compared to minimum AT&C loss reduction targets stipulated in the Policy Directions."

Considering the extent of planned investments and over-achievement in AT&C loss reduction achieved by three DISCOMs during FY 2004-05, the Commission is of the opinion that there is an ample potential for over-achievement in substantial AT&C loss reduction during the next two financial years i.e. FY 2005-06 and FY 2006-07. Hence, the balance Regulatory Asset of Rs 343Crore can be amortised through efficiency gains and other measures during FY 2005-06 and FY 2006-07. Therefore, the Commission has retained the balance regulatory asset as determined in Section 4.9 to be amortised in future years.

The Commission reiterates that the balance Regulatory Asset of Rs 343 Crore is to be amortised in future years through a combination of several measures such as through the efficiency gains i.e. over-achievement in AT&C losses, and inclusion of certain component of Regulatory Asset in future years' ARR, (when the revenue gap for that particular year is not substantial). The Commission further opines that as the determination of tariffs till FY 2006-07 is bound by the Policy Directions



issued by GNCTD and hence the matters such as Regulatory Asset, created in order to avoid a severe tariff shock to the consumers during the Policy Direction period, would have to be amortised during the tenure of the Policy Directions i.e. by 2006-07.

#### **4.7 Balance revenue gap to be met through tariff increase**

The balance revenue gap for each DISCOM and TRANSCO after adjusting for the trued up Regulatory Asset and amortizing of partial Regulatory Asset through efficiency gains, has to be met through increase in tariffs. This effectively means that the Revenue Gap for FY 2004-05 based on truing up has been dealt with the mechanism of Regulatory Asset and Efficiency gains as discussed in above sections and the revenue gap of Rs 320 Crore for FY 2005-06 is to be met through increase in tariffs. The average tariff increase required to meet the uncovered revenue gap of Rs 320 Crore works out to around 6.6%. Further, in line with the principle of reduction in cross subsidy as per EA, 2003 the tariffs of all the categories cannot be increased by an average tariff increase of 6.6 % required to bridge the revenue gap. Thus the tariffs for subsidised category are to be increased in higher proportion and for subsidising categories the tariff increase needs to be limited to account for increase in average power purchase cost and escalation. By applying these principles, if the tariff increase for subsidising categories i.e. Non-Domestic and Industrial is limited to around 4-5%, the average tariff increase required for Domestic Category to meet the entire revenue gap works out to around 10% which appears to be reasonable considering the current level of cross subsidy and the ratio of average realisation to average cost of supply.

The Commission had approached the GNCTD to ascertain whether the GNCTD intends to provide any subsidy under section 65 of the Electricity Act, 2003 to specific consumer categories to minimise the tariff impact for those categories. The Commission in its letter asked GNCTD to provide information to the Commission, whether the GNCTD is considering grant of any subsidy to any consumers or class of consumers in the tariff to be determined by the Commission for FY 2005-06 and if so, specify the quantum of subsidy.

With reference to Commission's letter, the GNCTD vide its letter dated July 6, 2005 has communicated as follows:

*"It has been decided that Government shall not be extending any subsidy under Section 65 of the Electricity Act, 2003 at present".*

Considering the above aspects, the Commission has increased the tariffs to meet the uncovered revenue gap of Rs 320 Crore which results in an average tariff increase of around 6.6%. The details of category-wise tariffs as approved by the Commission are discussed in Section 6 of the Order.

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## 5. Rationalisation of Tariff

As elaborated in earlier Sections, as per the Policy Directions, the retail tariff across the three DISCOMs has to be uniform till the tenure of Policy Directions i.e. up to FY 2006-07. Therefore, the Commission feels appropriate to discuss the tariff rationalisation suggestions proposed by all the three DISCOMs (NDPL, BRPL and BYPL) and other stakeholders in this Section.

### 5.1 NDPL's Suggestions

NDPL, while suggesting measures for rationalisation of tariff has mentioned that the NDPL is making the tariff rationalisation recommendations not with the objective of earning any extra revenue but for making the commercial process simpler and consumer friendly. NDPL has requested the Commission to revise the tariff such that it is revenue neutral for the NDPL. NDPL has suggested that a mid-term review of the rationalisation measures would be necessary to assess the revenue neutrality. The rationalisation measures proposed by NDPL have been summarised below:

#### 5.1.1 Merging of MLHT, Non-Domestic (NDLT), SIP and LIP Consumer Categories

NDPL has suggested the merger of some of the existing categories viz., Non-Domestic (NDLT), MLHT, SIP and LIP consumers, to reduce the number of categories and to curb malpractices and litigation. NDPL has pointed out that there is no rationale for charging differential tariff to these categories, as these consumers use electricity for the same purpose i.e. 'business' purposes. NDPL has proposed that the category may be differentiated on the basis of voltage of supply, and units of consumption.

#### 5.1.2 kVAh based Tariff

NDPL has proposed kVAh billing for categories such as Non-Domestic, MLHT, SIP and LIP consumers based on the kVAh readings recorded wherever electronic metering is done. NDPL has also proposed an alternative that such consumers may be billed on kVAh basis at the tariff rate arrived for kWh, by applying an average power factor of 0.85, till such time as the electronic meters are installed. NDPL has added that installation of electronic meters, which have facility to read the kVAh readings, for all non-domestic and industrial category consumers, may be made mandatory on the part of Licensees in a phased manner.

#### 5.1.3 Higher the Consumption, lower the tariff rate

NDPL has proposed reduction in tariff as the consumption increases for MLHT, NDLT, SIP and LIP (Business Category) consumers, on the rationale that the incremental cost incurred per unit

reduces as the consumption increases. NDPL has added that this would also help in curbing the mal-practice of multiple connections, or meter tampering to reduce the actual consumption. NDPL is of the view that this move will encourage this category of consumers to opt for single point delivery at higher voltages, resulting in reduction in the technical and commercial losses.

NDPL has stated that this proposal is in contradiction to the principle of telescopic tariff (higher consumption, higher tariff) levied on domestic consumers. NDPL has reasoned that domestic and agriculture categories are highly subsidized and their tariff is based on their paying capacity, and does not represent the cost of service. Further, the tariff rate for the domestic category is designed to discourage increase in consumption, and the subsidy component gradually diminishes as one consumes more units. Moreover, the increase in tariff at higher consumption is also aimed at conservation of electricity, and to reduce the cross-subsidy burden on other industrial and commercial consumers.

NDPL has submitted that the telescopic tariff principle is against the principles of cost to serve as the fixed cost/unit component in the cost of service diminishes as units billed increases. NDPL has requested the Commission to hence, consider moving away from this principle of telescopic tariff for the Business Category consumers, who are heavily subsidising the Domestic Consumers. NDPL has stated that the apprehension that such a move would work against energy conservation is not correct as the Business Category would not prefer any unnecessary consumption just because of marginal decrease in the tariff rate, as higher consumption would lead to increase in the total electricity charges as both the demand and energy charges would be more. NDPL has reasoned that unlike domestic consumers, commercial and industrial establishments tend to work on commercial principles to conserve electricity in order to reduce the cost of service/product, under the present competitive markets. NDPL has added that the business category consumers plan their consumption for uniform consumption pattern, such that the daily load curve of the Consumer is flattened, resulting in lower peak demand requirements of the licensee and increased overall system reliability.

#### **5.1.4 Cost based service linked to voltage**

NDPL has proposed that the tariff should be relatively lower at higher supply voltages, as the cost of service and AT&C losses are observed to be lower at higher voltages. NDPL has added that there is a necessity to eliminate the cross-subsidies and move towards cost based service linked to voltage rating of the service, as the AT&C losses are directly related to the supply voltage. NDPL has stated that the movement towards voltage linked tariff, irrespective of load of the consumer, can be achieved by lowering the present tariff for consumption at higher voltages, which shall discourage consumers from opting for LT connections particularly for loads higher than 50 kW or any other ratings, as approved by the Hon'ble Commission from time to time.

### 5.1.5 Reduction of Slabs for Domestic Category

NDPL has proposed that the tariff slabs in the domestic category should be reduced to two slabs for both energy charges and fixed charges in order to simplify the tariff structure and to reflect the cost of service. NDPL has proposed that the energy charges could be levied in two slabs of 0-200 units per month and above 200 units per month. For levy of fixed charges, NDPL has proposed that there should be only two slabs, viz., 0 – 5 kW to have same fixed charge/consumer/month and above 5 kW on per kW basis as being done during the current tariff order, to compensate reasonable proportion of the total fixed costs incurred by the Licensee.

NDPL has added that majority of the Domestic Consumers have sanctioned load of less than 2.0 kW, though their connected load is much more than 2.0 kW. NDPL has submitted that the present slabs of fixed charges gives undue advantage to the consumers who have not increased their load to the actual connected load, while the Consumers of other billed load are paying the fixed charges.

NDPL has submitted that the Licensee' fixed charges incurred per consumer per month are much more than the present charges, causing other domestic consumers of sanctioned load above 5.0 kW and consumers of other categories to cross-subsidize the consumers of sanctioned load lower than 5.0 kW. NDPL has hence proposed the modification in the fixed charges as stated earlier.

### 5.1.6 HT Metering

NDPL has requested that HT metering on HVDS scheme should be made mandatory for consumers at 11 kV and above, with dedicated transformer of required rating. NDPL has stated that consumers on HVDS will benefit by availing the rebate on tariff at higher voltages, better voltage and frequency profile and higher reliability of supply. NDPL has added that HVDS would reduce line losses, load on distribution transformers, maintenance problems, improve voltage profile, ensure stability of supply, and reduce the scope for power theft.

NDPL has added that in case of SIP consumers who would like to move to LIP, i.e., more than 100 kW, it should be made mandatory for such consumers to make the requisite space available to DISCOM so that connection on HT metering can be provided to them. NDPL has stated that in exceptional cases where the requisite space cannot be made available, DISCOMs may be allowed to provide HT connection using Pole Mounted transformers but then the space for Pole Mounted transformer and associated panels, etc. must be arranged by such consumers.

#### **5.1.7 Metering at primary side of transformer for those Consumers billed on SIP – LT Tariff**

NDPL has submitted that metering on primary (HT) side of the transformer by the licensee should be allowed for consumers who are billed on SIP - LT tariff, subject to compensation of the transformation losses and demand/load losses in the transformer at the rate of 1% of total energy input for copper wound transformers and 2% of total energy input for aluminium wound transformers.

#### **5.1.8 Enhancement of Load of the Consumers based on the ACD**

NDPL has proposed that the Sanctioned Load (SL) of the consumer should be deemed enhanced in line with the dynamic Advance Consumption Deposit (ACD) and the enhanced SL should be considered for computing the fixed charges of the consumers. NDPL has added that this will facilitate the consumers to have enhanced or reduced SL reflecting their actual consumption and ease the Licensee's work on load enhancement/reduction activity, and consumers will also not be subject to 'Load Violation charges'.

NDPL has added that deemed sanctioned load from the billing database, which reflects the actual demand of the consumer during every billing cycle, is more authentic and will enable a more scientific load forecast. NDPL has added that proper load forecast is very important for the Distribution Licensee for up-gradation of the network, for providing alternate feeds, and for providing reliable and un-interrupted supply to all the consumers.

### **5.2 BRPL's and BYPL's Suggestions**

#### **5.2.1 Fixed Charges**

BRPL and BYPL have stated that either the Fixed Charge component of the two-part Tariff fixed by the Commission for all consumer categories should be increased, or the Monthly Minimum Charges should be introduced. They have mentioned that the recovery from fixed charges works out to only 8% of the total expenses and there is still a significant gap between the fixed costs incurred and recovery from fixed charges, which needs to be bridged.

#### **5.2.2 Reduction of cross-subsidy**

BRPL and BYPL has stated that the cross-subsidy should be reduced further to move towards tariffs based on cost of service in line with the provisions of the EA 2003, by increasing the tariff for subsidised categories.



### 5.2.3 kVAh Billing for all consumers with Sanctioned Load above 10 kW

BRPL and BYPL have proposed that kVAh billing should be made applicable to all consumers with sanctioned load above 10 kW, and have proposed that average power factor of 0.9 should be considered for tariff determination for conversion from kWh to kVAh.

## 5.3 Commission's Views

The Commission believes that tariff rationalisation is a dynamic process and it is essential that the same is attempted based on the experience gained over the period of time. The Commission has carefully examined the issues raised by the objectors and noted the different suggestions given by the objectors vis-à-vis the tariff rationalisation measures introduced in previous Orders as well as on the proposals made by the Licensees. While determining the tariff, the Commission has attempted to balance the interests of the licensees and the consumers. The Commission in the following Sections have discussed its views on various tariff rationalisation proposals made by DISCOMs (NDPL, BRPL and BYPL) and the issues raised by stakeholders.

## 5.4 Commission's views on suggestions made by NDPL

### 5.4.1 Merging of Non-Domestic, MLHT, SIP and LIP Consumers

NDPL has suggested rationalisation of the consumer categories and the tariffs by merging some of the existing categories, viz., Non-Domestic, MLHT, SIP, and LIP, thereby reducing the number of tariff categories. The same suggestion had been given by NDPL in the earlier ARR Petition and had been addressed by the Commission in the Tariff Order. The Tariff Order stated,

*"However, as per the existing category-wise tariffs, the difference in the tariff applicable for these categories is substantial. The Commission is of the view that immediate merger of these categories would result in substantial increase in the tariff for some categories or substantial reduction in tariff for the others. The Commission is of the view that the tariff rationalisation process should not lead to tariff shock for some of the consumers. Further, LIP consumers have provided space in their premises for installation of transformers and need to be treated differently. Besides, merger of the above categories may have many practical implementation issues. The Commission has, therefore attempted to reduce the difference in the tariff between NDLT and MLHT and between SIP and LIP categories and has not merged these categories."*

The Commission is of the view that the rationale given in the last Tariff Order is still valid, and it is not practical to merge these consumer categories. Further, the Commission does not agree with NDPL's view that the purpose for which electricity is being used by these categories is the same i.e. business. The purpose of use and the nature of consumption by the industrial category (SIP and LIP)

is distinctly different from that of the commercial category (NDLT and MLHT). Further, Section 62 (3) of the Electricity Act, 2003 states,

*"The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required."*

In light of the above observations and provisions of the Electricity Act, 2003 the Commission does not accept NDPL's proposal to merge the NDLT, MLHT, SIP and LIP categories.

#### **5.4.2 kVAh based Tariff**

NDPL has proposed kVAh billing for categories such as Non-Domestic, MLHT, SIP and LIP consumers based on the kVAh readings recorded wherever electronic metering is done.

The Commission introduced kVAh billing for LIP/MLHT vide its Order issued on January 1, 2001. In the Order issued on June 26, 2003, the Commission had directed the NDPL to maintain data on the average power factor, kWh, kVAh and kVARh consumption for consumers having electronic meters. The Tariff Order for FY 2004-05 states,

*"The Commission intends to gradually expand the coverage of consumers under kVAh billing as kVAh based tariff takes care of power factor of the consumer and encourage efficient use of electricity. Further, higher power factor eventually helps the system by lesser loading and reduction in losses."*

*The Commission has specified the tariff for the SIP category on kWh as well as kVAh basis. However, kVAh billing shall be applicable only to the consumers for whom the electronic meters are installed. Till electronic meters are installed the kWh-based tariff only shall be applicable."*

The Commission also directed the Petitioner to complete installation of electronic meters for all the consumers, except those, up to 10 kW being supplied on single phase of SIP/NDLT categories.

In this Order, the Commission has extended kVAh billing to NDLT category for consumers with sanctioned load above 10 kW. Further, the Commission has specified the tariff for NDLT and SIP category on kWh as well as kVAh basis. The Commission would like to specify that in NDLT and SIP categories, for consumers with sanctioned load more than 10 kW, only kVAh tariff would be applicable. However, **in case where the meters capable of recording kVAh consumption have not been installed for NDLT and SIP consumers with sanctioned load above 10 kW, the Commission directs the Petitioner to install the meters capable of recording kVAh consumption within 60 days from the date of issue of this Order and report the compliance to the Commission.** During the

period of 60 days from the date of issue of this Order, till the meters capable of recording kVAh are installed, the Power Factor of 0.87 shall be used for converting kWh reading to kVAh reading for levying the kVAh based tariff.

