

Table of Contents

| | |
|--|-----------|
| 1. BACKGROUND..... | 3 |
| 1.1 BSES YAMUNA POWER LIMITED | 3 |
| 1.2 TRANSFER SCHEME | 3 |
| 1.3 ENACTMENT OF ELECTRICITY ACT, 2003 | 3 |
| 1.4 ABOUT THE COMMISSION | 4 |
| 1.5 CONSTITUTION OF COORDINATION FORUM | 6 |
| 1.6 PROCESS OF TARIFF DETERMINATION - ARR & TARIFF FILING FOR FY 2006-07 | 9 |
| 1.7 SUMMARY OF THE PETITION | 11 |
| 1.8 COURT ORDER..... | 12 |
| 1.9 LAYOUT OF THIS ORDER..... | 12 |
| 2. RESPONSE FROM STAKEHOLDERS | 13 |
| 2.1 DATA INCONSISTENCY | 13 |
| 2.2 AT&C LOSS REDUCTION | 14 |
| 2.3 PREPAID METERING | 17 |
| 2.4 INFORMATION REQUIRED FOR ANALYSIS..... | 18 |
| 2.5 TARIFF STRUCTURE AND RATIONALISATION | 20 |
| 2.6 TARIFF POLICY | 33 |
| 2.7 CHANGE IN CONTRACT DEMAND | 35 |
| 2.8 DELHI METRO RAIL CORPORATION (DMRC) | 36 |
| 2.9 COOPERATIVE GROUP HOUSING SOCIETIES (CGHS) | 38 |
| 2.10 METERING | 41 |
| 2.11 THEFT CONTROL | 43 |
| 2.12 LOANS AND INTEREST ON LOANS | 45 |
| 2.13 CONSUMER SECURITY DEPOSIT..... | 45 |
| 2.14 MISCELLANEOUS ISSUES | 46 |
| 2.15 STREET LIGHTING | 51 |
| 2.16 WAIVER OF ELECTRICITY TAX | 52 |
| 2.17 CHOICE OF POWER DISTRIBUTOR/LICENSEE | 53 |
| 2.18 CAPITAL EXPENDITURE..... | 54 |
| 2.19 MEANS OF FINANCING CAPITAL EXPENDITURE..... | 56 |
| 2.20 RETURN ON EQUITY | 57 |
| 2.21 EMPLOYEE COSTS | 60 |
| 2.22 DEPRECIATION | 61 |
| 2.23 ADMINISTRATIVE AND GENERAL (A&G) EXPENSES | 62 |
| 2.24 REPAIR AND MAINTENANCE (R&M) EXPENSES | 63 |
| 2.25 SALE OF ENERGY AND REVENUE REALISATION | 64 |
| 2.26 DVB ARREARS AND LPSC..... | 66 |
| 2.27 PROCEDURAL ISSUES | 68 |
| 3. ANALYSIS OF ANNUAL REVENUE REQUIREMENT..... | 70 |
| 3.1 EMPLOYEE EXPENSES..... | 71 |
| 3.2 ADMINISTRATIVE AND GENERAL EXPENSE (A&G) | 75 |
| 3.3 REPAIRS AND MAINTENANCE (R&M) | 78 |
| 3.4 CAPITAL INVESTMENTS | 79 |
| 3.5 ASSET CAPITALISATION | 84 |
| 3.6 DEPRECIATION | 86 |
| 3.7 MEANS OF FINANCE | 95 |
| 3.8 INTEREST EXPENDITURE..... | 97 |
| 3.9 TREATMENT OF DVB ARREARS | 100 |
| 3.10 DISCOMS ADJUSTMENT TO CONSUMERS | 101 |
| 3.11 RETURN ON EQUITY | 102 |
| 3.12 CONTRIBUTION TO CONTINGENCY RESERVES | 104 |
| 3.13 SUMMARY OF TRUING UP EXPENSES AND CARRYING COST | 104 |
| 3.14 TAXES ON INCOME | 107 |
| 3.15 NON TARIFF INCOME (NTI)..... | 109 |

| | | |
|-----------|---|------------|
| 3.16 | TOTAL EXPENDITURE EXCLUDING POWER PURCHASE COST | 110 |
| 3.17 | REVENUE REQUIREMENT EXCLUDING POWER PURCHASE COST. | 111 |
| 4. | TREATMENT OF REVENUE GAP/SURPLUS AND TARIFF DESIGN | 112 |
| 4.1 | INTRODUCTION..... | 112 |
| 4.2 | ORDER OF APPELLATE TRIBUNAL FOR ELECTRICITY..... | 113 |
| 4.3 | ORDER OF THE HON'BLE SUPREME COURT | 113 |
| 4.4 | INPUTS FOR TARIFF DESIGN | 114 |
| 4.5 | REVENUE GAP/SURPLUS AT EXISTING TARIFF | 125 |
| 4.6 | PREVIOUS REVISION OF TARIFF | 128 |
| 4.7 | TARIFF DESIGN | 128 |
| 4.8 | DOMESTIC TARIFF | 128 |
| 4.9 | NON-DOMESTIC TARIFF | 133 |
| 4.10 | INDUSTRIAL TARIFF | 135 |
| 4.11 | AGRICULTURE AND MUSHROOM CULTIVATION TARIFF | 137 |
| 4.12 | PUBLIC LIGHTING..... | 137 |
| 4.13 | RAILWAY TRACTION | 138 |
| 4.14 | DELHI METRO RAIL CORPORATION LTD. (DMRC) | 139 |
| 4.15 | TEMPORARY SUPPLY | 140 |
| 4.16 | SUBSIDY FROM GNCTD..... | 140 |
| 4.17 | TREATMENT OF REVENUE GAP..... | 140 |
| 5. | DIRECTIVES | 143 |
| 5.1 | AT&C LOSSES | 143 |
| 5.2 | SEPARATION OF CORPORATE OFFICES AND EMPLOYEES COMMON TO BRL AND BYPL | 144 |
| 5.3 | R&M EXPENSES | 144 |
| 5.4 | A&G EXPENSES | 144 |
| 5.5 | PAYMENT THROUGH CHEQUES | 145 |
| 5.6 | ENERGY AUDIT FOR EMPLOYEES OF ERSTWHILE DVB | 145 |
| 5.7 | SPECIAL VOLUNTARY RETIREMENT SCHEME..... | 146 |
| 5.8 | CAPITAL INVESTMENT..... | 146 |
| 5.9 | SALE/RETIREMENT OF ASSETS | 146 |
| 5.10 | INSTALLATION OF METERS CAPABLE OF RECORDING kVAh CONSUMPTION | 146 |
| 5.11 | OIL COOLED TRANSFORMERS | 147 |
| 5.12 | COMPLIANCE TO COST ACCOUNTS RECORDS..... | 147 |
| 5.13 | R&M WORKS..... | 148 |
| 5.14 | INFORMATION ON COST OF SUPPLY IN PRESCRIBED FORMATS..... | 148 |
| 5.15 | DATABASE FOR CONSUMERS HAVING ELECTRONIC METERS | 149 |
| 5.16 | INSTALLATION OF METERS FOR DOMESTIC CONSUMERS PAYING FLAT RATES ON PLOT SIZE BASIS | 149 |
| 5.17 | DATA ON kVAh, kWh & kVARh | 149 |
| 5.18 | LIST OF NEW DIRECTIVES..... | 150 |
| 6. | TARIFF SCHEDULE FOR THE YEAR 2006-07 | 154 |
| 6.1 | TARIFF FOR THE YEAR 2006-07 | 154 |
| 6.2 | OTHER TERMS & CONDITIONS OF TARIFF | 160 |
| 6.3 | ELECTRICITY TAXES AND OTHER LEVIES | 168 |
| 6.4 | SURCHARGES | 168 |
| 6.5 | PAYMENTS | 169 |
| 6.6 | INTERPRETATION/CLARIFICATION | 169 |

1. Background

1.1 BSES Yamuna Power Limited

The BSES Yamuna Power Limited (hereinafter referred to as 'BYPL') is a company incorporated under the Companies Act, 1956. The BYPL formally took over the distribution assets of erstwhile DVB and became authorized to commence electricity distribution and retail supply business in the specified area of Central East and East of Delhi.

1.2 Transfer Scheme

Pursuant to the provisions of the Delhi Electricity Reform Act, 2000 (hereinafter referred to as 'DERA') the Government of National Capital Territory of Delhi (hereinafter referred to as 'GNCTD or 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 distribution assets of DVB in the area of Central East and East of Delhi to BSES Yamuna Power Limited (formerly known as Central East Delhi Distribution Company Limited and hereinafter referred to as 'BYPL') and the distribution assets in other areas of Delhi to the other two Distribution Companies and all the three distribution companies hereinafter collectively referred to as 'DISCOMs' and the existing transmission assets to Delhi Transco Limited (formerly known as Delhi Power Supply Company Limited and hereinafter referred to as 'TRANSCO').

1.3 Enactment of Electricity Act, 2003

The Electricity Act, 2003 (hereinafter referred to as '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. Further, Section 86 (1) (a) of the EA 2003 vests the responsibility of determination of tariff with the Commission – the

relevant portion of this Section is as follows;

“The State Commission shall discharge the following function namely –

(a) determine the tariff for generation, supply, transmission and wheeling of electricity, whole sale, bulk or retail, as the case may be within the State: ...”.

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 thereunder or 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.”

1.4 About the Commission

The Delhi Electricity Regulatory Commission (hereinafter referred to as ‘Commission’) was constituted by the Government on March 3, 1999 and it became operational from December 10, 1999. In the journey from inception till date, the Commission has issued twenty (20) Tariff Orders and notified thirteen (13) Regulations apart from discharging its other statutory functions.

1.4.1 Functions of the Commission

Major functions assigned to the Commission under the 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
- 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 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 Licensee;
- 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.

1.5 Constitution of Coordination Forum

The Commission wrote to GNCTD on 1st April, 2005 to constitute the Coordination Forum consisting of the Chairperson of the State Commission and the Members thereof, representatives of the generating companies, transmission agencies, and distribution licensees engaged in generation, transmission and distribution etc. in accordance with section 166(4) of the Electricity Act, 2003.

GNCTD vide notification No. F.11/36/2005/Power/1789 dated 16.06.2005 constituted the Coordination Forum, comprising of Chairperson and Members of DERC, CMD, TRANSCO, Managing Direction, IPGCL/PPCL, CEOs of NDPL, BYPL and BRPL with Secretary, DERC as the Member Secretary. Since the Committee constituted did not include NDMC and MES, who also distribute power in Delhi, the Commission had decided to invite them for all the meetings. The Commission had so far held 9 meetings on the following dates:

| | | |
|-------------------------|---|------------|
| 1 st Meeting | - | 29.08.2005 |
| 2 nd Meeting | - | 25.10.2005 |
| 3 rd Meeting | - | 20.12.2005 |
| 4 th Meeting | - | 20.01.2006 |
| 5 th Meeting | - | 01.03.2006 |
| 6 th Meeting | - | 17.04.2006 |
| 7 th Meeting | - | 15.05.2006 |
| 8 th Meeting | - | 14.06.2006 |
| 9 th Meeting | - | 23.08.2006 |

In the above referred meetings, issues relating to arranging power to meet the demand of Delhi up to 2010-11 as well as other issues of common interests to ensure overall development of the power sector in Delhi were discussed. In this process,

arrangements for power for meeting the future demand of Delhi from the following stations were made:

Table 1-1 Arrangement of Power for Delhi on Long Term Basis

| S.No. | Name of the Project | Capacity Allocated to Delhi |
|-------|--|--------------------------------|
| 1. | Koldam Hydroelectric project of NTPC | 83 MW |
| 2. | Tehri Hydroelectric project of THDC | 95 MW |
| 3. | Dhauliganga HEP of NHPC | 42 MW |
| 4. | Sewa-III HEP of NHPC | 10 MW |
| 5. | Unchahar-III TPS of NTPC | 24 MW |
| 6. | RAPP Unit 5 & 6 of NPC | 50 MW |
| 7. | Parbati-II HEP of NHPC | 65 MW |
| 8. | Bawana – CCGT Plant of IPGCL | 1000 MW |
| 9. | Pragati Power-II Project-II of PPCL | 330 MW |
| 10. | NCRTPP Dadri Extension of NTPC | 440 MW |
| 11. | Tehri Pumped Storage Power Plant of THDC | 600 MW |
| 12. | Kahalgaon Stage-II of NTPC | 95 MW |
| 13. | Barh TPS of NTPC | 155 MW |
| 14. | North Karanpura TPS of NTPC | 157 MW |
| 15. | Koteshwar HEP of THDC | 40 MW |
| 16. | Dulhasti HEP of NHPC | 34 MW |
| | Total | 3220 MW |

All the above projects are likely to provide power with their gradual commissioning commencing immediately and up to 2009-10.

All the above projects are being developed by various CPSUs and accordingly their tariff would be regulated by the Central Electricity Regulatory Commission (CERC). Further, Delhi has been allocated 200 MW power from Tala HEP presently under commissioning in Bhutan.

Besides the above projects from which power has been tied up, the Coordination Forum has also discussed projects like Combined Cycle Gas Project in Tripura, setting up of 2000 MW plant by Delhi in Chattisgarh, Maithon Thermal Station of Tata Power etc. but no final decision could be arrived at in view of the present status of these projects being at the conceptual stage. These projects can be discussed at an appropriate time when sufficient development takes place.

Consequent to taking over of Badarpur Power Station by NTPC, an effort is also being made to install additional two units of 500 MW each at Badarpur for meeting

the demand of Delhi subject to technical feasibility and environmental clearance for the project. Further, power from addition of one unit of 490 MW at NCRTTP, Dadri of NTPC and 750 MW from the 1500 MW joint venture project which is to be set up with Haryana, has been agreed to by Coordination Forum in the last meeting. Apart from this, the Coordination Forum has authorised TRANSCO to enter into long term agreement with DVC for procurement of power with the quantum of 100 MW from December 2006 to September 2007 and gradually going upto 2500 MW on round the clock basis from DVC for a period of 25 years from the commissioning of the respective new generating units.

The Commission had also worked through the Coordination Forum to remove bottlenecks in the execution of various major schemes such as setting up of 2 nos. 220 KV sub-station by NDMC in Electric Lane and Trauma Centre at AIIMS, Ridge Valley Sub-station with 220 KV GIS etc.

The Coordination Forum in its meeting held on 25.10.2005 decided that DISCOMs will jointly move a common proposal for seeking bids for procurement of power on short-term as well as long term basis immediately. The document for short/medium term power procurement received in the Commission in the end of March, 2006, was subsequently discussed in various Coordination Forum meetings. The DISCOMs were authorized to invite bids during August, 2006 after detailed deliberations on various issues involved in the procurement process and approval of the Commission to the bid document for short/medium term power procurement finally submitted by the DISCOMs. This exercise is in compliance with the National Electricity Policy/Tariff Policy which mandates the distribution companies to procure power through competitive bidding.

The approval of procurement of power by the DISCOMs on long term basis will be taken up after the receipt of the document from the DISCOMs. The Coordination Forum has also taken up issues like Introduction of Intrastate availability based tariff, procurement of power from ultra mega power projects (Delhi is proposing to buy 500 MW of power from one of the ultra mega project) etc. The Commission would like to impress upon all concerned to monitor the progress of various projects from which power is arranged for Delhi at regular intervals and take appropriate actions in case of delays so that arrangements for power supply is properly ensure.

1.6 Process of Tariff Determination - ARR & Tariff filing for FY 2006-07

1.6.1 Filing of petitions

The Petitioner (BYPL) filed its Petition for approval of ARR and determination of Tariff for FY 2006-07, on December 20, 2005.

1.6.2 Interactions with the Petitioner

The filing of the Petition was 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 in the month of March, 2006. The petition was finally admitted by the Commission on 30th March 2006.

1.6.3 Public Notice and response from Stakeholders

1.6.3.1 Publicity given to the Proposal

The Petitioner brought out a Public Notice on April 7, 2006 indicating the salient features of their Petition, and inviting responses from the consumers and other stakeholders. The Commission also brought out a Public Notice on April 11, 2006 indicating the salient features of all the Petitions for FY 2006-07, 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, The Times of India and Indian Express in English;

Hindustan in Hindi; and

Daily Milap in Urdu.

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

Detailed copy of the Petitions were also made available for purchase from the respective head-office of the Companies on any working day from April 7, 2006 onwards, between 11 A.M. and 4 P.M. on payment of Rs. 100/-. The Notice specified the deadline of April 24, 2006 for the receipt of responses/objections from the

stakeholders which was subsequently extended till May 10, 2006. The complete copy of the Petition was also put up on the website of the Commission, as well as that of the Petitioner.

In the past, the Commission had received requests that the Commission may extend help to the consumers in understanding the ARR Petitions and also help them in filing their comments in this regard. The Commission had considered the request on merits and accordingly for this year the services of three Joint Directors of the Commission were made available to the consumers to extend necessary assistance. The services of the officers of Commission were available to all the interested stakeholders for discussion on ARR Petition and related matters between 3 P.M. to 5 P.M. on all working days from April 12, 2006 to May 10, 2006. This was duly highlighted in the Public Notices brought out by the Commission on April 11, 2006 and April 24, 2006.

1.6.3.2 Public Hearing and Response

The Commission received seventy nine objections in all. A detailed list of the respondents is attached with this Order as Annexure 2. 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 20, 2006. The Commission conducted the Public Hearing for the DISCOMs on May 23 to May 25, 2006 in both the sessions. All the stakeholders who had submitted responses/objections on the ARR Petitions were invited to express their views in the matter.

1.6.4 Post admission interactions

1.6.4.1 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. The Commission held various meetings and sought further details on power purchase, capital investment in transmission schemes, proposed additional capitalization, the depreciation schedule, loan repayment, rate of interest of loans and working capital.

1.6.4.2 Petitioner's responses to queries raised by the Commission

In response to the queries of the Commission, the Petitioner made additional submissions on March 10, May 19, May 31, June 7 and July 20, 2006. The Petitioner

submitted the Provisional Annual Accounts for FY 2005-06 in the month of April, 2006.

1.7 Summary of the petition

The Petitioner has estimated the Annual Revenue Requirement (ARR) and Revenue Surplus for FY 2006-07 at Rs. 1307.90 Crore and Rs 74.64 Crore respectively without considering the pending regulatory asset of Rs 150 Crore for which a separate prayer was made for its amortisation. Effectively, the projected surplus of Rs.11.56 Crore turns out to a deficit of Rs.138.44 Crore if the effect of unamortized Regulatory Asset of Rs.150 Crore is considered, for which the Petitioner had prayed for its amortisation. The Petitioner, while estimating the ARR for FY 2006-07 has also included certain elements of difference in expenses and revenue for FY 2005-06 under the truing up mechanism. The total amount of surplus on truing up included in the ARR for FY 2006-07 is of the order of Rs. 23.60 Crore for FY 2005-06. A snapshot of the ARR and revenue gap for FY 2006-07 at existing tariffs is provided in the Table 1.2.

Table 1-2: Summary of ARR and Revenue of the Petitioner for FY 2006-07 at existing BST and RST

| Item | Unit | FY 2006-07 |
|---|-----------------|----------------|
| A. Energy Input | MU | 5318 |
| B. AT&C Loss at the end of the year | % | 39.95% |
| C. Expenditure other than Power Purchase Cost | Rs Crore | 364.20 |
| D. Existing Bulk Supply Tariff | Rs/kWh | 1.77 |
| E. Power Purchase cost at existing BST (AxD) | Rs Crore | 942.63 |
| F. Total Expenditure (C+E) | Rs Crore | 1306.84 |
| G. Allowable Return | Rs Crore | 36.31 |
| H. Non Tariff Income | Rs Crore | 35.26 |
| I. Annual Revenue Requirement (F+G+H-I) | Rs Crore | 1307.90 |
| J. Estimated Revenue Realisation based on existing Retail Supply Tariff | Rs Crore | 1358.94 |
| K. Revenue Gap/(Surplus) for FY 2006-07 | Rs Crore | (51.04) |

| Item | Unit | FY 2006-07 |
|---------------------------------------|-----------------|----------------|
| L. True-up for FY 2005-06 | Rs Crore | (23.60) |
| M. Total Revenue Gap/(Surplus) | Rs Crore | (74.64) |

The Petitioner, in its ARR Petition has also proposed that the Hon'ble Commission may consider introduction of discount for consumers opting for prepaid meters. Prepaid metering may also be considered for temporary connections for short term requirement.

1.8 Court Order

The DISCOMs had filed appeals in the Hon'ble Appellate Tribunal for Electricity in respect of Tariff Orders for FY 2002-03, FY 2003-04 and FY 2004-05 issued by the Commission. The Hon'ble Appellate Tribunal had passed its order dated 24th May 2006 in appeal no. 38-39, 122 of 2005 and 48 of 2006. The Commission had preferred an appeal against the said order of the Hon'ble Appellate Tribunal for Electricity before the Hon'ble Supreme Court vide Civil Appeal No. 2733 of 2006. The Hon'ble Supreme Court had admitted the Appeal vide its Order dated 23rd August 2006 and referred the case to the Hon'ble Appellate Tribunal for Electricity *to examine whether the conclusions of the Commission are supportable in facts and in Law.*

1.9 Layout of this Order

This Order is organised into 5 Chapters. While the current Chapter gives the information about the Commission, the historical background and summary of the Petition, the second Chapter gives a detailed account of responses from stakeholders, Petitioner's comments and Commission's views on the responses which includes among others Tariff Rationalisation measures. Chapter 3 discusses the Annual Revenue Requirement. Chapter 4 deals with the revenue details, overall sector revenue gap/surplus position based on revenues from the proposed tariff, treatment of regulatory assets, tariff design for various categories and approved tariff for FY 2006-07. Chapter 5 deals with compliance with Commission's Directives.

2. Response from Stakeholders

The Commission has taken note of the various objections made and appreciates the keen participation in the process by the various stakeholders to provide vital feedback to the Commission on various issues.

The objections received from the stakeholders, response of the Petitioner on the specific issues and the Commission's views on the same are enumerated hereunder.

2.1 Data Inconsistency

2.1.1 *Objections*

The stakeholders have submitted that the revenue surplus projected is much lower than the increase in bill collections. Further, though the information pertaining to complaints received and complaints answered have been provided but data on settlements has not been given. Also, the reliability reported to the tune of 99% by all DISCOMs is not matching with ground realities and some parameter needs to be formulated.

2.1.2 *Response of the Petitioner*

The Petitioner has submitted that its reliability index is 99.48% during the period April 2005 to December 2005 as calculated by the formula defined by CEA.

BYPL has reduced load shedding due to constraints in its own network to 7.42 MUs during April 2005 to December 2005 as compared to 18.01 MUs during the same period in FY 2004-05.

2.1.3 *Commission's Views*

As regards the concerns relating to data inconsistency in the ARR showing expenses and revenue surplus estimations/projections of the Petitioner, the Commission has examined the petition critically after receiving the required data and has accepted the petitions with due regard to the provisions of the Act as well as the ARR and Tariff Guidelines issued by the Commission. The details submitted are subjected to scrutiny and are discussed under various heads in this Order.

Regarding the consumer complaints, the Commission has separately notified the complaint handling procedure in the year 2003 which relates to the detail procedures in respect of consumer complaints and is dealing with this accordingly. The Commission had also notified the Regulations for Consumer Grievance Redressal Forum and Ombudsman as early as in 2003. These Forums are in operation for over two years for mitigating the grievances of the consumers.

2.2 AT&C Loss Reduction

2.2.1 Objections

The stakeholders have submitted that AT & C Loss includes the commercial losses, including unpaid bills of consumers and have sought clarification on the status of major defaulters and the action taken thereof.

The stakeholders have submitted that the Commission should emphasise the Petitioner to further reduce the AT&C Loss by 15% in FY 2006-07 and GNCTD and Delhi Police may be requested to help the DISCOMs in this regard. It has also been submitted that there are still a large number of tappings from the main LT Switch Gears installed inside the prohibited area of the BRPL substations. It has been suggested that areas in which AT&C losses are below 20%, should be spared from load shedding to encourage AT&C loss reduction in other areas as well.

It has been expressed that post privatisation, the DISCOMs have reported changes in consumer profiles in their respective service areas. Since the computation of AT&C loss level is linked to the consumer profile, the AT&C loss reduction figures as reported may not be accurate.

The stakeholders have also submitted that the Commission should take strong action against the Petitioner for their ineffectiveness to plug losses as the consumers have to suffer for the inefficiency of the DISCOMs. The stakeholders are of the view that if honest and sincere efforts made by the DISCOMs, these losses can be plugged and the increase in tariff can be checked. Some of the stakeholders have opined that there appears to be no incentive for the DISCOMs to bring down AT&C losses, as these losses are borne by the consumers. It has been suggested that to the extent a DISCOM

fails to achieve its target, the shortfall in revenue should be borne by the DISCOM itself. It has also been submitted that as already suggested the DISCOMs should be directed to contact BHEL to know the technology which has been developed to reduce AT&C losses and achieve better financial results, but no action has been taken in this regard.

The stakeholders have also submitted that the Petitioner has projected the AT&C losses only at the bid level for the current and ensuing financial year. However, to give a clear picture, exact level of AT&C losses that has been achieved by the Petitioner must be taken into account. It has been expressed that the Petitioner has done a commendable job in improving the collection efficiency but it is surprising to note that it is not able to recover electricity dues to the tune of approximately Rs 9.2 Crore from various government departments and agencies. In the opinion of the stakeholders, these departments must be treated like any other consumer and suitable action should be initiated against them.

The stakeholders have further submitted that in a study commissioned by the Delhi Government at the time of privatisation, it was reported that the technical losses of erstwhile DVB were only 8.6 % whereas commercial losses were 45.3 %. It is a matter of common knowledge that commercial losses can be reduced by toning-up the management whereas technical losses would require capital expenditure to achieve the targeted levels of loss reduction. The stakeholders have been of the view that the reduction in AT&C losses is very low and the Commission may direct the Petitioner for curtailment of losses and other expenses to generate revenue surplus. One of the stakeholders has even suggested that no new electricity connection may be granted by DISCOMs till AT&C losses are brought down to 10% and there is surplus energy available.

2.2.2 Response of the Petitioner

The Petitioner has stated that it is committed to reduce AT&C Loss to a level of 39.95% by the end of FY 2006-07 i.e. a reduction of 17.25% from the opening loss level of 57.2% in 2002. This achievement is despite the external constraints like lack of dedicated special courts, police force and anti-theft legislation (like in other States)

and public resistance during enforcement raids. By the close of FY 2005-06, the Petitioner has reduced the AT&C Losses to about 43.6%, which is more than the targeted level of 45.05% envisaged in the Policy Directions issued by GNCTD.

The comment for technology developed by BHEL has been noted by the Petitioner. It has been further explained that the meters have been installed on 11 KV feeders and installation of meters on distribution transformer is being undertaken to enable energy accounting for assessment of area –wise losses to decide on the corrective actions.

The Petitioner has submitted that the AT & C Loss reduction target for FY 2005-06 and FY 2006-07 has been taken at bid level as per the Policy Directions issued by the GNCTD. The actual achievement of AT&C loss reduction in FY 2005-06 is better than the estimate submitted in the ARR filing and the same will be taken into account by the Commission while determining the ARR for FY 2006-07.

On the issue of unauthorised tapping from LT mains / LT transformer in certain areas, the Petitioner has expressed that it is equally concerned and as the matter is sensitive, GNCTD/ Delhi Police have been requested to provide adequate police support to deal with the situation effectively.

Regarding the collection of government dues, the Petitioner has submitted that rigorous efforts on their part have resulted in substantial recovery of Government dues in FY 2005-06.

For reduction of AT&C losses, the Petitioner has submitted that it is bringing in better meter technologies with advanced features like automatic meter reading equipped for download of data, tamper indication for accurate energy measurement and tracking of dishonest abstraction of energy. Further, high voltage distribution system (HVDS) has been implemented in loss prone areas. Other measures being taken to reduce revenue loss are detection and booking of misuse of tariff category bringing in simplified procedures for providing metered connections, undertaking prompt disconnection of non paying consumers etc.

2.2.3 Commission's Views

The Commission would like to highlight that 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 based on the opening AT&C loss taken for the purpose of bidding 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 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 which 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 clarify that it is bound by the Policy Directions issued by the GNCTD.

For regular monitoring of AT&C losses, **the Commission directs the DISCOMs to provide the break up of energy input to the DISCOM supply area, 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 to the Commission within fifteen days after the end of each month.**

2.3 Prepaid Metering

2.3.1 Objections

The stakeholders have welcomed the introduction of prepaid metering and have expressed that the same be introduced with some tariff discount. It has been submitted that prepaid metering can be made applicable for temporary connections and short-term requirement and for others the same may be introduced on optional basis with the consent of consumers. It has been stated that the consumers opting for prepaid meters should be offered a discount/lower tariff because of low cost to serve. Further, metering for prepaid customers should not be insisted upon and other methodologies such as sampling or working out consumption on the basis of money paid etc should be accepted. However, some stakeholders have stated that introduction of prepaid metering would be a source for generation of black money as there would be no billing of these meters or detailed maintenance record thereof. Alternatively, the stakeholders have suggested for advance payment of monthly bill for which some

rebate say 10% may be granted. Some stakeholders have opined that prepaid metering is not likely to succeed unless paying capacity of consumers increase by way of economic growth in the country.

As per the stakeholders, in case of temporary connection for short term requirement, the consumers opting for prepaid meters should be refunded the balance amount within three days and in case of delay, interest should be allowed more than the late payment surcharge i.e. 1.5% per month.

2.3.2 Response of the Petitioner

The Petitioner has requested the Commission to formulate a suitable tariff to incentivise the use of pre-paid meters. It has been further stated that the determination of tariff to be charged from the consumers is the prerogative of the Commission.

