Order

on

TRUE UP

for

FY 2007-12,

Aggregate Revenue Requirement

and

Transmission Tariff

for

FY 2013-14

for

Delhi Transco Limited (DTL)

DELHI ELECTRICITY REGULATORY COMMISSION

July, 2013

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DERC

DELHI ELECTRICITY REGULATORY COMMISSION

Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi- 110017.

F.11(875)/DERC/2012-13/

Petition No. 04/2013

In the matter of: Petition for True up of Annual Revenue Requirement (ARR) for FY 2007-08 to FY 2011-12 and Revised ARR for FY 2013-14.

Delhi Transco Limited
Through its: **Chairman & Managing Director**
Shakti Sadan, Kotla Marg,
New Delhi – 110 002. **...Petitioner**

Coram:

Sh. P. D. Sudhakar, Chairperson,
Sh. Shyam Wadhera, Member &
Sh. J. P. Singh, Member.

ORDER

(Date of Order: 31/7/13)

Having deliberated upon the Petition for True up of Annual Revenue Requirement (ARR) for FY 2007-08 to FY 2011-12 and Revised ARR for FY 2013-14 filed by Delhi Transco Limited and the subsequent filings by the Petitioner during the course of proceedings; and having considered the responses received from stakeholders, the Commission in exercise of the powers vested under the Electricity Act, 2003 and the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011 hereby passes this Order signed, dated and issued on 31/7/13.

This Tariff Order shall remain in force till replaced by a subsequent Tariff Order and/or is amended, reviewed or modified, in accordance with the provisions of the Electricity Act, 2003 and the Regulations made there under.

(J. P. Singh)	(Shyam Wadhera)	(P. D. Sudhakar)
MEMBER	MEMBER	CHAIRPERSON

Contents

LIST OF TABLES

LIST OF ABBREVIATIONS

Abbreviation	Explanation
AAD	Advance Against Depreciation
ARR	Aggregate Revenue Requirement
AT&C	Aggregate Technical and Commercial
ATE	Appellate Tribunal for Electricity
ATSC	Annual Transmission Service Charge
BPTAs	Bulk Power Transmission Agreements
BRPL	BSES Rajdhani Power Limited
BYPL	BSES Yamuna Power Limited
CERC	Central Electricity Regulatory Commission
CPI	Consumer Price Index
CPSUs	Central Public Sector Undertaking
CSGS	Central Sector Generating Stations
CWIP	Capital Work in Progress
DDA	Delhi Development Authority
DERA	Delhi Electricity Reform Act
DERC	Delhi Electricity Regulatory Commission
DISCOMs	Distribution Companies (BRPL, BYPL &TPDDL)
DMRC	Delhi Metro Rail Corporation
DPCL	Delhi Power Company Limited
DSSDIP	Delhi State Spatial Data Infrastructure Projects
DTL	Delhi Transco Limited
DVB	Delhi Vidyut Board
GFA	Gross Fixed Assets
GoNCTD	Government of National Capital Territory of Delhi
IDC	Interest During Construction
LPSC	Late Payment Surcharge
LTC	Leave Travel Concession
MCD	Municipal Corporation of Delhi
MES	Military Engineering Service
MU	Million Units
MYT	Multi Year Tariff
NCT	National Capital Territory
NDMC	New Delhi Municipal Council
NRPC	Northern Region Power Committee
NTI	Non Tariff Income

Abbreviation	Explanation
NTP	National Tariff Policy
O&M	Operations and Maintenance
PGCIL	Power Grid Corporation of India
PPA	Power Purchase Agreement
R&M	Repair and Maintenance
RLDC	Regional Load Despatch Centre
RoCE	Return on Capital Employed
RRB	Regulated Rate Base
RTI	Right to Information
SERC	State Electricity Regulatory Commission
SLDC	State Load Despatch Centre
TPA	Transport Allowance
TPDDL	Tata Power – Delhi Distribution Limited
UI	Unscheduled Interchange
ULDC	Unified Load Despatch Centre
WACC	Weighted Average Cost of Capital
WC	Working Capital
WPI	Wholesale Price Index

A1: INTRODUCTION

1.1 This Order disposes of the Petition filed by Delhi Transco Limited (hereinafter referred to as 'DTL' or the 'Petitioner') for True-Up of ARR from FY 2007-08 to FY 2011-12 under the Multi Year Tariff Principles specified in the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2007 (hereinafter referred to as the 'Transmission Tariff Regulations, 2007') and revised Aggregate Revenue Requirement for FY 2013-14 for Transmission Business under the Multi Year Tariff Principles specified in the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011 (hereinafter referred to as the 'Transmission Tariff Regulations ,2011').

Delhi Transco Limited

1.2 Delhi Transco Limited is a Company incorporated under the Companies Act, 1956 and is engaged in the business of transmission of electricity in the National Capital Territory (NCT) of Delhi.

Delhi Electricity Regulatory Commission

1.3 Delhi Electricity Regulatory Commission (hereinafter referred to as 'DERC' or the 'Commission') was constituted by the GoNCTD on March 3, 1999 and it became operational from December 10, 1999.

1.4 The Commission's approach to Regulation is driven by the Electricity Act, 2003, the National Electricity Plan, the Tariff Policy and the Delhi Electricity Reform Act, 2000 (hereinafter referred to as 'DERA'). The Electricity Act, 2003 (EA 2003) mandates the Commission to take measures conducive to the development and management of the electricity industry in an efficient, economic, and competitive manner, which inter alia includes tariff determination.