In case of consumers with sanctioned load up to 10 kW in NDLT and SIP categories, only kWh tariff shall be applicable and no power factor conversion factor will be used to convert the kWh to kVAh and levy the kVAh tariff.

#### **5.4.3 Higher the consumption, lower the tariff rate**

NDPL has proposed that the tariff should be progressively lower as the consumption increases for MLHT, NDLT, SIP and LIP consumers.

The Commission is of the view that electricity is a scarce resource and higher consumption should not be encouraged by giving lower tariffs for higher consumption, for any category of consumer.

#### **5.4.4 Cost based service linked to voltage**

NDPL has proposed that the tariff for supply at higher voltages should be lowered. The Commission is in agreement with this tariff philosophy and has initiated the process of differentiating between consumers based on the voltage of supply, by specifying a lower tariff for consumers at higher voltages. The difference in tariff based on supply voltage should ideally be based on the difference in cost of supply at the respective voltages. However, in the absence of the requisite data on the cost of supply at different voltages and in view of the issues related to cross-subsidy discussed in para 5.3.10, the Commission has maintained the differential at the existing levels.

#### **5.4.5 Reduction of Slabs for Domestic Category**

NDPL has proposed that the tariff slabs in the domestic category should be reduced to two slabs for both energy charges and fixed charges in order to simplify the tariff structure and to reflect the cost of service.

In this context, there have been contrary objections from consumers with some supporting the reduction in the number of slabs, while some others have said that the number of slabs should be retained at the existing level, while some have suggested that the number of slabs should be increased.

There are currently 3 consumption slabs in domestic category, viz. 0 to 200 units, 201 to 400 units, and greater than 400 units per month. The Commission is of the view that a three slab structure on a telescopic basis is appropriate for the domestic consumers. If the slabs are reduced, there may

be a tariff shock for a section of consumers, and if the slabs are increased, it will go against the principles of tariff rationalisation.

The issue of fixed charges linked to sanctioned load has been addressed subsequently while addressing the consumers' objections regarding levy of fixed charges.

#### **5.4.6 HT Metering**

NDPL has requested that HT metering on HVDS scheme should be made mandatory for consumers at 11 kV and above, with dedicated transformer of required rating. NDPL has added that in case of SIP consumers who would like to move to LIP, i.e., more than 100 kW, it should be made mandatory for such consumers to make the requisite space available to DISCOM so that connection on HT metering can be provided to them.

The Commission would like to clarify that as per the existing tariff schedule, 15% rebate is applicable for availing supply at 11 kV. Further, the issue of provision of space is contractual in nature. As per the Conditions of Supply, in case of supply at HT, the space for the transformer will be provided by the consumer while in case of supply at LT, the requisite space will be provided by the Licensee.

The Commission would further like to point out that such issues are not integral to the ARR and Tariff Petition of the Licensee and should not be brought up in the Petition for approval of ARR and Tariff. The Commission will deal with such issues separately.

#### **5.4.7 Metering at primary side of transformer for those Consumers billed on SIP – LT Tariff**

NDPL has submitted that metering on primary (HT) side of the transformer by the licensee should be allowed for consumers who are billed on SIP - LT tariff.

The Commission does not find any merit in this suggestion, as this will result in a system of assessing the consumption at LT level after deducting normative transformation losses to the meter reading at HT side, as compared to the direct reading possible at the LT side. The Commission would like to point out that if energy is being contracted at a particular voltage, metering of energy should also take place at the same voltage. Such issues are contractual in nature between the Licensee and the consumer. Since the consumer is a LT consumer, his consumption should be recorded at the LT side only.

#### **5.4.8 Enhancement of Load of the Consumers based on the ACD**

NDPL has proposed that the Sanctioned Load (SL) of the consumer should be deemed enhanced in line with the dynamic Advance Consumption Deposit (ACD) and the enhanced SL should be considered for computing the fixed charges of the consumers.

The Commission would like to point out that this issue is not related to the ARR of the Licensee. Therefore, the Commission will not deal with this issue as part of this Order. The Commission will deal with this issue while revising the Performance Standards (Metering and Billing) Regulations.

### **5.5 Commission's views on the Suggestions by BRPL and BYPL**

#### **5.5.1 Fixed Charges**

The BRPL and BYPL have suggested that the Fixed Charges should be increased to recover the fixed cost and have requested the Commission to increase the Fixed Charges to levels prevalent in the neighbouring States. Many objectors have argued that Fixed Charges should be abolished till uninterrupted supply is provided by the Licensee. Some of the objectors have stated that the Fixed Charges should not be increased from the present level as the Commission has determined the Fixed Charges considering all aspects. Some objectors as well as BRPL and BYPL have asked for the reintroduction of the Monthly Minimum Charges to replace the Fixed Charges.

The Commission has addressed these issues subsequently, while addressing the consumers' objections on the issue of levy of fixed charges vs. minimum charges. However, the Commission would like to highlight that the Distribution Companies have not attempted to make any proposal for arriving at the fixed cost of supply in the ARR and Tariff Petition.

#### **5.5.2 Reduction of cross-subsidy**

BRPL and BYPL have stated that the cross-subsidy should be reduced further to move towards tariffs based on cost of service in line with the provisions of the EA 2003, by increasing the tariff for subsidised categories.

In accordance with the EA 2003 and the policies prescribed from time to time, the Commission is attempting to reduce the prevailing cross-subsidy by increasing the tariff of the subsidised categories in higher proportion as compared to subsidising categories, so that the differential between the tariff for subsidised and subsidising categories is reduced. However, it must be appreciated that cross-subsidy cannot be eliminated overnight. Cross-subsidy can be gradually reduced over a period of time. Further, while eliminating cross-subsidy, the Commission also needs to keep in mind the over-riding principle of avoidance of tariff shock to any consumer category.

### **5.5.3 kVAh Billing for all consumers with Sanctioned Load above 10 kW**

BRPL and BYPL have proposed that kVAh billing should be made applicable to all consumers with sanctioned load above 10 kW, and have proposed that average power factor of 0.9 should be considered for tariff determination for conversion from kWh to kVAh.

kVAh billing is currently applicable for LIP and MLHT category and for SIP category, where the electronic meters have been installed. In this Order, the Commission has extended kVAh billing to NDLT category for consumers with sanctioned load above 10 kW. Further, the applicability of kVAh based tariff has been deliberated in Section 5.3.2. The Commission does not agree with this suggestion that kVAh billing should be made compulsory for all consumers having sanctioned load above 10 kW, as it is likely that several consumers across different categories will get covered under this dispensation, without being aware of the implications of kVAh billing. Consumers in industrial and commercial categories are more capable of installing capacitors to manage their reactive energy consumption and lower their kVAh consumption.

## **5.6 Commission's View on other tariff rationalization issues raised by the Objectors**

In addition to above issues, the objectors in their written submissions as well as during the public hearings raised several issues related to Tariff Rationalisation, which are discussed in Section 2 of the Order. The Commission's views on such issues are discussed in following Sections.

### **5.6.1 Definition of tariff shock**

Some objectors have requested the Commission to define the term, 'tariff shock' and have proposed that any tariff increase beyond wholesale price index which is ruling at around 5% to 6% should be considered as Tariff Shock, or alternatively, any increase beyond the increase in cost of input i.e. 2% to 3% be treated as a Tariff Shock.

The Commission appreciates the objectors' concern regarding the usage of the term 'tariff shock' and the desire to define the term to avoid misinterpretation. However, the usage of the term is relative and it is very difficult to specify a single benchmark. For instance, even within the same consumer category, what could be a tariff shock for some consumers need not be the same for other consumers. Moreover, the Commission has to undertake a very fine balancing act as it has the responsibility of ensuring that the Utilities are able to earn the justified revenue while at the same time ensure that the interests of the consumers are also protected. The Commission also has to ensure that the cross-subsidies are gradually reduced and eliminated in accordance with the provisions of the EA 2003. For categories, where the difference between the average tariff and the cost of supply is higher, the increase in tariff will have to be relatively higher than that for other categories. As regards the suggestion that the Commission should approach the GNCTD for

providing subsidy in case the tariff hike required is of a high magnitude, this issue is addressed in Section 4 of the Order.

### **5.6.2 Cross subsidy**

Some objectors have pleaded for cross subsidy in the tariff structure with non-domestic consumers subsidising domestic consumers. The Commission would like to point out that this practice is against the spirit as well as provisions of the EA 2003. However, the time frame for reducing the cross-subsidy will be decided by the Commission on the basis of various parameters. Further, while eliminating cross-subsidy, the Commission also keeps in mind the over-riding principle of avoidance of tariff shock to any consumer category.

### **5.6.3 Sharing of improved performance only with consumers in the DISCOM**

Several objectors have submitted that the benefits or profits of NDPL's improved performance should not be shared with consumers of other DISCOMs and should be passed on to consumers of NDPL only in the form of lower tariffs.

The Commission has given its views on this issue in the Section 4 while discussing the Tariff Philosophy.

### **5.6.4 PF of 0.87 considered for SIP**

Some objectors have submitted that the tariff for SIP on 11 kV Single Delivery Point for Group Consumers has been fixed based on the Power Factor of 0.85, though the PF has been considered as 0.87 for SIP Category, which has led to increase in the bills, and hence this discrepancy should be rectified. Some objectors have submitted that there is no provision for imposing a power factor of 0.90 as the Electricity (Supply) Act, 1948 provides for a mandatory power factor of 0.85.

The Commission would like to bring to the notice of respondents that the Electricity (Supply) Act, 1948 specified a PF of 0.85 for supply from Board to Licensee and not for supply from Licensee to consumers. Further, the Electricity (Supply) Act, 1948 has been repealed and is no longer relevant.

As per provisions of EA 2003 [Section 62(3)], the Commission while setting the tariff for different classes of consumers may differentiate according to the consumer's load factor, voltage, power factor, total consumption of electricity during any specified period or the time at which supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required. Accordingly, the Commission had fixed tariff for different class of consumers. Since low power factor at lower voltage (400 Volts) would result in higher voltage drop and T&D losses, and therefore, is more detrimental to the system, the Commission had used 0.87 power

factor for industrial consumers drawing power at 400 Volts and for industrial consumers drawing power at 11kV, a power factor of 0.85 had been used.

Thus, it is clear that there was no discrepancy in the power factor used by the Commission for fixing of tariff for SIP on 11 kV Single Delivery Point for Group Consumers and for SIP Category. The Commission had used different power factor for different class of consumers consciously.

#### **5.6.5 Concessional tariff for employees**

Several objectors have submitted that the practice of supplying electricity on concessional rates to the employees of the erstwhile DVB should be stopped as the burden of the same is passed on to consumers. Some objectors have highlighted the wide disparity between per capita consumption of the employees of the erstwhile DVB. The DVB Pensioners Association has submitted that the number of units for concessional tariff for DVB retirees should be increased from 100 units to 300 units per month in case of S-I, 150 to 450 units per month for S-II, and 200 to 600 units for S-III. They further submitted that the DISCOMs are charging fixed charges to DVB Employees and retirees which is in violation of the conditions stipulated in the tri-partite agreement executed at the time of privatisation.

In respect of the practice of supplying electricity on concessional rates to the employees of the erstwhile DVB as well as increasing the number of units for concessional tariff for DVB retirees, the Commission would like to bring to the notice of the respondents that tariff for employees of the erstwhile DVB as well as the number of units for concessional tariff to these employees is governed by the Tripartite Agreement signed at the time of restructuring of erstwhile DVB and privatisation of DISCOMs. The Commission would not revisit these issues at this stage.

As regards the DISCOMs charging fixed charges to DVB employees and retirees, the Commission is examining this issue separately as a Petition has been filed to the Commission on this issue. Therefore, the Commission is not addressing this issue here. Till such time a final view is taken on the matter, the status quo shall be maintained.

As regards the low per capita consumption of the employees of the erstwhile DVB, **the Commission directs the Petitioner to conduct energy audit in case of those employees of the erstwhile DVB whose average consumption pattern is low as compared to the average level of consumption for domestic consumers. The Petitioner shall submit the report of such energy audit to the Commission within three months of the issue of this Order.**

#### **5.6.6 Fixed charges vs. Minimum Charges**

Several objectors have submitted that fixed charges should be abolished and Minimum Charges can be levied in its place. NDPL has objected to this suggestion and has supported the levy of



Fixed Charges. BRPL and BYPL have stated that the earlier level of Minimum Charges was higher than the fixed charges specified by the Commission and the Utilities are not able to earn the fixed revenue, and hence the minimum charges at a higher level should be reintroduced.

Some objectors have stated that as the DISCOMs are not paying any fixed charges to GENCO, PPCL and TRANSCO while purchasing electricity, the DISCOMs are not entitled to charge the same from their consumers particularly under the situation where supply is inadequate to fulfil the requisite demand.

At the outset, the Commission would like to clarify that the rationale for levying Fixed Charges is to recover a part of the fixed cost of the utility through Fixed Charges, so that at least a part of the fixed cost is recovered, even if there is no consumption by the consumer.

The Commission had explained the importance of two-part Tariff and the reasons for introduction of Fixed Charges for domestic category in the previous Orders. While doing so, the Commission abolished the Monthly Minimum Charges (MMC), as it may lead to under-recovery of Fixed Charge, in cases where the consumption exceeds certain minimum levels, as only energy charges will be levied in such cases. Also, Utilities rarely record incremental revenue from MMC separately, and hence it is difficult to project the revenue collected through fixed charges.

In view of the objections/suggestions received from the various stakeholders, the Commission has again explored the various options for levying Fixed Charges for domestic consumers. The Commission has considered options such as Fixed Charges per connection, Fixed Charges linked to Consumption, Fixed Charges linked to sanctioned load in kW, etc. When a consumer is connected to the system, the utility has to provide/allocate certain capacity of the distribution system to serve the consumer. In addition to this, some expenses such as meter reading, billing, bill delivery, maintenance etc. are fixed in nature and independent of energy consumption. Ideally, the Fixed Charges levied on the consumer should reflect the cost of such capacity requirements of the consumer after considering the fixed cost of such system and diversity of load in the system.

Section 45 (3) of EA 2003 also provides for the levy of fixed charges. This Section states that :

*“(3) The charges for electricity supplied by a distribution licensee may include –*

*(a) a fixed charge in addition to the charge for actual electricity supplied;”*

The Commission in its previous Tariff Order dated June 26, 2003 has introduced Fixed Charges for most of the categories to recover certain component of the fixed costs and has mentioned that the Commission would like to move the tariffs linked to cost of supply. The Commission agrees that with the existing tariff structure, the recovery from fixed charges is very nominal as compared to the fixed costs of the Licensees. The Commission has attempted to increase the recovery of fixed costs of the utility from the Fixed Charges while determining the tariffs. The Commission is of the opinion

that the recovery from Fixed Charges has to be increased in a gradual manner to minimise the billing impact to the consumers. Further, the Commission is of the view that the entire fixed cost should not be recovered through Fixed Charges as in such cases, there will be no incentive for the utility to provide electricity supply to the consumers as their entire fixed costs are recovered from Fixed Charges. Considering this aspect, the recovery from Fixed Charges has to be increased gradually up to reasonable proportion of the fixed costs.

The Commission would like to point out that the recovery of fixed charges in Delhi is much less than that in neighbouring States. The Commission would also like to point out that if fixed charges are removed, the energy charge would increase substantially as the loss in revenue that was being earned by the Licensee by way of fixed charges would have to be compensated for by increasing the energy charge. Therefore, whether only energy charge is levied or energy charge as well as fixed charge is levied, the same ARR would have to be recovered from the consumers.

The Commission is of the opinion that the best method of levying Fixed Charges for domestic consumer is on the basis of the sanctioned load, as other options do not representatively reflect the cost of providing the capacity requirements of the consumer. After analysing all the options of levying Fixed Charges to Domestic Consumers, the Commission has proposed to continue with the existing methodology of levying fixed charges on a slab system based on sanctioned load.

#### **5.6.7 HT Tariff**

Some objectors have stated that the HT tariff should be made equivalent to the tariff for DMRC as there are no T&D losses in case of HT metering.