2.3.3 Commission's Views

The Commission is of the view that as per the CEA (Installation and Operation of Meters) Regulations, 2006, the consumer meters, which also include prepaid meters, shall bear BIS mark and shall meet the other requirement of the said Regulations. The DISCOMs are required to furnish the relevant details to confirm the compliance of prepaid meters to the said CEA Regulations before prepaid metering can be envisaged for implementation. Further modalities in regard to the technical and financial aspects associated with prepaid metering including the discount etc, have to be outlined by the DISCOMs in the detailed scheme to be submitted for consideration of the Commission with regard to implementation of prepaid metering.

2.4 Information required for Analysis

2.4.1 Objections

Apart from the audited accounts for FY 2005-06, the stakeholders have asked for the following information for further analysis:

- For Sundry Debts:
 - i. Age-wise debtors as on 31.3.2006
 - ii. Action taken by DISCOMs for recovery of these sundry debts
 - iii. Details of Recovery suits filed by the DISCOMs, if any, for recovery of the debts
- Details of employees/officers appointed after 1st July 2002

- i. Name and Designation
 - ii. Date of appointment
 - iii. Wages and perks on appointment
 - iv. Present wages and perks
 - v. New pay structure as applicable to these employees and whether this pay structure has approval of DERC.
- Cost Benefit Analysis of VRS Scheme, impact on various heads of expenditure and finance.
 - Cost Benefit Analysis of the schemes for augmentation of power transformers and other associated equipment of the Grid Stations.
 - Cost Benefit Analysis of mass replacement of energy meters.
 - Details of capital investment on transformers, underground cables, charges the DISCOMs had paid to MCD in respect of road cutting and road restoration, and expenditure incurred on HVDS system and the financial gains arising out of enhanced capital expenditure on system improvement works.

2.4.2 Response of the Petitioner

The Petitioner has submitted that its accounts are audited both internally and externally by statutory auditors as per the requirement of the Companies Act, 1956. The Provisional unaudited accounts for FY 2005-06 have been submitted to the Commission for detailed scrutiny and examination.

The Petitioner has submitted that the data pertaining to revenues and expenditure including sundry debts/ageing schedule of receivables and employee costs have been incorporated in the standard formats prescribed by the Commission for ARR filing. Further, the detailed information on the SVRS scheme and amortisation schedule has been furnished to the Commission during the ARR filing. Also the additional information sought by the Commission through technical sessions/scrutiny has been submitted. The Commission in its Tariff Order of FY 2004-05, (Para 3.3.2) and FY 2005-06 (Para 3.3.2) has mentioned about having carried out the cost benefits analysis of SVRS scheme (w.r.t. expenditure on SVRS, borrowing cost on increase in other expenses due to implementation of the scheme), the costs thereof have to be met from savings in employee costs over the future years. It was explained that once the net

savings on employee expenses are equivalent to the SVRS cost along with its related cost, the substantial reduction in employee expenses will be passed on to the consumers in ARR and tariffs. The Commission had outlined that this method of treatment of VRS 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.

On the issue of capital expenditure, the Petitioner has stated that it is regularly submitting the Detailed Project Reports (DPRs) of capital investments including cost-benefit analysis, as per the licence conditions, for approval of the Commission. The Commission undertakes rigorous scrutiny including technical discussions and site verifications before approving the capital investment.

2.4.3 Commission's Views

On the issue of submission of the audited accounts along with the ARR Petition, the Commission is of the opinion that it is not possible for the Petitioner to provide the audited accounts for the year FY 2005-06 along with the ensuing year petition i.e FY 2006-07, as according to the Commission's Guidelines for Revenue and Tariff Filing, the ARR Petition for the ensuing year i.e FY 2006-07 was to be filed before 31st December of the year FY 2005-06, and the audited accounts are finalised only after the completion of the financial year FY 2005-06.

In regard to the other information, the Commission would like to bring to the notice of the stakeholders that significant information has been exchanged with the utilities in an iterative process during technical sessions in order to fill the data gaps in the respective ARR Petitions. The information so furnished to the Commission is available for inspection by any stakeholder and copies of relevant documents can be obtained in accordance with DERC (Comprehensive Conduct of Business) Regulations 2001.

2.5 Tariff Structure and Rationalisation

2.5.1 Objections

Concessional Tariff for Senior Citizens, educational institutions, Common Effluent Treatment Plant CETPs

The stakeholders have submitted that there should be a concessional tariff in case of Senior Citizens and educational institutions. The stakeholders have submitted that all non-profit organisations working for the under privileged be charged under domestic tariff category.

The stakeholders have submitted that as CETPs are providing a great service to the community and society at large by not only upgrading the environment but by providing clean water and that too, at a no-profit-no-loss basis. They should be categorised as a Public Utility service provider and be provided with power supply at a concessional rate, as being charged from any such institution. It has also been submitted that the Petitioner has 4-5 establishments in the jurisdiction area of Jhilmil & Friends Colony Indl. Area CETP Society and as per Order of the Honourable Supreme Court and CETP Act 2000, the Petitioner should pay to the Society towards capital cost and operation and maintenance.

Slabs for Domestic Category

Some of the stakeholders have submitted that the slabs for domestic category should be reduced from 3 to 2 (0-200 units per month and above 200 units per month). Another suggestion has been made for categorisation of slabs as 0-400, 401-800 and above 800 units. Some stakeholders have expressed that the slabs be categorised as 0-200, 201-400 and above 400 units. Even abolition of slabs has been suggested by another group of stakeholders. It has also been opined that any reduction in the slabs for domestic category will tantamount to higher tariff and put extra burden on high end consumers.

Merging of MLHT, NDLT, SIP and LIP consumer categories

The stakeholders have submitted that MLHT, NDLT, SIP and LIP consumer categories should be merged with progressively lower tariff for higher consumption. It has been stated that the proposed merger of these categories will lead to simplification of tariff structure. However, some of the stakeholders have expressed that the merger of MLHT, NDLT, SIP and LIP categories is a coercive measure to penalise consumers of lower consumption. It has been suggested by the stakeholders that LIP

rates should be less than SIP rates. Further reduction of tariffs for SSI has been requested for as the same are stated to high as compared to other neighbouring states.

Concessional Tariff to employees

The stakeholders have mentioned that like DESU and DVB, DISCOMs are supplying electricity at concessional rates to their employees, the burden of which directly comes on other consumers and this concessional tariff must be stopped immediately.

Some of the stakeholders have submitted that post unbundling, the employees of erstwhile DVB are being deprived of their due benefits in accordance with the Tripartite Agreement with the GNCTD and DVB. It has been stated that the DISCOMs have started charging fixed charges on load basis from employees of erstwhile DVB which is against the spirit of the Tripartite Agreement under which employees were only required to pay electricity charges @ 12 paise per unit for the units consumed by them and no other charges were payable by the employees, so the fixed charges levied may be withdrawn. It has been further submitted that number of concessional units allowed for various categories be revised as the consumption has increased considerably with gradual increase of use of electrical gadgets.

Calculation for Fraudulent Abstraction of Energy (FAE)

The stakeholders have expressed that F.A.E. calculations should be done on connected load only and sanctioned load or unconnected load should not be taken in any case. Further credit should be given for the units consumed and not for payment which has already been made.

Billing based on kVAh

The stakeholders have submitted that the billing for industrial consumers should be on the basis of kWh instead of kVAh and in case the bills are to be raised in kVAh, the conversion Power Factor (P.F.) should be taken at 0.85 instead of 0.87 since the DISCOMs get the supply on the basis of P.F. of 0.85. Some of the stakeholders have also submitted that as power purchases by DISCOMs is measured on kWh basis, the bills to consumers should also be issued on kWh basis only as it is difficult for small scale units (SSI) to maintain power factor even by installing any system. Some tolerance has been requested for, say 0.95 to be considered as unity power factor.

It has also been submitted that the DISCOMs were not giving the kVAh billing benefit to the consumers who were maintaining good power factor whereas they charged kVAh billing from low power factor consumers. Further, many cases of refunds against kVAh billing were still pending from November, 2004 and the Commission has been requested to issue necessary directions.

Some stakeholders have suggested that with different methods for calculations of kVAh world wide, it is difficult to implement kVAh tariff. Further, energy audit can be done only with kWh part.

Rationalisation of Fixed Charges

The stakeholders have submitted that the fixed charges should be withdrawn as it is an unnecessary financial burden on the consumers. As Delhi has its own generation to the tune of 25% and 75% energy is purchased from other states/Northern Grid, the DISCOMs do not pay fixed charges to other states or Northern Grid, so there is no justification to charge fixed charges from consumers.

The stakeholders have submitted that fixed charges should be made adjustable in energy charges as applicable in the state of Haryana. The fixed charges should not be recovered from a consumer who is using the electricity and paying huge bills as the sole logic behind levy of fixed charges is to cover the fixed cost from the consumer whose consumption is below a fixed level. Some stakeholders have even suggested for abolition of fixed charges. It has been stated that even public utilities like Railway/Airlines incurring huge capital investments for their services do not levy any fixed charges. In case the fixed charges are to be continued, then per unit charges to the LT consumer should be lowered by at least Rs 0.50 per unit. Further the fixed charges should be related to number of hours of power supply made available by the DISCOMs. A view has also been expressed that fixed charges be reduced as no interest on security deposit is being made.

The stakeholders have submitted that the nominal meter rent has been given a fresh

name of fixed charge which is quite exorbitant. A charge of Rs 15/20/30 should be fixed as rent per month or the price of meter should be charged once and there should not be any fixed charges.

Some of the stakeholders have submitted that there should be uniform fixed charges at a nominal rate for 0-5 KW sanctioned load without any load restriction and restriction of maximum fixed charges to Rs. 20 per month for 5 KW load. Some stakeholders have suggested that fixed charges should be on per KW basis instead of slab wise. It has been further submitted that fixed charge should be calculated based on norms such as sanctioned load, average of actual consumption for last two years, area of flat/house etc.

Some stakeholders have suggested two slabs: 0-5 kW and above 5 kW for recovery of fixed charges. Another suggestion has been made for three slabs of 0-3 KW, 3-5 KW and above 5 KW for the fixed charges. A view has also been expressed for two slabs from 0-2 KW and above 2 KW. It has been opined by some of the stakeholder that the slabs be laid from 0.6 – 5.6 KW so that fractions are taken care of and fixed charges be uniformed from 0.6 to 5.6 KW.

The stakeholders have also submitted that the amount of fixed charges levied is not adjusted against consumption which leads to consumers paying extra charges. It has been stated that fixed charges be waived off for industrial consumers who are consuming within their sanctioned load. It has also been stated that the disparity between Rs. 50 per KW for SIP consumers and Rs. 150 per KW for LIP consumers should be bridged.

The stakeholders have also suggested fixed charges not exceeding Rs. 5 upto 5 KW and Rs. 10 above 10 KW. It has been stated that uniform fixed charges will be detrimental for lower end consumers. In general a review of fixed charges has been requested for.

It has also been submitted that fixed charges of Rs. 12 kW per month should be converted into minimum charges. The stakeholders have submitted that the minimum

charges should be increased to Rs 200/- from the present Rs 50/- instead of increasing electricity charges.

Penalty for Load Violation from SIP to LIP

The stakeholders have submitted that the Hon'ble Commission may consider levy of LIP tariff on SIP consumers only for a particular month in which maximum demand exceeds. It has been stated that in the event of violations amounting to change in category from SIP to LIP, the total demand is charged @ Rs 200/KVA besides higher consumption charges. Since the billing gets overloaded drastically with the change in category, it has been requested that the penalty should be limited for the particular billing month during which the load violations take place.

Power Factor

The stakeholders have submitted that as upheld by the High Court of Delhi in case of Suresh Jindal V/S BRPL, maintenance of power factor is the duty of the DISCOM and the tariff schedule should be framed so that the power factor is maintained at 0.85. It has been suggested that necessary directions be issued to the utility to comply with the conditions of the supply in respect of power factor and the Commission should also take note of it while fixing the tariff.

2.5.2 Response of the Petitioner

Concessional Tariff for Senior Citizens, educational institutions, Common Effluent Treatment Plant CETPs

With regard to the request for lower tariff for senior citizens, the Petitioner has submitted that the Commission has already clarified in its earlier Tariff Orders that it is not practical to have separate category with lower tariffs for senior citizens considering the difficulties in implementation and ensuring that connection is being used by senior citizens only. The Petitioner has further submitted that it is the prerogative of the Commission to decide tariff category for the educational institutions and the Red Cross Society hospitals also.

It has been stated that as per the existing tariff schedule, only the Charitable Institutions run by MCD and GoNCTD are billed as per domestic rates. In regard to

Common Effluent Treatment Plants (CETP), the Petitioner has stated that it is basically a part of industrial activity.

The Petitioner has submitted that the determination of tariff to be charged from a category of consumer is the prerogative of the Commission, in terms of the provisions of the Electricity Act, 2003. The tariff for different consumer categories is dependent on various factors like Cost of Supply, voltage of supply, subsidy element, etc.

Slabs for Domestic Category

The Petitioner has submitted that the determination of tariff to be charged from a category of consumer is the prerogative of the Commission, in terms of the provisions of the Electricity Act, 2003. For the Domestic consumer, the existing tariff provides for 3 (three) slabs for energy charges. i.e. (0-200, 201-400 and 401 & above). The Commission has explained the rationalisation behind the three slabs structure for domestic category in its Tariff Order for FY 2005-06.

Merging of MLHT, NDLT, SIP and LIP consumer categories

The Petitioner has submitted that the determination of tariff to be charged from a category of consumer is the prerogative of the Commission, in terms of the provisions of the Electricity Act, 2003. As per the Petitioner, the Commission has in its Tariff Order for FY 2005-06 explained that the purpose of use in the nature of consumption by the industrial category (SIP and LIP) is distinctly different from that of the commercial category (NDLT and MLHT), hence the proposal for merging of these categories was not accepted.

Concessional Tariff to Employees

The Petitioner has submitted that the Commission has already adjudicated on the issues raised vide its Order dated 18.04.2006 in Petition No. 65/2004. It has been further explained that under the Tripartite Agreement with the erstwhile DVB employees transferred to the DISCOMs as part of the Transfer Scheme, Terms and Conditions of employment of the transferred personnel are to be protected as those existed prior to the date of transfer.

Fraudulent Abstraction of Energy (FAE)

The Petitioner has submitted that theft of electricity is an offence which requires immediate penal action against the culprits to discourage others from following suit. It has been stated that the Petitioner is guided by the Electricity Act, 2003, Tariff Order, Regulations and directions issued by the Commission from time to time for computation of penalties to be levied in the event of detection of theft. In FY 2005-06 the intensified drive against electricity theft had resulted in an increased recovery of 76% over FY 2004-05 and such amounts are considered by the Commission while determining the ARR.

Billing based on kVAh

The Petitioner has submitted that issues related to kVAh billing have already been dealt in detail by the Commission in its Tariff Order FY 2005-06.

Rationalisation of Fixed Charges

The Petitioner has submitted that as per EA 2003, the charges for electricity supplied by a distribution licensee may include a fixed charge in addition to the charge for actual electricity supplied.

The Petitioner has further submitted that the Commission, in its earlier Tariff Order for FY 2003-04 had explained that the fixed charges are leviable on the basis of sanctioned load or contract demand/billing demand whichever is higher. DISCOMs have to incur expenditure towards installing and maintaining their distribution network to meet the load requirement of the consumers and ideally the fixed cost component should reflect the fixed cost required to maintain the infrastructure to supply the electricity as and when demanded by the consumer. Further, the Commission had already clarified in Tariff Order for FY 2003-04 that minimum charges is not appropriate method of recovering fixed charges as it may lead to under-recovery and more importantly highly fluctuating recovery over the years by the utilities. As such the Commission had decided to move towards the concept of two part tariff for all categories of consumers and abolish minimum charges altogether.

With regard to correlation between fixed charges and hours of supply, the Petitioner

has submitted that it has to recover its costs through tariff. In the existing tariff as determined by the Commission, only a portion of the fixed costs is presently recovered through fixed charges while the balance fixed cost as well as the variable cost are recovered through energy charges. Therefore, recovery of entire fixed cost is also reduced during no supply situation. It has been further stated that the practice of levying the fixed charges/ minimum charges is in line with the practice being adopted by other utilities/service providers such as Delhi Jal Board (DJB), Telecom (Land Line and mobile services) etc.

Penalty for Load Violation from SIP to LIP

In this regard, the Petitioner has submitted that the DISCOMs are guided by the Tariff Order, Regulations, Directions issued by the Commission from time-to-time. It has been stated that the distribution network/infrastructure is laid based on the load requirements of the consumers. Any violation of the load by the consumers puts a constraint on the distribution system for supply to other consumers and also casts additional burden on the grid. Therefore load violation charges are levied as a deterrent to the defaulting consumers.

Power Factor

The Petitioner has referred to para 5.3.12 of the Commission's Tariff Order for FY 2004-05 in this regard. It has been further stated that the utilities maintain power factor in their distribution network by installing suitably rated capacitors in the system. The Petitioner has expressed that the obligation should not be transferred to the licensee for the default of a consumer in not maintaining proper power factor and the consequences/onus has to lie with the consumers.

2.5.3 Commission's Views

Concessional Tariff for Senior Citizens, NGOs including Hospitals

Regarding 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. The Commission would not like to extend any new concessions since the same would increase the cross subsidy element which would certainly affect the consumer tariff.

Cross-subsidy

In the matter of the elimination of cross-subsidy, the Commission agrees that the cross-subsidies need to be reduced and has kept this aspect in mind while determining the category-wise tariffs. At the same time, the consumers should appreciate that reduction of cross-subsidy is a gradual process and cannot be achieved overnight. Also as per the provisions of Electricity Act 2003, the cross subsidy would be gradually reduced over a period of time. Further, while reducing cross-subsidy, the Commission also needs to keep in mind the over-riding principle of avoidance of tariff shock to any consumer category.

Reduction of slabs in domestic category

On the issue of the rationalisation of the slabs of domestic category, the Commission believes that tariff rationalisation, as of now, is a dynamic process and it is essential that the same be attempted based on the experience gained over a period of time. 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 further reduced, there may be a tariff shock for certain section of consumers.

Merging of MLHT, NDLT, SIP and LIP consumer categories

In the matter of the merging of MLHT, NDLT, SIP and LIP consumer categories, the difference in the tariff applicable for these categories is substantial as per the existing category wise tariff. The Commission is of the view that immediate merger of these categories would result in substantial increase in tariff for some categories or substantial reduction in tariff for the others. The Commission is of the view that tariff rationalisation process should not lead to tariff shock for some of the consumers. Besides, merger of the above categories may have practical implementation issues. In view of the above, the Commission has been attempting to reduce the difference in the tariff between NDLT and MLHT and between SIP and LIP categories in its earlier Orders and has not merged these categories.

Concessional Tariff to employees

Regarding the concessional tariff applicable to the employees of erstwhile DVB, tariff for employees of the erstwhile DVB as well as the number of units for concessional tariff to these employees, the Commission is of the view that the same is governed by the Tripartite Agreement signed at the time of restructuring of erstwhile DVB and privatisation of DISCOMs.

Fraudulent Abstraction of Energy (FAE)

On the issue of FAE calculations, the Commission would like to point out that the issue of FAE is not related to the ARR Petition, and therefore, the Commission is not addressing this issue here.

Billing based on kVAh

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 BRPL to maintain data on the average power factor, kWh, kVAh and kVARh consumption for consumers having electronic meters.

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 encourages 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 such time electronic meters are installed, the kWh-based tariff only shall be applicable.

The Commission has 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.

Rationalisation of Fixed Charges

The Commission had explained the importance of two-part Tariff and the reasons for introduction of Fixed Charges 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. 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 Electricity Act, 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 would also like to point out that if fixed charges are removed, the energy charge would increase 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 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.

Change of Category from SIP to LIP (Load Violation) and Cost of service linked to voltage

On this issue, the Commission has already expressed its opinion in the previous Tariff Orders that it wishes to gradually move towards cost of supply. This principle requires that consumers be differentiated as per cost of serving them. Since the cost of serving the consumers depends upon, inter-alia, the voltage at which supply is taken by the consumer, the Commission feels that differentiating consumers on the basis of load is incorrect. Instead consumers must be differentiated with respect to voltage of supply. This issue was a subject matter of an appeal filed by Udyog Nagar Factory Owners Association Vs BRPL and DERC in appeal no. 131 of 2005 before the Hon'ble Appellate Tribunal for Electricity. The Hon'ble Appellate Tribunal for Electricity in its Order dated 31.3.2006 in para number 25 had directed as follows:

Quote:

“Logically, the tariff for supply at higher voltages should be lower than the tariff for supply at lower voltages. The Commission also appears to be working on this philosophy and it has initiated the process by differentiating between consumers on the basis of voltage of supply. The difference in tariff based on supply voltage should be based on difference in cost of supply at the respective voltage. However, data on cost of supply at different voltages is not available. The data must be made available to the Commission by the utilities. The first respondent (BRPL) shall be bound to provide the requisite data to the Commission expeditiously, not later than six months from the date of this Order.”

Unquote:

The Petitioner is hereby directed to furnish this detail as already directed by the Commission in its various Orders and further confirmed by the Hon'ble Appellate Tribunal for Electricity in its above referred Order by within a month of issue of this Order.

Power Factor

The Commission had dealt with the issue of power factor in detail in the last Tariff Order and has decided to continue with the same practice. Accordingly, the Commission has 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

2.6 Tariff Policy

2.6.1 Objections

The stakeholders have mentioned that uniform retail tariff for all licensees in Delhi is anti thesis to the improvement and efficiency in the power sector. Even though the section 60 (3) of Electricity Act, 2003 permits differential tariff depending upon the geographical position and purpose of supply. Therefore in the interest of consumer and electricity sector, differential tariff be framed for consumers of Delhi depending upon the purpose of the electricity company.

The stakeholders have submitted that the energy charges should be based on Cost of Supply (CoS) and cross subsidy should be eliminated. The energy charges of HT consumer should be based on CoS and the tariff should be fixed on the basis of the voltage of the consumer.

The stakeholders have submitted that the roll-back of tariff done last year by the DISCOMs was done without any legal sanction and directions of DERC. The respondent has strongly objected to the proposal of the DISCOMs to amortise the roll back of tariff of the previous year in the present year.

2.6.2 Response of the Petitioner

Regarding the average retail tariff being higher than average cost of generation, the Petitioner has submitted that electricity generated by various Generation Companies is being transmitted using TRANSCO's network and distributed using licensee's distribution network for supply at consumer end. The cost involved for supplying electricity at the consumer end also includes transmission and distribution costs. Hence the average per unit costs of electricity at the generation end is not equitable with the cost at the consumer end. The Commission will take into account all costs (Generation, Transmission and Distribution costs) while determining the ARR.

2.6.3 Commission's Views

Regarding the mixed response of the stakeholders for application of tariff for different consumer categories, the Commission has decided to continue with the same philosophy for determination of tariff as specified in the previous Tariff Orders which is also in line with the Policy Directions notified by GNCTD. In view of the substantial difference in tariff between the industrial, commercial and domestic categories, the Commission is of the view that it may not be feasible to have the same tariff for these categories, as it would result in a tariff shock.

The roll back of tariff increase of FY 2005-06 was resorted to by the following two ways:

- 50% of the tariff hike to all domestic consumers and 100% of the tariff hike to agricultural consumers was met by GoNCTD by way of grant of subsidy.
- 50% of the tariff hike to all domestic consumers was covered by DISCOM adjustment which was to be recovered by the DISCOMs by way of AT&C loss reduction beyond the bid level during the FY 2005-06. The Commission granted liberty to the DISCOMs to resort to this adjustment and approach the Commission at the end of the year in the ARR for FY 2006-07 for dealing with such adjustments in accordance with the extant laws.

2.7 Change in Contract Demand

2.7.1 Objections

The stakeholders have submitted that the HT consumers should be allowed to change the contract demand within the permitted range of 60% of the sanctioned load as per requirement and that there should not be a minimum lock in period or in the alternative, it should be reduced to 30 days.

2.7.2 Response of the Petitioner

The Petitioner has submitted that it is guided by the Tariff Order, Regulations and directions issued from time to time by the Commission. It has been stated that presently as per the applicable tariff, the consumers have the option to change their contract demand with a lock in period of 12 months and the contract demand cannot be less than 60% of the sanctioned load. Any amendments to the existing provision require appropriate directions of the Commission.

The Petitioner has further submitted that based on the load demand of the consumers, DISCOMs project their energy requirement to TRANSCO. TRANSCO, in turn, arranges the energy requirement through Generators and have to pay a fixed charge based on the capacity (in MW) of power contracted. As per the Petitioner, such contracts cannot be modified frequently based on change in consumer load requirement, more so with the HT consumers having high sanctioned loads.

Additionally, the Petitioner has to incur expenses for creating the capacity and keep it on constant standby to meet the load imposed by the consumer on the system. Such expenses and capital cost for providing capacity are recovered over a period of time. Hence in the event of HT consumers being permitted to change their contract demand frequently, there would be under recovery of the cost of the capacity already created and kept in readiness by the Petitioner.

2.7.3 Commission's Views

The views of the Petitioner are in order. The Commission had dealt with this issue in the previous Tariff Orders and no amendment is presently being contemplated.

2.8 Delhi Metro Rail Corporation (DMRC)

2.8.1 *Objections*

The stakeholder has submitted that the electricity is drawn from a point of supply of one Licensee which is likely to be distributed and used at different places including the area of supply of other Licensees, so as to avoid any disruption in the passenger and other services performed by DMRC. Keeping this in view, DMRC has requested for a single part tariff based on the nature of consumption and integrated electrical network maintained by DMRC and further recognising that DMRC is a social sector utility for public of Delhi. The Stakeholder has highlighted problems in implementation of two part tariff directed by the Commission in its Tariff Order of FY 2005-06. It has further been submitted that the application of Single Part Tariff to DMRC will not affect any of the DISCOMs as no existing distribution network is being used and therefore, there is no fixed cost to be recovered. DMRC is taking supply from interconnection point at sub-station of TRANSCO or from GENCOs.

DMRC has requested for continuation of the principles adopted in earlier Tariff Orders of the Commission namely that the DMRC's tariff should be based on the cost at which electricity is available to the licensee at the inter-connection points of TRANSCO and it is certainly not dependent on other expenses of DISCOMs other than the said input cost.

DMRC has stated that in case demand charges are to be levied, the same needs to be calculated based on the aggregate electricity consumed by DMRC in the NCT of Delhi drawn from the different distribution licensees and the maximum demand should be calculated based on the consolidated capacity contracted by DMRC for purchase of power from different distribution licensees. Accordingly, neither the maximum demand nor the charges for exceeding maximum demand should be determined in an isolated manner separately for power drawn from each of the distribution licensees or otherwise from each point of delivery under a distribution licensee. Since the interconnection points for supply of electricity to DMRC are essentially at the sub stations or the electrical network of Delhi TRANSCO Limited or directly from the generating company, therefore as per DMRC no inconvenience will

be caused to the DISCOMs if the maximum demand is determined in the manner mentioned herein.

2.8.2 Response of the Petitioner

The Petitioner has submitted that as per the Electricity Act 2003, the charges for electricity supplied by a distribution licensee may include a fixed charge in addition to the charge for the actual electricity supplied.

On the issue of single part tariff for DMRC, the Commission, in its Tariff Order issued on 26/06/2003, had opined that *“the Commission is not in agreement with the view of the Petitioner that two part tariff in case of DMRC has no application”*.

The Petitioner has further submitted that the Commission in its Tariff Order issued on 7th July 2005 has comprehensively dealt with the issue of fixed charges for DMRC wherein it was stated that *“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.”*

As per the Petitioner, many SERC's have also included charges towards fuel adjustment in the tariff in addition to fixed charges and energy charges.

On the issue of Simultaneous Maximum Demand based on the consolidated capacity contracted for purchase of power across different licensees, the Petitioner has submitted that this issue was dealt by the Commission in the case of Railways in its earlier Tariff Order dated 26/06/2003 and the same logic would hold good for DMRC as well, considering the fact the supply is availed from different licensees. However, the determination of tariff to be charged from the category of consumer is the

prerogative of the Commission, in terms of the Electricity Act 2003.

2.8.3 Commission's Views

The demand charges were introduced by the Commission as component of two part tariff in its last Tariff Order for DMRC based on the philosophy as applied to other consumer categories and the same is in line with the provisions of the Electricity Act, 2003. The Commission has decided to continue with the same two part tariff philosophy.

The Commission is aware that DMRC is an essential service being serviced by different distribution licensees within same State of Delhi. With increase in number of distribution licensees, the problem of Simultaneous Maximum Demand will be more acute. Intra-State ABT is yet to be introduced in Delhi. On introduction of Intra-State ABT such over draws shall be dealt with as UI charges. For the present, the increase in load is being treated as exceeding the sanctioned load and accordingly a higher demand charges are being levied. The Commission notes a reasonable logic in the argument of DMRC. To overcome the issue of over draws of DMRC in the event of power failure in one DISCOM area which is a force majeure condition, the other licensee subject to technical capabilities shall supply power to DMRC with Metro Rail being an uninterrupted service. The Fixed charges shall be recovered on normal basis only and the DISCOM which provides alternate supply shall receive prorata fixed charges from the other licensee for the period of such supply. Further, the Energy charges shall be recovered by the DISCOM which actually supplied power to DMRC. Similar treatment shall be adopted in case of Railways as well.

2.9 Cooperative Group Housing Societies (CGHS)

2.9.1 Objections

The stakeholders have submitted that the rebate given to Domestic 11kV CGHS Single Delivery Point Connection holder at 15% should be enhanced to at least 30% so that the tariff for consumers getting supply at higher voltages is lower than that for lower voltages thus providing benefit to the HT consumers. This is on account of the fact that cost of supply at higher voltage is comparatively lower than that for lower voltage. Further the expenses on R&M, in-house metering, billing etc is being borne by CGHS.