The Co-ordination Forum

1.5 The Commission has, since the constitution of the Co-ordination Forum by Government of NCT of Delhi on June 16, 2005 held 26 meetings. In the 26th Co-ordination Forum Meeting held on January 18, 2013, the Commission discussed the following:

(a) Arrangement of power for coming summer by Distribution Licensees

(b) Arrangement for sharing of charges in case one DISCOM schedules share of power of another DISCOM who is not scheduling

(c) Efforts by DISCOM's to get large entities to reduce peak load and consumer education on conservation of electricity

(d) Progress of Bawana Power Project

(e) Strategies for optimisation of power purchase including maximization of revenue from sale of surplus power

(f) Status of islanding scheme for Delhi

(g) Transmission Constraints

(h) Status of implementation of TOD Tariff

(i) Measures taken by DISCOM's as regards Absolute Earth Potential and reduction of residual back flow

(j) Competitive bidding for RPO

(k) Progress on repair and use of Distribution Transformers inherited from DVB

(l) Progress of replacement of oil-filled transformers with dry-type transformers.

Multi Year Tariff Regulations

1.6 The Commission issued the first MYT Regulation vide Order dated May 30, 2007 specifying the Terms and Conditions for Determination of Tariff for Generation, Transmission and Distribution of electricity under the Multi Year Tariff (MYT) framework for the period from FY 2007-08 to FY 2010-11 after going through the public hearing process following due process of law.

1.7 The Commission vide its Order dated May 10, 2011 extended the first MYT Regulations and the Control Period for a further period of one year upto March 31, 2012 after following the prescribed due process of law.

1.8 The Commission issued the second MYT Regulations vide Order dated December 2, 2011 specifying Terms and Conditions for Determination of Tariff for Generation,Transmission and Distribution of electricity under the Multi Year

Tariff (MYT) framework for the period FY 2012-13 to FY 2014-15 following due process of Law. The Regulations/amendment in Regulations were notified in the official Gazette on January 19, 2012/ March 15, 2012.

Filing of Petition for True-Up of ARR from FY 2007-08 to FY 2011-12 and approval of revised Aggregate Revenue Requirement (ARR) for FY 2013-14

Filing and Acceptance of Petition

1.9 DTL filed its Petition before the Commission on December 28, 2012 for True-Up of ARR from FY 2007-08 to FY 2011-12 and approval of revised Aggregate Revenue Requirement (ARR) for FY 2013-14.

1.10 The Commission admitted the Petition vide its Order dated January 16, 2013 subject to clarifications/additional information, if any, which would be sought from the Petitioner from time to time. A copy of the Admission Order dated January 16, 2013 is enclosed as **Annexure I** to this Order.

1.11 Further, the Commission directed all the Power Utilities to submit a Hindi version of the Petition filed by them. The Hindi version of the Petition was uploaded on the website of the Commission as well as the website of the Petitioner for the benefit of stakeholders.

Interaction with the Petitioner

1.12 The Order has referred at numerous places to various actions taken by the "Commission." It may be mentioned for the sake of clarity, that the term "Commission" in most of the cases refers to the Staff of the Commission and the Consultants appointed by the Commission for carrying out the due diligence on the Petitions filed by the Utilities, obtaining and analysing information/clarifications received from the Utilities and submitting all issues for consideration by the Commission.

1.13 For this purpose, the Commission Staff and Consultants held discussions with the Petitioners, obtained information/clarifications wherever required and carried out technical validation with regard to the information provided.

1.14 The role of the Commission has been to hold Public Hearings and to take the final view with respect to various issues concerning the principles and guidelines for approval of ARR and tariff determination. The use of the term "Commission" may, therefore, be read in the context of the above clarification. The Commission has considered the due diligence conducted by the Staff of the Commission and the Consultants in arriving at its final decision.

1.15 A preliminary scrutiny/analysis of the Petition submitted by the Petitioner was conducted and certain deficiencies were observed. Accordingly, deficiency notes were issued to the Petitioner. Further, additional information/clarifications were solicited from the Petitioner as and when required. The Commission and the Petitioner also discussed key issues raised in the Petition, which included details of O&M Expenses, Assets Capitalization, depreciation, working capital requirement, Return on Capital Employed (RoCE), etc. The Petitioner submitted additional information through various letters..

1.16 The Commission also conducted validation sessions with the Petitioner during which discrepancies in the Petition and additional information required by the Commission were sought. Subsequently, the Petitioner submitted replies to the issues raised in these sessions and provided documentary evidence to substantiate its claims regarding various submissions.

1.17 The replies of the Petitioner, as mentioned in the Table below, have been considered for approval of the ARR and tariff of the Petitioner:

Table 1: List of correspondence with DTL

Date	Letter No.	Subject
December 28, 2012	F.DTL/203/F- 1/2012-13/Opr.GM (Comml.)/212	Petition for True up of ARR for FY 2007-08 to FY 2011-12 & Revised ARR for FY 2013-14
February 4, 2013	F.DTL/203/F- 1/2012-	Replies to Deficiency Gaps

Date	Letter No.	Subject
	13/Opr.GM (Comml.)/229	
February 8, 2013	F.DTL/203/F-1/2012-13/Opr.GM (C&RA)/233	Replies to Deficiency Gap- Petition for True up of ARR for FY 2007-08 to FY 2011-12 and revised ARR for FY 2013-14 filed by DTL
April 10, 2013	F.DTL/203/F-1/13-14/Opr.GM (C&RA)/03	Replies to Deficiency Gap
May16, 2013	F.DTL/203/F-1/13-14/Opr.GM (C&RA)/15	Replies to Deficiency Gap
June 7, 2013	Email	Information related to Capitalisation
June 12, 2013	F.DTL/DGM (Fin)1 /310/2012-13/	Additional Clarifications in response to letter of ED (Engineering/Tariff) DERC dated May 24, 2013
June 18, 2013	Email	Additional Information for Capitalisation
July 5, 2013	F.DTL/DGM (Fin)I /2013-14/ dated July 5, 2013	Additional information/clarifications in connection with the MYT tariff Petition of DTL for the Control Period FY 2012-13 to FY 2014-15

Public Hearing

1.18 The Petitioner published a Public Notice indicating the salient features of its Petition for inviting comments from the stakeholders, in the following newspapers on the respective dates mentioned alongside:

(a) Hindustan Times (English) March 1, 2013
(b) Times of India (English) March 1, 2013
(c) Dainik Jagran (Hindi) March 1, 2013
(d) The Daily Milap (Urdu) March 1, 2013

1.19 Copies of the Public Notice in English, Hindi and Urdu are enclosed as **Annexure II** to this Order. A copy of the Petition was also made available for purchase from the head-office of the Petitioner on any working day from March 01, 2013 to

March 15, 2013 between 11 A.M. and 4 P.M. in the form of a CD on payment of Rs. 25/- per CD or in the form of Hard Copy on payment of Rs 100/-. A copy of the complete Petition was also uploaded on the website of the Commission, as well as that of the Petitioner, requesting for comments of the stakeholders thereon.