The tariff for DMRC was determined on a separate basis and based on several considerations. It is incorrect to draw parallels between the tariff for DMRC and that for other HT consumers. . Further, the Commission has attempted to reduce cross-subsidy, so that the differential between the tariff for subsidised and subsidising categories is reduced, while keeping in mind the over-riding principle of avoidance of tariff shock to any consumer category.

#### **5.6.8 Clubbing of connections and conversion of SIP to LIP**

Some objectors have stated that the Licensees are clubbing all the connections in the same building with power connection of less than 100 kW each, on the pretext that different connections are being used for the same purpose or being used in a unified premises resulting in the MDI of all meters being above 100 kW, and charge a higher tariff in addition to the past six months revision into LIP category.

The practice of taking separate connections by the same consumer in the same building has been debated a lot in the Commission's previous Orders. The Commission is of the opinion that loads of

separate connection in one premises, which are not intermixed, shall not be clubbed for classification under LIP or MLHT if such connections are in the name of different entities having separate MCD license and being used for different proposes.

Further, loads of separate connection in two distinct adjacent premises (with different addresses in local body records), which are not intermixed, shall not be clubbed for classification under LIP or MLHT even if such premises are being used by the same entity for the same purpose.

#### **5.6.9 Tariff for community halls in Co-operative Group Housing Societies**

Some objectors have submitted that the tariff for electricity used in the community hall should be levied at rates applicable to domestic consumers, as these halls have been constructed on plots of land leased out for this purpose by the Government to the concerned societies and these halls are used for community welfare, social, cultural, charitable and religious activities only. These halls are not being put to any commercial use for monetary gains or income.

The Commission would like to clarify that domestic tariff is levied to premises bonafidely used for residential purposes. Since community halls are not being used for residential purpose, domestic tariff cannot be extended to them.

#### **5.6.10 Tariff for Co-operative Group Housing Societies**

Several objectors have submitted that Co-operative Group Housing Societies who have paid for the infrastructure including transformer but avail supply at individual points rather than at 11 kV are being discriminated against in comparison to other CGHS who avail supply at single point at 11 kV, as the rebate of 15% is not being given. They have requested for a rebate of 25% to 30% on the individual consumers' bills to account for the fact that the CGHS have invested in the infrastructure. On the other hand, BRPL and BYPL are of the opinion that a 15% discount is too high, and they are not in favour of giving 11 kV supply for such connections and would rather supply individually.

Other objectors representing CGHS availing supply at 11 kV have stated that the rebate of 15% is too less and it should be increased to at least 30% as these CGHS have installed with 11/0.4 kV transformers and distribution system within the society at their cost and are also maintaining them. They have also argued that there are no losses in such society so they are entitled for higher rebate.

Some objectors have stated that, stair case lighting and stilts consumption should be charged by applying domestic slab rates instead of highest slab rate. Some objectors have requested the Commission to issue direction to Co-Operative Housing Society to charge its constituent consumers

as per the applicable tariff for various categories of consumers defined by the Commission in the Tariff Schedule instead of charging tariff based on bulk consumer rate applicable for CGHS.

Some objectors have suggested that the transformers selected by DESU/DVB are oil cooled ones and the same should be replaced to prevent the incidence similar to 'Uphaar cinema'. These objectors also suggested that the better solution is not to bring in 11 kV supply into any residential complex.

The Commission has deliberated at length on this issue and is of the opinion that a 15% discount is appropriate and represents the savings to the Utility on account of lower losses, savings in metering, billing and collection expenses, and has hence continued with the rebate at this level. This practice is prevalent in other States also.

As regards discrimination between CGHS availing supply at 11 kV and those availing supply individually, the Commission is of the view that such consumers are similar to any other domestic consumer who have also paid 50% of the cost of transformer and system as development charges. Transformer and distribution system in such societies form part of the Licensee's assets and are maintained by the Licensee. 11kV CGHS consumers have paid full cost of transformers and distribution system within the society and they also maintain the network within the society. Thus, there is no discrimination between 11kV CGHS consumers and individual consumers in CGHS. The Commission feels that if there is any society which has paid 100% cost of transformers and distribution system and is maintaining these by itself but has individual connections from Licensees, the same should be brought to the notice of the Commission by such CGHS within two months of the issue of this Order for further directions in the matter.

As regards the increase in rebate, the Commission feels that 15% rebate is adequate to compensate for providing infrastructure and maintaining the same, billing costs, etc. and the Commission does not find any merit in increasing it. In respect of tariffs for CGHS, the Commission would like to bring to the notice of consumers that in the Order on ARR for July 2002 to March 2003 and FY 2003-04 and determination of Tariff dated June 26, 2003, the Commission had done a sample working of the weighted average of tariff under different slabs considering 450 units of average consumption for each member of the CGHS. The Commission had further indicated that a complex calculation methodology like weighted average of billing is not necessary and a much simpler course of action would be to resort to billing by multiplying total energy consumption with the single per unit charge. The Commission had also determined this single per unit charge. The Commission would like to highlight that this was suggested for the convenience of billing to CGHS consumers. The Commission has indicated in the tariff schedule of its Orders that billing would be as per the energy charges applicable for the first 22.2% of consumption, next 22.2% of consumption, next 44.4% of consumption and next 11.2% of consumption.

In line with the philosophy adopted in Order dated June 26, 2003, the Commission in its Order dated June 9, 2004 has specified the single per unit charge for billing to CGHS considering an average consumption level of 450 units of consumption for each member of the society. The Commission has not changed the tariff philosophy and has specified the single per unit charge calculated on the basis of weighted average at 44.4% of consumption for first slab, next 44.4% of consumption for the second slab and next 11.2% of consumption for the highest slab in the Tariff Schedule for the convenience of billing to CGHS consumers. The Commission has noted that this has led to confusion among some of the CGHS members and hence the Commission in this Order has indicated in the tariff schedule that billing would be as per the energy charges applicable for the first 44.4% of consumption, next 44.4% of consumption and next 11.2% of consumption.

As regard to the issue of applicability of highest slab rate to stair case lighting and stilt consumption in case of CGHS, the Commission would like to clarify that as the weighted average single rate per unit charge for CGHS has been worked out considering an average consumption level of 450 units of consumption for each member of the society. The additional consumption of stair case lighting and stilt consumption is over and above the average 450 units per member and hence falls in the highest slab of domestic category i.e. more than 400 units per month. Therefore, the tariff applicable for the staircase lighting and stilt consumption shall be the rate applicable for highest slab of domestic category i.e. above 400 units per month.

In respect of oil cooled transformers, the Commission opines that the transformers are owned by the CGHS. Hence, the decision to relocate or change these transformers to dry type rests with the CGHS themselves. However, the Commission would like to clarify that Rule 64 (2)(e)(iv) (as amended in 2000) of Indian Electricity Rules 1956 provide that only dry type transformers shall be used for installation inside any residential/commercial buildings. **The Commission, therefore, directs the petitioner to provide the details of oil filled oil cooled transformers installed by them in residential/commercial buildings.**

#### 5.6.11 Railway Tariff

Northern Railway has requested the Commission to consider granting specific relief by way of reduction in existing Tariff by considering cost of purchase from Central Agencies like NTPC. It has suggested that no element of cross subsidy be loaded in traction tariff considering cascading effect it has on passenger fare and freight. It has also suggested that for the purpose of KVAh based tariff, average power factor level of 0.90 instead of 0.85 should not be accepted. It has submitted that service tax should not be passed on to a public Utility like Railways and Railways should be exempted from the payment of penalty charges on over drawal considering the unique nature of traction load.

The Commission acknowledges the service provided by the Railways to the nation and the importance of electricity tariff in the functioning of the Railways. The Commission would like to point out that in accordance with the EA 2003 and the policies prescribed from time to time, the Commission is attempting to reduce the prevailing cross-subsidy by increasing the tariff for subsidised categories in higher proportion as compared to subsidising categories, so that the differential between the tariff for subsidised and subsidising categories is reduced. However, it must be appreciated that cross-subsidy cannot be eliminated overnight. Cross-subsidy will be gradually reduced over a period of time. Further, while eliminating cross-subsidy, the Commission also needs to keep in mind the over-riding principle of avoidance of tariff shock to any consumer category.

The Commission suggests that the Railways should install adequate capacitors to achieve a power factor of unity. In view of the kVAh based tariff being paid by the Railways, the cost of these capacitors will be recovered in a short span of time.

The Commission has also examined the request of the Railways to exempt them from the payment of penalty charges on over drawal considering the unique nature of traction load. In the Order dated June 9, 2004, the Commission has specified that where the MDI reading exceeds contract demand, a surcharge of 30% shall be levied on the demand charges corresponding to excess demand for such billing cycle. The Commission would like to point out that such a surcharge is necessary for all consumers as the Utilities have to plan in advance to cater to the load of the consumers including the Railways. In case of over drawl of electricity by any consumer, the Utility has to arrange for additional power from costlier sources to meet the demand of the consumer.

#### **5.6.12 Stair case lighting for consumers other than CGHS**

The Commission has received complaints on various occasions in respect of metering and billing for staircase lighting as well as lighting of common facilities in case of consumers who do not fall under the CGHS category. The Commission suggests that the DISCOMs come up with a proposal on issues related to metering and billing of staircase lighting and common services, if any, in consultation with the residents in light of the provisions of Section 55 (1) of the EA 2003.

#### **5.6.13 Enhancing the Limit for SIP from 100 kW to 200 kW**

Some stakeholders have requested the Commission to raise the limit for classification under SIP category from 100 kW to 200 kW. The Commission had directed the DISCOMs to submit a Base Paper on this issue after the last Tariff Order.

The Commission has already expressed its view that it wishes to gradually move the tariffs towards cost of supply. The Commission is of the view that there are specific reasons for maintaining the limit for classification under SIP category at the existing level of 100 kW. The economic principle requires

that consumers be differentiated based on the cost of serving them. Since the cost of serving a consumer depends upon, inter-alia, the voltage at which supply is taken by the consumer, the Commission feels that differentiating consumers based on load alone is not correct. Prima facie, the consumers should be classified on the basis of the voltage of supply. Besides, there has to be differentiation between SIP and LIP consumers as LIP consumers provide space for transformers and hence qualify for the differential treatment. Hence, the Commission is of the view that the present system of limiting the load for classification of SIP consumers upto 100 kW should continue.

#### **5.6.14 Separate Category for Hospitals**

Some objectors have stated that private hospitals should not be charged at commercial rates, and should be charged at domestic rates.

As per the existing tariff schedule, the Government Hospitals are charged the tariffs applicable to Domestic Category and the Private Hospitals/Nursing Homes are charged the tariffs applicable to Non-Domestic Category. The Commission would like to continue with the existing mechanism, as the Private Hospitals are primarily commercial establishments.

#### **Concessional Tariff for Senior Citizens**

The Commission is of the opinion that it is not practical to have a separate category with lower tariffs for senior citizens, considering the difficulties in implementation and ensuring that the connection is being used by senior citizens only.

#### **5.6.15 Bulk Supply Connection for CGHS**

Several objectors have objected to the discontinuance of the practice of giving single point delivery (SPD) connections to CGHS.

This issue was raised during ARR and Tariff Petition for FY 2004-05 and the Commission had directed the DISCOMs to undertake certain steps to mitigate the hardship to the consumers. The Commission had also referred the matter to the Ministry of Power, Government of India vide its letter dated February 20, 2004 and requested the Government to convey its views to the Commission on the matter of 'provision of SPD connections to CGHS'.

The Commission would like to bring to the notice of the DISCOMs as well as consumers that the Electricity (Removal of Difficulties) (Eighth) Order 2005 of the Ministry of Power dated June 9, 2005 mandates a distribution licensee to supply electricity for residential purposes on an application by a CGHS which owns the premises at a single point for making electricity available to the members of such Society residing in the same premises on such terms and conditions as may be specified by the State Commission. Therefore, the DISCOMs shall provide SDP connections to CGHS upon such

an application for supply of electricity by a CGHS. The terms and conditions of such supply will be determined by the Commission in the Supply Code. Till such time, norms followed by the erstwhile DVB for such connections shall be followed by the Distribution Licensees.

#### **5.6.16 Time of Day Tariff**

In the previous Orders, the Commission has favoured the introduction of Time of Day (ToD) tariff. Several objectors have also supported introduction of ToD tariffs. However, the Commission is unable to introduce ToD tariffs in the absence of reliable data on the consumption pattern, and consequent gap in assessment of revenue and billing impact. The Commission directs the DISCOMs to provide data on the category-wise load curve and ToD consumption data wherever ToD meters have been installed. The Commission after obtaining the required data will publish a discussion paper on installation of ToD tariffs for industrial consumers for debating the same so that it can be introduced in a phased manner.

#### **5.6.17 Late Payment Surcharge**

Many stakeholders have contested the high rates of late payment surcharge (LPSC) being levied, particularly when interest rates have drastically come down and are expected to go down further in future.

The Commission is of the view that the payments of dues for electricity already consumed by the consumer must be prompt and within the due date. The Commission is of the view that the purpose of late payment surcharge is to act as a deterrent to consumers who delay payment of their bills. Hence, the Commission has decided to retain the Late Payment Surcharge at the existing rate of 1.5% per month. The Commission would like to add that the revenue collected on account of this surcharge is reflected as part of Non Tariff Income in the ARR and hence the DISCOMs do not gain additional revenue from Late Payment Surcharge.



## 6. Revenue Gap and Tariff Design

### 6.1 Introduction

The Policy Directions issued by the GNCTD mandate that the retail tariff for the three distribution licensees shall be identical till the end of FY 2006-07, i.e., consumers of a particular category shall pay the same retail tariff irrespective of their geographical location. As a result of this requirement of uniform retail tariff across all the DISCOMs, the process for determination of tariff for the DISCOMs in Delhi and its approval by the Commission differs somewhat from the conventional methodology being followed in other States. Unlike the conventional system where a utility files its ARR and tariff proposal for a particular period and proposes tariffs to bridge any projected revenue gap at existing tariffs, the DISCOMs in Delhi submit only their respective ARR proposals, leaving the tariff determination to the Commission.

As discussed in earlier Sections, the total sector revenue gap for FY 2005-06 as estimated by the Commission after considering the Government support of Rs. 138 Crore as loan to TRANSCO, works out to Rs. 320 Crore. The treatment of Revenue Gap for FY 2004-05 based on truing up has been discussed in Section 4 of the Order. The net revenue gap to be bridged by increase in tariff works out to Rs 320 Crore. This Section focuses on the extent of tariff increase that will be required for bridging the revenue gap. The approved retail tariffs, as discussed in this Section, have been computed so as to recover Rs. 320 Crore of revenue gap from various categories.

### 6.2 Inputs for Tariff Design

Following are the major inputs having bearing on tariff designing and the same are briefly discussed:

Cost of service

Cross-subsidisation in tariff structure

Consumer-mix and demand forecast

AT&C losses

#### 6.2.1 Cost of service

In assigning the revenue requirement, a suitable allocation of revenue requirement is made to various sectors of services, viz. generation cost, transmission cost and the distribution cost. The relative burden of constituent consumer categories is assessed and on the basis of cost imposed on the system, it is decided as to how much share is due to which category of consumers. Although, it shall be equitable to have the embedded cost in designing the tariff for different consumer categories as briefly explained above, it calls for a detailed database of allocated costs. Such allocations in the determination of embedded cost is done on the basis of following factors:

Voltage of supply;

Power factor;

Load factor;

Time of use of electricity;

Quantity of electricity consumed, etc.

#### **6.2.2 Cross-subsidisation in tariff structure**

The Electricity Act, 2003 provides for reduction of cross subsidies by moving the category wise tariffs towards cost of supply, and the Commission also recognises the need for elimination of cross subsidisation. However, it is equally incumbent on the Commission to keep in mind the historical perspective for the need to continue with cross-subsidy for some time. It must be noted that substantial burden is being borne by the Government during the transition phase from FY 2002-03 to FY 2005-06.

In accordance with the EA 2003 and the policies prescribed from time to time, the Commission has attempted to reduce the prevailing cross-subsidy by increasing the tariff for subsidised categories in higher proportion as compared to subsidising categories, so that the differential between the tariff for subsidised and subsidising categories is reduced.