It has been opined that the single rate tariff for consumers of CGHS, Single Point Delivery (SPD) connection is loaded in favour of high end consumers and the rates are fairly high for low end consumers with consumption below 400 units per month. It has been requested that tariff for domestic be made appreciate in SPD society flats with CGHS management and constituent consumers having flexibility to decide minimum charge and common service charges.

It has also been submitted that levy of fixed charges is unjustified in case of Domestic 11 kV CGHS SPD connection where the initial capital cost for the entire system including transformers etc is provided by CGHS and the system is being maintained by CGHS /RWAs at their cost only. In case for specific reasons the Petitioner wants to continue with the fixed charges, the MDI reading should be the basis of the calculation instead of the sanctioned load since the diversity factor is high.

It has been suggested by some stakeholders that CGHS consumers getting supply at 11 KV must be billed at procurement cost plus 10% carriage cost since there is no theft at that level. Further, common services in CGHS should be charged at the lowest slab of the domestic tariff and some modification in slabs for CGHS has been suggested with proposal for 4 (four) slabs – 1-400, 401 -800, 801-1000 and above 1000 units. Further, some societies which have been receiving bills on wrong slabs should be corrected by the DISCOMs.

The stakeholders have submitted that as per terms of stipulations made in Rule 64(2)(e)(IV) of Indian Electricity Rules, 1956, as amended, “only dry type transformers shall be used for installation inside any residential/commercial buildings”. As CGHS have been provided with oil filled oil cooled transformers, the Commission may ask the DISCOMs to replace existing oil filled transformers by dry type transformers in compliance with the rules quoted above. It has also been submitted that in Tariff Order for FY 2005-06, the Commission had made the observation that as the transformers are owned by CGHS, the decision to change, relocate the transformers to dry types rests with CGHS themselves. But the stakeholder would like to submit that transformers installed in societies are the

property of the power utility and replacing existing transformers by dry types will be the responsibility of the Petitioner. It has also been submitted whether information about number of oil filled transformers installed in residential/commercial buildings as asked by the Commission in its Tariff Order for FY 2005-06 has been submitted by the Petitioner.

2.9.2 Response of the Petitioner

The Petitioner has submitted that the determination of tariff to be charged from the consumer is the prerogative of the Commission, in terms of the provisions of Electricity Act, 2003. The Commission has clearly explained the rationale for determining the tariff for CGHS consumers in its earlier Tariff Orders including the issue of rebate in energy charges. The Petitioner has stated that the tariff determined by the Commission is strictly followed.

With regard to fixed charges, the Petitioner has submitted that as per EA 2003, the charges for electricity being supplied by a distribution licensee may include a fixed charge in addition to the charge for the actual electricity supplied. The said fixed charges are stated to cover a component of fixed cost incurred by the DISCOM to maintain the distribution network / infrastructure to meet the load requirements of the consumers.

Regarding the replacement of oil filled transformers, the Petitioner has submitted that the Commission has deliberated on this issue in the last Tariff Order and has clarified that for the transformers that are owned and maintained by the CGHS, the decision to relocate or change to dry type rests with CGHS. As directed by the Hon'ble Commission, BYPL has already submitted a detailed report about the location of oil cooled transformers including those provided by consumers to the Hon'ble Commission.

2.9.3 Commission's Views

The Commission is of the opinion that the 15% discount is appropriate to represent the savings to the Utility on account of lower losses, savings in metering, billing and collection expenses, and has decided to continue with the rebate at this level.

The Commission would like to reiterate that the Fixed Charges levied on the consumer is to recover the fixed cost incurred by the Petitioner for establishing and maintaining the distribution system in meeting the load requirement of the consumer.

2.10 Metering

2.10.1 Objections

The stakeholders have submitted that meter changing drive should be carried out uniformly for all after taking the details of faulty meters from the electricity bills as well as about the consumers who are paying minimum charge due to faulty or slow running meters. It should be ensured that good quality meters are installed and meter complaints are redressed speedily. Further, fluctuations in supply should be minimized which is also causing the meter to run fast. As per some of the stakeholders, electronic meters are the crying need of the hour but it is discriminatory for 90% consumers having electronic meters and 10% with slow mechanical meters.

It has been suggested that the electronic meters should be installed only after the distribution network is drastically modified and maintained as per the rule 61 of Indian Electricity Rules, 1956.

The stakeholders have also submitted that there should be 100% metering, and energy audit, for power supplied and revenue recovered from all consumers and the figures of profit and loss should be derived from the said records.

The stakeholders have submitted that as the DISCOMs are not adhering to the performance standards, the consumers are made to pay even for the energy consumption recorded by the Electronic Meters due to the current flowing back from the neutral. This fact can very well be proved if electronic as well as electro mechanical meters are installed at the premises of certain consumers in consultation with the Associations in a particular area/pocket and the distribution companies should provide relief to the consumers on the basis of such differences after recording a few readings.

With regard to complaints of fast running of electronic meters, it has been suggested that the Commission should give direction to the DISCOMs to install mechanical meters in series with the electronic meters to resolve this controversy. The stakeholders have suggested that the consumer complaints of suspected fast running meters be checked by an external agency at consumers' site to the satisfaction of the consumers. It has been also suggested that while replacing old meters with new electronic meters, the DISCOMs should properly check the wiring of concerned premises and ensure that there are no snags in wiring and there will be no over billing.

2.10.2 Response of the Petitioner

The Petitioner has submitted that the licensees' power to change an existing meter by a particular type of BIS certified static meter has been upheld by the Hon'ble High Court of Delhi in Suresh Jindal vs BRPL case. Action for advising the consumers about electronic meters, internal wiring, earth leakage indications, etc. before installation of meters have also been complied with in terms of the Court order. The meters are BIS certified and the accuracy of the meters has also been verified in various test drives conducted by GNCTD, DERC and BRPL through CPRI, etc.

Further as per the CEA (Installation and Operation of Meters) Regulations, 2006, all consumer meters shall be of static type. As per the Petitioner, the meter related issues will be specifically and separately dealt with in the Supply Code & Performance Standards Regulations under process with the Commission.

The Petitioner has submitted that its endeavour is to replace meters uniformly in its licensed area. The Petitioner is also bringing metering technologies with advance features like automatic meter reading (AMR), equipped for download of data, tamper indication for accurate energy measurement and tracking the dishonest abstraction of energy. This would help minimise the metering problem and reduce the level of losses. Further, a meter helpline has been established by the Petitioner to redress the meter related complaints speedy.

The Petitioner has further submitted that as per IE Rules, 1956 read with the National Electrical Code and the National Building Code issued by the Bureau of Indian Standards (BIS) the consumers are obliged to maintain the internal wirings in good

conditions at all times. Further, the wiring is to be isolated and not to be shared with other premises. Also, it requires that any electrical installation work including additions, alterations, repairs and adjustments to existing installation in the premises, should be carried out by qualified personnel only.

The Petitioner has further stated that meters have been installed at supply interface points with TRANSCO on feeders. Meters are also being installed on distribution transformers for facilitating energy audit and identifying losses in various areas.

2.10.3 Commission's Views

The issues of metering are not related to ARR and these issues are to be dealt with as per the DERC (Performance Standards - Metering and Billing) Regulations, 2002 and the CEA (Installation and Operation of Meters) Regulations, 2006.

2.11 Theft Control

2.11.1 Objections

The stakeholders have submitted that frequent raids should be carried out on all illegal structures made particularly on encroached land including area around electric poles and heavy fines should be imposed for illegal tapping. It has been suggested that open pole system should be replaced by underground cabling system so that theft by illegal hooking can be eliminated.

Another suggestion has been made that bulk meters should be provided on the distribution transformers for cross checking of the consumption to identify the loss prone areas. The stakeholders have also pointed out that in a large number of cases, the theft of electricity is with the connivance of the staff of the DISCOMs.

The stakeholders have opined that all surcharges and collection levied on theft of energy should be passed on to the honest consumers. It has been expressed that electricity theft/lapses keep on increasing and penalties are either not imposed or not realised. As per the stakeholders, the DISCOMs should not be allowed to raise the tariff unless they strictly comply with the underlined provisions of curtailing theft of electricity and keeping track on defaulting consumers to ensure that the penalty raised

is realised in time and these factors should not contribute to increase in revenue gap.

2.11.2 Response of the Petitioner

The Petitioner has submitted it has undertaken several measures to reduce electricity theft in its area of supply. The enforcement machinery has been strengthened and streamlined with teams of enforcement officers dedicated for the purpose of detection of theft and bringing to book the offending consumers. The Petitioner has also established a helpline for reporting of specific instances of electricity theft. In FY 2005-06, an intensified drive against electricity theft has reported to result in an increased recovery of 76% over FY 2004-05. As per the Petitioner, the said amount will be considered by the Commission while determining the ARR.

The Petitioner has expressed that theft of electricity is an offence which requires immediate penal action against the culprits to discourage others from following suit. The Electricity Act, 2003 has provided for establishment of Special Courts for expeditious booking of the offenders. However, presently only two Special Courts have been constituted by GNCTD but even these Courts are dealing with electricity theft cases in addition to their normal roster.

The Petitioner has informed that it was actively pursuing the following issues with GNCTD:

- Setting up of two more dedicated Special Courts.
- Police support/protection to the officials at the time inspection/raids.
- Setting up of Special Energy Police Stations on similar lines of States like Gujarat, West Bengal, etc.
- Strict anti-theft legislation as existing in West Bengal, Andhra Pradesh and Karnataka.

Apart from the above, the Petitioner has also stated that it is bringing in better metering technologies with advanced features like automatic meter reading (AMR), equipped for download of data, tamper indication for accurate energy measurement and tracking of dishonest abstraction of energy. Further, the Petitioner has implemented the high voltage distribution system (HVDS) system at 11 KV in loss

prone unauthorised colonies, JJ clusters etc. Also intervention of information technology (IT) is being utilised for detection and booking of cases of theft.

2.11.3 Commission's Views

The measures being taken by the Petitioner to reduce theft of electricity have been noted by the Commission. The Petitioner is further advised to take adequate measures for significant reduction in AT&C losses rather than meeting only the bid levels.

2.12 Loans and Interest on Loans

2.12.1 Objections

The stakeholders have submitted that no relief should be allowed to the Petitioner on interest payment that it has asked for the loan of Rs 174 Crore towards cost of assets taken over in July 2002. This interest should be paid from Petitioner's own resources and not booked to tariff.

DPCL has submitted that the repayment schedule of the loan amount of the Holding Company cannot be altered by virtue of the fact of it being allowed into the tariff or not. The repayment schedule has been fixed by the Transfer Scheme and as such cannot be altered under any circumstances by any of the respective transferees.

2.12.2 Response of the Petitioner

The Petitioner hasn't submitted any response in this regard.

2.12.3 Commission's Views

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

2.13 Consumer Security Deposit

2.13.1 Objections

The stakeholders have submitted that the Petitioner should bear all the liabilities/responsibilities of security deposit as against their claim of restricting the liability to Rs 8 Crore.

2.13.2 Response of the Petitioner

The matter regarding the payment of interest on security deposit is under consideration with the Hon'ble Commission w.r.t. the Petitioner.

2.13.3 Commission's Views

The approach adopted by the Commission with respect to interest on consumer deposit has been deliberated in Section 3 of the Order

2.14 Miscellaneous Issues**2.14.1 Objections**

The stakeholder has submitted that the service and response time for fault reports should be indicated by the Petitioner. The stakeholders have submitted that the bill or the counterfoil returned with the payment of bill should have space so that consumers can fill in their response to the Petitioner.

The stakeholders have submitted that "Meter Self-Reading" (by the consumer) scheme be introduced. This would curtail the billing expenses incurred by the DISCOMs. The stakeholders are of the view that as the cost of preparing and distributing bills remains high, the domestic consumers should be allowed to make payments each month based on self-readings to bring down the expenditure under this head.

The stakeholders have submitted that there is large number of illegal commercial establishments in residential colonies and they are consuming a large amount of power from the legitimate share of the residents. The power tariff for such illegal commercial users (having load more than the normal residential load) in the residential colonies should be charged at rates higher than the prevailing commercial rates since they are not authorised to run commercial establishments in the areas meant for residential use only. It has been stated that the requirement of power is increasing day by day due to growth of commercial establishments which necessitates additional power procurement at a high cost so this additional burden should be charged from commercial establishments.

The stakeholders have further mentioned that the DISCOMs are granting electricity connections to vast numbers of illegal persons, encroachers and unlawful colonisers in unplanned developments and for this, electricity meant for persons in the planned areas with lawful land is being diverted. Despite numerous time bound directions of the Superior Courts, including the Hon'ble Supreme Court of India, to electrically disconnect such persons, no genuine effort has been made to implement these Court orders.

The stakeholders have submitted that the cooperation and continuous support received from the consumers, associations/federations help the DISCOM companies in reduction of theft of energy in their respective areas. All surcharges and collection levied in theft of energy must be passed on to the honest consumers. Such collections are not shown as receipt by the DISCOM Companies.

The stakeholders have submitted that there are many instances that faulty meter/burnt meter/meter with no display are not replaced immediately on complaint but instead the consumers are put to hardships in so much so that the charges of 'seems to be fictitious/theft' are remarked only on physical verification without downloading the data from meter and taking no laboratory test. It has been suggested that without ascertaining the theft from data of meter, no adhoc bill be raised but the supply be restored immediately by installing another meter so that consumer does not suffer. It has also been submitted that little care has been taken by the Petitioner with regard to the billing complaints. A set time frame should be given to such complaints. The surcharge should not be levied when the billing complaint is lying pending and in case the consumers have been regularly paying the monthly bill calculated by him.

It has also been submitted that the projected level of Fringe Benefit Tax (FBT) is very high and is not as per the Act.

The stakeholders have submitted that on going through earlier orders of the Commission, it is noticed that the component of fixed charges has been taken into account while allowing the incentive to the Distribution Companies on account of

over-achievement. The fixed charges are not the ingredients of the AT&C loss reduction by Distribution Companies. The amount of fixed charges, therefore, be separated while calculating the incentive for over-achievement of the Distribution Companies and the same principle be adopted in the previous orders as well.

TRANSCO has submitted that the Policy Directions dated 22nd November 2001 read with the subsequent notification dated 31st May 2002 nowhere stipulate determination of Bulk Supply Tariff on the basis of paying capacity of DISCOMs.

The stakeholders have submitted that the DISCOMs themselves have taken contrary stands in different matters concerning their being private/Govt. company. While on the one hand the DISCOMs have challenged the Central Information Tribunal order regarding applicability of RTI Act on the ground they are private companies while on the other hand, they are seeking APDRP grants/soft loans, which are primarily meant for Govt. companies.

The capital city of Delhi should have a well laid and sound distribution system with effective safety devices. Some of the stakeholders have stated that cumbersome formalities are still the order of the day for consumers. It has been stated that uniform retail tariff in all the three DISCOMs is an incentive for non-performance. Further, fuel adjustment charge will be a burden on the consumers and is not called for.

The stakeholders have suggested that Demand Side Management should be emphasised and subsidies must be abolished. The use of solar water heating system should be encouraged and wasteful consumption of electricity be penalised

It has also been submitted that the Commission may ascertain the steps taken by the DISCOMs to prevalent recurrence of inflated billing.

The stakeholders have submitted that the Petitioner has projected very high expenses of over Rs 175 Crore for staff cost, A&G Expenses and R&M expenses and Rs 87 Crore for bank charges. These expenses should be reduced and the surplus achieved should be set off against paying capacity of the private operator and cost of power purchase.

2.14.2 Response of the Petitioner

Regarding the response time of faults, the Petitioner has submitted that BYPL has filed ARR and data pertaining to consumer complaints in the formats specified by the Commission.

Regarding the determination of BST on the basis of paying capacity of DISCOMs, the Petitioner has submitted that the determination of tariff to be charged from the consumer is the prerogative of the Hon'ble Commission. The Hon'ble Commission in Section 4.6 of its Tariff Order issued on 26th June 2003 has deliberated on the issue of Tariff determination process during the control period as per the Policy directions issued by GNCTD. There is no merit in revisiting the matter.

Regarding inflated billing, the Petitioner has submitted that initially when the new billing system was implemented, it encountered some minor problems which are natural for any process change initiative or for a system to normalise. BYPL is committed to bring further improvements to enhance customer satisfaction.

Regarding the annual audited accounts, the Petitioner has submitted that the accounts of BYPL are audited both internally and externally by statutory auditors as per the requirements of the Companies Act, 1956. As per the license conditions, BYPL is required to prepare annual accounts up to the thirty-first day of March each year, and render an annual statement of the audited accounts to the Commission along with auditor's report, within a period of nine months from the aforesaid date, to the Commission. BYPL is providing the provisional unaudited accounts for FY 2005-06 to the Commission. The Commission also undertakes detailed scrutiny of the accounting statements before admitting the expenses in the ARR proceedings.

2.14.3 Commission's Views

Regarding the issue of service and response time for fault reports, the Commission would like to inform the respondents that the Petitioner submits the service and response time for fault reports in the formats specified by the Commission.

The Commission has taken note of the suggestion of the respondent regarding

providing enough space on the bill to fill in response and advises the Petitioner to explore the feasibility of the same.

The Commission has no jurisdiction over the issue of illegal commercialisation in residential colonies. The Licensees are, however, directed to comply with the Orders/directions of Hon'ble Courts in this regard.

With regard to the surcharges and collection for theft to be passed on to the honest consumers, the Commission clarifies that the entire revenue earned from all the sources by the DISCOMs which includes the revenue from the theft is considered while determining the ARR of DISCOMs and fixes the tariff accordingly.

On the issue related to metering and billing, the Commission would like to clarify that this issue does not relate to ARR and will be taken up separately while revising the Metering and Billing Regulations.

Regarding FBT, the Commission would like to inform the respondents that FBT has been considered in the ARR as per provisions of the Income Tax Act 1961.

In respect of the issue of incentives for overachievement, the Commission would like to inform the respondents that the overachievement amount is worked out as per the Policy Directions.

Regarding the issue of determination of bulk supply tariff, the Commission would like to reiterate that the GNCTD mandated the Commission vide Policy Directions dated 22nd November 2001 to determine the bulk supply tariff applicable to each of the three DISCOMs for purchase of electricity from TRANSCO. The Commission vide its Order dated 22nd February, 2002, for determination of Bulk Supply Tariff, enunciated the paying capacity concept to maintain the uniform retail supply tariff throughout the area of supply of the 3 DISCOMs as stipulated in the Policy Directions.

The Commission would like to bring to the notice of the respondents that as per the recent notification by the Chief Information Officer, Government of India, RTI Act is

applicable on the DISCOMs also. However, the High Court of Delhi by its Order has stayed the notification.

Regarding APDRP funds, the Ministry of Power, GoI, is not extending any APDRP grant /soft loans to the DISCOMs.

2.15 Street Lighting

2.15.1 Objections

The stakeholders have submitted that the Petitioner has claimed that the street lighting is being maintained at an average level of 97% but in certain industrial areas the street lighting level is stated to be maintained at an average level of 20-40% only. The stakeholders have suggested that the Petitioner should install solar streetlights at a lesser distance to save power

As per MCD, it is not correct to point out that MCD is not making payments to DISCOMs towards energy consumption of semi-high mast lights. MCD has paid Rs. 1.68 Crore for the period upto March 2004 and Rs. 3.97 Crore for the period April 2004 to January 2006. Further, an amount of Rs. 18.55 lakh has been paid for the month of February 2006 for the said semi-high mast lights.

MCD has also stated that it has been making payment to DISCOMs for street lighting based on joint inspection reports as per DERC order dated 16.03.2004. With regard to payment towards street lighting points installed from MLA funds, the required documents regarding date of energisation and verification by field staff is still awaited. The payment pertaining to LT bills is being paid as and when the bills are received for payment after verification.

2.15.2 Response of the Petitioner

The Petitioner has submitted that Street lights in Delhi are owned by Road Owning Agencies like MCD, PWD, DDA etc and these are maintained by the Petitioner on behalf of the road owning agencies for which the Petitioner gets maintenance charges from them as stipulated by the Commission from time to time.

The Petitioner has appreciated that installation of solar equipments on the street lights will reduce consumption of electricity, but has stated that it cannot on its own set up solar equipments on the street lights as the Petitioner is only mandated to maintain the existing street lights owned by MCD/PWD/DDA etc. Further, as per Section 65 of Electricity Act, 2003 the GNCTD may grant budgetary support to any consumer or class of consumer in the tariff determined by the Commission and providing subsidy for installation of solar power system by consumers will have to be seen by GNCTD/Commission after taking all relevant factors into consideration.

The Petitioner has also stated that it is maintaining the street lights points which were handed over by the land owning agencies in working condition. For other non-functioning street light points handed over, the Petitioner had taken up the matter with the respective agencies and is willing to rectify such non-functional street lights provided such agencies agree to bear the cost of providing new light fittings and laying of service. The functioning level of street lights is determined by joint inspection of the representatives of MCD/PWD every month. The Petitioner has stated that there have been several instances of theft of street light equipments which has lead to frequent disruption of street light functioning. However, any specific complaint of non-functioning of street lights are duly attended as and when brought to the notice of the Petitioner's local offices.

2.15.3 Commission's Views

Regarding installation of solar streetlights at a lesser distance to save power, the Commission directs the Petitioner to study the feasibility of the same with the cost benefit analysis and examine the same in consultation with the land owning agencies. Thereafter the schemes could be submitted to the Commission, in case any ARR/Tariff issues are involved. The matter for payment of material used in maintenance of street lights is under discussion with all concerned agencies.

2.16 Waiver of Electricity Tax

2.16.1 Objections

The stakeholders have submitted that the collection of Electricity Tax by the DISCOMs is against the provisions of the DMC Act, wherein there is no provision for any outsider to collect tax on behalf of MCD, hence the electricity tax should be

waived / abolished. Some stakeholders have also pointed out that Electricity Tax is chargeable under DMC Act, 1956 and this amount is payable to MCD, therefore, the DISCOMs, Commission or any other agency has no authority to waive this until the MCD Act is amended accordingly. It has been suggested that MCD should stop charging 5% Electricity Tax.

2.16.2 Response of the Petitioner

The Petitioner has stated that as per the DMC Act, the electricity tax is payable by consumers for electricity obtained from a licensee within the area of the Corporation. DVB was authorised to collect the electricity tax on behalf of MCD by its resolution and Petitioner being one of the successor entity of DVB in terms of the Transfer Scheme is continuing with the same arrangement. However, it is for the MCD to decide on the mode of collection. As per the Petitioner, this practice of collection of electricity tax by distribution licensee is being followed in other electricity utilities in the country.

The Petitioner has submitted that Electricity Tax is charged in the electricity bills as per the provisions of MCD Act at the rates notified from time to time and the Electricity Tax realized through the electricity bills is then remitted to MCD.

2.16.3 Commission's Views

The issue of levy of electricity duty is outside the purview of the Commission. Since the electricity duty is levied under the Municipal Corporation of Delhi (MCD) Act, 1956 the MCD would be the appropriate authority to deal with the issue.

2.17 Choice of Power Distributor/Licensee

2.17.1 Objections

The stakeholders have submitted that the Commission can consider introduction of more than one Distribution Company/licensee in the same area so that there is competition between the licensee and the consumer has a choice to opt for any of the distribution licensees.

2.17.2 Response of the Petitioner

As per the Petitioner, the EA, 2003 has enabling provisions for grant of parallel distribution licensees. However, it is the prerogative of the Commission to grant such

license.

2.17.3 Commission's Views

In this regard, the Commission has notified the Terms and Conditions for Open Access, Regulations 2005 on 3rd January 2006 and according to it open access to the intra-state transmission system in the state is already available at present. The open access to distribution system will be allowed in the phased manner from 1st July, 2007. Further, the Commission will consider the license application, if any, for second Licensee in the same area in accordance with the applicable provisions of the law to create competition.

2.18 Capital Expenditure

2.18.1 Objections

TRANSCO has submitted that aggressive and accelerated capital expenditure for FY 2005-06 and figures estimated for 2006-07 have an impact in the form of higher interest expenses and greater return on equity and also a higher depreciation which would increase the expenditure of the DISCOMs and adversely affect the Bulk Supply Tariff of the TRANSCO if retail tariffs are not increased appropriately. It has been requested that the Commission may measure the actual tangible benefits from the capital expenditure before considering the truing up for the consideration of ARR for FY 2005-06. In this the cost benefit analysis of the capital expenditure schemes with details regarding reduction in AT&C losses and the impact of additional revenue should be furnished by the DISCOMs.

The stakeholders have requested that the DISCOMs should be directed to come up with alternative schemes for loss reduction so that the least option can be adopted. Further, the capital expenditure has to be commensurate with the quality of service provided.

The stakeholders have submitted that the capitalisation of Rs. 436 cr. in the ensuing year or any increase in the capital expenses, as proposed by BYPL should not be allowed till a corresponding increase in revenue collection takes place.

The stakeholders have further submitted that the asset value of BYPL has increased from Rs 290 Crore in FY 2002-03 to Rs. 1083 Crore in FY 2005-06 and would become 1520 Crore in FY 2006-07 and it needs to be checked if it was really deployed or only manipulation in books.

2.18.2 Response of the Petitioner

The Petitioner has submitted that it had inherited a dilapidated distribution network at the time of take over which was incapable of supplying quality power supply to the consumers. Therefore, capital investments have been made to upgrade and modernise the distribution network in order to provide better quality of supply with enhanced reliability. Accordingly the overhead LT lines are being replaced with underground cables/LT Aerial Bunched Cables (ABC) as per the techno-economic feasibility. Further, in its efforts to reduce losses, High Voltage Distribution System (HVDS) has been implemented in many areas.

The Petitioner has stated that it is regularly submitting the Detailed Projects Reports (DPRs) of Capital Expenditure Schemes (CAPEX), including cost-benefit-analysis for approval of the Commission. The Commission undertakes the rigorous scrutiny and technical discussions with site verifications before approving the capital expenditure. The funding of CAPEX is in the debt equity ratio of 70:30 and the methodology of funding has been explained in the previous Tariff Orders of the Commission. Subsequently the scheme-wise Progress Reports are also submitted to the Commission periodically along with other related information which includes cost of material, quantity of material, the progress made, date of completion of the scheme etc. After detailed assessment the assets are capitalised in the ARR by the Commission. Further, the Commission also undertakes the truing up exercise at the end of the financial year.

The investment by the Petitioner in the ARR is required in view of the poor network condition inherited, to achieve loss reduction target, to improve the system reliability, etc. Hence as per the Petitioner, restricting capital expenses will have serious implication on the quality of supply and loss reduction target.

2.18.3 Commission's Views

The submission of the Petitioner is in order. In this context, the Commission has been holding detailed discussions and technical sessions with the DISCOMs to analyse the cost benefit for investments already made as well as for the investments proposed to be made by the DISCOMs. Apart from the technical feasibility of the various schemes, the Commission has also conducted sample checks for progress of capital expenditure, quality of execution of work at site and compliance with statutory clearances i.e. by the Electrical Inspector etc.

The scheme-wise details of actual investments during FY 2005-06 and the Petitioner's preparedness for executing the works proposed under the capital investments for FY 2006-07 were obtained from the Petitioner and the same have been duly analysed by the Commission while allowing for the capital investments for the purpose of determination of the Annual Revenue Requirement (ARR) as detailed out in Chapter 3 of the Order. The aspect of least cost option is also being given due consideration at the time of according scheme wise approval for capital investments.

2.19 Means of Financing Capital Expenditure

2.19.1 Objections

The stakeholders have further submitted that as per the Petitioner the rescheduling of DPCL loan of Rs 174 Crore along with interest of 12% p.a., will help in reducing the overall sector gap, which would ultimately prevent the consumers from tariff shock. As per the stakeholders, the Petitioner may be asked to suggest some alternatives for repayment of the interest and principal amount of the loan and the Commission may take up the matter with DPCL and the Government of NCT of Delhi for an early decision on the rescheduling of the loans as suggested by the Petitioner.

DPCL has however submitted that the repayment schedule of the loan amount of the Holding Company cannot be altered by virtue of the fact of it being allowed into the tariff or not. It has been stated that the repayment schedule has been fixed by the Transfer Scheme and as such cannot be altered under any circumstances by any of the respective transferees. The relevant letters written to DISCOMs in this regard have been submitted by DPCL along with their reply.

2.19.2 Response of the Petitioner

Regarding DPCL loans, the Petitioner has submitted that as per the Transfer Scheme BYPL has to service the loan of Rs. 174 Crore from DPCL. The Commission in its last Tariff Order had opined that in case repayment and interest on this loan is considered to be a pass through in ARR of the utilities, the overall sector gap will increase substantially and it will also be difficult at any stage to service this outstanding loan in the books of all successor companies.

The Commission had requested BYPL to take up the matter of servicing the loan with appropriate authority without affecting the ARR of BYPL. The Petitioner had accordingly taken up the issue with DPCL/GNCTD. In its response DPCL has reiterated that BYPL have to service such loan in terms of the Transfer Scheme. The Petitioner has therefore provisioned the amount in its ARR but this will put an additional burden on the ARR for FY 2006-07.

2.19.3 Commission's Views

In the light of clarifications furnished by the Petitioner that the DPCL/GNCTD have not agreed to modify the terms and conditions of the Opening Balance Sheet loans in the books of various successor entities, the Commission is left with no choice but to provide for servicing of the loans in accordance with the Transfer Scheme.

The Commission has deliberated upon the issue of means of finance for capital expenditure in detail in Chapter 3 of the Order.