1.20 The Commission also published a Public Notice in the following newspapers inviting comments from stakeholders on the Petition filed by the Petitioner latest by March 15, 2013:

(a) Hindustan Times (English)	March 5, 2013
(b) Times of India (English)	March 6, 2013
(c) The Indian Express (English)	March 5, 2013
(d) The Hindu (English)	March 6, 2013
(e) Dainik Jagran (Hindi)	March 6, 2013
(f) The Daily Milap (Urdu)	March 5, 2013
(g) Educator (Punjabi)	March 5, 2013

1.21 Copies of the Public Notice published by the Commission in English, Hindi , Punjabi and Urdu are attached as **Annexure III** to this Order.

1.22 At the request of the stakeholders, the Commission extended the last date for filing objections and suggestions upto April 1, 2013 for which the Public Notice was issued in the following newspapers:

(a) Hindustan Times (English)	March 19, 2013
(b) Times of India (English)	March 19, 2013
(c) The Indian Express (English)	March 19, 2013
(d) The Hindu (English)	March 20, 2013
(e) Dainik Jagran (Hindi)	March 20, 2013
(f) The Daily Milap (Urdu)	March 20, 2013
(g) Educator (Punjabi)	March 20, 2013

1.23 Copies of the above Public Notice in English, Hindi, Punjabi and Urdu are attached as **Annexure IV** to this Order.

1.24 In order to extend help to the consumers in understanding the True-up and revised ARR Petition and filing their comments, the Commission prepared a Staff Paper highlighting salient features of the Petition filed by the Petitioner, which was uploaded on the Commission's website. In this regard, two officers of the Commission, viz., Joint Director (Tariff-Finance) and Joint Director (Engineering) were made available to all the interested stakeholders for discussion on the Petition. This was duly highlighted in the Public Notices brought out by the Commission. In order to increase participation of the stakeholders, the Commission also uploaded the Hindi version of the Staff Paper on its website.

1.25 The Commission received comments from 25stakeholders. The comments of the stakeholders were forwarded to the Petitioner. The Petitioner responded to the comments of the stakeholders and submitted a copy of its replies to the Commission. The Commission invited all stakeholders who had filed their objections and suggestions to attend the Public Hearing. A list of the stakeholders who responded to the Public Notice on the Petition and/or those who attended the Public Hearing is enclosed as **Annexure V** to this Order.

1.26 The Public Hearing was held at the Commission's Court Room on April 29, 2013 from 11:00 a.m. onwards to discuss the issues related to the Petition filed by the Petitioner. The issues and concerns voiced by various stakeholders have been examined by the Commission. The major issues discussed during the Public Hearing and/or written comments made by the stakeholders, the responses of the Petitioner thereon and the views of the Commission, have been summarized in Chapter A2.

Layout of the Order

1.27 This Order is organised into the following four Chapters:

(a) Chapter A1 provides details of the approval of ARR process and the approach of the Order;

(b) Chapter A2 provides a brief of the Public Hearing process, including the details of comments of various stakeholders, the Petitioner's responses and views of the Commission thereon;

(c) Chapter A3 provides the details/analysis of the Provisional True-Up for FY 2007-08 to FY 2011-12 and revised Aggregate Revenue Requirement for FY 2013-14

(d) Chapter A4 provides the summary of the Transmission Tariff for DTL and details the Directives of the Commission.

1.28 The Order contains the following Annexures, which are an integral part of the Tariff Order:

(a) Annexure I – Admission Order;
(b) Annexure II – Copies of Public Notices published by the Petitioner;
(c) Annexure III – Copies of the Public Notice published by the Commission inviting comments from the stakeholders;
(d) Annexure IV – Copies of the Public Notice published by the Commission regarding extension of last date of submission of comments.
(e) Annexure V – List of the Stakeholders from whom responses were received and who have attended the Public Hearing.
(f) Annexure VI – Scheme wise Provisional capitalisation approved by Commission for FY 2007-08 to FY 2011-12
(g) Annexure VII- GoNCTD letter related to Pension Trust
(h) Annexure VIII- Letter of Public Grievance Cell, GoNCTD

Approach of the Order

1.29 The Petitioner has filed the Petition for True-Up of Aggregate Revenue Requirement (ARR) from FY 2007-08 to FY 2011-12 and Revised ARR for Transmission Business for FY 2013-14 for Transmission Business under the Multi Year Tariff Principles.

Approach for Truing up of ARR from FY 2007-08 to FY 2011-12

1.30 Under the MYT Framework, the Commission has projected the ARR for the

Petitioner for FY 2007-08 to FY 2010-11 in the Order datedDecember 20, 2007. Further, the Commission has projected the ARR for FY 2011-12 vide Order dated August 26, 2011.