#### **6.2.3 Consumer-mix and demand forecast**

##### **6.2.3.1 Petitioner's submission**

For FY 2004-05, the Petitioner, in its Petition, had estimated the category wise sales considering the actual sales during the 6-month period from April 2004 to September 2004 and estimating the sales for balance 6 months on the assumption that the inherent category wise growth or decline in the first 6 months is carried forward at the same rate in the subsequent months.

For FY 2005-06, the Petitioner has considered growth rates of 13.56%, 1.63%, and 2% for domestic, non-domestic and industrial categories, respectively. Further, the Petitioner has considered growth rate of 17.26 % for bulk supply and has not considered any growth in sales to agriculture. Overall the Petitioner has estimated an overall year-on-year growth in sales of 12.6% in FY 2004-05 and 11.5 % in FY 2005-06.

##### **6.2.3.2 Commission's Analysis**

The Commission obtained the details of actual category-wise sales for FY 2004-05 and has considered the same for determining the revenues from sales for this period.

For FY 2005-06, the Commission has forecasted the category-wise demand for consumers of all the DISCOMs considering past trend of growth rates and the actual sales during FY 2004-05. For this purpose, the Commission has undertaken a detailed analysis of the sales projected by the DISCOMs. The Commission has examined the year-on-year variations in category-wise sales as well as the short term and long-term trends in sales and has computed the short term (3 years), medium

term (6 years) and long term (9 years) CAGR. The Commission has also taken into account the submissions made by the DISCOMs in respect of the sales projected for the different categories. This total demand forecast for all the DISCOMs has then been allocated to each DISCOM in proportion to its share in the total actual sales for each category in FY 2004-05.

The Commission has accepted the sales to DMRC as proposed by the Petitioner. Further, following a detailed analysis of the trend in sales to industrial consumers in Delhi, the Commission has approved sales to this category of consumers at 5% over the sales during FY 2004-05.

A summary of the sales submitted by the Petitioner and that considered by the Commission is given in Table 6.1.

**Table:6.1 Summary of category-wise sales (in MU) for FY 2004-05 and FY 2005-06**

Category	FY 2004-05				FY 2005-06	
	Order	Petition	Actual	Commission	Petition	Commission
Domestic	2856	2872	2951	2951	3251	3131
Non-Domestic	1199	1498	1620	1620	1604	1726
Industrial	704	528	602	602	541	632
Public Lighting	70	108	102	102	127	65
Agriculture	73	66	62	62	66	66
Railway Traction	34	35	36	36	34	38
DMRC					72	72
Others		6	15	15	6	6
<b>Total</b>	<b>4936</b>	<b>5113</b>	<b>5389</b>	<b>5389</b>	<b>5703</b>	<b>5737</b>

#### 6.2.4 AT&C Losses

The concept of AT&C loss and its implications on determination of tariff, treatment of over achievement and under achievement has been discussed in detail in Section 4 on Tariff Philosophy.

##### 6.2.4.1 Petitioner's submission

During the course of technical validation sessions and discussions with the Commission, the Commission directed the Petitioner to submit actual AT&C loss for FY 2004-05. In the subsequent submissions, the Petitioner submitted that it has over achieved the AT&C loss target and the actual AT&C loss for FY 2004-05 is 33.79% as against the bid level of 40.85%. The Petitioner also furnished the reconciliation of revenue realised with books of accounts in support of the computation of AT&C loss.

##### 6.2.4.2 Commission's Analysis

The Commission has reviewed and assessed the details of actual AT&C loss for FY 2004-05, which stood at 40.64% indicating a slight over-achievement in AT&C loss reduction by the Petitioner as compared to the bid level of 42.70%. The treatment of over achievement/under achievement of AT&C loss target has been dealt in the Section 4 on Tariff Philosophy. The Commission while estimating the ARR of the Petitioner for FY 2004-05 has duly considered the over-achievement in reduction of AT&C loss by the Petitioner.

Since the actual AT&C loss of the Petitioner is better than bid level loss reduction for the Petitioner for FY 2004-05 but worse than the minimum AT&C loss reduction level stipulated by the Govt. for the Petitioner for FY 2004-05, the entire additional revenue from better performance of the Petitioner will be passed on to consumers by including it for the purpose of tariff fixation. The treatment of the over-achievement in AT&C loss reduction in FY 2004-05 by the Petitioner is explained in Table 6.2.

**Table:6.2 Treatment of overachievement in AT&C loss reduction by the Petitioner during FY 2004-05**

	Bid Level	Actual
A. AT&C Loss (%)	42.70%	40.64%
B. Over/Under Achievement	2.06%	
C. Energy Input (MU)	8405	8405
D. Units Realised (MU)	4816	4989
E. Average Rate (Rs.)	4.05	4.05
F. Amount Realised (Rs Cr)	1949.3 (X)	2020.3 (Y)
G. Total benefit on account of over achievement beyond the bid level (Rs Cr) [Y-X]	71.1	
H. Benefits to be shared with consumers	71.1	

For FY 2005-06, the Commission has considered the committed AT&C loss of 36.70%. Summary of the Petitioner's submission and approval by the Commission is given in Table 6.3 .

**Table 6.3 AT&C loss for FY 2004-05 and FY 2005-06**

Description	FY 2004-05				FY 2005-06	
	Order	Petition	Actual	Commission	Petition	Commission
Energy Input (MU)	8391	8477	8405	8405	8558	8609
Units Billed (MU)	4936	5113	5389	5389	5703	5737
Units Realised (MU)	4808	4857	4989	4989	5418	5450
AT&C Loss (MU)	3583	3620	3416	3416	3141	3160
AT&C Loss (%)	42.70%	42.70%	40.64%	40.64%	36.70%	36.70%

### 6.3 Revenue gap at existing tariff

#### 6.3.1 Revenue from existing tariff

Revenue from existing tariff is required to be estimated to assess whether the annual revenue requirement is met with the existing tariff at the approved sales. If a revenue gap exists, the same needs to be bridged by means such as tariff increase support from the Government by way of loan, grant, subsidy etc or by creation of a Regulatory Asset. The Commission has obtained the details of actual revenues, billed and collected, during FY 2004-05.

For FY 2005-06, the Commission has computed the revenue at the existing tariff from the estimated sales figures (Table 6.1).

The revenues estimated by the Petitioner and those considered by the Commission are given in Table 6.4.

**Table 6.4 Revenue of the Petitioner**

Particulars	FY 2004-05		FY 2005-06	
	Petition	Commission	Petition	Commission
Revenue Realized	1891	1924	2168	2226
Benefit of Overachievement considered separately		71.1		
Revenue of Petitioner	1891	1853	2168	2226

### 6.3.2 Power Purchase Cost of the Petitioner at existing BST

Table 6.5 provides the Power Purchase cost as proposed by the Petitioner and as considered by the Commission at the existing Bulk Supply Tariff.

**Table:6.5 Power purchase cost at existing BST**

Description	FY 2004-05			FY 2005-06	
	Petition	Actual	Commission	Petition	Commission
Energy Input (MU)	8477	8405	8405	8558	8609
Power Purchase Cost* at existing BST (Rs. Crore)	1669	1654	1654	1779	1789

\*At 160.05 paise/unit for the period Apr-Jun 2004 and at 207.78 paise/unit thereafter.

### 6.3.3 Revenue gap of the petitioner

The revenue gap at existing retail supply tariffs and existing bulk supply tariff has been computed as given in Table 6.6.

The Revenue Gap for FY 2004-05 and FY 2005-06 has been estimated by the Commission as Rs. 221 Crore and Rs. 31Crore, respectively.

**Table:6.6 Revenue gap at existing tariffs (Rs. Crore)**

Description	FY 2004-05		FY 2005-06	
	Petition	Commission	Petition	Commission
Expenses excluding Power Purchase Cost(A)*	471	383	512	398
Return (B)*	113	82	155	102
Non-Tariff Income	37	46	31	32

Description	FY 2004-05		FY 2005-06	
	Petition	Commission	Petition	Commission
(C)*				
Revenue Requirement (A+B-C) excl. Power Purchase Cost	547	420	636	468
Revenue realised at existing Tariffs	1,891	1,853	2,168	2,226
Power Purchase cost at existing BST	1,669	1,654	1,779	1,789
<b>Revenue Gap</b>	325	221	247	31

\*Refer Table 3.23

#### 6.3.4 Contribution of additional revenues by revision of retail tariff

The Commission has determined the retail tariff keeping in view the overall sector revenue gap.

#### 6.4 Previous revision of Tariff

The previous revision of retail supply tariff took place in 2004, when the Commission issued the Tariff Order for BRPL on June 9, 2004 and the revised tariff was made applicable from June 16, 2004.

#### 6.5 Tariff Design

#### 6.6 Domestic Tariff

##### 6.6.1 Consumer profile

Domestic tariff is applicable for the lighting/fan and power consumption of residential consumers, hostels of recognised/aided educational institutions and staircase lighting in residential flats, compound lighting, lifts and water pumps or drinking water supply and fire fighting equipment, etc. in Cooperative Group Housing Societies (CGHS), bonafide domestic use in farm houses, etc. This category consumes approximately 50.5 % of the total billed units.

The Commission has designed the tariff structure for domestic consumers keeping in view the following factors:

##### 6.6.2 Two part tariff

The Commission in its Tariff Order dated June 26, 2003 introduced two part tariff for domestic consumers, i.e., fixed charges and energy charges and abolished minimum charges and meter rent. The fixed charge in two-part tariff represents the fixed component of charges, which is independent of consumption level and depends on the fixed cost incurred by the Utility in supplying electricity. The Commission has received several suggestions on the levy of fixed charges from the Petitioners as well as respondents. The suggestions made by various stakeholders on this

issue and the Commission's views on this issue have been elaborated in the Section 5 on Tariff Rationalisation.

The Commission has explored the following options for levy of fixed charges to domestic consumers:

Per connection per month

Per kW of Sanctioned Load per month

Fixed Charges linked to consumption

Slab system based on sanctioned load

After analysis of the various options and considering the views expressed by the stakeholders, the Commission has proposed to continue with the existing methodology of levying fixed charges on a slab system based on sanctioned load till the sanctioned load of 5 kW and for the sanctioned load above 5 kW the fixed charges shall be applicable in Rs/kW terms. In line with the principle of gradually increasing the recovery from Fixed Charges, the Commission has marginally increased the fixed charges for Domestic Category.

#### **6.6.3 J J Clusters**

The Commission has separately dealt with the tariff for J J Clusters while processing the Petition filed by DISCOMs in the matter of "Waiver of Development Charges for JJ Clusters" and issued the Order on March 26, 2004. In this Order, the Commission has approved the tariff for J J Clusters and has mentioned that *"in addition to the cost borne by the consumer for the infrastructure, for the energy consumed, every consumer will pay Rs. 175.00 per month. The Commission considering the fact that these consumers belong to economically weaker sections of the society has decided not to increase the tariff and has retained the tariff at Rs. 175.00 per month. The Commission believes that this will result in several benefits to the system such as these consumers will become part of network which will avoid unpredictable overloading of system. This will also increase the revenue substantially which otherwise would have to be borne by other consumers"*.

For FY 2005-06 also, the tariff for JJ clusters has not been increased by the Commission.

#### **6.6.4 Domestic lighting/fan & power on 11 kV single delivery point for CGHS and other similar Group Housing Complexes**

In respect of tariffs for CGHS, the Commission would like to bring to the notice of consumers that in the Order on ARR for July 2002 to March 2003 and FY 2003-04 and determination of Tariff dated June 26, 2003, the Commission has indicated in the tariff schedule of its Orders that billing would be as per the energy charges applicable for the first 22.2% of consumption, next 22.2% of consumption, next 44.4% of consumption and next 11.2% of consumption. The Commission had calculated the weighted average of tariff under different slabs considering 450 units of average consumption for each member of the CGHS. The Commission had further indicated that a

complex calculation methodology like weighted average of billing is not necessary and a much simpler course of action would be to resort to billing by multiplying total energy consumption with the single per unit charge. The Commission had also determined this single per unit charge. The Commission would like to highlight that this was suggested for the convenience of billing to CGHS consumers.

In line with the philosophy adopted in Order dated June 26, 2003, the Commission in its Order dated June 9, 2004 has specified the single per unit charge for billing to CGHS considering an average consumption level of 450 units of consumption for each member of the society. The Commission has not changed the tariff philosophy and has specified the single per unit charge calculated on the basis of weighted average at 44.4% of consumption for first slab, next 44.4% of consumption for the second slab and next 11.2% of consumption for the highest slab in the Tariff Schedule for the convenience of billing to CGHS consumers. The Commission has noted that this has led to misunderstandings in billing to CGHS consumers and hence the Commission in this Order has indicated in the tariff schedule that instead of a single per unit charge, billing would be as per the energy charges specified for the first 44.4% of consumption, next 44.4% of consumption and subsequent 11.2% of consumption.

In respect of the tariff charged by a CGHS to its constituent consumers, the Commission would like to point out that the tariff charged by a CGHS to its constituent members shall be mutually determined by the CGHS and its constituent consumers.

#### **6.6.5 Domestic Lighting/Fan and power connections in unelectrified left out Pockets and Villages**

The tariff for domestic connections in unelectrified left out pockets and villages is applicable on the basis of plot size. The Commission has assigned energy consumption levels to different categories. Accordingly, it has been presumed that the consumption level of consumers occupying plots of size 0-50, 51-100, 101-150, and 151-200 square yards would be 100, 150, 200 and 250 units respectively. The lump sum rates payable in each month have been determined by applying the domestic category rates to these consumption levels.

Although the Commission has approved new rates of tariff for this category, Commission expects that the meters will be installed on connections in unelectrified left out pockets and villages once these areas are electrified under the proposed Capital Expenditure Plan. When all such consumers have been metered, this category would be abolished and the metered tariff shall be made applicable for these consumers.

#### **6.6.6 Increase in Tariffs**

The Commission, in line with the principles of gradual reduction in cross-subsidy, has increased the tariffs of domestic category in higher proportion as compared to the increase in tariff for subsidising categories. The average tariff increase for domestic category for meeting the entire revenue gap works out to around 10%.



**6.6.7 Approved Tariff**

<b>6.6.7 Approved Tariff</b>									
<b>Sub-category</b>		<b>Existing Tariff</b>			<b>Approved Tariff</b>				
<b>Sub-category</b>	<b>Load (kW)</b>	<b>Fixed Charges (Rs./month)</b>	<b>Consumption Units/ month</b>	<b>Energy Charges (paise/kWh)</b>	<b>Load (kW)</b>	<b>Fixed Charges (Rs./month)</b>	<b>Consumption Units/ month</b>	<b>Energy Charges (paise/kWh)</b>	
1.1) JJ Cluster				Rs./Month Rs. 175				Rs./month Rs. 175	
1.2) Domestic Lighting/Fan and Power (Single Delivery Point and Separate Delivery Points/Meters)	Up to 2 >2-5 Above 5	20 50 10/kW	0-200 201-400 Above 400	220 360 410	Up to 2 >2-5 Above 5	24 60 12/kW	0-200 201-400 Above 400	240 390 460	
1.3) Domestic Lighting /Fan and Power on 11 kV single delivery point for CGHS and other similar group housing complexes		10/kW	For Entire Consumption	257.8 (303.3 with 15% rebate)		12/kW	First 44.4% Next 44.4% Next 11.2%	240 390 460 (with 15% rebate on Energy Charge))	
1.4) Domestic Lighting/Fan and Power Connections in Regularised/ Unauthorised Colonies, Left Out Pockets and Villages both Electrified and Unelectrified. Plot sizes: i) up to 50 Sq. yds. ii) between 51-100 Sq. yds. iii) between 101-150 Sq. yds. iv) between 151-200 Sq. yds. v) more than 200 Sq. yds. only through installation of meters by DVB		-	-	Rs./month  Rs. 240 Rs. 350 Rs. 460 Rs. 640 Same as 1.2		-	-	Rs./Month  Rs. 244 Rs. 344 Rs. 504 Rs. 649 Same as 1.2	

The existing tariff and the approved tariff for domestic category are indicated in Table 6.7.