2.20 Return on Equity

2.20.1 Objections

The stakeholders have submitted that the Petitioner has assumed 16% return on equity as provided under the Transfer Scheme. A clarification has been sought as to why the Petitioner should calculate return on equity on the capital and free reserves at the end of the year. As per the stakeholders, during the year the Petitioner would be using only the equity and reserves that stand in its books at the beginning of the year, hence it is quite reasonable that return on equity should only be calculated on equity and reserves at the beginning of the year.

The stakeholders have submitted that the DISCOMs are claiming the income tax and related taxes in the ARR as expenditure. These taxes could be claimed in the ARR as expenditure if the Policy directions had assured them a clear profit of 16%, but they are assured a return on equity of 16%, meaning thereby pre tax 16% and not post tax 16%. Therefore, all the income tax already claimed/allowed should be reversed while truing up the accounts.

It has also been submitted that the free reserves as estimated by the Commission at the closing of the financial years for the purpose of granting returns is not matching with the reserves shown by them in their balance sheet, thus rendering the calculations on the free reserves inappropriate and incorrect. It has been requested that truing up of the returns be carried out as per the reserves indicated in the balance sheets.

The stakeholders have submitted that the 16 % Return on Equity (RoE) on paid up capital and free reserves is in contravention of Schedule VI of Electricity (Supply) Act 1948. Further, the Tariff Policy also stipulates that SERCs should follow CERC's guidelines for returns in generation and transmission sector. The Central Commission may adopt either RoE or return on capital method, whichever is considered better in the interest of consumer. The State Commission may consider "distribution margin" as basis for allowing returns in distribution business at an appropriate time. It has been therefore submitted that while deciding RoE, the Commission should bear in mind that the Tariff Policy permits only the reasonable surplus for growth and the Commission should therefore ignore the 16 % RoE as it is also against Electricity (Supply) Act, 1948.

TRANSCO has submitted that the DISCOMs are utilising the returns in the capital expenditure schemes and thereby earn returns on free reserves too. Thus, the returns of the DISCOMs are going up year-after-year. It has been expressed that with capital expenditure schemes being identified for the cost benefits of the consumers on scrutiny of capital investment plans, necessary adjustments might be required in RoE which will have impact on the tariff.

2.20.2 Response of the Petitioner

The Petitioner has submitted that RoE is to be calculated in accordance with the Policy Direction issued by the GNCTD. The Petitioner has further explained that in terms of section 28(2)(a) of the Delhi Electricity Reform Act, 2000 the Commission is guided by the sixth Schedule of the Electricity (Supply) Act, 1948 for determination of licensees revenue and tariffs. As per clause 2(b) (xi) of the said sixth schedule the definition of 'Clear Profit' indicates that the taxes form part of the expenditure and shall be taken into account while calculating return.

The Petitioner has submitted that Policy Directives stipulates about the tariff of the licensees shall be fixed in a manner such that after meeting all expenses that shall be permitted by the Commission, the licensees earn at least 16% return on issued and paid up capital and free reserves. As per the Petitioner the Commission has already deliberated the issue of post tax return in its Tariff Order for FY 2004-05 wherein the Commission had stated that post tax return has been considered in line with the Policy Directions. The Petitioner has accordingly computed RoE in accordance with the methodology adopted by the Commission in its Tariff Orders.

With regard to free reserves, the Petitioner has submitted that the methodology of calculating the free reserves has been explained by the Commission in its previous Tariff Order. The Petitioner is stated to be preparing its accounts in accordance with the statutory provisions of the Companies Act, 1956 and the methodology of calculating the free reserves for the purpose of annual accounts differs with the methodology adopted by the Commission, hence both cannot be equated.

The Petitioner has stated that it is submitting the provisions for the taxes during the filing of ARR and the actual tax expenses with tax receipts is submitted at the end of the year to the Commission.

2.20.3 Commission's Views

The Commission has deliberated upon the issue of Return on Equity in detail in Chapter 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 as put to use during the year and further restricting the equity component to 30% of the total investments. The Commission would like to highlight that the Central Electricity Regulatory Commission also follows the same procedure in respect of Return on Equity. Further, the Hon'ble Appellate Tribunal for Electricity while upholding the methodology adopted by the Commission has mentioned the following in its Order dated 24th May 2006

“The claim that the particular formula has to be adopted in assessing the ROE with a reference to the date of investment, in our view, has been rightly discountenanced by the Commission. We do not find to interfere with the conclusion of the Commission in this respect. A hue and cry made by the appellants based upon legitimate expectations is without any merits. The Commission had rightly allowed ROE and there is no illegality in the rate of ROE.”

2.21 Employee Costs

2.21.1 Objections

The Petitioner is stated to be claiming expenditure towards payment of extraordinary incentive of over-achievement to their employees. As per the stakeholders, the said expenditure should not be accounted in the ARR and should be paid out of the incentive allowed to the Petitioner by the Commission. It has also been submitted that amortisation on account of VSS and SVRS payment should be disallowed as the matter is already subjudice before the Hon'ble Delhi High Court.

TRANSCO has submitted that the hike in employee costs is very high being more than the normal 10% (due to DA, increments and inflationary trends). It has been stated that the employee cost has increased which is not justified with the expected decrease of 1% in number of employees during FY 2006-07. The Commission has

been requested to consider the revision of employee cost on the basis of inflation and not on basis of growth projected by the Petitioner.

The stakeholders have submitted that the DISCOMs are envisaging to load the VSS expenses on tariff which is neither permissible in law nor it is in accordance with the Tariff Policy and the Policy Directions. The matter is also sub-judice before the Hon'ble High Court. Further, after spending huge sums on VSS, DISCOMs have again hired a large number of employees which is against the spirit of VSS.

2.21.2 Response of the Petitioner

The Petitioner has submitted that under the tripartite agreement with the erstwhile DVB employees transferred to the DISCOMs under the Transfer Scheme, terms and conditions of employment of the transferred personnel have to be protected as those existed prior to the date of transfer. Hence events like merger of DA with basic salary after GoI notification and half yearly increase in DA has resulted in significant increase of employee costs, which is beyond the control of BYPL.

The Petitioner has submitted that due to increase in DA etc, BRPL has projected a marginal growth of 6% in the employee cost for FY 2006-07 even though the manpower inflation rate stands at 10%.

2.21.3 Commission's Views

The Commission has analysed the employee expenses projected by the Petitioner for FY 2006-07 and the actual employee expenses for FY 2005-06. The total employee expenses allowed by the Commission for FY 2005-06 and FY 2006-07 and the approach followed for treatment of VSS expenses has been discussed in detail in Chapter 3 of the Order.

2.22 Depreciation

2.22.1 Objections

The stakeholders have expressed that the suitability of depreciation being charged and its utilisation would be examined by the Commission.

TRANSCO has submitted that the DISCOMs have claimed Advance against

Depreciation to take care of the additional cash flow for meeting the repayment obligation on the loan taken for the fixed assets, but this affects the tariff. TRANSCO has sought clarification about whether the adjustments for dismantled transformers are being considered by the DISCOMs while preparing the books of accounts wherein the value of old equipment being replaced due to its becoming obsolete, is to be reflected in the Gross block of fixed assets of the company as per the Accounting Standards in case the equipment is not scrapped. Therefore, it needs to be explained whether the dismantled or obsolete assets are scrapped or are only replaced.

2.22.2 Response of the Petitioner

The Petitioner has submitted that the amount of depreciation in the ensuing year is not adequate to meet the repayment primarily arising out of the loan repayment requirement of DPCL loan. Therefore, in line with the Commission's Tariff Order dated June 26, 2003 the Petitioner is stated to have claimed advance against depreciation to meet its loan repayment obligation.

2.22.3 Commission's Views

The Commission is allowing depreciation on gross block of fixed assets comprising of opening block and capitalisation of assets on average basis in the middle of the year for each financial year without considering the assets retired during the year. The loan repayment obligation of the Petitioner has been considered vis-à-vis the allowable depreciation to decide on the advance against depreciation requirement, if any. The treatment of depreciation for dismantled transformers, old and unserviceable equipment shall be taken care of in the retirement of assets which is being dealt with separately by the Commission.

2.23 Administrative and General (A&G) Expenses

2.23.1 Objections

TRANSCO has submitted that there is a variance of 66% in the Revised Estimates of A&G Expenses over the Commission's approved figure for FY 2005-06. The Commission has been requested to take a view on such high increase in costs and consider revision accordingly for the ensuing year as well.

2.23.2 Response of the Petitioner

The Petitioner has submitted that it has initiated several steps for enhancing customer care, system augmentation and computerisation for better process management and service delivery. The customer care initiatives included customer care centres, 'Consumer Day', 'Sahyog Meetings', Grievance Redressal etc. These steps were necessary part of the confidence building measure for the consumers. The benefits from all these initiatives have greater economical / social values and far outweigh associated costs. This had resulted in additional A&G expenses. The Petitioner has sought approval of the revised estimate of A & G Expenses from the Commission

2.23.3 Commission's Views

The Commission has analysed the components of A&G expenses projected by the Petitioner for FY 2006-07. The actual A&G expenses for FY 2005-06 have been examined while approving the A&G expenses for FY 2006-07. The details of A&G expenses have been deliberated upon in Chapter 3 of the Order.

2.24 Repair and Maintenance (R&M) Expenses

2.24.1 Objections

The stakeholders have submitted that as the Petitioner has submitted capital expenditure under various heads, the expenditure on R&M works should be negligible and the huge expenditure on R&M should not be accepted.

TRANSCO has submitted that the R&M expenditure needs to be verified vis-à-vis the extent of materials issued by the stores towards the same.

2.24.2 Response of the Petitioner

The Petitioner has submitted that the R&M costs have to be seen in the context of significant reduction in failure of transformers and related equipments resulting in improved reliability of supply. Further as a result of sustained R&M activities the failure rate of transformers has declined by over 89% since July 2002 and the faults in sub-transmission system have reduced considerably with Reliability Index at 99.48% in December 2005 as per CEA formula.

2.24.3 Commission's Views

The Commission has analysed all the components of R&M expenses projected by the Petitioner for FY 2006-07. The actual R&M expenses in FY 2005-06 have been examined while approving the R&M expenses for FY 2006-07. The details of R&M expenses have been discussed in detail in Chapter 3 of the Order.

2.25 Sale of Energy and Revenue Realisation

2.25.1 Objections

TRANSCO has submitted that the DISCOMs have considered a higher growth rate of 10% to 20% in domestic category sales for the reasons that unauthorised colonies have been electrified and there is on going development of new housing colonies. However, a growth rate of 1% to 10% has been shown Industrial & Non-Domestic category respectively. As per TRANSCO with the increase in the consumption being considered in the low tariff category, the projected revenue realisation of DISCOMs will be comparatively low compared to energy sold and this needs a prudence check. Further, other factors to be considered by the Commission is that certain areas in Delhi are coming up with large commercial, shopping complexes and malls, which will result in increase in consumption in the Non-domestic category and the same needs to be factored during the time of determination of retail supply tariff.

TRANSCO has further observed that the average realization rate of all the three DISCOMs is more than Rs 4.25 per unit whereas the existing approved bulk supply tariff payable to TRANSCO by the Petitioner is Rs 1.77 per unit. Accordingly 60% of the total revenue requirement of the DISCOMs is for power purchase and 40% is to recover the cost and return which is considered to be sizeable percentage of total revenue. Therefore, it has been requested that this aspect may be looked into while allowing expenses and determining tariff. It has been expressed that the extra revenue should result in higher Bulk Supply Tariff (BST) so as to reduce the revenue gap.

TRANSCO has further submitted that it has made annual projection in its petition on the basis of details furnished by the Petitioner (5318 MUs) but in the individual petition filed by the Petitioner, the projected power purchase is (5477 MUs) which is lower by 2.90%. The Commission has been requested to seek necessary clarifications

and allow only the realistic power purchase of energy by DISCOMs as the same will affect the ARR of TRANSCO also.

2.25.2 Response of the Petitioner

The Petitioner has submitted that in its ARR filing for FY 2006-07 (Section 5.1 and 5.2) the rationale and methodology adopted for projection of sales of energy in the ensuing year has been explained in detail. The increase projected for Domestic and Non-domestic category is almost similar (10% and 9% respectively). The Petitioner has explained that the growth in sales of industrial category is lower due to re-categorisation of large number of industrial consumers to non-domestic category and relocation/decline of industries due to the Court Orders and environmental/Pollution Board initiatives.

Regarding the revenue realization rate, the Petitioner has submitted that the Policy Directions issued by GNCTD envisage uniform retail tariffs across the DISCOMs and, the bulk supply tariff to be determined so as to, allow the DISCOMs to recover all permissible expenses for the year during the control period. Hence, the BST payable by DISCOMs is to be determined on the basis of the paying capacity of the Petitioner after providing for all prudent expenses (operating as well as capital related) at the AT&C loss levels as per the GNCTD Policy Notifications. Further, the Commission undertakes truing up exercise at the end of the financial year based on actual energy sold to all categories of consumers.

The Petitioner has clarified that the projections for energy demand are similar to that submitted to TRANSCO vide letter number TRANSCO/05-06/223 dated 14th December 2005.

2.25.3 Commission's Views

The Commission has noted the submissions of TRANSCO and the Petitioner. The relevant aspects have been deliberated with regard to the energy requirement, the cost to serve (comprising of power purchase cost and distribution cost) and revenue realisation of the Petitioner in Chapter 4 of this Order.

2.26 DVB Arrears and LPSC

2.26.1 *Objections*

TRANSCO has submitted that the past DVB arrears are not the receivables against the energy sold by DISCOMs and accordingly these arrears should not be a part of their receivables accruing from sale of power to the consumers. It has been stated that the amount so received should be kept in a separate account out of which 20% should be credited by DISCOMs to their non-tariff income whereas rest 80% passed over to the Holding Company. It has been requested that the Commission may consider the above so that the DISCOMs do not include such arrears in the computation of AT&C losses.

DPCL has submitted that the Transfer Scheme does not support the ploughing back of DVB period receivables (to the account of Holding Company) into the sector. As per DPCL, the letter and spirit of the Transfer Scheme is paramount in the facts and circumstances of the case according to which the Holding Company is the sole recipient of the dues/receivables for the DVB period. The Commission has been requested to take note of this for appropriate remedial steps to bring the position in consonance with the Transfer Scheme

DPCL has further submitted that post unbundling LPSC being collected on DVB period arrears has to be on account of the Holding Company and cannot be retained by the DISCOMs as per the provisions of the Transfer Scheme. It has been requested that DISCOMs may be directed to treat the same accordingly for the future and additionally the amount so far taken by the DISCOMs on this account be returned with interest.

The stakeholders have submitted that the arrears collected up to 31st March 2006 (under LPSC waiver scheme) are not reflected in the ARR.

2.26.2 *Response of the Petitioner*

The Petitioner has submitted that the Commission has already discussed the issue of treatment of DVB arrears at length in Section 4.5 of the Tariff Order issued on 9th June 2004.

The Petitioner has submitted that it needs to be noted that the collection of past Arrears was also part of the computation of opening level of AT&C losses by the Commission and the methodology of computation of AT&C losses was explained clearly by the Commission in its Tariff Order issued in February 2002. Therefore, there is no merit in revisiting the methodology of computation.

The Petitioner has further submitted that as per the provisions contained in the Transfer Scheme, the Petitioner is only authorized to collect the erstwhile DVB receivables and is not obliged to collect the receivables, which are to the account of DPCL. According to the provisions of the Transfer Scheme, the amount of DVB arrears realised by the DISCOMs shall be shared between the Holding Company and DISCOMs in the ratio 80:20. Therefore, the receivables as on the date of Transfer Scheme, other than Rs. 122 Crore, as provided in the opening Balance Sheet, if collected by the DISCOM is to be shared in the rate of 80:20 between DPCL and the Petitioner. The Petitioner has considered 20% of the past arrears of DVB collected as income in the ARR, therefore, 20% commission on arrears is being passed on to the consumers while estimating the ARR and it is not an additional return to the Petitioner.

The other facts associated in this regard have been stated as follows:

- That at the time of transferring of receivables, DPCL had provided to the Petitioner the amount outstanding from each consumer as one figure without giving the bifurcation between the principal amount and LPSC amount outstanding. As such it is difficult to segregate the Principal and LPSC amount on such arrears.
- To arrive at the LPSC accrued from 1st July 2002 till date on such principal amount of each consumer, the payments made/ adjustments/ bill revisions/ three tariff revisions (including the rate to be charged for LPSC)/ Government Subsidy (two occasions) / DISCOM Adjustment have to be considered and would require re-running of the entire billing process for all consumers for 48 months which is a mammoth / near impossible task. This would also distort the entire billing and arrears position of all consumers.

- The matter has been discussed at length at various occasion with the representatives of DPCL and till date no final conclusion /methodology has been arrived at.

2.26.3 Commission's Views

The Commission has noted the submission of the stakeholders and the Petitioner. With regard to the DVB Arrears, the Commission has deliberated on the relevant treatment in detail in Section 3 of the Order.

The methodology for computation of AT&C loss had been explained by the Commission in its Bulk Supply Tariff Order issued in February 2002.

For collection of DVB arrears, the Commission would like to clarify that in its previous Tariff Orders, the Commission has considered 20% of the past arrears of DVB collected by the Petitioner as income forming as part of total revenue while estimating the Annual Revenue Requirement and the balance 80% to be passed on to TRANSCO. The same practice has been continued for FY 2006-07 as well.

2.27 Procedural Issues

2.27.1 Objections

The stakeholders have submitted that the Commission, in its Public Notice published in the newspapers, has not mentioned the provisions/sections of Electricity Act, 2003 and DERA 2000, under which the DISCOMs are entitled to file petitions in the Commission each year.

One of the stakeholders has submitted that the compulsory payment of all billing of Rs. 4000/- or more by Cheque/DD should be per month and not on per bill basis and may be modified to Rs. 8000/- per bill in case of bills which are for a period of 2 months.

The stakeholders have submitted that 16 days time frame given to the Public to file their responses is not acceptable and ought to have been at least 60 days considering the complexity of the matter running into 1000 pages which the Commission itself took about 90 days to comprehend.

2.27.2 Response of the Petitioner

The Petitioner has submitted that for convenience of the consumer various options for electricity bill payment has been provided like ECS, cash counters, Sky Pak drop boxes, easy bill outlets, credit cards, net banking, pay by phone, ITZ cash card, etc. The Petitioner is implemented the Orders of the Commission with respect to made of payment of bills of more than Rs. 4000/- by cheque/DD and any relaxation in this regard can only be made by the Commission.

With regard to the time allowed for filing of public responses, the Petitioner has submitted that the Commission is empowered to decide as how much time should be granted for getting comments keeping in view the fact that tariffs are to be set annually and determined within the statutorily established time limits.

2.27.3 Commission's Views

The Commission considers the time provided to the stakeholders for responding to the petitions as reasonable, considering that the public notice in the newspapers was brought out by the Commission on April 7, 2006 and the last date of submission of responses was further extended from April 27, 2006 to May 10, 2006.

The Commission has already dealt with the issue of payment by cheque/DD in detail in the last Tariff Order and accordingly directed the Petitioner to accept the payment of bills of more than Rs 4000/- through cheques/DD. The Commission decides to continue with the same practice in FY 2006-07 as well.

3. Analysis of Annual Revenue Requirement

The Petitioner submitted the Petition for Aggregate Revenue Requirement (ARR) and Tariff Determination for FY 2006-07 in the prescribed formats as per the revised guidelines, dated August 2002, issued by the Commission for filing of ARR. The Commission held various technical sessions with the Petitioner to validate the data submitted and the Petitioner was asked to submit the actuals for FY 2005-06 based on audited account, whereas, the Petitioner submitted the actuals for FY 2005-06 based on provisional accounts. 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 and revenue to arrive at the revenue requirement for FY 2006-07.

Based on the Tariff Order dated July 7, 2005 for FY 2005-06, the information provided and Commission's analysis, the Commission has trued up all elements of ARR based on the actual expenses and revenue for FY 2005-06 of BYPL after ensuring that the expenses satisfy the test of reasonable prudence. Similarly for FY 2004-05, the Commission has trued up all elements of ARR based on the final audited accounts for FY 2004-05 as per the truing up mechanism prescribed in the previous Tariff Orders. The expenses trued up for FY 2004-05 have been discussed in Para 3.13.

The Commission would like to highlight that the approval of the capital schemes has been undertaken separately from ARR and Tariff Determination process, as it requires significant time and resources of the Commission.

Table 3.1 gives a snapshot of the total revenue gap/surplus as allowed by the Commission for FY 2006-07.

Table 3-1: Revenue Gap/ (Surplus) for FY 2006-07 (Rs Crore)

| Description | FY 2006-07 | |
|---|------------|------------|
| | Petition | Commission |
| | | |
| Expenses excluding Power Purchase Cost(A) | 364.22 | 283.61 |
| Return (B) | 36.31 | 36.31 |
| Non-Tariff Income (C) | 35.26 | 42.30 |

| | FY 2006-07 | |
|--|----------------|-----------------|
| | | |
| Revenue Requirement (A+B-C) excl. Power Purchase Cost | 365.28 | 277.62 |
| Revenue realised at existing Tariffs | 1358.94 | 1382.62 |
| Power Purchase cost at existing BST | 942.64 | 964.53 |
| Revenue Gap/(Surplus) | (51.02) | (140.47) |

The methodology followed for arriving at various elements of ARR as allowed by the Commission has been discussed in detail in the following paragraphs.

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

3.1 Employee Expenses

3.1.1 Petitioner's Submission

The Petitioner has estimated gross employee expense of Rs.142.74 Crore for FY 2005-06 (including the SVRS amortization of Rs 50.79 Crore), which is higher than

the Commission's approval of Rs. 138.12 Crore.

For FY 2006-07, the Petitioner has projected gross employee expenses at Rs. 139.28 Crore (including the SVRS amortization of Rs 40.87 Crore). The Petitioner has also proposed capitalization of Rs. 6.39 Crore, thereby resulting in a net employee cost of Rs 132.89 Crore. The assumptions made by the Petitioner in projecting expenses for FY 2006-07 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 has proposed to amortise the benefits of the SVRS over the period till the SVRS costs are fully recovered. The Petitioner estimated the gross employee expenses at Rs. 91.95 Crore and Rs. 98.41 Crore for FY 2005-06 and FY 2006-07, respectively without considering the SVRS expenses. The Petitioner proposed to amortize Rs. 50.79 Crore and Rs. 40.87 Crore during FY 2005-06 and FY

2006-07, respectively. Therefore, the Petitioner has determined the net employee expenses (after capitalisation) including the SVRS amortisation as Rs. 135.74 Crore and Rs. 132.89 Crore for FY 2005-06 and FY 2006-07, respectively.

The Petitioner added that once the entire SVRS costs are recovered, the employee costs will substantially reduce and benefit of such reduction can be passed on to the consumers.

3.1.2 Commission's Analysis

The total actual employee expenses for FY 2005-06 as submitted by the Petitioner are Rs. 142.90 Crore including the SVRS amortisation expense of Rs 50.80 Crore including SVRS terminal benefit payment of Rs 12.40 Crore. The Petitioner has capitalised Rs. 9.50 Crore during FY 2005-06. The total actual net employee expenses after capitalisation works out to Rs 133.40 Crore.

The Commission in its Order on ARR and Tariff Petition for FY 2005-06 and in earlier orders has elaborated on the mechanism to be followed for treatment of SVRS expenses (including meter reading and bill distribution expenses) and the treatment of employee expenses in lieu of SVRS. Therefore, for FY 2006-07, the Commission would like to continue with the same approach for considering the employee expenses in the ARR i.e. expenses on account of implementation of SVRS scheme have to be met from the savings in employee costs on account of reduction in employees. Therefore, Commission has not considered both the SVRS costs and savings in employee costs due to SVRS while analysing employee expenses.

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. The Commission in its earlier Tariff Orders has worked out the payback period of 3 years for amortising the entire SVRS related expenses and in case of any additional expenditure on account of trust liabilities, the payback period may extend beyond 3 years after factoring in the additional liabilities. The Commission would like to separately monitor the VRS including savings from the scheme and additional liabilities to be paid by BYPL in line with the final settlement between BYPL 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 pay back

period of the scheme. **The Commission directs the Petitioner to submit the complete detail of savings, amortisation, additional trust liabilities and other expenses related to SVRS separately within 3 months of issue of this Order.**

The Commission has considered all the items of employee's expenses on actual basis subject to prudence test, except the basic salary, dearness allowance and terminal benefits which the Commission has worked out without considering the costs of SVRS and savings in employee costs due to SVRS for the FY 2005-06. The Commission has considered the DA as 21% of Basic Salary based on average actual DA rate applicable during the year. Regarding the payment to contractual employees, as the actual expenses are almost double in FY 2005-06 in comparison to FY 2004-05 and the petitioner has not provided any justification for the same, the Commission has considered payment to contractual employees at Rs.9.50 Crore by applying escalation of 20% over the actual expenses of FY 2004-05. As regards capitalisation, the actual employee expenses capitalised during the year are Rs. 9.50 Crore, and the Commission has considered the capitalisation to the extent of Rs.9.14 Crore linked with the approved additions to the fixed assets while approving the net employee expenses for FY 2005-06.

For estimating the employee expenses for FY 2006-07, the Commission has projected each component of the employee expenses rather than applying a growth rate on the overall employee expenses of FY 2005-06. 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: 27% of basic salary
- Terminal Benefits (excluding the additional liabilities of terminal benefits arising out of SVRS) –In line with the terminal benefits as approved for FY 2005-06.
- Outsourcing expenses (paid to contractual employees) – escalation of 10% is considered
- Other Allowances and expenses including HRA: Considered in proportion to the Basic, as these components are linked to the Basic Salary

Based on the above assumptions, the net employee expenses for FY 2006-07 have been approved at Rs 132.78 Crore. The Commission has considered capitalization of employees expenses to the tune of Rs 3.97 Crore linked with the approved additions to the fixed assets as prescribed in detail elsewhere in this chapter.

Table 3.2 provides a snapshot view of the employee expenses as proposed by BYPL in the Petition and as approved by the Commission.

Table 3-2: Employee Expenses (Rs Crore)

| Particulars | FY 2005-06 | | | | FY 2006-07 | |
|--------------------------------|----------------------|----------------------|---------------|---------------|---------------|---------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Salaries (Basic, Dearness Pay) | 66.69 | 37.05 | 36.20 | 66.69 | 38.19 | 68.69 |
| Dearness Allowance | 9.61 | 7.05 | 6.70 | 14.01 | 9.19 | 18.55 |
| Terminal Benefits | 12.12 | 8.81 | 7.20 | 12.12 | 9.83 | 12.49 |
| Other Costs | 49.70 | 39.04 | 42.00 | 35.30 | 41.20 | 37.03 |
| Sub-total | 138.12 | 91.95 | 92.10 | 128.13 | 98.41 | 136.76 |
| SVRS Related Costs | 0.00 | 50.79 | 50.80 | 0.00 | 40.87 | 0.00 |
| Sub-total | 138.12 | 142.74 | 142.90 | 128.13 | 139.28 | 136.76 |
| less expenses capitalized | 6.74 | 7.00 | 9.50 | 9.14 | 6.39 | 3.97 |
| Total | 131.38 | 135.74 | 133.40 | 118.98 | 132.89 | 132.78 |

* Other Costs include HRA, payment to contractual employees, bonus/ exgratia, medical reimbursement etc.

3.2 Administrative and General Expense (A&G)

3.2.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2006-07, submitted that against the approved Administrative and General expense of Rs. 17.28 Crore for FY 2005-06, the revised estimates of A&G expenses for FY 2005-06 are Rs. 28.66 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 2005-06. These initiatives include mass media campaign for developing customer awareness on issues like metering, billing, grievance redressal, system augmentation and computerisation for better process management, etc.
- Increased payment options viz 'Easy Bill outlets, 'Skypak' drop boxes, online payment facility through "Bill desk" and "Bill junction" besides own cash collection centres with flexible timings and mobile cash collection counters.
- Launched special meter testing drive to create consumer confidence in the electronic meters installed.
- Steps taken to increase the communications network with the field persons so as to reduce the time gap for restoration of power.
- Increase in taxes by GoI like service tax and education cess which has increased various expenses like insurance, communications, professional charges, audit fees, advertisement expenses, conveyance and travelling, freight etc
- 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 conveyance and travelling expenses due to increase in vehicle running expenses and vehicle hire charges which has increased on account of increase in fuel costs and other factors such as due to deployment of additional vehicles for O & M activities.
- Increase in vehicle hire charges due to hiring of additional vehicles, enforcement drives, meter testing charges etc.
- Expenses incurred for security personnel

For the FY 2006-07, the petitioner has proposed a reduction of 3% (in nominal terms) in A & G expenses which is effectively a reduction of 8-10% in real terms. The Petitioner has projected Administrative and General Expense of Rs. 27.89 Crore for FY 2006-07 which is lower than the Petitioner's revised estimates for FY 2005-06.

3.2.2 Commission's Analysis

The Petitioner has submitted the actual A&G Expenses for FY 2005-06 is Rs. 33.40 Crore including bank charges of Rs. 0.80 Crore and legal charges of Rs. 2 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 on consultancy charges are very high and increased substantially as compared to the last year. 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 Commission has examined the detailed break-up of actual A & G expense for FY 2005-06 submitted by the Petitioner and is of the opinion that there is steep increase in telephone, postal and telegram charges, conveyance and travelling charges (which includes vehicle hire charges also). It may be noted that the Petitioner has not submitted any further details for increase in A & G Expenses as compared to the expenses incurred in the last year. In view of the above and in line with the Commission's previous order, the Commission has considered an escalation of 4 % in A&G expenses.

The Petitioner has claimed legal expenses incurred by them for taking up several cases before different judicial authorities. The Commission is of the view that consumers should not be overburdened due to these kind of expenses. The Petitioner hasn't furnished the complete details of various legal cases and its related expenses. In view of the same, the Commission has allowed provisionally 50% of the legal expenses incurred by the Petitioner for the FY 2005-06 which will be subject to final true-up based on the complete details.