1.31 Under the Transmission Tariff Regulations 2007, the components of ARR have been segregated into Controllable and Uncontrollable Parameters As per Regulation A4.7 of the MYT Regulations 2007:

> *"The true up across various controllable parameters shall be conducted as per principle stated below:*
>
> *(a) For controllable parameters,*
>
> *i. Any surplus or deficit on account of O&M expenses shall be to the account of the Transmission Licensee and shall not be trued up in ARR; and*
>
> *ii. Depreciation and RoCE shall be trued up at the end of Control Period."*

1.32 The True-Up of controllable parameters is governed by Regulation A4.7 of the Transmission Tariff Regulations 2007as mentioned above.However, as the Petitioner could not reconcile the closing CWIP of FY 2006-07 based on Audited Accounts and approved by the Commission in true up for FY 2006-07 in MYT Order for FY 2008-09 to FY 2010-11, the Commission deems appropriate to undertake provisional true-up of Depreciation and RoCE for the entire Control Period in this Order. The final true up of Depreciation and ROCE for the period FY 2007-08 to FY 2011-12 will be carried out by the Commission upon receipt of reconciled data from the Petitioner. The detailed treatment of each component of uncontrollable and controllable parameters is provided in Chapter A3 of this Order.

1.33 The Commission has implemented the Directives/ Judgments of the Hon'ble ATE in Appeal No 133/2007 and 28/2008 which had not been implemented in the previous Tariff Orders. However, this is subject to final outcome of the statutory Appeal filed by the Commission from the Hon'ble APTEL's Judgement in Appeal

No. 133 of 2007.

Approach for Revised ARR for FY 2013-14

1.34 Under the MYT Framework, the Commission has projected the ARR for the Petitioner for FY 2012-13 to FY 2014-15 in the MYT Order dated July 13, 2012.

1.35 The Petitioner in its Petition has submitted the revised ARR for FY 2013-14 along with the True-Up of ARR from FY 2007-08 to FY 2011-12.

1.36 In this regard, the provisions of the Transmission Tariff Regulations, 2011, pertaining to Transmission Business are as follows:

a. Regulation A3.2 provides that the Commission shall determine the Aggregate Revenue Requirement (ARR) for the Transmission Business.
b. Regulation A4.8 to A4.14 provide for Annual Performance Review and prior approval of actual Capital Expenditure and Capitalisation for allowing the Return on Capital Employed and Depreciation and Renovation and Modernisation.
c. Regulations A4.15 and A4.16 provide that the Commission shall set targets for the controllable parameters and their truing-up.
d. Regulation A5.4 provides that the ARR for Transmission Business for each year of the Control Period shall contain:
   (i) Operation and Maintenance expenses;
   (ii) Return on Capital Employed;
   (iii) Depreciation;
   (iv) Income Tax;
   (v) Less: Non-Tariff Income ; and
   (vi) Less: Income from Other Business.

1.37 In view of the above, the Commission had issued the MYT Order dated July 13, 2012 and the revised ARR submitted by the Petitioner for FY 2013-14 has been evaluated on the basis of the said Order, Transmission Tariff Regulations 2011 and other factors as considered appropriate by the Commission.

A2: RESPONSES FROM STAKEHOLDERS

Introduction

2.1 Public Hearing being a platform to understand the problems and concerns of various stakeholders, the Commission has always encouraged transparent and participative approach in the hearings, which are used to obtain necessary inputs required for tariff determination.

2.2 The Public hearing was held at the Commission's Court Room on April 29, 2013 from 11:00 a.m. onwards to discuss the issues related to the Petition filed by the Petitioner. In the public hearing, the stakeholders put forth their comments/suggestions before the Commission in the presence of the Petitioner.

2.3 The issues and concerns voiced by various stakeholders in their written comments as well as in the public hearing along with the response of the Petitioner thereon have been examined by the Commission. The comments/suggestions of various stakeholders, the replies given by the Petitioner and the views of the Commission have been summarized below:

Tax Liability

Stakeholder's Comment

2.4 As per the Profit & Loss Statement of FY 2011-12 Income Tax paid by DTL is Rs. 209.84 Crore, whereas the approx. tax liability computed based on RoE works out to Rs. 34 Crore. In this regard, Commission should direct DTL to provide the details of components, which has resulted in such huge tax liability. The Accounting Policy being followed by DTL unnecessarily results in huge tax liability on DTL.

Petitioner's Submission

2.5 The Petitioner vide its letter no. F.DTL/DGM (Fin)I /2013-14/ dated July 5, 2013 submitted DTL had claimed Income tax from Distribution Utilities as computed and assessed by Income tax Department for the FY 2010-11 and no excess amount has been claimed by DTL from the said Utilities.

Further, submitted that DTL is liable to pay Minimum Alternate Tax (MAT) under the provisions of Section 115JB of the Income Tax Act,1961. In terms of the provisions of Section 115JAA, the said amount of tax paid under section 115JB of the Income Tax Act,1961 shall be allowed to be carried forward for 10 assessment years immediately succeeding the assessment year in which the tax credit becomes allowable. As per the said provisions, the MAT credit is available only when the Income tax becomes payable by the Petitioner as per the normal Income tax assessments/liability. Since till date Income tax liability has not arisen under the above referred normal provisions, the MAT credit could not be claimed during the financial years 2007-08 to 2011-12. However, details of MAT paid by DTL for FY 2006-07 to FY 2011-12 is stated as under:-

Particulars	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
MAT Paid (Rs. Crore)	4.36	6.61	8.13	15.82	3.40	201.14
Tax Credit of MAT available till	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22

Commission's View

2.6 The Transmission Tariff Regulations, 2007provides as follows:-

*"5.25 Tax on income, if any, liable to be paid **shall be limited to tax on return on the equity component of capital employed**. However any tax liability on incentives due to improved performance shall not be considered."*

Hence, in accordance with the provisions of Transmission Tariff Regulations, 2007 the Commission has worked out the income tax liability on the RoE component only.

Actuarial Valuation by Pension Trust

Stakeholder's Comment

2.7 DTL in its Petition has shown Rs. 23.84 Crore for FY 2010-11 and Rs. 5.00 Crore for FY 2011-12 against Pension Trust dues. In this regard, DTL submitted that this claim of Pension trust is on provisional basis and is additional to the normative expenses and therefore the same shall be subject to the demand on the pension trust in future.