**Table:6.7 Existing and Proposed Tariffs for Domestic Category**

The Commission has protected the interests of economically weaker sections by not increasing the tariff of JJ clusters. The tariffs for domestic category have been increased in such a manner that at the average domestic consumption of 200 units per month, the impact of increase in billing is only 9.57 %. The overall increase in billing impact for domestic category has been contained around 10%.

**6.7 Non-Domestic Tariff**

Non-domestic category of consumers comprises two sub-categories, viz., Non-domestic Low Tension (NDLT) with load upto 100 kW and Mixed Load High Tension (MLHT) with load more than 100 kW.

### **6.7.1 Non-Domestic Low Tension (NDLT)**

#### **6.7.1.1 Consumer profile**

This category covers LT non-domestic consumers having connected load upto 100 kW (other than the industrial load) for lighting, fan & heating/cooling power appliances. This category also includes, but is not limited to, schools/colleges, hospitals, railways (other than traction), hotels & restaurants, cinemas, banks, shops, poultry farms, horticulture, etc. This category consumes approximately 15.30 % of the total billed units.

The tariffs for non-domestic consumers have been revised considering the following:

#### **6.7.1.2 Disparity between Three Phase & Single Phase Consumers**

The Commission in its previous Orders dated June 9, 2004 on ARR and Tariff Petitions for FY 2004-05 has merged two sub-categories of single-phase and three-phase and in order to avoid billing impact to small consumers, divided these consumers based on load i.e. upto 10 kW and between 10 kW to 100 kW.

#### **6.7.1.3 KVAh Based Tariff for NDLT Category**

The Commission, in its last Tariff Order dated June 9, 2004, directed the Petitioners to replace all meters for consumers with sanctioned load of more than 10 kW with electronic meters by September 30, 2004. The Petitioner has informed that they have changed the meters with Electronic CT meters with the facility to read kWh, kVAh, kVARh and Maximum Demand for consumers with load of more than 15 kW. The Petitioner further submitted that in case of Non-Domestic consumers with load between 11 to 15 kW and having old CT meters or poly-phase meters, the Petitioner would provide single-phase electronic meter instead of electronic three-phase CT meters.

The Commission has extended kVAh billing to NDLT category for consumers with sanctioned load above 10 kW. Further, the Commission has specified the tariff for NDLT category on kWh as well as kVAh basis. The Commission would like to specify that in NDLT category, for consumers with sanctioned load more than 10 kW, only kVAh tariff would be applicable. However, in case where the meters capable of recording kVAh consumption have not been installed for NDLT consumers with sanctioned load above 10 kW, **the Commission directs the Petitioner to install the meters capable of recording kVAh consumption within 60 days from the date of issue of this Order.** Further, till the meters capable of recording kVAh are installed during the 60 days period, the Power Factor of 0.87 shall be used for converting kWh reading to kVAh reading for levying the kVAh based tariff.

For the consumers with sanctioned load up to 10 kW in NDLT category, the Commission has specified the kWh based tariff only.

**6.7.1.4 Fixed Charges for NDLT Category**

As deliberated in Section 5 of the Order, the Commission in line with the principle of gradually increasing the recovery from Fixed Charges has increased the Fixed Charges for NDLT category from Rs 35/kW to Rs 50/kW.

**6.7.1.5 Non-domestic connections at 11 kV single delivery point for commercial complexes, etc.**

The energy charges for 11 kV single delivery point commercial complexes will be the same as that applicable for NDLT consumers between 10 kW to 100 kW, with a 15% rebate on energy charges.

**6.7.2 Mixed Load High Tension (MLHT)****6.7.2.1 Consumer Profile**

This category includes non-domestic consumers having load above 100 kW for lighting, fan, heating/cooling power appliances in non-domestic establishment, pumping loads of Delhi Jal Board/DDA/MCD, etc. They consume approximately 11.59% of the total billed units.

**6.7.2.2 Difference between tariff applicable for MLHT consumers taking supply at 11 kV and those taking supply at 400 V**

The MLHT consumers availing LT supply are required to pay a higher demand charge as compared to MLHT consumers availing supply at 11 kV. The higher the voltage of supply, lower the system losses and hence the consumption by MLHT consumers at LT voltages has to be discouraged. The Commission believes that with gradual movement towards voltage linked tariff, irrespective of load of the consumer, the tariff for consumption at higher voltages will be lower than that for low voltages, which will discourage consumers to opt for LT connections particularly for loads higher than 100 kW.

For supply at 33/66 kV, consumers will get a rebate of 2.5% on the energy charges applicable for 11 kV supply and a rebate of 4% for supply at 220 kV. The demand charge shall continue at the existing level.

**6.7.3 Approved Tariff for Non Domestic Category**

The existing tariffs and the revised tariffs for non-domestic category have been presented in the Table 6.8.

**Table:6.8 Existing and Approved Tariffs for Non Domestic Category**

Sub-category	Existing Tariff			Approved Tariff		
	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/month)	Energy Charges	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/ month)	Energy Charges

Non-Domestic (Low Tension)-NDLT-I			(paise/kWh)			
a) load upto 10 kW	35	-	520	50	-	535 paise/kWh
b) load more than 10 kW	35		545	50		487 paise/kVAh
Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	35	-	(paise/kWh) 463	50		414 paise/kVAh
Mixed Load (High Tension)-ALHT			(paise/kVAh)			
a) Supply on 11 kV	-	150	470	-	150	490 paise/kVAh
b) Supply on LT (400 Volts)		200	540		200	564 paise/kVAh

## 6.8 Industrial Tariff

Industrial category of consumers consist of two sub-categories, viz., Small Industrial Power (SIP) with load upto 100 kW and Large Industrial Power (LIP) with load more than 100 kW.

### 6.8.1 Small Industrial Power (SIP)

#### 6.8.1.1 Consumer profile

This category consists of industrial consumers with load up to 100 kW including lighting, heating and cooling load. Their consumption is 14.9% of the total billed units.

#### 6.8.1.2 KVAh based tariff for SIP Consumers

For SIP consumers, the Commission in its previous Order dated June 9, 2004 has specified the tariff for the SIP category on kWh as well as kVAh basis. The Commission further mentioned that kVAh billing shall be applicable only to the consumers for whom the electronic meters are installed. Till electronic meters are installed the kWh based tariff only shall be applicable.

The Commission, in its last Tariff Order dated June 9, 2004, directed the Petitioners to replace the meters of SIP consumers with sanctioned load of more than 10 kW with electronic meters by September 30, 2004. The Petitioner has informed that they have changed the meters with , Electronic CT meters with the facility to read kWh, kVAh, kVARh and Maximum Demand for consumers with load of more than 15 kW. The Petitioner further submitted that in case of SIP consumers with load between 11 to 15 kW, the Petitioner is in the process of replacing old meters (which did not have facility to measure kVAh) with electronic CT meters having kVAh reading facility.

The Commission has specified the tariff for SIP category on kWh as well as kVAh basis. The Commission would like to specify that in SIP category, for consumers with sanctioned load more than 10 kW, only kVAh tariff would be applicable. However, in case where the meters capable of recording kVAh consumption have not been installed or programmed to record kVAh reading for

SIP consumers with sanctioned load above 10 kW, **the Commission directs the Petitioner to install the meters capable of recording kVAh consumption and where the meters have been installed to program the meters to record kVAh reading within 60 days from the date of issue of this Order.**

Further, till the meters capable of recording kVAh are installed during the above referred period of 60 days, the Power Factor of 0.87 shall be used for converting kWh reading to kVAh reading for levying the kVAh based tariff.

For the consumers with sanctioned load up to 10 kW in SIP category, the Commission has specified the kWh based tariff only.

#### **6.8.1.3 SIP connections at 11 kV single delivery point for group of SIP consumers**

The SIP group consumers availing supply at 11 kV at single delivery point will have a rebate of 15% on energy consumption charges, as compared to SIP tariffs

#### **6.8.1.4 Fixed Charges for SIP Category**

As deliberated in Section 5 of the Order, the Commission in line with the principle of gradually increasing the recovery from Fixed Charges has increased the Fixed Charges for SIP category from Rs 35/kW to Rs 50/kW.

### **6.8.2 Large Industrial Power (LIP)**

#### **6.8.2.1 Consumer profile**

This category includes large industrial consumers having load above 100 KW including lighting load. This category accounts for 3% of the total billed units.

#### **6.8.2.2 Difference between tariff applicable for LIP consumers taking supply at 11 kV and those taking supply at 400 V**

LIP consumers availing LT supply are required to pay a higher demand charge, as compared to LIP consumers availing supply at 11 kV. The higher the voltage of supply, lower the system losses and hence the consumption by LIP consumers at LT voltages has to be discouraged. The Commission believes that with gradual movement towards voltage linked tariff, irrespective of load of the consumer, the tariff for consumption at higher voltages will be lower than that for low voltages, which will discourage consumers to opt for LT connections particularly for loads higher than 100 kW.

For supply at 33/66 kV, consumers will get a rebate of 2.5% on the energy charges applicable for supply at 11 kV and a rebate of 4% for supply at 220 kV. The demand charge shall continue at the existing level.

### **6.8.3 Approved Tariff**

The existing and approved charges for industrial consumers have been presented in Table 6.9.

**Table:6.9 Existing and Approved Tariffs for Industrial Category**

Sub-category	Existing Tariff			Approved Tariff		
	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/month)	Energy Charges	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/ month)	Energy Charges
SIP (Low Tension) c) load upto 10 kW d) load more than 10 kW	35 35	-	485 paise/kWh or 424 paise/kVAh	50 50		500 paise/kWh 435 paise/kVAh
Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	20	-	412 paise/kWh or 350 paise/kVAh	50		370 paise/kVAh
Large Industrial Power LIP a) Supply on 11 kV b) Supply on LT (400 Volts)	-	150 200	410 paise/kVAh 480 paise/kVAh	-	150 200	430 paise/kVAh 495 paise/kVAh

## 6.9 Agriculture and Mushroom Cultivation Tariff

### 6.9.1 Consumer profile

Agriculture connections are available for tube wells for irrigation, threshers and kutty cutting in conjunction with pumping load for irrigation purpose for load up to 10 kW and lighting load for bonafide use in 'Kothra'. The percentage share of agricultural consumption is only around 0.7% of the total billed units.

### 6.9.2 Approved Tariff

The Commission in line with the principle of gradual increasing in recovery from fixed charges has increased the fixed charges marginally. Further, in line with principles of gradual reduction in cross-subsidy, the energy charges have been increased in higher proportion as compared to the increase in energy charges for subsidising categories. The existing and approved charges for agriculture consumers and mushroom cultivation consumers have been presented in Table 6.10

**Table:6.10 Agriculture and Mushroom Cultivation Tariff**

	Existing Tariff		Approved Tariff	
	Fixed Charges (Rs./kW/ month)	Energy Charges (p/u)	Fixed Charges (Rs./kW/ month)	Energy Charges (p/u)
Agriculture	10	110	12	150
Mushroom Cultivation	20	250	24	300

## 6.10 Public Lighting

### 6.10.1.1 Consumer profile

Tariff for this category is applicable to all street light consumers including MCD, DDA, PWD/CPWD, Slums, DSIDC and certain civilian pockets of MES. The share of MCD, however is dominating as 97% of all street lights in the city are owned by the MCD. Public Lighting consumption is about 1.87% of the total billed units.

### 6.10.2 Approved Tariff

The Commission in its previous Tariff Orders has set the tariff for public lighting equivalent to energy charge of the highest slab in the domestic category and the same was fixed at 410 paise/unit in its Order issued on June 9, 2004.

As regard to maintenance charges for street lighting, the Commission has issued a separate Order on March 16, 2004. The Commission would like to clarify that the maintenance charges and other conditions of maintenance of street lights as approved in the Commission's Order dated March 16, 2004 will continue and the Commission has not made any change in the maintenance charges and other conditions in this Order.

As regard to energy charges, continuing with the earlier principle, the Commission has approved the tariff for Public Lighting category equivalent to energy charge of the highest slab in the domestic category.

The existing and approved tariffs for public lighting and signals/blinders are given in Table 6.11.

**Table:6.11 Tariff for Public Lighting**

Sub-category	Existing Tariff		Approved Tariff	
	Maintenance Charges (Rs./light point/month)	Energy Charges (p/u)	Maintenance Charges (Rs./light point/month)	Energy Charges (p/u)
Public Lighting	73	410	73	460
Signals & blinkers	-	410	-	460

It may be noted that Fixed Charges are not applicable on Public Lighting Category and hence the effective tariff of Public Lighting category is lower than the total tariff of highest slab of domestic category.

## 6.11 Railway Traction

### 6.11.1 Consumer profile

The consumption of Railway Traction is around 0.76% of the total billed units.

### 6.11.2 Capacity Blockage Charges

The Petitioner is supplying power for Railway traction through one phase while the other two phases remain unutilised/blocked. The levy of capacity blockage charges shall continue in accordance with the mutually agreed formula followed in the past. The capacity blockage charge is applicable to consumers drawing power at 33/66 kV on single phase @ Rs. 25000.00 per month upto contract/maximum demand of 5 MVA. For contract/maximum demand of above 5 MVA, the capacity blockage charge is determined according to the formula: Rs. 1260 x (2.97A+5), where 'A' is the contract demand or maximum demand in MVA, whichever is higher.

### 6.11.3 Tariff for Railway Traction

In line with the principles of gradual reduction in cross subsidy over a period of time, the Commission has kept the tariff applicable to the Railways at the existing tariff levels.

### 6.11.4 Approved Tariff

The existing and approved tariffs for Railway Traction are given in Table 6.12.

**Table:6.12 Tariff for Railway Traction**

	Existing Tariff		Approved Tariff	
	Demand Charges (Rs./kVA/month)	Energy Charges (paise/kVAh)	Demand Charges (Rs./kVA/month)	Energy Charges (paise/kVAh)
Railway Traction	150	375	150	375

## 6.12 Delhi Metro Rail Corporation Ltd. (DMRC)

### 6.12.1 DMRC's submission

DMRC in its response on ARR and Tariff Petitions for FY 2005-06 has requested the Commission to continue with the principles and methodology adopted for determining Tariff for DMRC in the earlier Tariff Orders. Further, during the public hearing, DMRC submitted that the tariff for DMRC shall be kept at same level without any increase in tariff.

#### 6.12.1.1 Commission's view

In its previous Tariff Order dated June 9, 2004 the Commission treated DMRC as a separate category consumer and has determined the tariff for DMRC on the basis of average cost of supply by TRANSCO to DMRC by adding a nominal component of overheads of the DISCOM for the supply at 220 kV and 66 kV.

To account for the increase in average cost of supply of TRANSCO due to increase in power purchase costs, inflation and in line with the principle of gradually increasing the recovery for Licensee towards the fixed charges, the Commission has introduced demand charges at Rs 75/kVA/month for DMRC and kept the energy charges at the same level without any increase.

### 6.12.2 Tariff for DMRC

In view of the above, the Commission approves a tariff with demand charge of Rs 75/kVA/month and energy charges of 230 paise/kVAh for DMRC supply at 220 kV and 66kV.

As regard to the tariff for commercial and other establishments being supplied by DMRC, the Commission addressed the issue vide its Order dated May 5, 2004. Subsequently in the Tariff Order dated June 9, 2004 the Commission mentioned that the discounts as agreed between the parties on NDLT II Tariff shall be applicable based on the revised tariff schedule in this Order.



The Commission does not propose any change in the tariff principles for commercial and other establishments being supplied by DMRC and hence the discounts, as agreed between the parties on NDLT II Tariff, shall be applicable based on the revised tariff schedule in this Order.

### 6.13 Temporary Supply

The Commission does not propose any change in the existing tariff mechanism for temporary supply as mentioned in Section 8.

### 6.14 Treatment of Revenue Gap

#### Revenue Gap

As given in Table 6.6, the revenue gap of the Petitioner for FY 2004-05 works out to Rs. 221 Crore. The revenue gap of the Petitioner for FY 2005-06 works out to Rs. 31 Crore. The total revenue gap for the two years 2004-05 and 2005-06 works out to Rs. 252 Crore.