In addition to normal A & G expenses, the Petitioner has also claimed service tax amounting to Rs. 4.60 Crore in FY 2005-06 which appears to be significantly high. Even if all the A & G Expenses are considered to be liable for service tax, it will not work out to Rs. 4.60 Crore as claimed by the Petitioner. The Commission has considered Rent, insurance security, communication, transportation, consultancy advertisement and legal expenses as major items liable for service tax and accordingly approves Rs. 1.80 Crore considering the total of such expenses approved by Commission for FY 2005-06 which is Rs. 17.65 Crore. After examining the actual expenses incurred by the Petitioner for FY 2005-06 in comparison with that of expense for FY 2004-05 and applying the prudence check, the Commission approves

total A & G expenses for FY 2005-06 as Rs. 21.45 Crore including property tax and service tax. For FY 2006-07, the Commission has considered an escalation of 4% in A&G expenses over the approved figures for FY 2005-06 except for the service tax and property tax. The service tax is considered @ 12.24% on the same philosophy as considered for FY 2005-06.

Table 3.3 provides a summary of A&G expenses as proposed by the Petitioner and as approved by the Commission.

Table 3-3: Administration and General Expenses (Rs Crore)

| Particulars | FY 2005-06 | | | | FY 2006-07 | |
|------------------------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Total A&G Expense | 17.28 | 28.66 | 33.40 | 21.45 | 27.89 | 22.68 |

The Commission directs the Petitioner to obtain prior approval for the increase in Administrative & General Expenses beyond the level of expenses approved by the Commission for FY 2006-07.

3.3 Repairs and Maintenance (R&M)

3.3.1 Petitioner's Submission

The Petitioner in its ARR and Tariff Petition for FY 2006-07 submitted that against the approved R&M expense of Rs. 48.04 Crore for FY 2005-06, the revised estimates for FY 2005-06 are Rs. 47.92 Crore.

The Petitioner has projected Repairs and Maintenance Expense of Rs. 47.73 Crore for FY 2006-07. The Petitioner has submitted that it has taken into account the current inflationary trend in material prices and labour costs while projecting this expense.

3.3.2 Commission's Analysis

The actual R&M Expenses as submitted by the Petitioner for FY 2005-06 as Rs. 51.89 Crore. The Commission had opined in the previous orders 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. 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 four years. Therefore, the Commission approves R&M expenses for FY 2005-06 at Rs 48.04 Crore at the same level as approved in the Tariff Order dated July 7, 2005. For FY 2006-07, the Commission has accepted the projections at Rs 47.73 Crore as projected by the Petitioner as it is within the overall approved limit as approved by the Commission for the FY 2005-06.

The Commission directs the Petitioner to continue to provide quarterly report of the actual R&M works carried out along with the transformer failure rate.

Table 3.4 provides a summary of R&M expenses as proposed by the Petitioner and as approved by the Commission.

Table 3-4: Repair & Maintenance Expenses (Rs Crore)

| Particulars | FY 2005-06 | | | | FY 2006-07 | |
|--------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Total | 48.04 | 47.92 | 51.89 | 48.04 | 47.73 | 47.73 |

The Commission directs the Petitioner to obtain the prior approval for the increase in Repair & Maintenance expenses beyond the level of expenses approved by the Commission for FY 2006-07.

3.4 Capital Investments

3.4.1 Petitioner's submission

In its petition for FY 2006-07, the Petitioner has submitted that the Capital Investment plan has been undertaken with the objective to upgrade ageing and weak distribution network to desirable standards so as to provide better network reliability and sustainable performance. The plan also envisaged re-inforcement of the system to provide quality, security and availability of power supply to the consumers, to undertake system development to meet the load growth, achieving the targeted reduction in system losses, undertake automation and other improvement works to enhance customer service and fulfil social obligation such as electrification of

unserved areas. The Schemes proposed under the Capital Investment plan are broadly categorised as: EHV and Distribution schemes, Capacitors, SCADA, Distribution Management Systems, Geographical Information System (GIS), Automated Meter reading (AMR), Distribution Transformer Metering, Consumer Metering, modernisation of LT distribution system and other related schemes. The Petitioner has carried out a network optimisation studies 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 Central Electricity Authority (CEA) and accordingly the implementation of the network upgradation plan has been envisaged. While preparing the investment schemes, the Petitioner has also interacted with TRANSCO so as to have a synchronised and integrated approach for upgradation and implementation of the system.

The Petitioner has submitted that in its endeavour to improve the distribution system in its licensed area, an investment of Rs. 375.42 Crore including interest during construction (IDC) and establishment expenses, is proposed for FY 2005-06. Further the Petitioner has proposed an investment of Rs. 359.74 Crore during FY 2006-07 including IDC and establishment expenses.

During the technical validation sessions, the Commission directed the Petitioner to submit the physical and financial progress of the schemes taken up during FY 2005-06. In compliance with the Commission's directives, the Petitioner has submitted quarterly progress reports covering physical and financial progress of various schemes.

In its petition, the Petitioner has indicated that it has submitted the Detailed Project Reports (DPRs) to the Commission in respect of various capital schemes taken up during FY 2005-06. The Petitioner has subsequently submitted actual capital investment of Rs. 328.80 Crore (Provisional) carried out in FY 2005-06.

The details of investment proposed by the Petitioner for FY 2005-06 and FY 2006-07 in the petition and the actual investment carried out by the Petitioner during FY 2005-06 is summarised in Table: 3.5 below.

Table 3-5: Capital Investment (Rs Crore)

| Description | FY 2005-06 | | FY 2006-07 |
|--|----------------------|---------------|---------------|
| | Rev. Est. (Petition) | Actual | Petition |
| HVDS based electrification projects | 59.74 | 28.00 | 23.54 |
| EHV Schemes | 95.84 | 77.00 | 43.20 |
| Distribution Schemes and LTMP | 114.29 | 121.00 | 191.60 |
| Installation of Capacitor Banks | 8.12 | 6.00 | 3.48 |
| Installation of Supervisory Control and Data Acquisition (SCADA) systems | 16.37 | 12.00 | 17.08 |
| Development and installation of Geographical Information Systems (GIS) | 5.32 | 1.00 | 2.28 |
| Meters and Automated Meter Reading | 27.62 | 43.00 | 11.83 |
| Test equipment, tools and tackles | 3.10 | 1.00 | 0.00 |
| Vehicles | 2.10 | 2.00 | 0.90 |
| IT & Communication | 7.07 | 1.00 | 3.03 |
| Land and Building | 8.40 | 6.00 | 24.70 |
| Miscellaneous | 0.00 | 17.90 | 0.00 |
| Total excluding IDC & Establishment Expenses | 347.97 | 315.90 | 321.64 |

In the subsequent submission, the Petitioner has indicated that it would submit scheme wise targets for the completion and milestones for the FY 2006-07 after assessing/reviewing the progress of capital schemes currently underway.

3.4.2 Commission's Analysis

The Commission has analysed the submissions made in the petition with respect to the actual investment carried out during FY 2005-06 and the proposed investment plan for FY 2006-07. The actual investments made by the Petitioner during FY 2005-06 is Rs. 328.80 Crore including IDC and establishment expenses as against the investment of Rs. 448.64 Crore (with base capital expenditure of Rs. 426 Crore and Rs.22.64 Crore towards IDC and establishment expenses) considered by the Commission in its Tariff Order dated July 7, 2005.

The Commission in its Tariff Order dated July 7, 2005 clarified that the consideration

of capital investment by the Commission for the purpose of determination of ARR, does not imply the approval of Capital Investment for various schemes and the Petitioner has to obtain the scheme wise approval for the capital expenditure incurred during FY 2005-06.

In its Tariff Order dated July 7, 2005, the Commission had further observed 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 had directed the Petitioner to submit the complete DPRs along with cost-benefit analysis for schemes more than Rs. 2 Crore for obtaining the scheme-wise investment approval from the Commission.

In compliance to the Commission’s directives, the Petitioner had submitted the revised DPRs for some of Capital Investment schemes proposed to be executed during FY 2005-06. A number of technical validity sessions were held with the Petitioner for review of the Capital Investment and Cost-benefit analysis thereof. The discrepancies and anomalies in the DPRs were brought to the notice of the Petitioner as the proposed schemes were not in accordance with the Clause 10 of the license condition which inter-alia mentions that the investment under each scheme must be made in an economical and efficient manner.

The Commission asked the Petitioner to provide the complete scheme wise details of actual expenditure incurred during FY 2005-06 along with the completion report and prescribed certificates. The Commission had advised the procurement of material through competitive bidding to ensure that transparency was maintained in Capital Investment as stipulated by license conditions. The Petitioner is yet to submit the entire details for the respective capital schemes taken up during FY 2005-06.

While the detailed scrutiny of the actual capital expenditure incurred during FY 2005-06 is underway, the Commission has considered the total investment including IDC and establishment expenses at the level of Rs. 316.41 Crore on provisional basis. **The Commission would like to clarify that the consideration of capital investment of Rs. 316.41 Crore including capitalisation of interest and establishment expenses by the Commission for the purpose of determination of ARR does not imply the approval of capital investment of Rs. 316.41 Crore and the Petitioner has to submit the balance requisite details for firming up the capital expenditure**

incurred during FY 2005-06. The variation in the capital expenditure considered in this Order with respect to the firmed up capital cost based on the details to be produced by the Petitioner, shall be considered by the Commission during truing up process.

As regards to the capital investment of Rs. 359.74 Crore for FY 2006-07, the Commission has carried out initial scrutiny for the proposed investment. The Commission is of the opinion that the Capital Investment proposed by the Petitioner needs a review for considering prudent investment in an efficient and economical manner.

The Commission is of the view that Petitioner has made adequate investments in the past for improvement of distribution system, as such for FY 2006-07 and the subsequent period the capital expenditure for system improvement should taper down and only the capital expenditure for expansion of the system to meet the growth in load may be required. The Commission reiterates the need for an integrated and a coordinated approach between the TRANSCO and the three DISCOMs for a pragmatic capital expenditure plan to ensure that the benefits of system improvement are available to the end consumers. Keeping in view the present status of preparedness for the proposed investment and need for integrating the implementation plan, the Commission has approved the investment plan for FY 2006-07 at a normative level considering actual investment made during the past years and assessed system requirement for the ensuing period. Accordingly, the Commission has provisionally allowed the investment of Rs. 223.69 Crore including IDC and establishment expenses for FY 2006-07. **The Commission re-iterates that the consideration of capital investment of Rs. 223.69 Crore during FY 2006-07 for the purpose of determination of ARR does not imply the approval of schemes corresponding to capital investment of Rs. 223.69 Crore and the Petitioner has to obtain the scheme wise approval for the capital expenditure to be incurred during FY 2006-07.**

The Commission directs the Petitioner to submit the complete DPR along with cost-benefit analysis for the schemes more than Rs. 2 Crore proposed during FY 2006-07 for obtaining investment approval from the Commission by November,

2006 in case of schemes for which the said details have not been furnished. The Petitioner should also obtain the approval from the Commission for individual schemes less than Rs. 2 Crore but aggregating to Rs. 20 Crore. As regard to the reallocation of funds within the schemes listed in the annual investment plan or for new schemes which are 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 Capital Investment in the format prescribed by the Commission.

The summary of the Capital Investment including IDC and establishment expenses, as proposed by the Petitioner and as considered by the Commission for FY 2005-06 and FY 2006-07 is provided in the Table 3.6 below.

Table 3.6: Capital Investment (Rs Crore)

| Description | FY 2005-06 | | | | FY 2006-07 | |
|---------------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Capital Investments | 448.64 | 375.42 | 328.80 | 316.41 | 359.74 | 223.69 |

3.5 Asset Capitalisation

3.5.1 Petitioner's Submission

In its ARR petition for FY 2006-07, the Petitioner has mentioned capitalisation of assets to the extent of Rs. 225.80 Crore during FY 2004-05. Further, the Petitioner has proposed to capitalise the assets of around Rs. 412.96 Crore during FY 2005-06 and Rs. 436.00 Crore during FY 2006-07.

The Petitioner has provisioned Rs. 21.90 Crore towards retirement of assets in its ARR. The Petitioner subsequently modified the same to Rs.13.87 Crore for the purpose of calculating the assets block for FY 2005-06.

3.5.2 Commission's Analysis

The Commission has analysed the proposal of the Petitioner for FY 2004-05 keeping in view the approvals accorded by the Commission and the schemes actually implemented / completed during the year. Accordingly an amount of Rs. 165.84 Crore has been approved by the Commission towards capitalisation of assets by the Petitioner for FY 2004-05.

The Commission is of the view that the EHV & HV schemes on completion should be considered for capitalisation only on its commercial operation / charging to rated voltage after obtaining all necessary statutory clearances and compliance with the prevalent safety standards. The EHV system of the Petitioner forms part of the integrated intra-state system and the power flows get modified with any addition / modification in EHV system. **The Commission hereby directs that henceforth the date of commissioning / commercial operation for EHV grid station and any augmentation thereof, should be certified by the State Load Despatch Centre (SLDC).**

The Commission had during April and May, 2005 prescribed certain formats for information with regard to capitalisation of assets which inter- alia covers the execution of respective work as per the prevalent safety rules and laws of land. **The Commission directs that for FY 2005-06 the relevant information be furnished by the Petitioner in the formats so prescribed by the Commission for capitalisation of assets. The said formats are to be submitted along with the necessary statutory clearances and certificates within one month from the date of issue of this Order.** The capital expenditure incurred for residual works etc within the original scope of scheme, may be admitted on merits.

Pending the submission of requisite details by the Petitioner, the Commission has considered assets capitalisation of Rs. 312.41 Crore and Rs. 350.00 Crore for the FY 2005-06 and FY 2006-07, respectively keeping in view the capital work in progress and new investment for the respective years. This includes Cost of the scheme, Establishment expenses and Interest during Construction (IDC).

The Commission would like to clarify that the consideration of asset capitalisation to the extent of Rs. 312.41 Crore and Rs. 350.00 Crore during FY

2005-06 and FY 2006-07, respectively 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 for final adjustments at the time of truing up.

The issue of retirement of assets is being separately dealt with by the Commission. Therefore, the Commission has not considered the retirement of fixed assets while arriving at the closing balance of fixed assets. **The Commission directs the Petitioner 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 proposed to be retired including whether it was authorised by the Commission to replace asset**

The summary of the asset capitalisation and closing balance of original fixed assets for the FY 2005-06 and FY 2006-07 as proposed by the Petitioner and as considered by the Commission are summarised in the Table 3.8 under section 3.6.

3.6 Depreciation

3.6.1 Petitioner's submission

In its petition, the BYPL has proposed depreciation charges based on straight line method over the useful life of the assets and at the rates prescribed in Appendix II to Central Electricity Regulatory Commission (Terms and Condition of Tariff) Regulations, 2004 for various asset classes.

The Petitioner, further, submitted that pending the decision of the Appellate Tribunal for Electricity in the matter of depreciation rate and without prejudice to its rights, the petitioner has considered the depreciation rate for the FY 2005-06 and FY 2006-07 in accordance with the depreciation rates approved by the Commission in its Order dated July 7, 2005.

The depreciation charge estimated by the Petitioner is Rs 29.14 Crore and Rs 47.11 Crore for FY 2005-06 and FY 2006-07, respectively.

The Petitioner vide its submission dated 31st May 2006 has submitted that the Hon'ble Appellate Tribunal has passed an order dated 24th May, 2006 on the issue of

depreciation rate and requested the Commission to give effect to the order of the Hon'ble Appellate Tribunal in determination of ARR of the Petitioner.

Utilisation of Depreciation

The Petitioner has utilised the entire amount of depreciation of Rs. 29.14 Crore and Rs. 47.11 Crore during FY 2005-06 and FY 2006-07, respectively towards repayment of loans. The Petitioner has further submitted that there is no incremental working capital requirement for the FY 2005-06 and FY 2006-07.

Advance Against Depreciation

The Petitioner claimed in its petition the amount of Rs. 5.86 Crore and Rs 35.58 Crore towards advance against depreciation for FY 2005-06 and FY 2006-07, respectively.

3.6.2 Commission's Analysis

Depreciation Rate

Definition of depreciation as given in the Accounting Standard 6 issued by The Institute of Chartered Accountants of India is as follows:

“Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset.”

The above definition of depreciation of asset relates to the useful life of asset as the methodology to calculate the depreciation. The Commission has observed that different rates of depreciation have been adopted in the power sector for different purposes like tariff, accounting and for Income tax purposes. The Commission in preceding tariff orders has relied upon the useful life of the asset as the methodology of determining the depreciation rates for distribution asset of the Licensee.

The Commission in its previous Orders for the Financial Year 2002-03, FY 2003-04, FY 2004-05 had held that the depreciation is non-cash expenditure and the quantum

of depreciation is utilised for the payments of loan. As such it does not affect the Petitioners Tariffs as all legitimate and prudent expenditure is being considered for the purpose of determination of ARR.

Considering the above and due to non-availability of fixed assets registers with details of historical costs for various categories of assets and capital work in progress, the Commission in the Tariff Orders for the F.Y. 2002-03, 2003-04 & 2004-05 had provided for depreciation @ 3.75% based on straight line method depreciating up to 90% uniformly over useful life of the assets.

The issue of depreciation alongwith other issues (method of calculating Return on Equity, Allowing of Deferred Tax etc) was contested by the Petitioner by an appeal before Hon'ble Appellate Tribunal for Electricity. The Petitioner's contention was to allow depreciation as per the rates prescribed in 1994 Notification issued by the Ministry of Power.

The Hon'ble Appellate Tribunal for Electricity in its order dated 24.5.2006 has upheld the methodology adopted by the Commission in all the issues raised by the Petitioner except that of depreciation. With regard to the issue of depreciation, the Hon'ble Appellate Tribunal for Electricity in its order has mentioned the following:-

In Para No. 15 of Order

"The claim for accelerated depreciation merits acceptance. There is no escape except to allow depreciation in terms of Schedule VI of the Electricity (Supply) Act, 1948. Though discretion is given to the Commission under sub section (3) of Section 28 to depart, the Commission has not chosen to do so and, therefore, it follows that the appellants are entitled to depreciation at the accelerated rate as notified by the Ministry of power, Government of India. Provision has been made for depreciation of machinery, equipment and buildings, plants, machines, transmission lines, etc. When the Statute itself provides for allowing depreciation at the rate notified, there is no reason for the Commission to fix different rate of depreciation far below the notified rate and that too without recording reasons. Hence, while sustaining the contention advanced by the appellants on this point and rejecting the contentions advanced on behalf of the Commission, we direct the Commission to allow depreciation as per the

notification of the Ministry of Power issued in terms of paragraph (a) of paragraph (VI) of the Sixth Schedule for the tariff periods in Question. We do not find any justification or reason to deny depreciation as claimed by the appellants in all the appeals.”

In Para No. 16 of Order

“Instead of ourselves examining and going into the matter, we direct the appellants to go before the Regulatory Commission, place, satisfactory material with respect to the fixed assets shown in FAR, its value and other details and subject to the prudence check, the Regulatory Commission shall consider the claim on merits and allow depreciation. Though reliance was placed on Pronouncements of the Supreme Court, in our view, it is not necessary to refer to the same as it is mandate of the Statute, which the Commission is bound to give effect. The statutory provision being mandatory, it is obligatory for the Commission to allow depreciation at the rate notified by the Ministry of Power and there is neither a reason nor justification to deviate or depart from the Para VI of the Schedule to the Electricity (Supply) Act, 1948.”

In Para No. 22 of Order

“In the circumstances, we direct the Commission to afford another opportunity to DISCOMS to produce the various registers or FAR, etc., place materials with respect to the claims relating to its fixed assets or investments or interest allowance made after the effective date, from which the DISCOMs became operational. In the truing up exercise, the Commission shall undertake such an exercise and the appellants shall be afforded sufficient opportunity to produce materials in support of their individual claims.”

In Para No. 23 of Order

“In other respects, we do not find any error or illegality in the Tariff Order, warranting interference. We hold that the Tariff Orders passed by the Regulatory Commission as well as ARR Order by the Regulatory Commission in respect of appellants/DISCOMs and the tariff determination for the years in Question in other respect are not liable to be interfered, except to the extent indicated above.”

In conclusion, with regard to appeal of the Petitioner whether they are entitled to

depreciation @ 6.69% and whether the depreciation allowed @ 3.7% is legal and in order, the Hon'ble Appellate Tribunal for Electricity has mentioned that this point is answered in favour of appellant in each of the appeal and the Regulatory Commission shall grant consequential relief on actuals.

The Commission, consequent to order of the Hon'ble Appellate Tribunal for Electricity, vide letter no. F.11(252)/DERC/2006-07/1396 dated 10.07.2006, directed all the DISCOMs to produce the Fixed Asset Register and other records/materials before the Commission to take up the prudence check/truing up exercise.

In response thereto, the Petitioner vide letter dated 17th July 2006 has mentioned the following;

The fixed Assets Register (FAR) as on 1st July 2002 had been submitted with the Commission vide letter dated 21st July 2003. The aforesaid FAR includes break up of valuation in respect of various categories of assets as on 1st July 2002. This FAR was prepared by an independent Chartered Engineer and duly certified by an independent firm of Chartered Accountants. As regards assets capitalised after taking over i.e. 1st July 2002, BYPL has submitted audited accounts for FY 2002-03, FY 2003-04 and FY 2004-05 which, inter-alia, provide information on additions to and deletions from assets across different categories of assets.

It is to be mentioned that the Petitioner has only reiterated his earlier stand of submission of FAR as per business valuation method. The Commission in its previous Tariff Orders had repeatedly mentioned that the FAR submitted by the Petitioner does not provide the historical cost for various categories of assets and the detail of CWIP. Even though another opportunity was given to the Petitioner as directed by the Hon'ble Appellate Tribunal for Electricity, the Petitioner has not produced/ placed the satisfactory materials before the Commission.

Meanwhile, the Commission has preferred an Appeal before the Hon'ble Supreme Court of India in Civil Appeal No. 2733 of 2006. The Hon'ble Supreme Court in its Order of 23.8.2006 has directed that the Appellate Tribunal for Electricity to consider the conclusion of the Commission, as if they were good and sufficient for the purpose of making the departure from the Schedule (VI) rates. The basic issue involved in this appeal is whether the Appellate Tribunal was justified in its view that the Commission had not indicated any reason for deviating from (VI) Schedule rates.

Without expressing any final opinion, we (Supreme Court of India) direct the Tribunal to examine whether the conclusions of the Commission are supportable in facts and in law. The Appellate Tribunal shall decide the matter after taking into consideration all contentions raised or to be raised by the parties. It is however made clear that we (Supreme Court of India) have not given any interim protection for any period other than the period to which the present appeal relates to. The determination made by the Appellate Authority shall be indicated to the parties. The matter shall be placed for further hearing after a period of 6 weeks.

This case has been heard on 5th, 7th & 8th September 2006 by the Hon'ble Appellate Tribunal for Electricity in accordance with the aforesaid order of the Hon'ble Supreme Court of India. In the mean time, the tariff order for the Financial Year 2006-07 has been finalised. The adjustment to the depreciation for the financial years under the appeal shall be subject to the out come of the Civil Appeal No. 2733 of 2006 pending before the Hon'ble Supreme Court of India. While the aforesaid appeal is pending before the Supreme Court, the Commission has retained a surplus of Rs. 45 crore in the sector in form of "Tariff Control Reserve" to meet any contingency arising out of the aforesaid appeal or any additional liability towards power purchase which may arise during the Financial Year 2006-07 etc.

For FY 2006-07, the Commission had continued with the methodology of depreciating the assets upto a cumulative 90% uniformly over the entire useful life of the assets and considered the weighted average depreciation rate as per the opening block of fixed assets submitted by the Petitioner at the rates prescribed in Appendix – II to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation 2004 for various asset classes. For determination of the weighted average depreciation rate, addition to asset along with the date of capitalisation need to be established for each asset class. Since the Petitioner has not provided the complete break-up of assets added during the year along with the date of capitalisation and assets added may include that of unapproved schemes also, the Commission is not in a position to estimate the additions to each class of asset. Hence, the Commission has considered the asset break-up at the beginning of the financial year as submitted by

the Petitioner in its ARR for the purpose of estimating the weighted average depreciation rates.

This is in consonance with the fact that the Tariff Order for the FY 2005-06 has not been contested by any of the distribution Licensee, either in review or in any appeal before the Competent Authority.

The Government of India has issued Tariff Policy under section 3 of the Electricity Act 2003, on 6th January 2006. As per this Tariff Policy, “the Central Commission may notify the rules of depreciation in respect of generation and transmission of assets. The depreciation rates so notified would also be applicable for distribution with appropriate modification as may be evolved by the Forum of Regulators (FOR). The rates of depreciation so notified would be applicable for the purpose of Tariff as well as accounting.” Consequent to this, the Forum of Regulators (FOR) vide its letter dated 23.6.2006 has informed that the rates as specified in Central Electricity Regulatory Commission (CERC) (Terms and Conditions of Tariff) Regulation 2004 may be treated as the rates of depreciation for distribution companies also.

Accordingly, the Commission has continued with the methodology of depreciating the assets over their useful life uniformly for FY 2006-07. The table showing the depreciation rate is given below:-

Table 3.7: Depreciation Rates

| Sr. No. | Description of Assets | Asset Gross Block as at March 31, 2005 (Rs Crore) | Rate (%) | Asset Gross Block as at March 31, 2006 (Rs Crore) | Rate (%) |
|---------|------------------------|---|----------|---|----------|
| 1 | Transformer > 100 kVA | 56.98 | 3.60% | 99.49 | 3.60% |
| 2 | Transformer ≤ 100 kVA | 50.47 | 3.60% | 89.35 | 3.60% |
| 3 | Switchgear | 69.83 | 3.60% | 112.5 | 3.60% |
| 4 | Lighting Arrestor | 2.88 | 3.60% | 5.2 | 3.60% |
| 5 | Batteries | 8.49 | 18.00% | 9.03 | 18.00% |
| 6 | Underground cables | 160.94 | 2.57% | 259.24 | 2.57% |
| 7 | Overhead lines | 176.70 | 3.60% | 183.32 | 3.60% |
| 8 | Energy meters | 67.15 | 6.00% | 135.12 | 6.00% |
| 9 | Vehicles | 3.95 | 18.00% | 5.39 | 18.00% |
| 10 | Furniture and fixtures | 1.22 | 6.00% | 1.701 | 6.00% |
| 11 | Office equipment | 3.79 | 6.00% | 8.1 | 6.00% |
| 12 | Computers | 5.11 | 6.00% | 9.86 | 6.00% |

| Sr. No. | Description of Assets | Asset Gross Block as at March 31, 2005 (Rs Crore) | Rate (%) | Asset Gross Block as at March 31, 2006 (Rs Crore) | Rate (%) |
|---------|--------------------------|---|--------------|---|--------------|
| 13 | Motors/Pumps etc | 6.38 | 3.60% | 6.38 | 3.60% |
| 14 | Communication Equipment | 0.00 | 6.00% | 0.1291 | 6.00% |
| 15 | Offices and Showrooms | 34.69 | 1.80% | 47.72 | 1.80% |
| 16 | Temporary Structures | 0.48 | 18.00% | 0.48 | 18.00% |
| 17 | Pucca Roads | 0.31 | 1.80% | 0.31 | 1.80% |
| 18 | Fault Locating Equipment | 5.08 | 18.00% | 6.92 | 18.00% |
| 19 | Miscellaneous Equipment | 3.37 | 3.60% | 7.39 | 3.60% |
| | Total | 657.82 | 3.93% | 987.63 | 3.94% |

The Petitioner has not submitted the complete asset-wise capitalisation during the year along with details of pro-rata depreciation and actual usage/operation for each asset for the relevant financial year. In the absence of complete details, the Commission has continued with the same approach of providing depreciation on average basis in the middle of the year.

Table 3.8 provides a summary of the Depreciation as proposed by the Petitioner and as approved by the Commission for FY 2005-06 and FY 2006-07.

Table 3.8: Depreciation (Rs Crore)

| Description | FY 2005-06 | | | | FY 2006-07 | |
|---------------------------------|----------------------|----------------------|---------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Opening Balance of Fixed Assets | 687.32 | 692.20 | 692.20 | 627.36 | 1083.26 | 939.77 |
| Addition during the year | 451.28 | 412.96 | 343.70 | 312.41 | 436.00 | 350.00 |
| Retirement during the year | 0.00 | 21.90 | 13.87 | 0.00 | 0.00 | 0.00 |
| Closing Balance of Fixed Assets | 1138.60 | 1083.26 | 1022.03 | 939.77 | 1519.26 | 1289.77 |

| | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| Depreciation | 32.20 | 29.14 | 37.30 | 30.78 | 47.11 | 43.89 |
| Less: Depreciation against APDRP grants | 0.00 | 0.00 | 0.75 | 0.75 | 0.00 | 0.75 |
| Net Depreciation | 32.20 | 29.14 | 36.55 | 30.03 | 47.11 | 43.14 |

Depreciation Utilisation

The Commission has described in detail the priority of utilisation of depreciation in its previous Tariff Orders and followed the same priority for the FY 2005-06 and FY 2006-07.

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 actual repayment schedule of long term loans availed from financial institution/lenders. In case of notional loan, the average notional repayment period of 3 years is considered (considering the gestation period of commissioning of distribution assets and the average pay back period of 3 years) commencing from the next financial year after drawdown of loans for funding through notional loans.