2.8 In this regard, the Stakeholder submitted that the Actuarial valuation of the Pension Fund was carried out on the request of DISCOMs and communication from the Department of Power, Government of NCT of Delhi on September 12, 2005. Pension Trust has carried out a number of actuarial valuations after July 1, 2002. This is consistently showing depletion of Pension Trust funds because of huge gap between superannuation payments actually being released by the Pension Trust and the contribution being released by the Successor Companies. Further, Department of Power vide letter dated November 18, 2009 communicated to Pension Trust to prepare Company-wise details with respect to implementation of recommendations of Wage Revision Committee and raise corresponding demand from them. In this regard, Pension Trust in its letter No. F.PT/102/F-9/09-10/M (PT))/171 dated December 15, 2009 raised a demand of Rs. 119.67 Core on the basis of Actual Valuation got done on July 1, 2001 and April 1, 2007. This shows that the Government and the DISCOMs were consulted at every stage before issue of Additional Contributions from the Successor Entities was taken up by the Pension Trust.

Petitioner's Submission

2.9 No reply has been received from the licensee.

Commission's View

2.10 The Commission in its MYT Order dated July 13, 2012 has already considered this issue and issued necessary directions vide their letter no. F17(44)/Engg./DERC/2012-13/3512/2331 dated 13.08.2012 to all the Discoms, DTL, SLDC and IPGCL wherein it is mentioned that an interim arrangement has been made for collection and transfer of fund to Pension Trust by DTL on behalf of all the power utilities.

2.11 The Commission in its MYT Order dated July 13, 2012 had made an ad-hoc one time provision of Rs 160 Crore to the DTL for FY 2012-13 for passing on to the Pension Trust. Further, the Commission in this Tariff Order has considered an ad-hoc provision of Rs 400 Crore which includes the contribution of DTL towards pension trust. Hence, this amount has not been allowed separately to DTL.

Pensionary Benefits paid by Pension Trust

Stakeholder's Comment

2.12 DERC had provided a lump sum amount of Rs. 150 Crore in the ARR of DTL for FY 2011-12 with a view to avoid undue hardship to the retired employees (pensioners) of the erstwhile DVB. Also, DERC had directed DTL to transfer the amount of Rs. 150 Crore to the Pension Trust and also to maintain a separate record of payment made to Pension Trust. However, some of the erstwhile DVB employees who took voluntary retirement under Pension Rules and were taken over by TPDDL on CTC basis have been deprived of their Pensionary Dues since 2006. Such discrimination is mischievous and is devoid of any legal basis apart from being cruel and inhuman.

2.13 In this regard, it was requested that DERC should check the nefarious designs of the authorities managing the Pension Trust to ensure parity and justice among retirees, irrespective of their retirement on voluntary basis or superannuation basis. Further, it was requested that DERC should issue suitable directions to DTL for arranging to defray the meagre amount of about Rs. 5 Crore that may be required to pay the retirement dues to TPDDL employees, who sought voluntary retirement under Rules 48 (A) of CCS (Pension) Rules, 1972 and have so far been denied their dues. Also, Commission was requested to order DTL to ensure parity and equity among retirees, irrespective of the fact whether they took voluntary retirement or retired on superannuation.

Petitioner's Submission

2.14 The Petitioner submitted that the Commission has allowed provisional amount of Rs. 160 Crore for FY 2012-13 in ARR of DTL towards Pension Trust with a direction that DTL should pass on this amount to Pension Trust. The same has been complied by DTL. Further, the matter of Pension Trust Account does not pertain to DTL.

Commission's View

2.15 Under the provisions of DERA 2000, Transfer Scheme Rules, 2001 and the Tripartite Agreement it is obligatory on part of GoNCTD (which is one of the signatory of the Pension Trust Agreement) to put in place an appropriate system of governance of the DVB Pension Trust and to ensure than equitable system of funding, the liabilities of the trust is put in place. The Commission vide letter no. F. 17(44)/Engg./DERC/2012-13/ C.F.No. 3481/3320 dated 11.09.2012 has already issued Statutory Advice under Section 86(2) to Govt. of NCT of Delhi, wherein GoNCTD has been advised to constitute an Oversight Committee to look into the issues related to pensioners of erstwhile DVB.

Payment to Pension Fund

Stakeholder's Comment

2.16 As per P&L Statement of DTL for FY 2011-12 DTL has made a profit of Rs. 795.48 Crore and the income tax liability for the year is submitted as Rs. 209.84 Crore. Despite the huge profit, DTL has failed to release payment of Rs. 119.67 Crore (dues as per actuarial valuation on April 1, 2007) plus Rs. 18.21 Crore shown recoverable in the Balance Sheet for FY 2011-12 to the Pension Fund.

2.17 Further, DTL is fully aware of its liability under the relevant Rules but is intentionally trying to evade payment of pension and other terminal benefits to the beneficiaries. As per Accounting Standards issued by ICAI under the Companies Act, it is mandatory to project the liabilities of Pension Fund in the Balance Sheet. This suppression of material facts and vital data violates the provisions of Delhi Electricity Reforms Act 2000, Transfer Scheme Rules 2001, mandatory provisions of Tripartite Agreement dated October 28, 2000, Trust Deed and Articles 21, 41 & 47 of the Constitution of India.

Petitioner's Submission

2.18 No reply has been received from the licensee.

Commission's View

2.19 The Commission vide letter No. F.17(44)/Engg./DERC/2012-13/C.F.No348/3320 dated September 11, 2012 had already advised the GoNCTD u/s 86(2) of the EA 2003 to have the accounts of Pension Trust audited immediately and also consider restructuring the Board of Trustees of the Pension Trust so that Government nominees are inducted on the Board. This was necessary for ensuring proper management of the Trust and servicing of the liabilities towards the retired employees, for which necessary provisions should be made by the respective employing entities in their accounts.