#### 6.14.1 Total Revenue from Approved Tariffs for FY 2005-06

Table 6.13 summarises the revenue billed from the existing and approved tariffs (excluding electricity duty).

**Table :6.13 Revenue Billed from Existing and Approved Tariff for FY 2005-06**

Category	Revenue from existing tariff	Revenue from Approved Tariff
Domestic	896	987
Non-domestic	1036	1078
Industrial	329	344
Agriculture	8	10
Railways	19	19
Public Lighting	27	30
DMRC	17	18
Streetlight maintenance	16	16
<b>Total</b>	<b>2348</b>	<b>2503</b>

The estimated total revenue realised in FY 2005-06 after considering the collection efficiency from existing and revised tariffs works out to Rs 2226 Crore and Rs. 2371 Crore, respectively.

The approved tariffs are appended to this Order as the Tariff Schedule for FY 2005-06.

#### 6.14.2 Approved Bulk Supply Tariff

With the approved level of revenues and considering the ARR excluding power purchase cost and revenue gap for FY 2005-06, the paying capacity of the Petitioner works out to Rs 1903 Crore.

The units purchased by the Petitioner from TRANSCO have been estimated at 8609 MU. The approved BST of the Petitioner thus comes to 221.01 paise/kWh.

DERC

DERC



## 7. Directives

### 7.1 Introduction

In the Orders on the ARR and Tariff Petition for FY 2004-05 dated June 9, 2004, the Commission had issued a number of directives to the Utilities in Delhi with the objective of attaining operational efficiency and streamlining the flow of information, which would be beneficial for the Sector both in short and long term. These directives aimed at creating an enabling environment for the Utilities to provide good quality of electricity supply and service to the consumers of Delhi at optimum costs. The Commission derives powers to issue such directives under the Delhi Electricity Reform Act 2000 (DERA), which mandates the Commission to promote competition, efficiency and economy in the activities of the electricity industry. DERA also mandates the Commission to regulate the working of the licensees in the National Capital Territory of Delhi, and to promote their working in an efficient, economical and equitable manner. In the issuance of directives, the Commission is also guided by Section 61 of EA 2003 which mentions that the Commission shall be guided by the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments in specifying the terms and conditions of determination of tariff.

This section discusses the compliance status of all directions given by the Commission to the Petitioner in the Order on ARR and Tariff Petition for FY 2004-05 dated June 9, 2004.

### 7.2 Investments and Monitoring of investments

The Commission had directed the Petitioner to submit the complete DPR along with cost-benefit analysis for schemes more than Rs. 2 Crore and obtain the scheme-wise investment approval from the Commission as per the clause 10 of the License for Distribution and Retail Supply of Electricity. The Commission had further directed that in case of schemes proposed during FY 2004-05, the scheme wise details should be submitted for approval within a month from the date of the issue of the Order dated June 9, 2004. Further, the Commission had directed the Petitioner to submit the details of schemes proposed for FY 2005-06 for the approval of the Commission by September 2004. The Commission had also directed the to submit the quarterly progress report. The Commission had directed the Petitioner to maintain consistency in reporting the schemes for obtaining approval and future reporting on quarterly/annual basis.

In its Petition, the Petitioner has submitted that it has submitted the DPRs for approved Capital expenditure of Rs. 526 Crore on July 13, 2004 to the Commission. The Petitioner has added that it has also submitted the DPR's of additional Capital Expenditure of Rs.1053 Crore on September 6, 2004. The Petitioner has submitted that it is in the process of compiling the DPRs of FY 2005-06 and will soon be submitting the same to the Commission.

The Commission notes that the Petitioner has subsequently submitted the DPRs for the schemes proposed for FY 2005-06. Further, in the subsequent submissions of the Petitioner as part of the Petition for approval of ARR and determination of tariffs for FY 2005-06, the Petitioner has submitted that the scheme wise target of completion and milestones for FY 2005-06 will be submitted to the Commission in due course after assessing/reviewing the latest position of various capital schemes.

**The Commission directs the Petitioner to submit the complete DPR along with cost-benefit analysis for all the schemes more than Rs. 2 Crore on which the capital expenditure has been incurred during FY 2004-05 which were not approved by the Commission earlier and the schemes proposed during FY 2005-06 for obtaining the scheme-wise investment approval from the Commission within a month from the date of the issue of this Order. The Petitioner should also obtain the approval from the Commission for individual schemes less than Rs. 2 Crore but consolidating to Rs. 20 Crore. The Commission further directs that the Petitioner should submit the complete details of the investments proposed during FY 2006-07 for approval of schemes, by September 2005, after which the Commission will not entertain any request for approval of capital expenditure for any new scheme not covered by the schemes submitted upto September 2005, except in emergency cases which shall be decided by the Commission on the basis of merits of each case.**

Further, the Petitioner has submitted that it has submitted the progress report for the first quarter as per the approved format on August 16, 2004 and the progress report for the second quarter on December 13, 2004 to the Commission.

The Commission accorded approval for schemes amounting to Rs. 284.09 Crore in the Phase – I capital expenditure of the Petitioner. These schemes included EHV schemes, capacitor schemes and HVDS. The Commission had also accorded in-principal approval for distribution schemes and meters and accessories schemes subject to the submission of additional information by the Petitioner. On September 6, 2004, the Petitioner submitted the Phase – II capital expenditure plan of Rs. 1053.27 Crore to the Commission for the Commission's approval. Since the proposed expenditure was much higher than the expenditure approved by the Commission in the Order on ARR and Tariff Petition of the Petitioner for FY 2004-05, the Commission requested the Petitioner to fix the priorities of the Phase – II capital expenditure schemes, clearly demarcating the schemes to be completed during FY 2004-05 within the overall cap of Rs. 525.82 Crore for FY 2004-05 and submit the same to the Commission by December 22, 2004. The Petitioner complied with Commission's directive and later revised the figure to Rs. 423 Crore, which however was also more than the figure approved by the Commission.

**The Commission further directs the Petitioner to submit the quarterly progress reports for the schemes implemented during FY 2005-06 within 15 days of the end of each quarter.**

The Commission had also directed the Petitioner to ensure that the progress of investment scheme is not affected on account of the delayed receipt or non-availability of APDRP funds. The Commission had noted that the Commission would consider the actual interest expense arising on account of delayed receipt or non-availability of APDRP funds through truing up of expenses for FY 2004-05.

In its Petition, the Petitioner has assured the Commission that the progress of APDRP work will not be affected due to non-availability of funds.

In respect of monitoring of investments, the Commission had directed the Petitioner to form a Steering Committee with one member as the Commission's Representative, within 7 days of the date of issue of the Order dated June 9, 2004. The Commission had mentioned that the Steering Committee would be responsible for developing an integrated and consolidated implementation plan and monitoring thereof. The Commission had further directed the Petitioner to submit the consolidated plan within 15 days of the date of issue of this Order and submit quarterly monitoring reports thereafter.

The Petitioner has submitted that the implementation report of the same was submitted to the Commission on August 16, 2004.

### 7.3 R&M Works

The Commission had directed the Petitioner to maintain a separate record of the items issued from the Stores for R&M works, and submit the same to the Commission along with the details of the actual R&M Works carried out at the end of each quarter. The Commission had also directed the Petitioner to submit the report on transformer failure rate on a quarterly basis along with the above data on the R&M items issued.

The Petitioner, in its Petition, has submitted that it has submitted the first quarter report as per the approved format on August 16, 2004 and the second quarter report on December 1, 2004 to the Commission.

The Commission notes that the reports for the third and fourth quarters have been submitted by the Petitioner on February 4, 2005 and May 10, 2005 respectively.

The Commission reiterates its direction to the Petitioner to **maintain a separate record of the items issued from the Stores for R&M works, and submit the same to the Commission along with the details of the actual R&M Works carried out at the end of each quarter. The Report on transformer failure rate should also be submitted on a quarterly basis along with the above data on the R&M items issued.**

#### **7.4 District-wise AT&C Losses**

The Commission had directed the Petitioner to submit district wise information on AT&C loss at the end of a quarter commencing from June 2004.

The Petitioner has submitted that it made a presentation on district wise AT&C loss before the Commission on November 10, 2004.

Subsequently, during the discussions and technical validation sessions held with the Petitioner after the admission of its Petition for approval of ARR and determination of Tariff for FY 2005-06, the Petitioner submitted the actual district wise information on AT&C loss to the Commission.

#### **7.5 Base paper on Voltage Linked Tariff**

The Commission had directed the Petitioner to submit the base paper on voltage-linked tariffs within two months of the date of issue of the Order dated June 9, 2004. The Commission also directed the Petitioner to maintain and submit information/data in the formats specified by the Commission for arriving at voltage-linked tariff for each of the consumer categories along with the ARR and Tariff Petition for FY 2005-06.

The Petitioner submitted the base paper on voltage-linked tariff to the Commission on September 27, 2004. However, the Petitioner has not submitted the information and data for arriving at voltage-linked tariffs till date.

The Commission notes that the formats required for submitting the information/data for arriving at voltage linked tariff for each of the consumer categories shall be prepared in consultation with the DISCOMs after the issuance of this Order.

#### **7.6 Information on Cost of Supply in prescribed formats**

The Commission had directed the Petitioner to submit the information on cost of Supply in prescribed formats along with the ARR and Tariff Petition for FY 2005-06.

The Petitioner submitted the methodology to be adopted for determining the Cost of Supply, along with base paper on Voltage Linked Tariff. The Petitioner has submitted that this analysis would provide the necessary allocation for appropriating the overall costs/revenue requirement to the various consumer categories and sub-categories.

Further, the Petitioner has submitted that currently it is difficult for the Petitioner to arrange detailed information on Cost of Supply as in many cases the current infrastructure (meters etc.) is not capable of providing this information on embedded costs.



**The Commission directs the Petitioner to suggest modifications in the existing formats to capture the cost of supply by August 2005. The Commission will take up this matter in consultation with the DISCOMs after the issuance of this Order.**

### **7.7 Database for Consumers having electronic meters**

The Commission had directed the Petitioner to start submitting a report on the analysis of database for consumers having electronic meters on a monthly basis along with the ARR and Tariff petition for FY 2005-06.

In its Petition, the Petitioner has submitted that this report is submitted separately to the Commission.

However, the Commission has not received any submission in this matter. **The Commission directs the Petitioner to start submitting a report on the analysis of such database on a monthly basis from July 2005 onwards.**

### **7.8 Installation of Meters**

The Commission had directed the Petitioner to complete the installation of electronic meters for all the consumers, except those upto 10 kW being supplied on single phase, of SIP/NDLT categories by September 2004 and submit the status report on installation of meters at the end of each quarter till the Petitioner completes the installation of such meters. The Commission also directed the Petitioner to submit the Billing Demand and kVAh consumption data to the Commission for these consumers during the ARR Filing for FY 2005-06.

In its Petition, the Petitioner has submitted that it has taken up the task of installation of electronic meters for consumers of all categories with load above 10 kW. The Petitioner has also submitted that it has completed the installation of meters for most of the consumers barring cases where execution is pending due to premises locked or reconciliation of the connection details.

The Commission has not received any submission from the Petitioner by way of a status report on installation of meters at the end of each quarter till the installation of such meters is completed.

### **7.9 Installation of meters for domestic consumers paying flat rates on plot size basis**

The Commission had directed the Petitioner to submit the status of meter installation for all domestic consumers paying flat rates on plot size basis within 1 month of the date of issue of the Tariff Order FY 04-05. The Commission further directed the Petitioner to install meters for all such consumers within 3 months of the date of issue of the said Order.

The Petitioner has stated that it has submitted the status report of meter installation for all domestic consumers paying flat rates on plot size on July 8, 2004. The Petitioner has highlighted that since these areas are spread over a large geographical area and are also theft prone areas, electrification is required to be done only on the basis of HVDS, as per the plan envisaged for the un-electrified areas. The Petitioner has requested the Commission to extend the time frame for compliance of the said directive up to December 2004. The Petitioner has added that the Commission would be apprised of the status or problems if any during the process.

**The Commission directs the Petitioner to submit the year wise cost estimates along with cost-benefit analysis of the same for electrifying these consumers on HVDS.**

#### **7.10 Data on kVAh, kWh & kVARh**

The Commission had directed the Petitioner to start submitting report on data on average power factor, kWh, kVAh and kVARh consumption on monthly basis commencing from June 2004.

The Petitioner has submitted this information for the consumers having load above 45 KW for the month of September 2004 to the Commission.

The Commission notes that the Petitioner has made available the necessary information only for the month of September 2004. The Commission has not received any submission from the Petitioner subsequent to the submission for the month of September 2004.

**The Commission directs the Petitioner to start submitting report on data on average power factor, kWh, kVAh and kVARh consumption on monthly basis commencing from July 2005.**

#### **7.11 Consumption by employees of erstwhile DVB**

The Commission had directed the Petitioner to evolve a mechanism for payments and accounting either at inter-company or at individual employee level and submit a report on the issue of consumption of power by employees of erstwhile DVB within 1 month of the date of issue of the Tariff Order for FY 04-06.

The Petitioner, in its Petition, has submitted that it has submitted an interim status report to Commission on August 27, 2004 interalia detailing the difficulties being encountered in the updation of data and in respect of the treatment of cases of employees who retired before the privatization of the DISCOMs. The TRANSCO had discussed this matter with the DISCOMs. However, the outcome remained inconclusive. The Commission had written a letter to the Holding Company, TRANSCO and the Pension Trust of TRANSCO to comment on the issues highlighted above. The Commission is awaiting response from TRANSCO and Holding Company in the matter.

### **7.12 Treatment of replacement of meters, transformers and switchgears**

The Commission had directed the Petitioner to clearly demarcate expenditure related to replacement of meters, transformers and switchgears and include the same in capital expenditure in future submissions and not as a part of the R&M expenses.

The Petitioner has submitted that it has complied with the directive of the Commission.

### **7.13 A&G Expenses**

The Commission had directed the Petitioner to take prior approval for any increase in A&G expenses during FY 2004-05 beyond the approved A&G expenses before committing/incurred an expense.

The Petitioner has submitted that it has complied with the said directive.

The Commission notes that the Petitioner vide its letter no. RCM/334/04-05 dated November 29, 2004 had requested the Commission to enhance budget for A&G expenses for FY 2004-05 to Rs. 35.10 Crore. Subsequently, during the discussions and technical validation sessions held with the Petitioner after the admission of its Petition for approval of ARR and determination of Tariff for FY 2005-06, the Petitioner submitted the actual A&G expenses incurred during FY 2004-05 and highlighted the reasons for increase in these expenses beyond that approved by the Commission in the Order on ARR and Tariff Petition for the Petitioner for FY 2004-05.

The Commission has discussed the A&G expenses of the Petitioner in detail in Section 3. The Commission's views on the same are also discussed therein.

**The Commission directs the Petitioner to take prior approval for any increase in A&G expenses during the FY 2005-06 beyond A&G expenses approved before committing/incurred such additional A&G expenses.**

### **7.14 R&M Expenses**

The Commission had directed the Petitioner to take a prior approval for any increase in R&M expense during FY 2004-05 beyond the approved R&M expense before committing/incurred an expense.

The Petitioner has submitted that it has complied with the said directive.

The Commission notes that the Petitioner vide its letter no. DER/BRPL/R&M/04-05 dated December 1, 2004 had requested the Commission to enhance budget for R&M for FY 2004-05 to Rs. 68.99 Crore. Subsequently, during the discussions and technical validation sessions held with the

Petitioner after the admission of its Petition for approval of ARR and determination of Tariff for FY 2005-06, the Petitioner submitted the actual R&M expenses incurred during FY 2004-05 and highlighted the reasons for increase in these expenses beyond that approved by the Commission in the Order on ARR and Tariff Petition for the Petitioner for FY 2004-05.

The Commission has discussed the R&M expenses of the Petitioner in detail in Section 3. The Commission's views on the same are also discussed therein.

**The Commission also directs the Petitioner to take prior approval for any increase in R&M expense during FY 2005-06 beyond the approved R&M expense before committing/incurred such additional R&M expenses.**

#### **7.15 Slab Load for Domestic Consumers**

The Commission had directed the Petitioner to maintain the data for sanctioned load in slabs of 0-2 kW, 2-5 kW and 5 kW and above. The Commission had also directed the Petitioner to maintain the data regarding the number of consumers, total sanctioned load and energy consumption in each of the above slabs.