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 and FY 2006-07. The Commission has provided funding of Rs. 41.79 Crore towards working capital requirement by allowing to utilise depreciation of Rs. 10.13 Crore in FY 2002-03, Rs. 14.35 Crore in FY 2003-04 and Rs. 17.31 Crore in FY 2004-05 towards Working Capital requirement. Since net requirement of working capital for FY 2005-06 and FY 2006-07 is lower than cumulative funding provided, no additional funding has been considered towards working capital requirement for FY 2005-06 and FY 2006-07.

The utilisation of depreciation as proposed by the Petitioner and as considered by the Commission is summarised in Table 3.9.

Table 3-9: Utilisation of Depreciation (Rs. Crore)

| Description | FY 2005-06 | | | | FY 2006-07 | |
|---------------------------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| For debt repayment | 0 | 29.14 | 35.00 | 30.78 | 47.11 | 43.89 |
| For working capital requirement | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| For capital investment | 32.20 | 0.00 | 2.30 | 0.00 | 0.00 | 0.00 |
| Total depreciation | 32.20 | 29.14 | 37.30 | 30.78 | 47.11 | 43.89 |

Advance against Depreciation

During the Technical Sessions, the Commission directed the petitioner to submit the working as per the Central Electricity Regulatory Commission (Terms and Condition of Tariff) Regulations, 2004. Later-on, the petitioner submitted in its submission that the amount claimed towards the advance against depreciation is nil for the FY 2006-07. The Commission has also not considered any amount towards advance against depreciation for the FY 2006-07.

For removal of any doubt, it is clarified that the advance against depreciation will be as per the methodology prescribed in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

3.7 Means of Finance

3.7.1 Petitioner's Submission

The BYPL has proposed funding of the capital expenditure through a mix of consumer contribution, depreciation after adjusting for loan repayment, internal accruals, commercial borrowings and sundry creditors as per the methodology prescribed by the Commission in its previous Tariff Orders. The petitioner submitted that it has approached several financial institutions for providing long term loans. The

petitioner further submitted in their petition that all the financial institutions have indicated first paripassu charge on fixed assets as a precondition for availing long term loans and the matter is being discussed with the Holding Company (DPCL), the present holder of the first paripassu charge on fixed assets.

3.7.2 Commission Analysis

The Petitioner has submitted the actual source of funding corresponding to capital expenditure of Rs. 328.80 Crore. Against this, the Petitioner has drawn loans of Rs. 500 Crore for funding capital expenditure for FY 2005-06 and to repay the existing short term loans drawn during the FY 2004-05. The Petitioner has drawn Rs. 300 Crore from Punjab National Bank as a long-term loan having 7.75 years tenure, Rs. 100 Crore from Bank of Baroda and Rs. 100 Crore from State Bank of Patiala as a short-term loan having 1 year tenure.

The Commission has provided funding of Rs 420.74 Crore for the FY 2005-06 considering the capital investment of Rs 316.41 Crore (discussed in Para 3.4.2) and outstanding sundry creditors amounting Rs 104.33 Crore considered in funding for the FY 2004-05 on the basis of final truing-up for that year.

The Commission has retained the same order of priority of means of finance as adopted in the Tariff Order dated June 26, 2003 for the FY 2005-06 and FY 2006-07 which is as follows:

- Consumer Contribution
- Unutilised Depreciation including 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 a normative loan of Rs 306.71 Crore. The Commission has also considered the funding through internal accrual (free reserves) to the extent of Rs 30.93 Crore based on normative debt equity ratio of 70:30. Further, the Commission has considered funding of sundry creditors through loan and free reserves based on normative Debt: Equity Ratio of 70:30. In case, the return on equity during the year is less than the requirement of funding through internal accrual based on normative debt equity ratio, the Commission has considered

unutilised internal accruals of FY 2002-03 to FY 2005-06 for funding of capital investments. If the requirement of internal accruals is not met by considering the unutilised reserves for previous years, the Commission has considered loan funding towards the same.

For FY 2006-07, the Commission has considered the funding of investment based on the same philosophy considered for the FY 2005-06.

Table 3.10 provides a summary of the Means of Finance as proposed by the Petitioner and as approved by the Commission for both the years.

Table 3.10: Means of Finance (Rs Crore)

| Source of Funds | FY 2005-06 | | | | FY 2006-07 | |
|-----------------------|----------------------|----------------------|---------------|---------------|---------------|---------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Consumer Contribution | 20.00 | 35.00 | 17.30 | 17.35 | 40.00 | 40.00 |
| APDRP Grant | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| APDRP Loan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation | 32.20 | - | 2.30 | 0.00 | 0.00 | 0.00 |
| Internal Accruals | 30.93 | 30.93 | 30.90 | 30.93 | 36.31 | 36.31 |
| Commercial Debt | 500.12 | 309.49 | 212.60 | 306.71 | 245.33 | 167.90 |
| Sundry Creditors | 0.00 | 0.00 | 65.70 | 65.74 | 0.00 | 45.22 |
| Total Funds | 583.25 | 375.42 | 328.80 | 420.74 | 321.64 | 289.43 |

3.8 Interest Expenditure

3.8.1 Petitioner's Submission

In its Petition, the Petitioner has not proposed any interest in FY 2005-06 on loan of Rs. 174 Crore from the Holding Company (DPCL) as the loan carries a moratorium for first 4 years on payment of interest and principal repayment as per the Transfer Scheme. For FY 2006-07, the Petitioner has proposed an interest of Rs 15.39 Crore on the said loan from DPCL.

The Petitioner has considered an interest of Rs. 1.86 Crore each for FY 2005-06 and FY 2006-07 at an interest rate of Rs. 11.5% p.a. on APDRP loan component of Rs. 16.22 Crore. The Petitioner has estimated an interest expense of Rs 43.32 Crore and Rs 69.08 Crore for FY 2005-06 and FY 2006-07, respectively on commercial borrowings. The Petitioner has considered an interest of Rs 3.20 Crore on the short-term loan of Rs 40.77 Crore for FY 2005-06.

The Petitioner has estimated the total interest expense of Rs.45.18 Crore and Rs. 86.33 Crore for FY 2005-06 and FY 2006-07, respectively. The Petitioner has proposed to capitalise interest of Rs. 20.45 Crore and Rs. 31.71 Crore in FY 2005-06 and FY 2006-07, respectively. Accordingly, the Petitioner has proposed to charge an interest expense of Rs. 24.73 Crore and Rs. 54.62 Crore in the ARR for FY 2005-06 and FY 2006-07, respectively.

Pending the decision on the subject, the Petitioner has not considered any amount towards interest on consumer security deposit for FY 2005-06 and FY 2006-07 and requested the Hon'ble Commission to consider it appropriately at the time of truing up of the expenses and revenues.

3.8.2 Commission's Analysis

3.8.2.1 Interest on Short & Long Term Loan

The Petitioner has submitted actual interest cost for FY 2005-06 at Rs. 39.46 Crore including interest on cash credit to the extent of Rs 3.7 Crore. The Petitioner has proposed to capitalise interest expense of Rs. 3.40 Crore.

The petitioner has availed the short term as well as long term loans to fund its capital expenditures as mentioned in the para 3.9.1. Since the payback period of the various distribution assets ranges from 2 to 5 years, the Commission has considered on an average the normative repayment period of 3 years for all the notional loans considered and the actual repayment schedule on the actual loans to the extent loans are considered for funding the capital expenditure.

For normative loans, the Commission has considered the interest on the average of opening and closing for FY 2005-06 and FY 2006-07 based on actual rate of interest as applicable to a particular loan. For actual loans, the Commission has considered the actual rate of interest as applicable to a particular loan as available from the loan

agreements and worked out the interest from the date of drawl of the actual loans to the end of the financial year. The interest on commercial borrowings has been calculated at Rs 14.29 Crore and Rs 39.72 Crore for FY 2005-06 and FY 2006-07, respectively. The interest on APDRP loan has been worked out at Rs 1.86 Crore which is same as submitted by the Petitioner.

For FY 2006-07, the Commission has considered interest expense of Rs 15.39 Crore on the DPCL loan of Rs 174 Crore as estimated by the Petitioner. Since the moratorium period of payment of interest on DPCL loan is over on 30th June 2006, servicing of DPCL loan @12% rate of interest from FY 2006-07 onwards may be a burden on the consumers. The Commission expects that BYPL should make all efforts to swap the loan with lower interest rate.

3.8.2.2 Capitalisation of interest

For FY 2005-06, the Commission has capitalised the interest by applying the ratio of interest capitalised to base capital expenditure as per actuals for FY 2005-06 as submitted by the Petitioner to the actual base expenditure as approved by the Commission for FY 2005-06. The interest capitalised thus arrived at is Rs 3.27 Crore.

For FY 2006-07, following the same methodology as described above, the Commission has capitalised the interest by applying the ratio of interest capitalised to base capital expenditure as proposed by the Petitioner for FY 2006-07 to the base expenditure approved by the Commission for FY 2006-07. The interest capitalised thus arrived at is Rs 19.72 Crore.

3.8.2.3 Interest on Security Deposit

As the Petition on interest 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 2006-07.

3.8.2.4 Summary of Interest Charge

The summary of interest charges as proposed in the Petition and as considered by the

Commission is provided in Table 3.11.

Table 3.11: Interest Charges (Rs. Crore)

| Component | FY 2005-06 | | | | FY 2006-07 | |
|-------------------------------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Interest charges | 50.36 | 45.18 | 39.46 | 16.16 | 86.33 | 56.98 |
| Interest capitalised | 15.90 | 20.45 | 3.40 | 3.27 | 31.71 | 19.72 |
| Net interest charged to expenditure | 34.46 | 24.73 | 36.06 | 12.89 | 54.62 | 37.26 |
| Interest on security deposit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

3.9 Treatment of DVB Arrears

3.9.1 Petitioner's Submission

The Petitioner has submitted that based on the approval of the Commission and the consent of DPCL, the Petitioner has launched an LPSC waiver scheme to realize the arrears. The Petitioner, in its subsequent submission, submitted the full details of the collection under LPSC waiver scheme. The petitioner vide its submission dated 19th May, 2006 submitted that GNCTD has made a direct payment of Rs.18.50 Crore to DPCL on account of arrears payable by Delhi Jal Board. However for FY 2006-07, in view of the LPSC scheme, after which realizable arrears may practically dry up, the Petitioner has not anticipated collection of any DVB arrears.

3.9.2 Commission's Analysis

The Commission has elaborated on the methodology for treatment of DVB Arrears in detail in its previous Tariff Orders in which the Commission has discussed in length the approach being adopted by the Commission and highlighted that the entire DVB arrears should be ploughed back to the sector and 80% of the past DVB arrears collected by the DISCOMs should be passed on to TRANSCO instead of Holding Company. The Commission continues to follow the same principal. The actual DVB arrears collected during FY 2005-06 are Rs. 18.93 Crore. The Commission has considered 80% of these actual arrears i.e. Rs. 15.14 Crore to be passed on to TRANSCO..

As per the methodology prescribed by the Commission regarding the treatment of DVB arrears, the DVB arrears include the outstanding amount from all the defaulters

which constitute the non-government as well as government agencies. The Commission has, therefore, considered the arrears received from the Delhi Jal Board in the revenue realised while calculating the actual AT&C losses. As per the Policy Directions, no commission is payable to DISCOMs on the recovery from the Government agencies. The entire amount received from the Government agencies is treated as income to the TRANSCO. Further details on the treatment of DVB arrears have been dealt with in detail in the Order for TRANSCO for FY 2006-07.

Summary of actual collection of arrears during the year and also during the LPSC waiver scheme is provided in Table 3.12.

Table 3.12: Actual Collection of Arrears (Rs. Crore)

| | |
|---------------------------|--------------|
| DVB Period Collection | 18.93 |
| DISCOMs period Collection | 47.40 |
| Total Collection | 66.33 |

3.10 DISCOMs Adjustment to Consumers

3.10.1 Petitioner's Submission:

In response to letter number F.3(105)/Tariff/DERC/05-06/1730-32 dated 30th August 2005, the Petitioner had proposed to provide incentive in the form of credit, equivalent to 50% of the increase in tariff levels applicable to the domestic category. The Commission while approving the proposed incentive scheme, vide its order dated September 23 2005, with certain modifications, had given the liberty to the Petitioner to raise the issue of recovery of the incentive in their ARR petitions for FY 2006-07.

Accordingly, the petitioner has raised the issue of recovery of the incentive in its current ARR petition. The Petitioner has submitted that it would recover the incentive only by way of over-achievement of AT&C loss reduction target for the FY 2005-06 and FY 2006-07. The amount of adjustment estimated by the Petitioner is Rs.16.12 Crore and Rs. 9.46 Crore for the FY 2005-06 and FY 2006-07, respectively.

3.10.2 Commission's Analysis:

The amount of DISCOM adjustment has been considered as a deemed revenue for the purpose of determining AT&C losses. The same approach is adopted for all the

DISCOMs. As against the estimated adjustment of Rs 16.12 Crore, the petitioner has actually distributed Rs 12.56 Crore in FY 2005-06 towards the adjustment to consumers and the same has been considered as a deemed revenue realised while calculating the actual AT&C loss reduction target. . Accordingly, the Commission has considered the actual amount of Rs.12.56 Crore as an expense while working out the ARR of the Petitioner. The same is also considered as deemed revenue in revenue realised while calculating the AT&C losses for the FY 2005-06. The Commission has not considered any DISCOMs adjustment while determining the ARR for the FY 2006-07 since the same will be considered at the time of true up for FY 2006-07.

3.11 Return on Equity

3.11.1 Petitioner's Submission

The Petitioner has submitted that it has computed return on equity in accordance with the Commission's previous orders and as per the funding of the proposed capital expenditure. The utilisation of RoE has been considered for financing the equity portion (limited to 30%) of the Capital Expenditure. Therefore, RoE earned by the Petitioner is ploughed back into the sector. The Petitioner has also stated that the methodology of computation of Return on Equity is sub-judice with the Appellate Tribunal for electricity. Pending the decision of the Appellate Tribunal for electricity and without prejudice to its rights, the Petitioner has considered computation of return on equity for FY 2005-06 and FY 2006-07 in accordance with the methodology adopted by the Hon'ble Commission in the previous Tariff Orders. The Petitioner has estimated the return on Equity for FY 2005-06 and FY 2006-07 at Rs 30.93 Crore and Rs 36.31 Crore respectively.

3.11.2 Commission's Analysis

The Commission has continued with the methodology of allowing return on equity as prescribed in the previous Tariff Orders. The Hon'ble Appellate Tribunal for electricity vide its Order dated 24.05.2006 on an appeal filed by the Petitioner upheld the methodology adopted by the Commission in its orders for FY 2002-03, FY 2003-04 and FY 2004-05 with respect to calculation of Return on Equity.

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 estimated funding of investments through internal accruals to the extent of Rs. 30.93 Crore during FY 2005-06 and Rs. 36.31 Crore during FY 2006-07.

Based on this, the Commission has estimated Return on Equity and Free Reserves at Rs. 30.93 Crore for FY 2005-06 and Rs. 36.31 Crore for FY 2006-07. The Return on Equity and Free Reserves to the extent used for Capital Expenditure proposed in the Petition and considered by the Commission for determining ARR is summarised in Table 3.13.

Table 3.13: Return on Equity (Rs. Crore)

| Component | FY 2005-06 | | | | FY 2006-07 | |
|--------------------------------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Opening Equity Capital | 116.00 | 116.00 | 116.00 | 116.00 | 116.00 | 116.00 |
| Addition to Equity Capital | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing Equity Capital | 116.00 | 116.00 | 116.00 | 116.00 | 116.00 | 116.00 |
| Opening Free Reserves | 61.86 | 61.86 | 61.86 | 61.86 | 92.79 | 92.79 |
| Addition during the year | 30.93 | 30.93 | 30.93 | 30.93 | 36.31 | 36.31 |
| Total Free Reserves | 92.79 | 92.79 | 92.79 | 92.79 | 129.10 | 129.10 |
| Average Reserves | 77.32 | 77.32 | 77.32 | 77.32 | 110.95 | 110.94 |
| Total Equity & Free Reserves | 193.32 | 193.32 | 193.32 | 193.32 | 226.95 | 226.94 |
| 16% Return on Equity & Free Reserves | 30.93 | 30.93 | 30.93 | 30.93 | 36.31 | 36.31 |

3.12 Contribution to Contingency Reserves

3.12.1 Petitioner's Submission

BYPL has proposed a contingency reserve equivalent to 0.5% of the opening Gross Fixed Asset during the year. The contingency reserve for FY 2005-06 and FY 2006-07 has been estimated at Rs. 3.46 Crore and Rs. 5.42 Crore respectively. In the subsequent submissions, based on actuals for FY 2005-06, the Petitioner has submitted that it has contributed Rs. 3.30 Crore as a contingency reserve in FY 2005-06.

3.12.2 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, therefore, is not approving any expenses with respect to contingency reserve for FY 2005-06 and FY 2006-07.

Contingency reserve created upto FY 2004-05 amounting to Rs. 5.90 Crore exists in the Accounts of the Petitioner. Treatment of contingency reserve shall be dealt with in the Regulations under preparation by the Commission.

3.13 Summary of Truing up Expenses and Carrying Cost

3.13.1 Petitioner's Submission

BYPL has submitted that it has computed carrying cost on regulatory asset in accordance with Hon'ble Commission's previous orders. The Petitioner has also stated that the issue of creation of regulatory asset is sub-judice with the Appellate Tribunal for electricity. Pending the decision of the Appellate Tribunal for electricity and without prejudice to its rights, the Petitioner has estimated the carrying cost at Rs 12.40 Crore each for FY 2005-06 and FY 2006-07.

3.13.2 Commission's Analysis

The Commission has discussed the truing up mechanism in the Tariff Order dated July 7, 2005 and followed the same mechanism to true up the expenses & revenues for the FY 2004-05 and FY 2005-06.

The Commission has while determining the ARR and revenue gap for FY 2004-05 analysed each component of expense and revenue separately and has worked out the revenue gap based on the methodology prescribed and audited accounts for FY 2004-05. The Commission has considered the revenue gap of Rs 86.68 Crore after truing up the expenses and revenue as against the estimated revenue gap of Rs 119.75 Crore in the Order for FY 2004-05. The Commission has considered the treatment of this revenue gap in subsequent paras.

The Commission clarifies that in case the Petitioner would have recovered this amount in FY 2004-05, the same would have been recovered during the entire year. As the Commission has considered the revenue gap of FY 2004-05 as part of revenue gap/surplus of FY 2006-07, 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.

The DISCOMs had filed an appeal in the Appellate Tribunal for Electricity against the Order dated 9th June 2004 issued by the Commission on the issue of creation of Regulatory Asset and the carrying cost on the Regulatory Asset. The Appellate Tribunal for Electricity has come out with the judgement dated 21st July 2006 on the issue as :

“ ----- direct the Regulatory Commission to allow 9% interest, as it has already allowed by the Commission in Chapter 3.11.1 of its Tariff Order, for deprivation of the amounts which were ordered to be created and retained as a Regulatory Asset from the date of Tariff Order and till it is amortised and to reimburse all expenses and incidental charges incurred in this behalf by the DISCOMs.”

The Commission has already allowed the carrying cost for FY 2004-05 on weighted

average rate considering the normative debt equity ratio of 70:30 (equity portion carrying 16% return) which works out to 10.75% which is more than 9 % interest as directed by the Appellate Tribunal for Electricity. Further, since the truing up exercise and the adjustment of benefit of efficiency gain to be passed on to the consumers are part of the retained Regulatory Asset, the Commission has allowed the carrying cost on the balance Regulatory Asset for the FY 2004-05. Since the Regulatory Asset has now been fully amortized against the revised revenue gap/surplus based on true up and efficiency gains due to overachievement on account of AT & C loss for the FY 2005-06 and also through adjustment in the determination of bulk supply tariff for FY 2006-07, the Commission has considered the interest @ 9% as directed by the Appellate Tribunal for Electricity as carrying cost on the Regulatory Asset retained during the FY 2005-06 and the Regulatory Asset is fully amortized at the end of the FY 2005-06 and FY 2006-07. The Commission adjusted the difference in the amount of carrying cost already allowed and in the amount now worked out based on the direction from the Appellate Tribunal for Electricity while working out the revenue gap/surplus for the FY 2006-07.

The Commission would like to clarify further that in case of revenue surplus i.e excess of incomes over expenditures in a year, the Commission has not considered any carrying cost for the same financial year.

As regard to treatment of revenue gap and regulatory asset for FY 2004-05 and FY 2005-06 and the carrying cost on Regulatory Asset for the above years, the Commission has dealt with on this matter in para 4.4 of this Order.

The actual/audited expenses as claimed by the Petitioner and the expenses finally trued up by the Commission for the FY 2004-05 are summarised in Table 3.14.

Table 3.14: Summary of True-up for FY 2004-05 (Rs Crore)

| Component | 2004-05 | | |
|-------------------|---------|-----------------------|------------|
| | Actual | Allowed by Commission | Difference |
| Employee Costs | 133.84 | 119.44 | 14.41 |
| A&G Expenses | 23.41 | 17.07 | 6.34 |
| R&M | 64.59 | 46.88 | 17.71 |
| Interest on Loans | 13.19 | 2.47 | 10.72 |
| Depreciation | 45.80 | 16.16 | 29.64 |
| Other admissible | 57.10 | 57.10 | 0.00 |

| | | | |
|--|---------------|---------------|--------------|
| Expenses | | | |
| DVB Arrears -Non-Govt | 20.77 | 20.77 | 0.00 |
| Carrying cost on truing-up | 12.40 | 11.57 | 0.83 |
| Gross Expenditure | 371.10 | 291.45 | 79.65 |
| Expenses Capitalised | 6.53 | 6.08 | 0.45 |
| Interest Capitalised | 0.82 | 0.76 | 0.06 |
| Net Expenses | 363.75 | 284.61 | 79.14 |
| Contribution to contingency reserve | 2.16 | 2.31 | -0.15 |
| Return on Equity and Free Reserves | 25.54 | 25.54 | 0.00 |
| Non Tariff Income | 29.70 | 29.70 | 0.00 |
| ARR excluding Power Purchase Cost | 361.75 | 282.75 | 79.00 |

3.14 Taxes on Income

3.14.1 Petitioner's Submission

The Petitioner has estimated the tax liability (including Fringe Benefit Tax) for FY 2005-06 and FY 2006-07 based on previous year actual tax liability. The tax liability estimated is Rs 0.58 Crore each for FY 2005-06 and FY 2006-07. The Petitioner has further submitted that these provisions are only for fringe benefit tax and the actual income tax liability shall be submitted at the end of year. Further, the Petitioner has submitted the actual income tax paid for FY 2005-06 at Rs 5.46 Crore including the fringe benefit tax of Rs. 1.00 Crore..

3.14.2 Commission's Analysis

The Petitioner has submitted the Provisional Accounts, wherein the actual tax liability for the FY 2005-06 has been provided as Rs. 5.46 Crore. The Commission has hence considered the actual tax liability, as submitted in the Provisional Accounts. The Commission would like to point out that the Income Tax considered for FY 2005-06 will be subject to adjustment after the assessment of Income Tax by the Income Tax Department. For FY 2006-07, the Commission has considered the same amount which is estimated by the Petitioner and 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.

For FY 2005-06, the Commission has considered the actual fringe benefit tax of Rs 1.00 Crore as paid by the Petitioner. For FY 2006-07, the Commission has not provided for Fringe Benefit Tax as Petitioner has not estimated any amount and 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.

Table 3.15 below provides the taxes on income and fringe benefit tax as proposed by the Petitioner and as considered by the Commission for determining the ARR.

Table 3.15: Taxes on Income and Profits as estimated by Commission (Rs. Crore)

| Component | FY 2005-06 | | | | FY 2006-07 | |
|-----------------------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Taxes on income and profits | 2.84 | 0.58 | 4.46 | 4.46 | 0.58 | 0.58 |
| Fringe Benefit Tax | 0.00 | 0.00 | 1.00 | 1.00 | 0.00 | 0.00 |

Regarding the issue of deferred income tax claimed by the DISCOMs in earlier years, the Appellate Tribunal for Electricity in its Order dated 24th May 2006 has concluded as follows:

“We do not find any illegality in the Commission’s approach in the Tariff Order passed by in respect of the DISCOM.”

3.15 Non Tariff Income (NTI)

3.15.1 Petitioner's Submission

The Petitioner has estimated the Non-Tariff Income for FY 2005-06 and FY 2006-07 based on provisional un-audited accounts of the first six months of FY 2005-06. Against an approved NTI of Rs. 20.52 Crore for FY 2005-06, the revised estimates for FY 2005-06 are Rs. 33.80 Crore. The Petitioner has estimated commission on collection of Electricity Duty @3% of the total electricity duty. For FY 2006-07, the Petitioner has projected a Non Tariff Income of Rs. 35.26 Crore.

3.15.2 Commission's Analysis

The Petitioner has submitted actual Non-Tariff Income as Rs. 42.30 Crore. The Commission has accepted the Non-Tariff Income submitted by the Petitioner for FY 2005-06 at Rs 42.30 Crore.

For FY 2006-07, the Commission has considered Non-Tariff Income to be at the same level as considered for FY 2005-06.

Table 3.16 provide a summary of the Non-tariff Income, as proposed by the Petitioner and as approved by the Commission.

Table 3.16: Non Tariff Income (Rs. Crore)

| Particulars | FY 2005-06 | | | | FY 2006-07 | |
|--|----------------------|----------------------|--------------|--------------|--------------|--------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Income from investments | 0.16 | 0.25 | 0.30 | 0.30 | 0.25 | 0.30 |
| Commission on collection of Electricity Duty | 1.56 | 1.68 | 1.50 | 1.50 | 1.89 | 1.50 |
| Rebate on Power Purchase | 1.93 | 6.05 | 5.90 | 5.90 | 6.30 | 5.90 |
| Sale and Repair of Lamps | 1.74 | 1.50 | 1.60 | 1.60 | 1.63 | 1.60 |
| Sale of Scrap | 9.47 | 4.91 | 4.90 | 4.90 | 5.00 | 4.90 |
| Other Income | 5.65 | 19.41 | 28.10 | 28.10 | 20.19 | 28.10 |
| Total | 20.52 | 33.80 | 42.30 | 42.30 | 35.26 | 42.30 |

3.16 Total Expenditure excluding Power Purchase Cost

Table 3.17 provide a summary view of the various expenses as proposed by the Petitioner and as approved by the Commission for FY 2005-06 and FY 2006-07. Detailed analysis of each expense head has already been provided in the above sections.

Table 3.17: Total expenditure excluding power purchase cost (Rs. Crore)

| Component | FY 2005-06 | | | | FY 2006-07 | |
|--|----------------------|----------------------|---------------|---------------|---------------|---------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Employee Costs | 138.12 | 142.74 | 142.90 | 128.13 | 139.28 | 136.76 |
| A&G Expenses | 17.28 | 28.66 | 33.40 | 21.45 | 27.89 | 22.68 |
| R&M | 48.04 | 47.92 | 51.89 | 48.04 | 47.73 | 47.73 |
| Interest on Loans | 50.36 | 45.18 | 39.46 | 16.16 | 86.33 | 56.98 |
| Interest on Security Deposits | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation | 32.20 | 29.14 | 36.55 | 30.03 | 47.11 | 43.14 |
| Advance Against Depreciation | 0.00 | 5.86 | 0.00 | 0.00 | 35.58 | 0.00 |
| Processing Fee for the Commission | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other admissible Expenses | 0.00 | 0.00 | 7.00 | 0.00 | 0.00 | 0.00 |
| DVB Arrears - Non-Govt | 19.00 | 19.00 | 15.14 | 15.14 | 0.00 | 0.00 |
| DVB Arrears -Govt | 0.00 | 0.00 | 18.50 | 18.50 | 0.00 | 0.00 |
| Retirement of Assets | 0.00 | 0.00 | 7.60 | 0.00 | 0.00 | 0.00 |
| Carrying cost on truing-up | 12.40 | 12.40 | 12.40 | 0.00 | 12.40 | -0.56 |
| Total Gross Expenditure | 317.40 | 330.90 | 364.85 | 277.45 | 396.32 | 306.72 |
| Less: Expenses capitalized | 6.74 | 7.00 | 9.50 | 9.14 | 6.39 | 3.97 |
| Less : Interest capitalized | 15.90 | 20.45 | 3.40 | 3.27 | 31.71 | 19.72 |
| Total Net Expenditure | 294.77 | 303.45 | 351.95 | 265.03 | 358.22 | 283.03 |
| Income Tax | 2.84 | 0.58 | 5.46 | 5.46 | 0.58 | 0.58 |
| Contingency Reserves | 0.00 | 3.46 | 3.30 | 0.00 | 5.42 | 0.00 |
| Total Appropriations | 2.84 | 4.04 | 8.76 | 5.46 | 6.00 | 0.58 |
| DISCOMs Adjustment to Consumers | 0.00 | 0.00 | 12.56 | 12.56 | 0.00 | 0.00 |
| Net Expenses incl. Spl Appropriations (A) | 297.61 | 307.49 | 373.27 | 283.05 | 364.22 | 283.61 |

3.17 Revenue Requirement Excluding Power Purchase Cost.

The Revenue Requirement excluding Power Purchase Cost for FY 2005-06 and FY 2006-07 as proposed by the Petitioner and as approved by the Commission is provided in Table 3.18.

Table 3.18: Revenue Requirement excluding Power Purchase Cost (Rs Crore)

| Component | FY 2005-06 | | | | FY 2006-07 | |
|--|----------------------|----------------------|---------------|---------------|---------------|---------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Expenditure (A) | 297.61 | 307.49 | 373.27 | 283.05 | 364.22 | 283.61 |
| Return on Equity and Free Reserves (B) | 30.93 | 30.93 | 30.93 | 30.93 | 36.31 | 36.31 |
| Non Tariff Income (C) | 20.52 | 33.80 | 42.30 | 42.30 | 35.26 | 42.30 |
| ARR excluding Power Purchase Cost (A+B-C) | 308.02 | 304.62 | 361.90 | 271.68 | 365.28 | 277.62 |

4. Treatment of Revenue Gap/Surplus and Tariff Design

4.1 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.