2.20 In order to avoid undue hardship to the retired employees (Pensioners), the Commission in the Tariff Order of DTL for FY 2012-13had made an ad-hoc one time provision of Rs. 160 Crore for passing on to the Pension Trust and further in this Order the Commission has made a lumpsum provision of Rs 400 Crore in the ARR of DTL for FY 2013-14 at the specific request of GoNCTD.

Audited Accounts

Stakeholder's Comment

2.21 DTL has shown Rs. 23.84 Crore for FY 2010-11 and Rs. 5.00 Crore for FY 2011-12 against Pension Trust dues. In this regard, he submitted that the data submitted in Table 3 under "Details of other employee expenses" by DTL is incorrect.

Further, the Balance Sheet for FY 2011-12 of the Pension Trust shows outstanding receivables from DTL as Rs. 18.21 Crore and from IPGCL as Rs. 41.04 Crore. In addition to this, DTL is liable for payment of Rs. 119.67 Crore and IPGCL for Rs. 159.51 Crore as on April 1, 2007 with interest as applicable on the basis of Actuarial Valuation. In reply, Pension trust has already raised demand vide letter dated December 15, 2009.

2.22 Thus, the audited accounts for FY 2011-12 submitted by DTL are in gross violation of principles of accounting standards and provisions of Company Law.

Petitioner's Submission

2.23 No reply has been received from the licensee.

Commission's View

2.24 The Commission for the purpose of truing up has carried out due prudence check before allowing any expenses including on account of employee expenses. The same has been discussed in Chapter 3 of this Tariff Order.

Performance Norms and Standards

Stakeholder's Comment

2.25 DTL does not comply with the performance standard issued by CEA No. 12/X/STD(GRID)/GM/CEA which stipulates the following criteria:

- Voltage Management
- Response time for outages
- System loss control

- Reactive power management
- Harmonics control
- Availability factor

In this regard, it was requested that the Commission appoints or engages a suitable overseeing body/agency to ensure that DTL complies with the above norms and the same is certified for release of payment of monthly basis against their bills.

2.26 It was further submitted that DTL has never achieved the loss level targets as stipulated by the Commission. Further, DTL has not installed any grid or augmented any major line or station capacity in BYPL license area and this has adversely impacted service level to the end user due to lack of adequate margin or capacity at the transmission end. Thus, DISCOMs and the average consumers are paying for all the enhanced cost to DTL despite of the fact that DTL has not achieved any loss level targets and capacity augmentation.

Petitioner's Submission

2.27 Regarding performance standard, the Petitioner submitted that the facts and figures of performance criterion are already available with SLDC/DTL substation. Moreover, all these issues related to performance standards are taken care in grid Coordination Committee Meeting and, therefore, it is not appropriate to link this issue with ARR determination of DTL.

2.28 The Petitioner submitted that in the present scenario the transmission networks are designed, considering overall network consideration at Central/State level. Further, DTL has executed works as per requirement for enhancing the transformation capacity and strengthening the stability of the network. E.g., Erection,Testing and Commissioning (ETC) of 66 kV bay at South of Wazirabad for Sonia Vihar water treatment, ETC of third100 MVA Power. Transformer at SOW, replacement of 220 kV s/stn. South of Wazirabad and Gopalpur, ETC of 220 kV D/C Transmission Line from South of Wazirabad to Kashmiri Gate, ETC of 20 MVA Transformer at IP station, augmentation of 2 nos. 160 MVA Power Transformer. at GTPS, ETC of third 100 MVA Power Transformer. At

Patparganj, replacement of 66 kV CB at South of Wazirabad, replacement of 245 kV SF6 Circuit Breaker at Geeta Colony, etc. have been completed during the first control period which pertains to BYPL license area. Further, 400 kV s/stn East of Loni works has been completed. Thus, the contention of BYPL for lack of adequate margin or capacity at transmission end is incorrect.

Commission's View

2.29 The Commission has noted the submissions made and the Petitioner's response on the issue. The Commission had already specified standards for availability of transmission network in MYT Transmission Regulation, 2011. The Commission shall also consider the other performance standards as suggested by various stakeholders and accordingly will issue appropriate direction in this regard. However, dealing with these issues will not be appropriate in these proceedings as this Tariff Order is related with the prudence check of the approved past expenditure and revised ARR for the ensuing year based on the Transmission Tariff Regulations.

Aggregate Revenue Requirement

Stakeholder's Comment

2.30 In the DTL Tariff Order dated August 26, 2011 the Commission has recognised the ARR of DTL of Rs. 1187.59 Crore for FY 2011-12. DTL had grossly overestimated the ARR requirements and were left with surplus of Rs. 466 Crore as reflected in their present petition. This proves that DTL petition requires to be moderated for their over estimation of 39%. Further, the Commission should intervene to moderate the ARR of DTL of Rs. 849.07 Crore for the FY 2013-14 by 39%, thereby reducing the net revenue requirements from Rs. 849.07 Crore to Rs. 518 Crore approximately.

As DTL was left with a surplus of Rs. 466 Crore in FY 2011-12, therefore, the same amount should be recovered from the revenue projections of FY 2013-14. This will further reduce the net revenue requirement of DTL from Rs. 518 Crore to Rs. 52 Crore (i.e., Rs. 518 - Rs. 466 Crore). In this regard, he requested the

Commission to not allow aggregate revenue requirement of more than Rs. 52 Crore for FY 2013-14 so that the average consumer is not burdened because of excessive unjustified cost of DTL.