The Petitioner has submitted that it has complied with the said directive.

The Petitioner has submitted the requisite information in Form 2.1 (a) of the Petition for approval of ARR and determination of tariffs for FY 2005-06.

#### **7.16 Enhancing the Limit for SIP from 100 kW to 150 kW**

The Commission had directed the Petitioner to submit a Base Paper on the issue of raising the limit for classification under SIP category from 100 kW to 150 kW/250 kW to the Commission, within 3 months from the date of issue of the Order dated June 9, 2004.

The Petitioner has submitted a base paper on the above subject on July 15, 2004.

#### **7.17 List of new directives**

The Commission has discussed the compliance by the Petitioner with the directives issued in the Order dated June 9, 2004. The Commission has also issued additional directives in respect of some of the directives issued in the Order dated June 9, 2004. Further, the Commission has also issued certain new directives, which have been detailed in the respective sections, and have been listed below for easy reference:

**7.17.1 AT&C losses**

**(Ref. Section 2.35.7)** For regular monitoring of AT&C losses, the Commission directs the DISCOMs to provide the break up of energy input to the DISCOM, energy sold by the DISCOM, energy billed by the DISCOM and the revenue realisation against billed energy and the district wise AT&C losses on a monthly basis within fifteen days after the end of the month.

**7.17.2 Separation of corporate offices and employees common to BRPL and BYPL**

**(Ref. Section 2.35.12)** The Commission directs BRPL and BYPL to separate the corporate offices and employees who are currently common to these two DISCOMs within three months from the date of issue of this Order and file the status of compliance on the same to the Commission.

**7.17.3 R&M Expenses**

**(Ref. Section 2.35.14)** In continuation of the directions with regard to separation of corporate office, the Commission directs BRPL and BYPL that the accounts and stores shall also be ring fenced Licensee wise within three months from the date of issue of this Order and the compliance shall be reported to the Commission.

**7.17.4 A&G Expenses**

**(Ref. Section 2.35.15)** The Commission directs BRPL and BYPL to separate the corporate offices and the A&G expenses that are currently common to these two DISCOMs within three months from the date of issue of this Order and file the status of compliance on the same to the Commission. Further, to mitigate the problems of BYPL consumers, the Commission directs BYPL to shift all consumer related offices of BYPL to BYPL areas within three months from the date of issue of this Order and file the status of compliance on the same to the Commission.

**7.17.5 Payment through Cheques**

**(Ref. Section 2.35.29)** The Commission directs that in case the bill for consumption of electricity is more than Rs. 4,000, payment for the bill shall only be accepted by the licensee by means of an Account Payee cheque/DD. No cash payments shall be allowed in such cases. The Commission directs the DISCOMs to indicate on the bills where the amount to be paid is more than Rs. 4,000 that the bill shall be "Payable by local cheque/DD" only. Further, the Commission suggests that all consumers other consumers whose bill amount is less than Rs 4000, may also be encouraged to pay their bills by Account Payee cheque/DD irrespective of the amount of the bill.

#### **7.17.6 Energy Audit for employees of the erstwhile DVB employees**

**(Ref. Section 2.35.22)** The Commission directs the Petitioner to conduct energy audit in case of those employees of the erstwhile DVB whose average consumption pattern is too low as compared to the average level of consumption for domestic consumers. The Petitioner shall submit the report of such energy audit to the Commission within three months of the issue of this Order.

#### **7.17.7 Special Voluntary Retirement Scheme**

**(Ref. 3.3.2)** The Commission directs the Petitioner to incorporate the details of actual date of superannuation of employees who opted for SVRS in the estimated savings from SVRS and submit the same to the Commission.

#### **7.17.8 Capital Investment**

**(Ref 3.6.2)** The Commission directs the petitioner to submit the complete DPR along with cost-benefit analysis for Schemes more than Rs 2 Crore for obtaining the Scheme-wise investment approval from the Commission as per the terms and conditions of the license for Distribution and Retail Supply of Electricity within a month from the date of issue of this order. The Commission further directs that the petitioner should submit a separate petition for approval of Scheme for FY 2005-06 by September 2005.

#### **7.17.9 Break-up of 'Opening Block of Assets' and 'Assets Capitalised During the Year'**

**(Ref 3.8.2.2)** The Petitioner is hereby directed to submit the break-up of opening block of assets and assets capitalised during the year as per the classification specified in the said Appendix II while submitting the Petition for FY 2006-07.

#### **7.17.10 Capitalisation of Interest**

**(Ref 3.10.2.2)** The Commission directs the Petitioner to ensure that the individual schemes of capital expenditure submitted to the Commission for the Commission's approval should indicate the gestation period of each scheme

#### **7.17.11 Sale/retirement of assets**

**(Ref 2.35.31)** The Commission directs the Petitioner to file a separate Petition to the Commission within one month of the issue of this Order providing the details of the assets that are to be retired. The Petition shall include complete details with respect to each asset retired/proposed to be retired.

**7.17.12 Installation of meters capable of recording kVAh consumption**

**(Ref. 5.3.2)** In case where the meters capable of recording kVAh consumption have not been installed for NDLT and SIP consumers with sanctioned load above 10 kW, the Commission directs the Petitioner to install the meters capable of recording kVA h consumption within 60 days from the date of issue of this Order and report the compliance to the Commission.

**7.17.13 Oil cooled transformers**

**(Ref. 5.4.10)** The Commission directs the Petitioner to provide the details of oil filled oil cooled transformers installed by them in residential/commercial buildings.

**7.17.14 Cost audit**

The Govt. of India has prescribed Cost Accounting Record Rules for electricity industry under which electricity utilities are required to maintain records to show their costs and other details. the Commission, therefore, directs that this Rule be complied with by the Licensee and separate accounts be maintained and submitted to the Commission since the introduction of this Rule.

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## **8. Tariff Schedule for the Year 2005-06**

### **8.1 Definitions**

**Act** shall mean the Delhi Electricity Reform Act, 2000.

**Electricity Act** shall mean the Electricity Act, 2003.

**Commission** shall mean Delhi Electricity Regulatory Commission.

**Licensee or License Holder** shall have the same meaning as provided under clause (f) of subsection (1) of section 2 of the Act, its predecessor and successor entity(ies).

**Rules** shall mean Indian Electricity Rules, 1956.

**Regulations** shall mean the Regulations framed by the Commission.

**Order(s)** shall mean the Tariff Order(s) issued by the Commission from time to time.

**Schedule** shall mean this Tariff Schedule.

**Consumer** shall mean any person who is supplied with energy by licensee and includes any person whose premises are for the time being connected for the purpose of receiving energy with the works of the licensee.

**Premises** shall mean land or building or part thereof in respect of which separate meter or metering arrangements have been made by the licensee for supply of electricity.

**Domestic Premises** means premises for bonafide residential purposes.

**Industrial Premises** shall mean premises, including the precincts thereof, in any part of which an industrial activity is carried on.

**Non-Domestic Premises** shall mean all premises other than domestic, industrial or agricultural premises unless otherwise stated.

**Billing Cycle** shall mean the period for which the bill is raised.

**Connected load** shall mean the sum of the rated capacities of all energy consuming apparatus duly wired and connected to the power supply system of licensee including portable apparatus in the consumer's premises. Further, connected load shall be calculated after allowing a tolerance of 5%.

The connected load shall not include the load of spare plug sockets, standby or spare energy consuming apparatus installed authorisedly, through change over switch, which cannot be operated simultaneously and load exclusively meant for fire fighting purposes. The equipment which is under installation and not connected electrically, equipment stored in warehouse/showrooms either as spare or for sale is not to be considered as "connected load". Either heating or cooling use of these apparatus/loads shall be taken into account as per

prevailing season (i.e. 1<sup>st</sup> April to 30<sup>th</sup> September for cooling use and 1<sup>st</sup> October to 31<sup>st</sup> March for heating use).

Connected load shall be used only for the purpose of assessment in case of direct theft or dishonest abstraction of energy or unauthorized use of energy.

**Sanctioned Load** shall mean the load in kW/HP (kilo Watt/Horse Power) for which the licensee has agreed to supply from time to time subject to the governing terms and conditions.

**Change-over switch:** The consumer shall be allowed the installation of change-over switch with the prior intimation in writing to the licensee, subject to the condition that the details of such energy consuming apparatus connected through change-over switch shall be specifically mentioned in the Test Report submitted by the consumer and verified as such at the time of release of load or any time thereafter. The higher of the capacities of these two energy consuming apparatus shall be taken into account while computing the connected load.

**Contract Demand** shall mean:

(a) The demand in kVA (kilo Volt Ampere) as provided in the agreement, for which the licensee makes specific commitment to supply from time to time subject to the governing terms and conditions. In any case, it shall not be less than 60% of the sanctioned load.

or ;

(b) Where contract demand has not been provided in the agreement it shall be sanctioned load or declared contracted load, whichever is higher, divided by actual average power factor recorded during the billing cycle.

**Maximum Demand** shall be taken as the reading indicated by maximum demand indicator in kW or kVA whichever is applicable.

**Billing Demand** shall mean highest of the following

- i) The contract demand,
- ii) The maximum demand indicated by the meter during the billing cycle.

**Demand Charges** shall mean the amount chargeable for the billing cycle based upon the billing demand in kVA.

**Fixed Charges** shall mean the amount chargeable for the billing cycle based upon sanctioned load.

**Energy Charges** shall mean the charges for energy actually taken by the consumer in kWh (kilo Watt Hour) or kVAh (kilo Volt Ampere Hour), wherever applicable, in any billing cycle. This is in addition to demand/fixed charges, wherever applicable.

**Two Part Tariff:** The two-part tariff, where applicable, shall comprise of the demand/fixed charges, as the case may be, plus energy charges payable together for the billing cycle.

**Average Power Factor:** The average power factor shall be taken as the ratio of the kWh to the kVAh (kilo Volt Ampere Hour) supplied during the period.

**Continuous Industries:** The industries, which have been considered as continuous for grant of exemption from peak load hours restrictions.

Words or expressions occurring in this Schedule and not defined herein but defined in the Act /Electricity Act/Rules/Regulations/Orders shall bear the same meaning as in the Act/ Electricity Act/ Rules/ Regulations/ Orders.

## **8.2 Violation of provisions of Schedule**

### **8.2.1 Change of category from Non-Domestic Low Tension/Small Industrial Power (NDLT/SIP) to Mixed Load High Tension/Large Industrial Power (MLHT/LIP) due to unauthorised load**

#### **6.1.1.1 Levy/withdrawal of bulk supply tariff**

The cases of change of category from NDLT /SIP to MLHT/LIP due to unauthorised load shall be dealt with as under:

i) In case Maximum Demand as indicated by Maximum Demand Indicator (MDI) of NDLT/SIP connection is found to be more than 100 kW, the bulk tariff (MLHT/LIP) under relevant category on LT (400 V) shall be charged for six months after the load is brought within SIP/NDLT limit .

### **8.2.2 Use of electrical load for category of use other than sanctioned category**

i) Use of electrical load for category of use other than that for which it was sanctioned shall be considered as violation of the provisions of Schedule, e.g.:

- a) Domestic connections used for non-domestic or industrial purposes
  - b) Non-domestic connection used for industrial purposes.
  - c) Agriculture connection used for domestic, non-domestic, industrial or farmhouse etc.
  - d) Industrial connection used for non-domestic purposes
- ii) In the above case, total consumption shall be treated as consumption under category of use and the consumer shall be billed at a penal rate equivalent to one-and-half times the tariff applicable for the relevant category of actual use with retrospective effect for the past three (3) months for domestic and agricultural categories and for six [6] months for all other categories reckoned back from the date of detection unless evidence to the contrary is produced by the consumer. Licensee shall issue notice to consumers for completion of commercial formalities such as additional security deposits etc for change in category of usage. The above penal tariff shall be applicable till the consumer completes the commercial formalities to get the change of category regularized; thereafter, normal tariff for the applicable category shall be levied.

- iii) Application of such Tariff shall be continued in the subsequent bills. However, where consumer pays the requisite Inspection Fee with a request for change of such tariff to that of use of the connection as per the original sanctioned category, to the satisfaction of the licensee, the category of tariff shall suitably be changed after verification, from the date of consumer's request.

### **8.2.3 Cases not to be treated a violation of Schedule**

The following shall not be treated as violation of the provisions of the Schedule:

- i) In case of domestic/non domestic connection(s), extension of supply from connection to other portion of the building/plot including for servant quarters, garages or for certain activities covering social requirements relating to religious functions, sports etc. in residential areas so long as the supply is not extended to any portion for which connection has been disconnected due to non payment of dues and there is no change in the category of use.
- ii) In industrial premises where the supply is used by one or more persons where partition in business takes place or division in the family occurs.
- iii) Loads of separate connection in one premises shall not be clubbed for classification under LIP if such connections are in the name of different entities having separate MCD license and being used for different purposes.
- iv) Loads of separate connection in two distinct adjacent premises (with different addresses in local body records) which are not intermixed shall not be clubbed for classification under LIP even if such premises are being used by the same entity.
- v) Supply to activities incidental to main activity, for example supply to chemist shop in nursing homes and hospitals, tea shop, canteen, employees' cooperative store, dispensaries, retail outlets of own products etc. in an industry, puncture shop in petrol pumps etc. provided that the load for such activities remains within 10% of the sanctioned load or 10 kW, whichever is less.
- vi) Professionals such as Doctors, Engineers, Lawyers, CA's, Journalists and Consultants practicing from their residence irrespective of location provided that such use shall not exceed 25% of the area of the premises or 50 Sq. meters, whichever is less.
- vii) For cottage industries operating in residence by family members only, where electricity is not used for processing/manufacturing of goods such as repair of shoes by cobbler, Dhobi where ironing of clothes is not done by electricity, stitching/knitting if machines are not operated with electricity, etc.
- v) In industrial premises where upto 10% of the sanctioned load or 10 kW whichever is less, is used for domestic/non-domestic purposes by any agency even other than the registered consumer provided that the main industrial activity for which the connection was sanctioned continues.

### 8.3 Provisions for Assessment of Energy in existing Tariff Schedule

The theft of electricity shall be charged as per provisions of Performance Standards (Metering & Billing) Regulations as amended from time to time. Formula for assessment of consumption of energy as per the existing Regulation is as under:

#### 8.3.1 Assessment of Energy in cases of theft in permanent connections

*Energy consumption assessment formula*

*Units assessed = L x D x H x F where*

*i) L =Load (Sanctioned or Connected whichever is higher) in kW where kWh rate is applicable and in kVA where kVAh rate is applicable*

*ii) D is working days per month, during which theft/pilferage is suspected and shall be taken for different categories of use as below:*

<i>a) Continuous industry</i>	<i>30 days</i>
<i>b) Non-continuous industry</i>	<i>25 days</i>
<i>c) Domestic use</i>	<i>30 days</i>
<i>d) Agriculture</i>	<i>30 days</i>
<i>e) Non-Domestic (continuous)viz. Hospitals, call center,s hotels and restaurants, guest houses, nursing homes, petrol pumps</i>	<i>30 days</i>
<i>f) Non domestic (general) i.e. other than (e)</i>	<i>25 days</i>

*iii) H is use of supply hours per day, which shall be taken for different categories of use as below:*

<i>a) Single shift industry (day/night only)</i>	<i>10 hrs.</i>
<i>b) Non-continuous process industry (day &amp; night)</i>	<i>20 hrs.</i>
<i>c) Continuous process industry</i>	<i>24 hrs.</i>
<i>d) Non-domestic (general) including restaurants</i>	<i>11 hrs.</i>
<i>Hotels, hospitals, nursing homes guest houses, petrol pumps</i>	<i>20 hrs.</i>
<i>e) Domestic</i>	<i>8 hrs.</i>
<i>f) Agriculture</i>	<i>10 hrs.</i>

*iv) F is load factor, which shall be taken for different categories of use as below:*

<i>a) industrial</i>	<i>60 %</i>
<i>b) non-domestic</i>	<i>60%</i>
<i>c) domestic</i>	<i>40%</i>

d) agriculture	100%
e) direct theft	100%

### **8.3.2 Assessment of Energy in cases of theft in Temporary Connections**

*Theft of energy detected during marriages and other occasions for temporary connections shall be assessed as under :*

*Units assessed = L x D x H, where*

*L = load (connected or sanctioned load whichever is higher) in kW where kWh rate is applicable and in kVA where kVAh rate is applicable*

*D = No. of days for which supply is used*

*H = 12 hours*

*Note: i) In case the assessing officer has reasons to substantiate higher consumption pattern, other than proposed above in a particular case, it could be worked out giving reasons in his report. The competent authority will pass speaking orders.*

*ii) The working hours for purpose of assessment in the cases of bonafide domestic use for operating domestic water pump, washing machines and petty domestic appliances etc. shall not be considered for more than one hour working per day on 100% load factor and microwave ovens, hair dryers and petty domestic appliances with capacity less than 200 watts e.g. mixers, grinders shall not be taken into account.*

## **8.4 Application**

### **8.4.1 Contract Demand**

The contract demand as per existing agreement shall be treated as deemed enhanced by the excess connected load declared by the consumer and accepted against the specific scheme announced by licensee.