The Commission in its Tariff Order of FY 2005-06 had considered the Regulatory Asset at Rs. 548 Crore for three DISCOMs together i.e. BRPL, BYPL and NDPL after amortising the Regulatory Asset of TRANSCO. With the truing-up of the figures for FY 2004-05 in the present order, the Regulatory Asset for the three DISCOMs together has been recalculated by the Commission and has been estimated at Rs. 518 Crore as of FY 2004-05. The treatment of amortisation of Regulatory asset of each DISCOM through the revised over-achievement amount during FY 2004-05 and available surplus during FY 2005-06 has been discussed in detail in this section of the Order. The treatment of balance Revenue Gap of Rs.96 Crore in respect of three DISCOMs together has also been discussed in this section.

The total sector revenue surplus for FY 2006-07 as estimated by the Commission, works out to Rs. 195.42 Crore. The treatment of balance Revenue Gap of Rs.55 Crore of TRANSCO based on truing up for FY 2004-05 and FY 2005-06 has been discussed in the subsequent para of this Section. The net revenue surplus for the FY 2006-07 after adjusting the balance revenue gap for FY 2005-06 of all utilities works out to Rs 45 Crore as summarised in Table 4.15. This Section focuses on the treatment of the revenue surplus keeping in mind the appeal filed by the Commission in the Hon'ble Supreme Court against the order of the Appellate Tribunal for Electricity regarding the issue of depreciation rate.

4.2 Order of Appellate Tribunal for Electricity

The order issued by the Appellate Tribunal for Electricity on the issue of depreciation rate is discussed in para 3.6.2 of the Order.

4.3 Order of the Hon'ble Supreme Court

On the appeal filed by the Commission, the Hon'ble Supreme Court in its Order dated 13th June 2006 directed the Commission as under:

“The appellant may continue the process of determination as directed by the Appellate Tribunal for Electricity but no final decision shall be taken without the leave of this Court.”

Further after the hearing on 23rd August 2006, the Hon'ble Supreme Court had passed the following order on 28th August 2006:

“..... we feel it would be appropriate for the Appellate Tribunal to consider the conclusions of the Commission as if they were good and sufficient for the purpose of making a departure from the Schedule VI rates. The basic issue involved in this appeal is whether the Appellate Tribunal was justified in its view that the Commission had not indicated any reason for deviating from Schedule VI rates. This direction is being given because the Commission was of the view that no reasons have been indicated. Without expressing any final opinion, we direct the Tribunal to examine whether any conclusions of the Commission are supportable in facts and in Law. However, we make it clear that we have not expressed any opinion on the merits of the case. The exercise to be undertaken by the Appellate Tribunal shall be only on the question of depreciation.

It is clarified that order dated 13th June 2006, we had permitted the process of determination of to be continued by the appellant as directed by the Appellate Tribunal. The final decision may be taken, but the same shall be open to challenge by the affected parties.

It is, however, made clear that we have not given any interim protection for any period other than the period to which the present appeal relates to.”

Keeping the above directions of the Hon'ble Supreme Court in view, the Commission has decided to maintain the surplus in **Tariff Control Reserve** to meet any contingent

liability or any other costs arising on account of power purchase during the FY 2006-07. The entire **Tariff Control Reserve** is parked with the TRANSCO. Apart from the said Tariff Control Reserve, any revenue surplus arising out of the refunds from Central Utilities as per the Orders of CERC, higher earnings through bilateral sales to other States and any overachievement of the DISCOMs with regard to reduction of AT&C losses, would also be considered for meeting out the contingent liabilities cited above. The final impact of the Order of the Hon'ble Supreme Court will be considered in the ARR of the DISCOMs and TRANSCO for the FY 2007-08 or under the proposed multi year tariff (MYT) from FY 2007-08 under the truing up mechanism as elaborated in section 3 of this Order.

4.4 Inputs for Tariff Design

Following are the major inputs having a bearing on tariff design and the same are briefly discussed:

Cost of service

Cross-subsidisation in tariff structure

Consumer-mix and demand forecast

AT&C losses

Consolidated Sectoral Revenue Gap/(Surplus)

Regulatory Asset

4.4.1 Cost of service

While determining the revenue requirement, various sectors of services, viz. generation cost, transmission cost and the distribution cost contributed to the cost of service. The relative burden of constituent consumer categories is assessed and on the basis of the 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, it calls for a detailed database of allocated costs. Such allocations in the determination of embedded cost are done on the basis of following factors:

Voltage of supply;

Power factor;

Load factor;

Time of use of electricity;

Quantity of electricity consumed,

AT&C Loss etc.

As the detailed information regarding all the above factors except AT&C loss is not available, it would be difficult to assess the cost of service with reference to all the above factors except AT&C loss.

The Detailed working of average cost to serve at the existing AT&C loss level is given in Table No. 4.1.

Table 4-1 Average Cost to Serve at the existing AT&C Loss Level for FY 2005-06

| | NDPL | BRPL | BYPL |
|--|---------------|---------------|---------------|
| Power Purchase Cost (Rs Cr) | 1203 | 1876 | 921 |
| Units Input (MU) | 5695 | 8649 | 5396 |
| ARR of DISCOMs excluding Power Purchase Cost (Rs Cr) | 454 | 473 | 272 |
| Units Billed (MU) | 4154 | 5304 | 2810 |
| Units Realized (MU) | 4185 | 5576 | 3028 |
| Distribution Cost (Paise/kWh) | 109.22 | 89.11 | 96.69 |
| Total Average Cost (Paise/kWh) | 320.43 | 310.12 | 273.73 |
| Existing Bulk Supply Tariff (Paise/kWh) | 211.21 | 221.01 | 177.04 |
| Existing AT & C Loss (%) | 26.52% | 35.53% | 43.89% |

In case the loss level is assumed at 20%, all other parameters remaining constant, the average cost to serve is estimated as indicated in Table 4.2.

Table 4-2 Average Cost to Serve at 20% AT&C Losses for FY 2005-06

| | NDPL | BRPL | BYPL |
|--|---------------|---------------|---------------|
| Power Purchase Cost (Rs Cr) | 1203 | 1876 | 921 |
| Units Input (MU) | 5695 | 8649 | 5396 |
| ARR of DISCOMs excluding Power Purchase Cost (Rs Cr) | 454 | 473 | 272 |
| Units Billed (MU) | 4522 | 6581 | 4006 |
| Units Realized (MU) | 4556 | 6919 | 4317 |
| Distribution Cost (Paise/kWh) | 100.33 | 71.82 | 67.81 |
| Total Average Cost (Paise/kWh) | 311.54 | 292.83 | 244.85 |

| | | | |
|---|--------|--------|--------|
| Existing Bulk Supply Tariff (Paise/kWh) | 211.21 | 221.01 | 177.04 |
| AT & C Loss (%) | 20.00% | 20.00% | 20.00% |

4.4.2 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 reduction of cross subsidy. 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.

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. This approach of the Commission has also been upheld by the Hon'ble Tribunal for Electricity in its Order dated 31st March 2006 in Appeal no 131 of 2005 between Udyog Nagar Factory Owners Association vs BRPL & DERC. Further, the appeal regarding the issue of depreciation rate is pending with the Hon'ble Supreme Court and some contingent liability may arise based on the Orders. The Commission has, therefore, decided to maintain the tariff for all the consumer categories at the existing level and leave a surplus of Rs.45 Crore as **Tariff Control Reserve** in the system to meet any contingent liability in the next order.

4.4.3 Consumer-mix and demand forecast

4.4.3.1 Petitioner's submission

For FY 2005-06 and FY 2006-07, the Petitioner, in its Petition, has estimated the category wise sales considering the following factors:

- Consumer growth primarily in Domestic and Non domestic categories, due to development of housing colonies and commercial establishments etc.
- Increase in number of consumers (presently indulging in un-authorised abstraction of power) due to various electrification initiatives such as HVDS, LVDS etc which will cover the unauthorised colonies and JJ clusters.

- Growth in specific consumption of the existing consumers in billing net on account of growth in economy and reduction in theft due to better vigilance and enforcement.

For FY 2006-07, the Petitioner has considered growth rates of 33%, 12%, and 3% for domestic, non-domestic and industrial categories, respectively Further, the Petitioner has considered negative growth rate of 20% for public lighting and has considered negative growth in sales to agriculture. The Petitioner has estimated an overall year-on-year growth in sales of 16% in FY 2006-07.

4.4.3.2 Commission's Analysis

The Commission obtained the details of actual category-wise sales for FY 2005-06 and has considered the same for determining the revenues from sales for this period.

For FY 2006-07, 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 2005-06. 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) Compounded Annual Growth Rate CAGR. The Commission has also taken into account the submissions made by the DISCOMs in respect of the sales projected for the different categories.

A summary of the sales submitted by the Petitioner and that considered by the Commission is given in Table 4.3.

Table 4-3: Summary of category-wise sales (in MU) for FY 2005-06 and FY 2006-07

| Category | FY 2005-06 | | | | FY 2006-07 | |
|--------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Domestic | 1593 | 1490 | 1387 | 1387 | 1840 | 1775 |
| Non-Domestic | 936 | 875 | 860 | 860 | 960 | 980 |
| Industrial | 390 | 370 | 366 | 366 | 378 | 427 |
| Agriculture | 0 | 0 | 1 | 1 | 1 | 1 |

| | | | | | | |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| DMRC | 0 | 21 | 32 | 32 | 23 | 32 |
| Railway Traction | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Lighting | 33 | 54 | 71 | 71 | 57 | 79 |
| Others | 2 | 1 | 94 | 94 | 0 | 45 |
| Total | 2953 | 2811 | 2810 | 2810 | 3259 | 3338 |

4.4.4 AT&C Losses

The concept of AT&C loss and its implications on determination of tariff, treatment of over achievement and under achievement is discussed in this Chapter.

4.4.4.1 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 2005-06. In the subsequent submission dated 19th May, 2006, the Petitioner has furnished the reconciliation of AT&C loss calculation with the financial accounts for FY2005-06. The Petitioner submitted that it has considered the own consumption of 68 MU for the period of July 2002 to March 2006 to work out the losses for FY 2005-06 as it had not considered the own consumption earlier in the respective years. The petitioner submitted that GNCTD has made a direct payment of Rs.18.50 Crore to DPCL on account of arrears payable by Delhi Jal Board. The petitioner has considered this amount of Rs. 18.50 Crore to work out the AT&C loss. The Petitioner submitted that it has over achieved the AT&C loss target and the actual AT&C loss for FY 2005-06 is 43.89%.

4.4.4.2 Commission's Analysis

The Commission has reviewed and assessed the details of actual AT&C loss for FY 2005-06, which stood at 43.89% indicating an overachievement of 1.16% by the Petitioner as compared to the bid level of 45.05%. The Commission has considered the arrears received from the Delhi Jal Board while calculating the actual AT&C losses.

Since the actual AT&C loss of the Petitioner is better than bid level AT&C loss reduction for the Petitioner for FY 2005-06 but worse than the minimum AT&C loss reduction level stipulated by the GNCTD for the Petitioner for FY 2005-06, 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 after providing for DISCOM adjustment passed on to the domestic consumers during FY 2005-06. The treatment of the overachievement in AT&C loss reduction in FY 2005-06 by the Petitioner is explained in Table 4.4.

Table 4-4: Treatment of overachievement in AT&C loss reduction by the Petitioner during FY 2005-06

| | Bid Level | Min Level | Actual |
|--|------------------|------------------|---------------|
| A. AT&C Loss (%) | 45.05% | 40.70% | 43.89% |
| B. Over/Under Achievement | 1.16% | | |
| C. Energy Input (MU) | 5396 | | 5396 |
| D. Units Realised (MU) | 2965 | | 3028 |
| E. Average Rate (Rs.) | 4.36 | | 4.36 |
| F. Amount Realised (Rs Cr) | 1292 | 0 | 1319 |
| | X | Y | Z |
| G. Total benefit on account of over achievement beyond the bid level (Rs Cr) [Z-X] | 27.33 | | |
| H. DISCOM Adjustment passed on to the consumers in FY 2005-06 | 12.56 | | |
| I. Benefits to be passed on to consumers in FY 2006-07 | 14.77 | | |

For FY 2006-07, the Commission has considered the committed AT&C loss of 39.95% at bid level to determine the tariff. Summary of the Petitioner's submission and approval by the Commission is given in Table 4.5.

The details of district wise AT & C losses for the FY 2005-06 as directed by the Commission are given in Table 4.6.

Table 4-5: AT&C loss for FY 2005-06 and FY 2006-07

| Description | FY 2005-06 | | | | FY 2006-07 | |
|---------------------|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Energy Input (MU) | 5106 | 5305 | 5396 | 5396 | 5318 | 5448 |
| Units Billed (MU) | 2953 | 2811 | 2810 | 2810 | 3259 | 3338 |
| Units Realised (MU) | 2807 | 2915 | 3028 | 3028 | 3194 | 3272 |
| AT&C Loss (MU) | 2299 | 2390 | 2368 | 2368 | 2124 | 2177 |
| AT&C Loss (%) | 45.05% | 45.05% | 43.89% | 43.89% | 39.95% | 39.95% |

The details of district wise AT&C losses for areas of BYPL are given in Table No. 4.6.

Table 4-6: Details of District wise AT&C loss for the FY 2005-06

| District Name | Power Purchase | Energy Billed | Amount Billed | Per Unit Rate | Collection | AT&C Losses | T&D Loss | Collection Efficiency |
|------------------|----------------|---------------|---------------|---------------|-------------|--------------|-------------|-----------------------|
| | MU | MU | Rs. Cr. | Rs./kWh | Rs. Cr. | % | % | % |
| Chandni Chowk | 269 | 162 | 83 | 5.11 | 97 | 29.7 | 40.0 | 117.1 |
| Darya Ganj | 438 | 245 | 123 | 5.02 | 124 | 43.7 | 44.1 | 100.7 |
| Pahar Ganj | 340 | 151 | 69 | 4.61 | 81 | 48.5 | 55.7 | 116.2 |
| Shankar Road | 697 | 483 | 225 | 4.65 | 216 | 33.4 | 30.7 | 96.0 |
| Jhilmil | 747 | 508 | 224 | 4.40 | 269 | 18.1 | 32.1 | 120.6 |
| Krishna Nagar | 524 | 252 | 99 | 3.92 | 108 | 47.3 | 51.9 | 109.7 |
| Laxmi Nagar | 629 | 366 | 150 | 4.10 | 152 | 41.2 | 41.7 | 100.9 |
| Mayur Vihar | 576 | 266 | 99 | 3.72 | 107 | 50.3 | 53.8 | 107.6 |
| Yamuna Vihar | 840 | 258 | 108 | 4.19 | 119 | 66.1 | 69.4 | 110.7 |
| Nandnagri | 334 | 120 | 45 | 3.76 | 47 | 62.8 | 64.2 | 103.9 |
| TOTAL | 5395.1 | 2810.0 | 1224.4 | 4.36 | 1319 | 43.88 | 47.9 | 107.8 |

The loss levels in some of the district are alarming. The Commission is of the view that it is not enough to achieve the bid level of AT&C loss level but exorbitant loss level have to be drastically brought down by technical and administrative measures especially when the Central Industrial Security Force is now made available and the special courts are also established.

4.4.5 Overall Sector Gap/Surplus for FY 2006-07

4.4.5.1 'Truing up' Mechanism

The Commission has discussed the truing up mechanism in the Tariff Order dated July 7, 2005 and followed the same mechanism to true up the expenses & revenues for the FY 2004-05 and FY 2005-06.

4.4.5.2 Impact of Truing up for FY 2004-05 and FY 2005-06 for the Sector as a Whole

The truing up for FY 2004-05 based on audited accounts and for FY 2005-06 based on the provisional accounts 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 2005-06. The revised revenue gap for FY 2004-05 and FY 2005-06 for the sector as estimated by the Petitioner, the other DISCOMs and the Delhi Transco Limited and as approved by the Commission in this Order is given in Table 4.7 & 4.8 below:

Table 4-7: Revised Revenue Gap/(Surplus) for FY 2004-05 based on truing up (Rs Crore)

| | 2004-05 | |
|------------------|----------|------------|
| | Petition | Commission |
| NDPL | 273.98 | 202.94 |
| BRPL | 254.29 | 214.69 |
| BYPL | 168.59 | 100.43 |
| Total of DISCOMs | 696.86 | 518.07 |
| TRANSCO | (33.33) | (87.11) |

Table 4-8: Revised Revenue Gap/(Surplus) for FY 2005-06 based on truing up (Rs Crore)

| | 2005-06 | |
|------------------|----------|------------|
| | Petition | Commission |
| NDPL | (5.40) | (72.60) |
| BRPL | (6.53) | (64.31) |
| BYPL | (23.58) | (73.45) |
| Total of DISCOMs | (35.51) | (210.35) |
| TRANSCO | 390.08 | 141.69 |

4.4.5.3 Consolidated Sector Revenue Gap/Surplus for FY 2006-07

The total consolidated sector revenue surplus for FY 2006-07 as approved by the Commission works out to **Rs 195.42 Crore**. No Government support is available for the FY 2006-07.

Table 4-9: Proposed and Approved Revenue Gap/(Surplus) for FY 2006-07 (Rs Crore)

| | 2006-07 | |
|--------------|-----------------|-------------------|
| | Petition | Commission |
| NDPL | (30.71) | (100.00) |
| BRPL | (5.02) | (255.14) |
| BYPL | (51.02) | (140.47) |
| TRANSCO | 946.42* | 300.18 |
| Total | 859.65 | (195.42) |

* includes the DVB arrears of Rs.210 Crore of FY 2002-03 and FY 2003-04.

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. Table 4.10 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 4-10: 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) |

4.4.6 Regulatory Asset created in FY 04-05 Orders

The Commission in its Orders on ARR and Tariff Petitions for FY 2005-06 after deliberating all the options of bridging the revenue gap had revised the Regulatory Asset of Rs. 696 Crore to Rs 548 Crore in respect of the DISCOMs. The Regulatory Asset of the TRANSCO was separately amortised in the Tariff Order of FY 2005-06 in full.

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 adequately elaborated in the Tariff Order for FY 2004-05 and FY 2005-06.

The Commission in its Tariff Order dated July 7, 2005 had amortised the Regulatory Asset of the 3 DISCOMs to the tune of Rs. 205 Crore by their respective overachievement leaving the Regulatory Asset of Rs. 343 Crore. The balance Regulatory Asset of Rs. 343 Crore was allocated to various Licensees as below:

Table 4-11: Amortisation of Regulatory Asset and Balance Regulatory Asset (Rs Crore)

| | TRANSCO | NDPL | BRPL | BYPL | Total |
|---|----------------|-------------|-------------|-------------|--------------|
| Revised Reg. Asset as per Tariff Order dated July 7, 2005 | 0 | 207 | 221 | 120 | 548 |
| Amortisation of Reg. Asset during FY 2005-06 as Tariff Order dated July 7, 2005 | 0 | 122 | 71 | 12 | 205 |
| Balance Regulatory Asset | 0 | 85 | 150 | 108 | 343 |

As regards to the carrying cost on Regulatory Asset, the Commission has specified the treatment in para 3.13 of this order.

The Commission has reworked the Regulatory Assets based on the true-up exercise for the FY 2004-05 based on the Audited Accounts. With the truing-up of the figures for FY 2004-05 in the present order, the Regulatory Asset for the three DISCOMs together has been estimated at Rs. 518 Crore as of FY 2004-05 by the Commission. Out of this, Rs. 211 Crore has been amortized on account of over-achievement in FY 2004-05 leaving the balance unamortized portion at Rs. 307 Crore. The amount of over-achievement during FY 2004-05 has been revised from Rs. 205 Crore considered by the Commission in its Tariff Order of FY 2005-06 to Rs. 211 Crore in the present order. The details of the Revised Regulatory Asset are given below in Table No. 4.12.

Table 4-12: Amortisation of Regulatory Asset and Revised Regulatory Asset (Rs Crore)

| | ARR Petition for FY 2006-07 based on second truing up | | | | | |
|-------------|--|-------------------------------|---|---------------------------------|---------------------|---|
| | FY 2004-05 | | | | | |
| | Revenue Gap/(Surplus) - as per petitioner | Overachievement Amount | Revenue Gap/(Surplus) - Commission | Revised Regulatory Asset | Amortisation | Balance Regulatory Asset - after adjusting over-achievement amount |
| NDPL | 274 | 128 | 203 | 203 | 128 | 75 |

| | ARR Petition for FY 2006-07 based on second truing up | | | | | |
|--------------|---|------------------------|------------------------------------|--------------------------|--------------|--|
| | FY 2004-05 | | | | | |
| | Revenue Gap/(Surplus) - as per petitioner | Overachievement Amount | Revenue Gap/(Surplus) - Commission | Revised Regulatory Asset | Amortisation | Balance Regulatory Asset - after adjusting over-achievement amount |
| BRPL | 254 | 71 | 215 | 215 | 71 | 144 |
| BYPL | 169 | 12 | 100 | 100 | 12 | 88 |
| Total | 697 | 211 | 518 | 518 | 211 | 307 |

The revenue surplus of Rs. 87 Crore for FY 2004-05 and revenue gap of Rs. 142 Crore for FY 2005-06 of Transco has been considered while working out the revenue gap for the FY 2006-07 of Rs. 355 Crore. The details of revenue surplus of Transco are given in Table No.4.7 and 4.8

The revised regulatory asset of Rs.307 Crore has been amortized out of the revenue surplus of DISCOMs for the FY 2005-06 leaving the balance unamortized regulatory asset of Rs. 2 Crore, Rs.79 Crore, and Rs 15 Crore in case of NDPL, BRPL and BYPL, respectively. The balance unamortized regulatory assets of each of DISCOMs have been adjusted in determination of their paying capacity while working out the bulk supply tariff for the FY 2006-07. The details are given in Tables No. 4.13 and 4.26. Thus, the Regulatory Asset created by the Commission in the Tariff Order for FY 2004-05 has been fully amortized.

Table 4-13: Amortisation of Regulatory Asset in FY 2005-06 (Rs Crore)

| | Balance Regulatory Asset | Revenue Gap/(Surplus) - as per Commission | Amortisation out of Revenue Surplus | Balance Regulatory Asset | Net Revenue Gap/(Surplus) |
|--------------|--------------------------|---|-------------------------------------|--------------------------|---------------------------|
| NDPL | 75 | (73) | 73 | 2 | 2 |
| BRPL | 144 | (64) | 64 | 79 | 79 |
| BYPL | 88 | (73) | 73 | 15 | 15 |
| Total | 307 | (210) | 210 | 96 | 96 |

The total consolidated sector revenue surplus for FY 2006-07 as projected by the Petitioner and as approved by the Commission is given below in Table 4.14.

Table 4-14: Net Overall Sectoral Revenue Gap/(Surplus) for the FY 2005-06 and FY 2006-07 (Rs Crore)

| | Balance Revenue Gap/(Surplus) | Revenue Gap/(Surplus) - FY 06-07 | |
|--------------|-------------------------------|----------------------------------|-----------------|
| | | Petition | Commission |
| NDPL | 2 | (31) | (100.00) |
| BRPL | 79 | (5) | (255.14) |
| BYPL | 15 | (51) | (140.47) |
| TRANSCO | 0 | 736 | 300.18 |
| Total | 96 | 650 | (195.42) |

The working of overall net revenue surplus for the sector as a whole for the FY 2006-07 after amortisation of Regulatory Asset is given in Table 4.15 below:

Table 4-15 Reconciliation Statement of Net Revenue Surplus of Rs. 45 Crore for FY 2006-07 (Rs Crore)

| | Commission |
|---|------------|
| (A) Revised Regulatory Assets of DISCOMs as on FY 2004-05 | 518 |
| (B) Amortisation of Regulatory Assets of DISCOMs out of overachievement during FY 2004-05 | (211) |
| (C) Balance Regulatory Asset of DISCOMs - after adjusting over -achievement amount (A+B) | 307 |
| (D) Revenue Gap/(Surplus) of DISCOMs for FY 2005-06 | (210) |
| (E) Balance Regulatory Asset of DISCOMs (C+D) | 96 |
| (F) Revenue Gap/(Surplus) of TRANSCO for FY 2004-05 | (87) |
| (G) Revenue Gap/(Surplus) of TRANSCO for FY 2005-06 | 142 |
| (H) Overall Revenue Gap/(Surplus) for FY 2006-07 | (195) |
| (I) Net Revenue Gap/(Surplus) for FY 2006-07 (E+F+G+H) | (45) |

4.5 Revenue Gap/Surplus at existing tariff

4.5.1 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. The Commission has obtained the details of actual revenues, billed and collected during FY 2005-06.

For FY 2006-07, the Commission has computed the revenue at the existing tariff from the estimated sales figures.

The revenues estimated by the Petitioner and those considered by the Commission are given in Table 4.16.

Table 4-16: Revenue of the Petitioner (Rs Crore)

| Particulars | FY 2005-06 | | | | FY 2006-07 | |
|--|----------------------|----------------------|---------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Revenue Realized | 1137.00 | 1234.50 | 1266.43 | 1266.43* | 1358.94 | 1382.62 |
| Benefit of Overachievement considered separately | | | | | | |
| Revenue of Petitioner | 1137.00 | 1234.50 | 1266.43 | 1266.43 | 1358.94 | 1382.62 |

* includes an amount of Rs. 12.56 Crore towards DISCOM Adjustment to Consumers.

4.5.2 Power Purchase Cost of the Petitioner at existing BST

Table 4.17 provides the Power Purchase cost as proposed by the Petitioner and as considered by the Commission at the existing Bulk Supply Tariff.

As regards the reactive energy charges, the Petitioner has considered the reactive energy charges as a part of power purchase expenses. The Commission has elaborated the issue in detail in the Review Order issued in the month of November, 2003 on the Review Petition filed by the Petitioner. Based on the same philosophy, the Commission has not considered any expense towards the reactive energy charge imposed by the Transco.

Table 4-17: Power purchase cost at existing BST

| Description | FY 2005-06 | | | | FY 2006-07 | |
|--|----------------------|----------------------|--------|------------|------------|------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Energy Input (MU) | 5106 | 5305 | 5396 | 5396 | 5318 | 5448 |
| Power Purchase Cost* at existing BST (Rs. Crore) | 798.90 | 906.30 | 922.40 | 921.30 | 942.64 | 964.53 |

**At 156.47 paise/unit for the period April to 15th July 2005 and at 177.04 paise/unit thereafter.*

4.5.3 Revenue Surplus/Gap of the petitioner

The revenue gap at existing retail supply tariffs and existing bulk supply tariff has been computed as given in Table 4.18. The Revenue Gap/(Surplus) for FY 2005-06 and FY 2006-07 has been estimated by the Commission as Rs. (73.45) Crore and Rs. (140.47) Crore, respectively.

Table 4-18: Revenue gap at existing tariffs (Rs. Crore)

| Description | FY 2005-06 | | | | FY 2006-07 | |
|---|----------------------|----------------------|--------------|----------------|----------------|-----------------|
| | Order for FY 2005-06 | Rev. Est. (Petition) | Actual | Commission | Petition | Commission |
| Expenses excluding Power Purchase Cost(A) | 297.61 | 307.49 | 373.27 | 283.05 | 364.22 | 283.61 |
| Return (B) | 30.93 | 30.93 | 30.93 | 30.93 | 36.31 | 36.31 |
| Non-Tariff Income (C) | 20.52 | 33.80 | 42.30 | 42.30 | 35.26 | 42.30 |
| Revenue Requirement (A+B-C) excl. Power Purchase Cost | 308.02 | 304.62 | 361.90 | 271.68 | 365.28 | 277.62 |
| Revenue realised at existing Tariffs | 1137.00 | 1234.50 | 1266.43 | 1266.43 | 1358.94 | 1382.62 |
| Power Purchase cost at existing BST | 798.90 | 906.30 | 922.40 | 921.30 | 942.64 | 964.53 |
| Revenue Gap/(Surplus) | (30.08) | (23.58) | 17.87 | (73.45) | (51.02) | (140.47) |

4.6 Previous revision of Tariff

The previous revision of retail supply tariff took place in 2005, when the Commission issued the Tariff Order for BYPL on July 7, 2005 and the revised tariff was made applicable from July 15, 2005.

4.7 Tariff Design

4.8 Domestic Tariff

4.8.1 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 49.21 % of the total billed units.

The Commission has designed the tariff structure for domestic consumers keeping in view the following factors:

4.8.2 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 2 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 had 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 had marginally increased the fixed charges for Domestic Category. After analysis of the various options and considering the views expressed by the stakeholders, the Commission has proposed to continue with the existing level of fixed charges as well as energy charges for domestic lighting/fan and power category.

4.8.3 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 had approved the tariff for J J Clusters and had 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 had decided not to increase the tariff and had 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”.

The Commission retains the same arrangement for FY 2006-07 as well.

4.8.4 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 had 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 had not changed the tariff philosophy and had 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 had noted that this has led to misunderstandings in billing to CGHS consumers and hence the Commission in the Tariff Order dated July 7, 2005 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 in its previous Order out that the tariff charged by a CGHS to its constituent members shall be mutually determined by the CGHS and its constituent consumers. The Commission has proposed to continue with the existing practice for the FY 2006-07.

4.8.5 Domestic Lighting/Fan and power connections in un-electrified left out Pockets and Villages

The tariff for domestic connections in un-electrified 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 had approved new rates of tariff for this category, the Commission expects that the meters will be installed on connections in un-electrified 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. The Commission has proposed to continue with the existing level of tariff for this sub-category for the FY 2006-07. **The Petitioner is directed to furnish the number of installation where supply is already metered and the number of connections which are yet to be provided with meters.**

4.8.6 Change in Tariffs

The Commission has proposed to continue with the existing level of tariff for various categories proposed on 07.07.2005 for the FY 2005-06 in the FY 2006-07.