2.31 The Stakeholder further submitted that the ARR estimates of Transmission Charges have increased by over 438% since 2007, as shown below:

Year	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2010-11
Transmission Charge (Rs./Unit)	0.07	0.06	0.07	0.15	0.39

The consumers of BYPL cannot afford this massive and unjustified escalation without significant infrastructure improvement and performance improvement of DTL system especially in BYPL license area. In this regard, BYPL requested the Commission to engage a third party agency like BEE for audit and checking of meters, etc. as per BST agreement. In this regard, the reports should be submitted to the Commission on monthly basis. These reports can form the basis for bill verification for release of monthly payment.

2.32 Further submitted that the Commission should direct the Petitioner to modify its Petition and pass any other Order in the interest of justice.

Petitioner's Submission

2.33 The Petitioner submitted that while calculating the transmission charges for FY 2011-12, BYPL has considered the transmission charges of Rs. 1187 Crore for FY 2011-12. According to the DTL Tariff Order for FY 2011-12, the annual transmission charge for FY 2011-12 was Rs. 708.67 Crore. Rest was on account of various arrears related to past period, i.e., power purchase liability for policy direction period, power purchase cost for FY 2005-06, Rs. 150 Crore provision made by DERC for payment to pension trust, etc. Thus the estimate of transmission charges for FY 2011-12 is misleading. Further, DTL has filed the

ARR Petition on the basis of actual capitalization, whereas, the Commission has considered the approved value of the same as it extended the Control Period for one year.

2.34 The Petitioner further submitted that DTL filed the ARR Petition on the basis of actual data and MYT Regulations.

Commission's View

2.35 The Commission has determined the revised ARR for FY 2013-14 according to DERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011. The Commission has also carried out a provisional true up of capitalisation including Depreciation and ROCE for the period FY 2007-08 to FY 2011-12. Any surplus or deficit on account of provisional true up has been reflected in the revised ARR for FY 2013-14.

DVB Arrears

Stakeholder's Comment

2.36 DTL has claimed the erstwhile DVB arrears of Rs. 1398.36 Crore arbitrarily which is the vital contention of the DISCOMs. In this regard, further suggested that DTL along with DPCL should raise this money alternatively by other means of financing or support because these are beyond the BST agreement between the DISCOMs and the DPCL. In any case, such requirement is not consistent with National Tariff Policy which stipulates that the present consumers should not be burdened with the past liabilities.

Petitioner's Submission

2.37 With regard to the contention regarding the issue of DVB arrears, the Petitioner submitted that the Hon'ble ATE in Appeal No. 133/2007 & 28/2008 has already settled the issue in favour of DTL. During the hearings, BYPL (one of the respondent) had already raised the observations and after considering all the points and issues, Hon'ble ATE passed the Judgment in favour of DTL.

Commission's View

2.38 The Commission has implemented the directives of the Hon'ble ATE in Appeal 133/2007 and 28/2008 which have not been given effect in the previous Tariff Orders.

A3: COMMISSION'S ANALYSIS, SCRUTINY AND CONCLUSION

3.1 The Commission has analysed the Petition submitted by the Petitioner for truing-up of Aggregate Revenue Requirement for the Control Period from FY 2007-08 to FY 2011-12and revised ARR for FY 2013-14.

3.2 The Commission held various discussions with Petitioner to validate the data submitted by the Petitioner and sought further clarifications on various issues. The Commission has considered all information submitted by the Petitioner, responses to various queries raised during the discussions and also during the public hearing, for the truing-up purpose and revised ARR for FY 2013-14.

3.3 According to the DERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2007, true-up of the controllable parameters including Depreciation, ROCE and any surplus & deficit on account of O&M expenses shall be undertaken at the end of the Control Period. The relevant extracts of the Regulations are given below:

"Truing Up

4.7 For controllable parameters,

(a) any surplus and deficit on account of O&M expenses shall be to the account of the Transmission Licensee and shall not be adjusted in ARR; and

(b) Depreciation and RoCE shall be trued up at the end of Control Period."

3.4 However, in the MYT Order for FY 2012-13 to FY 2014-15 dated July 13, 2012, the true–up of controllable parameters was not undertaken on account of the fact that Commission was under process of conducting review of capital expenditure, capitalisation and physical verification of assets added by the Petitioner during the first Control Period. In this regard, in the present Petition the Petitioner has requested for true-up of controllable parameters for FY 2007-08 to FY 2011-12 and also submitted revised ARR for FY 2013-14.

3.5 This chapter details the submissions of the Petitioner for true-up of controllable parameters for FY 2007-08 to FY 2011-12 and revised ARR for FY 2013-14 and analysis of the Commission. Detailed analysis of each component is discussed below.

A3.1: Truing Up for FY 2007-08 to FY 2011-12

Escalation Factor of the O&M Expenditure

Petitioner's Submission

3.6 Petitioner submitted that O&M expenses are determined using a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI). The Petitioner further submitted that based on the actual values of CPI and WPI, the annual growth in values of CPI (overall) for Industrial Workers and WPI (overall) for the period FY 2007-08 to FY 2011-12 has been computed. The escalation factor used for determination of employee and A&G expenses for each year of the first control period is given in the Table below:

Table 2: Escalation Factor and Actual Value of CPI/WPI for First Control Period submitted by Petitioner

Year	WPI	WPI Growth	CPI	CPI Growth	Index (Consolidated)	Escalation Factor
FY 2005-06	104.47					
FY 2006-07	111.35	6.59%	125.00		118.86	
FY 2007-08	116.63	4.74%	132.75	6.20%	125.50	1.0559
FY 2008-09	126.02	8.05%	144.83	9.10%	136.37	1.0866
FY 2009-10	130.81	3.80%	162.75	12.37%	148.38	1.0881
FY 2010-11	143.32	9.56%	179.75	10.45%	163.36	1.1010
FY 2011-12	156.13	8.94%	194.83	8.39%	177.42	1.0861

Commission's Analysis

3.7 In this regard, Regulation 4.7 of Transmission Tariff Regulations, 2007 stipulates as follows :

"Truing Up

4.7 For controllable parameters,

(a) any surplus and deficit on account of O&M expenses shall be to the account of the Transmission Licensee and shall not be adjusted in ARR; and

As per the provisions of Regulations, any surplus and deficit on account of O&M expenses shall be to the account of the Transmission Licensee and shall not be adjusted in ARR.