### **8.4.2 Electricity taxes and other levies**

The rates stipulated in the Schedule are exclusive of electricity tax and other taxes and charges, as levied from time to time by the Government or any other competent authority, which are payable extra.

### **8.4.3 Non-payment of bills**

Non-payment of the bills including the supplementary bills on the due dates specified thereon shall be deemed to be breach of contract and would, therefore, attract penal action including disconnection of supply under the provisions of Act/ Electricity Act/Rules/Regulations/Orders.



#### **8.4.4 Surcharges**

All surcharges shall be levied on the basic tariff applicable to the category of use or category of sanction, whichever has higher tariff.

#### **8.4.5 Payments**

In the event of the electricity bill rendered by the licensee, not being paid in full within the time specified on the bill, a surcharge @ 1.5% on the principal amount of bill which has not been paid shall be levied for each 30 days successive period or part thereof until the payment is made in full without prejudice to the right of the licensee to disconnect the supply after due date in the event of non-payment in accordance with section 56 of Electricity Act. This will also apply to temporary connections, where payment of final bill amount after adjustment of consumption deposit, is not made by due date.

#### **8.4.6 Interpretation/clarification**

In case of doubt or anomaly, if any, in the applicability of tariff or in any other respect, the matter will be referred to the Commission and Commission's decision thereon shall be final and binding.

### Tariff for the year 2005-06

Category		Fixed Charges (on sanctioned Load)		Energy Charges	
1. Domestic	1.1 J J Clusters				Rs 175 / Month
		Load (kW)	Fixed Charges	Units/ month	Paise/kWh
	1.2 Domestic Lighting/Fan and Power	Up to -2 >2- 5 Above 5	24/mth 60/mth 12/kW/mth	0-200 201-400 Above 400	240 390 460
	1.3 Domestic Lighting /Fan and Power on 11 kV single delivery point for CGHS and other similar group housing complexes <sup>1</sup>	Rs 12/ kW/mth		Consumption /month	Energy Charges (Paise/kWh) <sup>2</sup>
				First 44.4% Next 44.4% Next 11.2%	240 390 460
	1.4 Domestic Lighting/Fan and Power Connections in unelectrified Left Out Pockets. Plot sizes: i) up to 50 Sq. yds. ii) between 50-100 Sq. yds. iii) between 101-150 Sq. yds. iv) between 151-200 Sq. yds. v) more than 200 Sq. yds. only through installation of meters by Licensee				Rs 264/ mth Rs 384/ mth Rs 504/ mth Rs 699/ mth Same as 1.2

Category		Fixed Charges <sup>3</sup>	Demand Charges <sup>4</sup>	Energy Charges (paise/kWh)
2. Non-Domestic	2.1.1 Non-Domestic (Low Tension) <sup>5</sup> -NDLT-I e) Up to 10 kW	Rs 50/kW/mth	-	535 paise/kWh
	f) > 10 kW to 100 kW	Rs 50/kW/mth		487 paise/kVAh <sup>6</sup>
	2.1.2 Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	Rs 50/kW/mth		414 paise/kVAh
	2.2 Mixed Load (High Tension) >100kW- MLHT			
	a) Supply on 11 kV b) Supply on LT (400 Volts)	- -	150 /kVA/mth 200 /kVA/mth	490 Paise/kVAh <sup>7</sup> 564 Paise/kVAh
3. Industrial	3.1.1 Small Industrial Power < 100 kW- SIP a) Up to 10 kW b) > 10 kW to 100 kW	Rs 50/kW/mth Rs 50/kW/mth		500 paise/kwh 435paise/kVAh <sup>6</sup>
	3.1.2 Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	Rs 50/kW/mth		370 paise/kVAh
	3.2 Large Industrial Power>100 kW LIP a) Supply on 11 kV b) Supply on LT (400 Volts)	- -	150/kVA/mth 200/kVA/mth	430 Paise/kVAh <sup>7</sup> 495 Paise/kVAh
Category		Fixed Charges (on sanctioned Load)		Energy Charges

<b>4. Agriculture</b>		12	-	150 paise/kWh
<b>5. Mushroom cultivation</b>		24	-	300 paise/kWh
<b>6. Public Lighting</b>		Maintenance Charges Rs/light point/month		Energy Charges
	6.1 Street Lighting	73	-	460 paise/kWh
	6.2 Signals & Blinkers	-	-	460 paise/kWh
<b>7. Railway Traction<sup>8</sup> (other than DMRC)</b>		Capacity-blockage-fixed charges <sup>9</sup>	Rs 150/kVA/mth	375 paise/kVAh
<b>8. Delhi Metro Rail Corporation (DMRC) (220 kV) (66 kV)</b>		-	Rs 75/kVA/mth Rs 75/kVA/mth	230 Paise/kVAh 230 Paise/kVAh
<b>9. Temporary Supply</b>	9.1 for a total period of a) less than 16 days  b) more than or equal to 16 days	50% of the relevant category  Same as that of relevant category	50% of relevant category  Same as that of relevant category	higher by 30% (temporary surcharge) of the relevant category of tariff
	9.2 for residential cooperative group housing connections	Same as that of relevant category	-	domestic tariff without any temporary surcharge <sup>10</sup>
	9.3 for religious functions of traditional and established characters and cultural activities	Same as 1.1	-	Same as 1.2 without temporary surcharge
	9.4 for major construction projects	Same as that of relevant category	Same as that of relevant category	Same as that of relevant category with temporary surcharge of 30%
	9.5 for threshers a) during the threshing season for 30 days b) for extended period	Electricity tax of MCD: Rs. 150 per connection	- -	Flat rate of Rs. 3000  On pro-rata basis for each week or part thereof

### Notes of Superscripts

- 1** In case of co-operative societies having independent connection for common facilities through separate meter, energy charges for such connection shall be billed at highest slab tariff for domestic category.
- 2** Rebate of 15% admissible on notified tariff
- 3** Fixed 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 charges corresponding to excess demand in kW for such billing cycle.
- 4** Where the MDI reading exceeds contract demand, a surcharge of 30% shall be levied on the demand charges corresponding to excess demand for such billing cycle

**5** The following categories shall be billed at domestic rates indicated at category 1.2 if such premises are used exclusively for the purpose specified below:

- Dispensary/Hospitals/Public Libraries/School/Working Women's hostel/ Orphanage/ Charitable homes run by the MCD or the Government of the NCT of Delhi
- Small Health Centres approved by the Department of Health, Government of NCT of Delhi for providing Charitable Services only.
- Recognized Centres for welfare of Blind, deaf and dumb, Spastic children, Physically handicapped persons as approved by the Government of NCT of Delhi
- Places of Worship
- Cheshire homes/orphanage
- Electric crematoriums

**6** Where kVAh meters have not been provided, kVAh consumption shall be estimated assuming average power factor of 0.87 during the period of direction indicated in the order.

**7** Additinal rebate of 2.5% on the energy charges on 11 kV rates for availing supply at 33/66 kV and 4% for supply at 220 kV shall be admissible.

**8** Based on the supply being given through a single delivery and metering point at single voltage

**9** Rs.  $1260 \times (2.97A + 5)$  where A is contract/maximum demand, whichever is higher, in MVA subject to a minimum of Rs. 25000

**10** from the date of payment of their payable share in full towards electrification cost. Normal tariff available after one year

### 8.5 Other Terms & Conditions of Tariff

Category	Availability	Character of Service
1. Domestic	<p>i) Available to residential consumers, hostels of recognised/aided educational institutions, stair case lighting in residential flats, compound lighting, lifts &amp; water pumps etc. for drinking water supply and fire fighting equipment. In cooperative group housing societies etc. for bonafide use of lighting/fan and power, subject to the provision that the supply is at single delivery point for combined lighting/fan &amp; power.</p> <p>ii) Where separate meters, under different K. Nos., for domestic lighting/fan and domestic power, are in existence at the same premises, the billing shall be done under domestic category for total consumption of all such connections/meters taken together.</p> <p>iii) Available, for loads upto 21 kW, to farm houses for bonafide domestic self use and bounded farm houses having minimum 50% of the total land for agriculture/vegetable cultivation.</p>	AC 50 Hz, single phase, 230 Volts AC 50 Hz, three phase, 400 Volts for loads beyond 10 kW
	1.2 Domestic Lighting /Fan And Power on 11 kV single delivery point	Same as 1.1 (i) and for CGHS flats and loads above 100 kW in case of individual

Category		Availability	Character of Service
2. Non-Domestic	1.3 Domestic Lighting/Fan And Power Connections In Regularised/ Unauthorised Colonies, Left Out Pockets and Villages both Electrified and Unelectrified	Available to residential consumers for temporary electricity connection on single phase system of supply. As and when licensee installs energy meters, the energy charges shall be payable as per the tariff applicable to relevant category of supply.	AC 50 Hz, single phase, 230 Volts
	2.1.1 Non-Domestic (Low Tension) – NDLT-I	Available to all consumers having load (other than the industrial load) upto 100 kW for lighting, fan & heating/cooling power appliances in all non-domestic establishments as defined below : i) hostels ii) schools/colleges iii) auditoriums iv) hospitals, nursing homes/diagnostic centres v) railways (other than traction) vi) hotels and restaurants vii) cinemas viii) banks ix) petrol pumps x) all other establishments, i.e., shops, chemists, tailors, washing, dyeing etc. which do not come under the Factories Act. xi) cattle farms, fisheries, piggeries, poultry farms, floriculture, horticulture, plant nursery xii) farm houses being used for commercial activity xiii) any other category of consumers not specified/covered in any other category in this Schedule	AC 50 Hz, single phase, 230 Volts up to 10 kW load. AC 50 Hz, 3 phase, 400 Volts for loads above 10 kW and upto 100 kW
	2.1.2 Non-Domestic Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	Available to commercial complexes having load more than 100KW for group of consumers for their lighting, fan, heating/cooling power appliances for non-domestic use.	AC 50 Hz, 3 phase, 11 kV
	2.2 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 establishments 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. 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
3. Industrial	3.1.1 Small Industrial Power (SIP)	Available to Industrial consumers with load up to 100 kW including lighting, heating and cooling load.	AC 50 Hz, single phase, 230 Volts AC 50 Hz, 3 phase, 400 Volts.
	3.1.2 Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	On single delivery point for group of SIP consumers provided load of any individual consumer does not exceed 100 kW	AC 50 Hz, 3 Phase, 11 kV
	3.2 Large Industrial Power (LIP) a) Supply on 11 kV b) Supply on LT (400 Volts)	Available as primary power to large industrial consumers having load above 100 kW including lighting load. 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
4. Agriculture		Available for load up to 10 kW for tube wells for irrigation, threshing, and kutti-cutting in conjunction with pumping load for irrigation purposes and lighting load for bonafide use in Kothra.	AC 50 Hz, Single Phase, 230 Volts

Category		Availability	Character of Service
<b>5. Mushroom cultivation</b>		Available for mushroom growing/cultivation upto 100 kW.	AC 50 Hz, 3 Phase, 400 Volts up to 100 kW
<b>6. Public Lighting</b>	6.1 Street lighting	Available to all street lighting consumers including MCD, DDA, PWD/CPWD, Slums department	AC 50 Hz, Single Phase, 230 Volts
	6.2 Signals & Blinkers	Available for traffic signals and blinkers of Traffic Police	AC 50 Hz, Single Phase, 230 Volts
<b>7. Railway Traction (other than DMRC)</b>		Available for railway traction for connected load above 100 kW.	AC 50 Hz, single phase, 220/66/33 kV AC 50 Hz, 3 Phase, 220/66/33 kV
<b>8. Delhi Metro Rail Corporation</b>		Available to Delhi Metro Rail Corporation (DMRC) (not for construction projects)	AC 50 Hz, 3 phase, 220/66 kV
<b>9. Temporary Supply</b>	9.1(a) for less than 16 days	Available as temporary connection under the respective category	AC 50 Hz, single phase, 230 Volts AC 50 Hz, 3 phase, 400 Volts, AC 50 Hz, three phase, 11 kV
	9.1(b) for more than or equal to 16 days		
	9.2 for residential cooperative group housing connections	Same as that of relevant category	
	9.3 for religious functions of traditional and established characters and cultural activities	Provided for religious functions of traditional and established characters like Ram lila, Dussehra, Janmashtami, Nirankari Sant Smagam, Gurupurb, Durga Puja, Id, Christmas celebrations, Easter, Pageants and cultural activities like NCC camps, scouts & guides camps etc. (normally for a period less than 10 days and extendable upto days	
	9.4 for major construction projects	With loads more than 10 kW	
	9.5 for threshers	During the threshing season	

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<sup>i</sup> Fixed 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 charges corresponding to excess demand in kW for such billing cycle.

<sup>ii</sup> In case of co-operative societies having independent connection for common facilities through separate meter, energy charges for this connection shall be billed at highest slab tariff for domestic category.

<sup>iii</sup> The entitlement of various slabs under domestic category shall be worked out on pro-rata basis depending upon the duration of the billing cycle.

<sup>iv</sup> with a rebate of 15%

<sup>v</sup> Connection sanctioned for dispensaries, Hospitals, Public Libraries, Schools Run/Aided by MCD/Government of NCT of Delhi and such other schools as recommended by Department of Education, Government of NCT of Delhi, Places of worship, Shelters for animals, Birds including, Gosadans, Chaupals, Community halls in Rural Areas and J.J. Basties/Colonies, Recognised Centres for Welfare of Blind, Deaf and Dumb, Spastic Children and Physically Handicapped Persons, Working Women Hostels run/aided by MCD/Government, Cheshire Homes/Orphanages Charitable homes and Small Health Centres approved by Directorate of Health Services, Government of NCT of Delhi for providing Charitable Services only, electric crematoriums or any other similar establishment as may be approved by the Commission shall be billed at domestic category tariff, if such premises are being used exclusively for the specified purpose.

Provided that all such connections, falling under the above establishments, which were being billed at domestic tariff by the erstwhile DVB shall be deemed to have Commission's approval.

<sup>vi</sup> Where the MDI reading exceeds contract demand, a surcharge of 30% shall be levied on the demand charges corresponding to excess demand for such billing cycle.

<sup>vii</sup> Same as 4 above.

<sup>viii</sup> Same as 5 above

<sup>ix</sup> The incumbent shall be entitled for a rebate of 2.5% on the energy charges on 11 kV rates for availing 3 phase supply on 33/66 kV and 4% for supply on 220 kV.

<sup>x</sup> Same as 5 above.

<sup>xi</sup> Same as 5 above

xii Same as 8 above

xiii Maintenance charges @ Rs.60 /month/ street lighting point shall also be payable along with fixed and energy charges

xiv The above tariff is based on the supply being given through a single delivery and metering point at single voltage

xv Rs.  $1260 \times (2.97A + 5)$  where A is contract/maximum demand, whichever is higher, in MVA subject to a minimum of Rs. 25000

xvi from the date of payment of their payable share in full towards electrification cost. Normal tariff available after one year from release of electrification scheme

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