4.8.7 Approved Tariff

The existing tariff and the approved tariff for domestic category are indicated in Table 4.19.

Table 4-19: Existing and Proposed Tariffs for Domestic Category

| Sub-category | | Existing Tariff | | | Approved Tariff | | | |
|--|----------------------------|---------------------------|---|--|----------------------------|---------------------------|---|--|
| Sub-category | Load (kW) | Fixed Charges (Rs./month) | Consumption Units/ month | Energy Charges (paise/kWh) | Load (kW) | Fixed Charges (Rs./month) | Consumption Units/ month | Energy Charges (paise/kWh) |
| 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 | 24 60 12/Kw | 0-200 201-400 Above 400 | 240 390 460 | 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 | | 12/kW | First 44.4% Next 44.4% Next 11.2% | 240 390 460 (with 15% rebate on Energy Charge)) | | 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. 264 Rs. 384 Rs. 504 Rs. 699 Same as 1.2 | | - | - | Rs./Month Rs. 264 Rs. 384 Rs. 504 Rs. 699 Same as 1.2 |

4.9 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.

4.9.1 Non-Domestic Low Tension (NDLT)

4.9.1.1 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 and restaurants, cinemas, banks, shops, poultry farms, horticulture, etc. This category consumes approximately 20.20% of the total billed units.

The Commission has decided to fix the tariffs for non-domestic consumers for the FY 2006-07 at same level as fixed for FY 2005-06.

4.9.1.2 KVAh Based Tariff for NDLT Category

For the consumers with sanctioned load up to 10 kW in NDLT category, the Commission had specified the kWh based tariff only. The Commission has decided to continue with the existing practice.

4.9.1.3 Fixed/Energy Charges for NDLT Category

The Commission in line with the principle of gradually increasing the recovery from Fixed Charges had increased the Fixed Charges for NDLT category from Rs 35/kW to Rs 50/kW. The Commission proposes to continue with the existing level of fixed /energy charges for this category for the FY 2006-07 as well.

4.9.1.4 Non-domestic connections at 11 kV single delivery point for commercial complexes, etc.

The Commission in its Tariff order dated July 7, 2005 had decided that 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. The Commission proposes to continue with the existing level of

fixed & energy charges for this category for the FY 2006-07 as well.

4.9.2 Mixed Load High Tension (MLHT)

4.9.2.1 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 10.39% of the total billed units.

4.9.2.2 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. The Commission proposes to continue with the existing level of rebate for this category for the FY 2006-07 as well.

4.9.3 Approved Tariff for Non Domestic Category

The existing tariffs and the revised tariffs for non-domestic category have been presented in the Table 4.20.

Table 4-20: 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 | | | | | | |
| a) load upto 10 kW | 50 | | 535 paise/k Wh | 50 | | 535 paise/kWh |
| b) load more than 10 kW | 50 | - | 487 paise/k VAh | 50 | - | 487 paise/kVAh |

| | | | | | | |
|--|----|------------|---|----|------------|--|
| Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II | 50 | | 487 paise/k VAh (with 15% rebate on Energy Charge)) | 50 | | 487 paise/kVAh (with 15% rebate on Energy Charge)) |
| Mixed Load (High Tension)- MLHT a) Supply on 11 kV b) Supply on LT (400 Volts) | - | 150 200 | 490 paise/kV Ah 564 paise /kVAh | - | 150 200 | 490 paise/kVAh 564 paise/kVAh |

4.10 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.

4.10.1 Small Industrial Power (SIP)

4.10.1.1 Consumer profile

This category consists of industrial consumers with load up to 100 kW including lighting, heating and cooling load. Their consumption is 11.29% of the total billed units.

4.10.1.2 KVAh based tariff for SIP Consumers

For the consumers with sanctioned load up to 10 kW in SIP category, the Commission had specified the kWh based tariff only. The Commission proposes to continue with the tariff of FY 2005-06 for this sub-category in the FY 2006-07 also.

4.10.1.3 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 were given a rebate of 15% on energy consumption charges, as compared to SIP tariffs in the earlier order for FY 2005-06. The Commission has proposed to continue with the existing level of rebate for this sub-category for the FY 2006-07.

4.10.1.4 Fixed Charges for SIP Category

The Commission in its Tariff Order dated July 7, 2005, in line with the principle of gradually increasing the recovery from Fixed Charges had increased the Fixed Charges for SIP category from Rs 35/kW to Rs 50/kW. The Commission has proposed to continue with the existing level of fixed charges for this sub-category for the FY 2006-07.

4.10.2 Large Industrial Power (LIP)

4.10.2.1 Consumer profile

This category includes large industrial consumers having load above 100 KW including lighting load. This category accounts for 1.74% of the total billed units.

4.10.2.2 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. The Commission proposes to continue with the existing level of rebate for this sub-category for the FY 2006-07 also.

4.10.3 Approved Tariff

The existing and approved charges for industrial consumers have been presented in Table 4.21.

Table 4-21: 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 | 50 50 | | 500 paise/kWh 435 paise/kVAh | 50 50 | | 500 paise/kWh 435 paise/kVAh |
| Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers | 50 | | 370 paise/kVAh | 50 | | 370 paise/kVAh |
| Large Industrial Power LIP a) Supply on 11 kV b) Supply on LT (400 Volts) | - | 150 200 | 430 paise/kVAh 495 paise/kVAh | - | 150 200 | 430 paise/kVAh 495 paise/kVAh |

4.11 Agriculture and Mushroom Cultivation Tariff

4.11.1 Consumer profile

Agriculture connections are available for tube wells for irrigation, threshers and kuttu 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 0.02% of the total billed units.

4.11.2 Approved Tariff

The Commission proposes to continue with the level of fixed as well as energy charges for this category for FY 2005-06 in the FY 2006-07 as well.

The existing and approved charges for agriculture consumers and mushroom cultivation consumers have been presented in Table 4.22.

Table 4-22: 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 | 12 | 150 | 12 | 150 |
| Mushroom Cultivation | 24 | 300 | 24 | 300 |

4.12 Public Lighting

4.12.1.1 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 2.53% of the total billed units.

4.12.2 Approved Tariff

The Commission in its previous Tariff Orders had set the tariff for public lighting equivalent to energy charge of the highest slab in the domestic category. In line with this principle, the Commission proposes to continue with the existing level of energy charges for this category as ordered on 07.07.2005 for the FY 2006-07 also.

As regard to maintenance charges for street lighting, the Commission had 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.

The existing and approved tariffs for public lighting and signals/blinkers are given in Table 4.23.

Table 4-23: 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 | 460 | 73 | 460 |
| Signals & blinkers | - | 460 | - | 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. The domestic category is however provided the slab benefit.

4.13 Railway Traction

4.13.1 Consumer profile

The consumption of Railway Traction is nil of the total billed units.

4.13.2 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.

4.13.3 Tariff for Railway Traction

In line with the principles of gradual reduction in cross subsidy over a period of time, the Commission in Tariff Order dated July 7, 2005 had kept the tariff applicable to the Railways at the existing tariff levels. The Commission has proposed to continue with the existing level of fixed as well as energy charges for this category for the FY2006-07.

4.13.4 Approved Tariff

The existing and approved tariffs for Railway Traction are given in Table 4.24.

Table 4-24: 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 |
| 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. | | | | |

4.14 Delhi Metro Rail Corporation Ltd. (DMRC)

4.14.1 DMRC's submission

DMRC in its response on ARR and Tariff Petitions for FY 2006-07 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.

4.14.1.1 Commission's view

In its Tariff Order dated June 9, 2004 the Commission treated DMRC as a separate category of consumer and had 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 in its Tariff Order dated July 7, 2005 had introduced demand charges at Rs 75/kVA/month for DMRC and kept the energy charges at the same level without any increase.

4.14.2 Tariff for DMRC

In view of the above, the Commission in its Tariff Order dated July 7, 2005 had approved 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. The Commission has proposed to continue with the existing level of fixed as well as energy charges for this category for the FY 2006-07. However, the issue of simultaneous maximum demand would be

dealt as per the directive of the Commission in para 2.8.3 of this order.

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 has proposed to continue with the existing practice for this category for the FY 2006-07.

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.

4.15 Temporary Supply

The Commission does not propose any change in the existing tariff mechanism for temporary supply as mentioned in Section 6.

4.16 Subsidy from GNCTD

The Government of NCT of Delhi (GNCTD) had provided subsidy to domestic consumers and agriculture consumers under section 65 of the Electricity Act, 2003 for the year 2005-06, which was extended upto 30th September 2006. Earlier, the Commission vide letter of 01.06.2006 and again vide letter of 07.09.2006 had desired to know whether the Government was contemplating extending subsidy to any class of consumers for the year 2006-07. Till the issue of this order, no feedback has been received from the GNCTD.

4.17 Treatment of Revenue Gap

4.17.1 Revenue Gap

As given in Table 4.18, the revenue surplus of the Petitioner works out to Rs. 73.45 Crore and Rs. 140.47 Crore for FY 2005-06 and FY 2006-07, respectively.

4.17.2 Total Revenue from Approved Tariffs for FY 2005-06

Table 4.25 summarises the revenue billed from the existing and approved tariffs (excluding electricity duty).

Table 4-25: Revenue Billed from Existing and Approved Tariff for FY 2006-07 (Rs Crore)

| Category | Revenue from existing tariff | Revenue from Approved Tariff |
|------------------|------------------------------|------------------------------|
| Domestic | 532 | 532 |
| Non-Domestic | 591 | 591 |
| Industrial | 235 | 235 |
| Agriculture | 0 | 0 |
| DMRC | 7 | 7 |
| Railway Traction | 0 | 0 |
| Public Lighting | 36 | 36 |
| Others | 11 | 11 |
| Total | 1412 | 1412 |

The estimated total revenue realised in FY 2006-07 based on approved tariffs and 98% collection efficiency works out to Rs. 1383 Crore.

The approved tariffs are appended to this Order as the Tariff Schedule for FY 2006-07.

4.17.3 Approved Bulk Supply Tariff

The paying capacity of each DISCOM in FY 06-07 (amount available for power purchase) has been estimated based on the projected Revenue Realisation at the approved tariffs for the FY 2006-07 and the Revenue Requirement excluding power purchase cost. The Bulk Supply Tariff for each DISCOM has been computed based on the total amount available for power purchase and the total units input to the respective DISCOM.

Based on the revenues projected at approved tariff, balance regulatory asset, estimated total revenue requirement of each DISCOM excluding power purchase cost and the estimated total units input to each DISCOM, the Bulk Supply Tariff for each DISCOM has been computed and is shown in Table 4.26 below:

Table 4-26: Bulk Supply Tariff (Paise/kWh) for FY 2006-07

| | NDPL | BRPL | BYPL |
|--|------|------|------|
| ARR of DISCOMs excluding Power Purchase Cost (Rs Cr) | 449 | 497 | 278 |

| | NDPL | BRPL | BYPL |
|--|-------------|-------------|-------------|
| Revenue at Proposed Tariff incl Electricity Duty (Rs Cr) | 1880 | 2798 | 1447 |
| Electricity Duty(Rs Cr) | 88 | 124 | 64 |
| Net Revenue available(Rs Cr) | 1792 | 2675 | 1383 |
| Net Revenue Gap/(Surplus) for FY 05-06(Rs Cr) | 2 | 79 | 15 |
| Amount available for Power Purchase(Rs Cr) | 1340 | 2099 | 1090 |
| Units input to DISCOM (MU) | 5882 | 8701 | 5448 |
| Approved Bulk Supply Tariff (Paise/kWh) for FY 2006-07 | 227.83 | 241.22 | 200.11 |
| Existing Bulk Supply Tariff (Paise/kWh) for FY 2005-06 | 211.21 | 221.01 | 177.04 |

5. Directives

In the Orders on the ARR and Tariff Petition for FY 2005-06 dated July 7, 2005, 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 are 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 directions given by the Commission to the Petitioner in the Order on ARR and Tariff Petition for FY 2005-06 dated July 7, 2005 and new directives to be complied by the petitioner.

5.1 AT&C Losses

For regular monitoring of AT&C losses, the Commission had directed the Petitioner 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.

The Petitioner has complied with the directive and submitted district wise AT&C losses. However, there was some delay in submissions of the reports to the Commission which needs to be avoided in future. The petitioner is directed to

continue to submit the district wise AT&C Loss along with break-up of energy input, energy sold, energy billed and revenue realisation against billed energy on monthly basis within fifteen days after the end of the month. The Commission further directs the petitioner to submit report on monthly basis on action taken to reduce AT&C loss in areas where AT&C loss is more than 40%.

5.2 Separation of corporate offices and employees common to BRL and BYPL

The Commission had directed the Petitioner to separate the corporate offices and employees who are currently common to BRPL and BYPL within three months from the date of issue of the Order dated July 7, 2005 and file the status of compliance of the same to the Commission.

5.3 R&M Expenses

In continuation of the directions with regard to separation of corporate office, the Commission had directed BRPL and BYPL that the accounts and stores shall also be ring fenced Licensee wise within three months from the date of issue of the Order dated July 7, 2005 and the compliance shall be reported to the Commission.

The Petitioner has complied with the directive.

5.4 A&G Expenses

The Commission had directed 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 the Order dated July 7, 2005 and file the status of compliance of the same to the Commission. Further, to mitigate the problems of BYPL consumers, the Commission had directed BYPL to shift all consumer related offices of BYPL to BYPL areas within three months from the date of issue of the Order dated July 7, 2005 and file the status of compliance of the same to the Commission.

The Commission had further directed 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.

The Petitioner has submitted the details to the Commission.

5.5 Payment through cheques

The Commission had directed 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. The Commission had directed 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 suggested that all other consumers whose bill amount is less than Rs. 4,000 may also be encouraged to pay their bills by Account Payee cheque/DD irrespective of the amount of the bill.

The Petitioner has submitted that the message for information to the consumers is carried out on the bills. STQC Directorate of the Ministry of Information Technology after conducting an audit of Billing Software of the petitioner has mentioned in its findings that the software of the petitioner did not have any validation of accepting payment for more than Rs.4000/- by cash. The commission directs that suitable changes be made in the software to have this validation and report the compliance within one month of the issue of this order.

5.6 Energy Audit for employees of erstwhile DVB

The Commission had directed 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 was to submit the report of such energy audit to the Commission within three months of the issue of the Order dated July 7, 2005.

On analysis of data submitted, the Commission observed that consumption of some of the employees had been shown abnormally high. Hence, the Commission asked the petitioner to investigate the same properly and furnish a report. But so far, no such report has been received in the Commission. It is again directed that the report after investigation be submitted to the Commission within one month of the issue of this order.

5.7 Special Voluntary Retirement Scheme

The Commission had directed 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.

The details along with the estimated savings were furnished in the ARR petition by the Petitioner.

5.8 Capital Investment

The Commission had directed 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 with in a month from the date of issue of the Order dated July 7, 2005. The Commission had further directed that the Petitioner should submit all the schemes for approval by September 2005.

DPRs on Capital investment for FY 2005-06 and FY 2006-07 have been submitted for the approval of the Commission. The Quarterly progress reports on implementation of capital schemes have been submitted.

5.9 Sale/retirement of assets

The Commission had directed the Petitioner to file a separate Petition to the Commission within one month of the issue of the Order dated July 7, 2005 providing the details of the assets that are to be retired. The Petition was to include complete details with respect to each asset retired/proposed to be retired.

The Petitioner has submitted that a letter containing details of sale/ retirement of assets. The Petitioner was asked to file a petition providing the details of retirement of assets along with clarification sought by the Hon'ble Commission.

5.10 Installation of meters capable of recording kVAh consumption

In case where the meters capable of recording kVAh consumption have not been installed for NDLT and SIP consumers with sanctioned load dbaove 10 kW, the Commission had directed the Petitioner to install the meters capable of recording

kVAh consumption within 60 days from the date of issue of the Order dated July 7, 2005 and report the compliance to the Commission.

The Petitioner has submitted that program of installation of meters has been taken up in right earnest. The job has been completed except in some cases where either the premises were not accessible or in those cases where there has been a resistance from consumers, slowing down the replacement program. The petitioner has submitted a compliance Report. The Commission observed that the data mentioned in the Report was incorrect and asked the petitioner to submit detailed information in a prescribed format which has not been received so far. The petitioner is directed to submit the detailed information in the prescribed format within one month of issue of this order.

5.11 Oil cooled transformers

The Commission had directed the Petitioner to provide the details of oil filled oil cooled transformers installed by them in residential/commercial buildings.

The Petitioner had submitted a list of oil-filled, oil-cooled transformers in use in residential / commercial premises including CGHS. The discrepancies in the list submitted were indicated to the petitioner and the petitioner was advised to get the survey of the complete area falling under their jurisdiction and submit a fresh list which is yet to be received in the commission. The petitioner is directed to submit the fresh list after detailed survey within one month from the date of issue of this order.

5.12 Compliance to Cost Accounts Records

The Govt. of India has prescribed Cost Accounting Record (Electricity industry) Rules 2001 under which electricity utilities are required to maintain records to show their costs and other details. The Commission, therefore, had directed 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.

The Petitioner has confirmed that proper cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 are being maintained by them. The Petitioner is directed to submit the cost record details for

the FY 2005-06 as prescribed in the Cost Accounting Record (Electricity industry) Rules 2001 within one month from the date of issue of this order.

5.13 R&M Works

The Commission had reiterated 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 was to 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.

5.14 Information on Cost of Supply in prescribed formats.

The Commission had directed the Petitioner to suggest modifications in the existing formats by August 2005 to capture the cost of supply.

The Petitioner has submitted that for determining the cost of supply for different consumer categories and across the various voltage levels, at least the following information/data is required:

- Energy input at various voltage levels and across the various consumer categories.
- Losses at various voltage levels and across the consumer categories
- Asset base across various voltage levels and customer category wise
- Operating costs across the various voltage levels, geographical regions, functions etc. as to finally across the consumer categories

The Petitioner had submitted a Base paper providing the proposed methodology for determination of voltage linked Tariff and Cost of supply. Since the full information on various parameters listed above is currently not available, the Commission was requested to convene a technical session on the subject with all DISCOMs to finalise modalities.

In this connection, the Commission draws the attention of the Petitioner to the direction of the Hon'ble Appellate Tribunal for Electricity in its Order dated 31st March 2006 in appeal no. 131 of 2005 to furnish the details to the Commission by September 2006. The Commission further directs the Petitioner to furnish the details without further delay in compliance with the orders of the Hon'ble Appellate Tribunal for Electricity.

5.15 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 from July 2005 onwards.

The Petitioner has submitted the report relating to data on consumers having electronic meters.

5.16 Installation of meters for domestic consumers paying flat rates on plot size basis

The Commission had directed the Petitioner to submit the year wise cost estimates along with cost-benefit analysis of the same for electrifying these consumers on HVDS.

In the DPR for HVDS scheme the Petitioner has indicated the cost estimate and cost benefit analysis.

5.17 Data on kVAh, kWh & kVARh

The Commission has directed the Petitioner to start submitting report on data on average power factor, kWh, kVAh and kVARh consumption on monthly basis commencing from July 2005.

The Petitioner has submitted the Report on KVAh, kWh & kVARh to the Commission.

5.18 List of new directives

5.18.1 Voluntary Separation Scheme

(Ref. section 3.1.2) The Commission directs the Petitioner to submit the complete detail of savings, amortisation, additional trust liabilities and other expenses related to SVRS separately within three months of the issue of this order.

5.18.2 A&G Expenses

(Ref. section 3.2.2) The Commission directs the Petitioner to obtain the prior approval for increase in Administrative & General Expenses beyond the level of expenses approved by the Commission for FY 2006-07.

5.18.3 Loss on retirement of assets

(Ref. Section 3.5.2) The Commission directs the Petitioner to file a separate Petition to the Commission within one month of the issue of this Order providing complete details of each of the assets that are to be retired.

5.18.4 R&M Works

(Ref. section 3.3.2) The Commission directs the Petitioner to continue to provide quarterly report of the actual R&M works carried out and quarterly report on the transformer failure rate.

The Commission further directs the Petitioner to obtain prior approval for increase in Repair & Maintenance expenses beyond the level of expenses approved by the Commission for FY 2006-07.

5.18.5 Capital Investments

(Ref. section 3.4.2) The Commission directs the Petitioner to submit the following:

- Complete DPR along with cost-benefit analysis for the schemes more than Rs. 2 Crore proposed during FY 2006-07 for obtaining investment approval from the Commission **by November, 2006** in case of schemes for which the said details have not been furnished. The Petitioner should also obtain the approval from the Commission for individual schemes less than Rs. 2 Crore but aggregating to Rs. 20 Crore.
- Details of actual capital expenditure incurred along with the completion certificate in the requisite format

- Quarterly progress report of investments in the format prescribed by the Commission.

5.18.6 Asset Capitalisation

(Ref. section 3.5.2) The Commission directs the Petitioner to submit the complete details of assets capitalised during FY 2005-06 in the requisite format along with the necessary statutory clearances and certificates within one month from the date of issue of this Order.

The Commission further directs that the date of commissioning / commercial operation for EHV grid station and any augmentation thereof, should be certified by the State Load Despatch Centre (SLDC).

5.18.7 Regulatory Information Management System (RIMS)

The Commission has implemented the Regulatory Information Management System (RIMS) to assist the Commission to examine and scrutinize the data submitted by the licensees online.

The data submitted by the licensees is categorized in to two types:

- i. Aggregate Revenue Requirement (ARR) related information submitted by the licensees on annual basis.
- ii. Compliance monitoring and performance related data, which is to be submitted by the licensees on monthly and yearly basis.

The Commission directs the licensees to submit monthly and yearly data on regular basis.

5.18.8 Audit of Billing Software

Ever since the onset of privatisation of the power sector in the NCT of Delhi, there have been innumerable complaints regarding metering and billing. While the problem regarding metering was directed at installation of electronic meters by the Distribution Companies, problems on billing were mainly on account of inflated bills received by consumers, repeated levy of arrears in bills, faulty meter readings recorded in electricity bills etc. While several meter testing drives were conducted to allay the

fears in the minds of consumers regarding electronic meters, the Commission decided to conduct an audit of the billing software of the Distribution Companies so as to ascertain if the parameters laid down by the Commission have been suitably incorporated in the billing software of the DISCOMs. This project was assigned to the STQC Directorate of the Ministry of Information Technology. The entire cost of this audit of the billing software was borne by the Commission from its own budget. The STQC Directorate conducted three types of tests on the software of the three DISCOMs, namely, Functional Testing, Process Audit and Information Security System Audit. The STQC conducted the study during the period of December, 2005 to May, 2006 and some of the major findings in case of BRPL/BYPL include the following:

- (a) Before billing was initiated, validation for meter reading in respect of abnormally high or abnormally low consumption with respect to normal consumption was not functioning.
- (b) The system did not allow extension of the due date by more than 7 days for duplicate bills/ late or non-receipt of bills.
- (c) In case of the bulk billing software, new connection, meter reading validation and bill amendments were not implemented in the software and were being handled manually.
- (d) Software did not have any validation of accepting payment for more than Rs.4000/- by cash.
- (e) The software had no provision in reconciliation of bank deposit.
- (f) The methodology of calculating consumption pattern needs to be statistically validated.
- (g) The analysis of closed/non-closed complaints was missing, especially from technical point of view whereas time-line analysis is available.
- (h) The Information Security System needed strengthening so that no outsider or any unauthorised person within the BRPL/BYPL network could corrupt the data.

Based on the detailed report given by the STQC Directorate of the Ministry of Information Technology, the Petitioner is directed to take necessary corrective actions.

6. Tariff Schedule for the Year 2006-07

The Tariff Schedule for the financial year 2006-07 shall be read with the provisions of Delhi Electricity Reform Act, 2000, the Electricity Act, 2003 and all Rules and Regulations made there under.

6.1 Tariff for the year 2006-07

| Category | | Fixed Charges (on sanctioned Load) | | Energy Charges | |
|-------------|---|---------------------------------------|--------------------|-------------------|---|
| 1. Domestic | 1.1 J J Clusters | | | | Rs 175 / Month |
| | 1.2 Domestic Lighting/Fan and Power | Load (kW) | Fixed Charges (Rs) | Units/ month | Paise/kWh |
| | | Up to - 2 | 24/mth | 0-200 | 240 |
| | | >2- 5 | 60/mth | 201-400 | 390 |
| | | Above 5 | 12/kW/ mth | Above 400 | 460 |
| | 1.3 Domestic Lighting /Fan and Power on 11 kV single delivery point for CGHS and other similar group housing complexes ¹ | Rs 12/ kW/mth | | Consumption/month | Energy Charges (Paise/kWh) ² |
| | | | | First 44.4% | 240 |
| | | | | Next 44.4% | 390 |
| | | | | Next 11.2% | 460 |

| Category | | Fixed Charges (on sanctioned Load) | Energy Charges | |
|----------|---|---------------------------------------|----------------|-------------|
| | 1.4 Domestic Lighting/Fan and Power Connections in unelectrified Left Out Pockets. Plot sizes: | | | |
| | i) up to 50 Sq. yds. | | | Rs 264/ mth |
| | ii) between 50-100 Sq. yds. | | | Rs 384/ mth |
| | iii) between 101-150 Sq. yds. | - | - | Rs 504/ mth |
| | iv) between 151-200 Sq. yds. | - | - | Rs 699/ mth |
| | v) more than 200 Sq. yds. only through installation of meters by Licensee | - | - | Same as 1.2 |

| Category | | Fixed Charges ³ | Demand Charges ⁴ | Energy Charges (paise/kWh) |
|-----------------|--|----------------------------|-----------------------------|-------------------------------|
| 2. Non-Domestic | 2.1.1 Non-Domestic (Low Tension) ⁵ -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 ⁶ |
| | 2.1.2 Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II | Rs 50/kW/mth | | 487 paise/kVAh ² |

| | | | | |
|---------------------------|---|---|----------------------------------|---|
| | 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 ⁷ 564 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 ⁶ |
| | 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 ⁷ 495 Paise/kVAh |
| | 4. Agriculture | Rs.12/KW/ month | - | 150 paise/kWh |
| | 5. Mushroom cultivation | Rs.24/KW/ month | - | 300 paise/kWh |
| 6. Public Lighting | | Maintenance Charges Rs/light point/month | | Energy Charges |
| | 6.1 Street Lighting | 73 | - | 460 paise/kWh |
| | 6.2 Signals & Blinkers | - | - | 460 paise/kWh |

| | | | | |
|--|---|--|-----------------------------------|--|
| 7. Railway Traction^{7&8} (other than DMRC) | | Capacity-blockage-fixed charges ⁹ | Rs 150/kVA/mth | 375 paise/kVAh |
| 8. Delhi Metro Rail Corporation (DMRC) | | - | Rs 75/kVA/mth Rs 75/kVA/mth | 230 Paise/kVAh 230 Paise/kVAh |
| 9. Temporary Supply | 9.1 for a total period of a) less than 16 days | 50% of the relevant category | 50% of relevant category | higher by 30% (temporary surcharge) of the relevant category of tariff |
| | b) more than or equal to 16 days | Same as that of relevant category | Same as that of relevant category | |
| | 9.2 for residential cooperative group housing connections | Same as that of relevant category | - | domestic tariff without any temporary surcharge ¹⁰ |
| | 9.3 for religious functions of traditional and established characters and cultural activities | Same as 1.2 | - | 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 | Electricity tax of MCD: | - | Flat rate of Rs. 3000 |
| | b) for extended period | Rs. 150 per connection | - | 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** Additional 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

6.2 Other Terms & Conditions of Tariff

| Category | Availability | Character of Service |
|---|---|--|
| 1. Domestic 1.1 Domestic Lighting/Fan and Power (Single Delivery Point and Separate Delivery Points/Meters) | i) Available to residential consumers, hostels of recognised/aided educational institutions, stair case lighting in residential flats, compound lighting, lifts & 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 & power. 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. 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. | AC 50 Hz, single phase, 230 Volts AC 50 Hz, three phase, 400 Volts for loads beyond 10 kW |

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|--|---|---|---|
| | 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 | AC 50 Hz, three phase, 11 kV on single delivery point |
| | 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 |

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|-----------------|---|---|--|
| 2. Non-Domestic | 2.1.1 Non-Domestic (Low Tension) – NDLT-I | <p>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 :</p> <p>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</p> | <p>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</p> |
|-----------------|---|---|--|

| | | | |
|--|--|--|--|
| | 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 |

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|----------------------|--|--|--|
| 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 kutticutting in conjunction with pumping load for irrigation purposes and lighting load for bonafide use in Kothra. | AC 50 Hz, Single/Three Phase, 230/415 Volts |
| 5. Mushroom cultivation | Available for mushroom growing/cultivation upto 100 kW. | AC 50 Hz, 3 Phase, 400 Volts up to 100 kW |

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|--|------------------------|---|---|
| 6. Public Lighting | 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 |
| 7. Railway Traction (other than DMRC) | | 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 |

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|--|---|--|--|
| 8. Delhi Metro Rail Corporation | | Available to Delhi Metro Rail Corporation (DMRC) (not for construction projects) | AC 50 Hz, 3 phase, 220/66 kV |
| 9. Temporary Supply | 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 | |

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|---|--|--|
| 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). | |
| 9.4 for major construction projects | With loads more than 10 kW | |
| 9.5 for threshers | During the threshing season | |

6.3 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.

6.4 Surcharges

All surcharges shall be levied on the basic tariff applicable to the category of use or category of sanction, whichever has higher tariff.

6.5 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, 2003. This will also apply to temporary connections, where payment of final bill amount after adjustment of consumption deposit, is not made by due date.

6.6 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.