3.8 Further as regard escalation factor, Regulation 5.7 of Transmission Tariff Regulations, 2007 stipulates as follows:

"(a) O&Mn = (R&Mn + EMPn + A&Gn) (1-Xn)*

*(i) Where, R&Mn = K*GFAn-1*

(ii) EMPn + A&Gn = (EMPn-1 + A&Gn-1)(INDXn/ INDXn-1), and*

*(iii) INDXn = 0.55*CPIn +0.45*WPIn*

Where

(b) 'K' is a constant (could be expressed in %) governing the relationship between O&M costs and Gross Fixed Assets (GFA) for the nth year. The value of K shall be specified in the MYT Order of the Commission;

***(c) INDXn – Inflation Factor to be used for indexing can be taken as a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding five years**;*

:"

3.9 In order to adopt a same approach for determination of escalation factor for transmission and distribution licensees, the Commission in the Tariff Order of

DTL for FY 2011-12 with the direction of the Hon'ble ATE in Appeal No 52/2008 of TPDDL had re-determined the escalation factor for FY 2007-08 to FY 2011-12 on the basis of the actual WPI and CPI for the immediately preceding five years from FY 2002-03 to FY 2006-07 instead of FY 2001-02 to FY 2005-06 as worked out in the MYT Order for FY 2007-08 to FY 2010-11 but not on the rolling basis as directed by Hon'ble ATE. The relevant extract of ATE Judgment is reproduced below:

"22. While we agree with the contention of the Appellant that for determining the O&M expenses for the FY 2007-08, the indexation factor shall be based on CPI and WPI figures for the period 2002-03 to 2006-07, we are not convinced that the State Commission shall have determined the inflation factor for each year of the Control Period on rolling basis. At the time of deciding the MYT tariff, the inflation factor for the control years will not be available, therefore, indexation factor worked for the first year of the Control Period on the basis of preceding five years has to be used for all years during the Control Period as there is no provision for true up of O&M expenses in the Regulations and ***for determination of indexation factors on rolling basis****.*

:

"

{Emphasis added}

3.10 Accordingly, the Commission is of the view that as per Transmission Tariff Regulations, 2007 no true-up of escalation factor is allowed and hence the Commission has not undertaken provisional true-up of escalation factor as submitted by the Petitioner.

Employee Expenses

Petitioner's Submission

3.11 Petitioner submitted that the Commission has approved the employee expenses for FY 2007-08 to FY 2010-11considering the employee expenses for FY 2006-07 as base and escalating the same by the escalation factor. However, some of the expenditure which were not included in the employee expenses approved for FY

2006-07 are Actuarial Valuation (Gratuity and Leave Encashment), LTC (North East) Expenditure, Employee expenses of 220 kV IP Switchyard(taken over by DTL in Jan 2010 from IPGCL), Additional Ex-Gratia and Pension Trust Dues. The employee expenses submitted by the Petitioner for FY 2005-06 to FY 2011-12 is given in the table below:

Table 3: Employee Expenses submitted by the Petitioner (Rs. Crore)

Particulars/Year (Rs. Crore)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Escalation factor			1.0559	1.0866	1.0881	1.1010	1.0861
Employee Expenses	52.02	69.66	73.55	79.92	86.97	97.66	119.68
Increase due to additional manpower (@ 2%)					1.74		
Additional allowance allowed (ARR FY 2011-12 Order)				4.99	8.87	12.53	
Employee Expenses to be allowed	52.02	69.66	73.55	84.91	97.57	110.19	
Actually allowed in MYT Order	48.31	53.95	56.19	76.59	67.05	69.83	
Due on account of impact of arrear & revised escalation factor	3.71	15.71	17.36	8.32	30.52	40.36	
Arrear given in ARR FY 2011-12 Order			0.28	-12.44	44.19	34.13	
						22.15	
(A) Remaining impact of 6th Pay Commission (in addition to ARR FY 2011-12 Order values)	3.71	15.71	17.08	20.76	-13.67	-15.92	6.15
(B) Less: Efficiency Improvement				0.62	0.67	0.74	0.8
(C) Emp. expenses allowed in ARR 11-12 Order			56.47	64.16	111.23	103.96	122.93
(D) Other Employee expenses				0.95	1.28	25.82	16.12
Total Employee Expenses (E)= (A+C+D- B)			56.47	64.49	111.84	129.04	144.40

Note: Based on revised submission vide its letter No. F.DTL/203/F-1/13-14/Opr.GM(C&RA)/15 dated May 16, 2013

3.12 As regards the other expenses, the Petitioner submitted the following details of other employee expenses for FY 2008-09 to FY 2011-12 as given in the table below:

Table 4: Other employee expenses submitted by the Petitioner (Rs. Crore)

Particulars (Rs. Crore)	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
LTC (North East Scheme)	0.95			
Actuarial Valuation (Gratuity and Leave Encashment)		1.28	1.98	4.25
Employee expenses of 220 kV IP Switchyard				3.62
Ex Gratia				3.25
Pension Trust dues##			23.84	5.00
Total	**0.95**	**1.28**	**25.82**	**16.12**

##The claim of Pension trust is on provisional basis and as it is additional to the normative expenses the same shall be subject to the demand on the pension trust in future.

Commission's Analysis

3.13 In the Tariff Order for FY 2011-12, the Commission had revised the base Employee expenses for FY 2006-07 considering the actual impact of wage revision on employee cost for FY 2006-07. The revised base employee expenses have been escalated by the relevant escalation factor to arrive at the employee expenses for each year from FY 2007-08 to FY 2010-11 and FY 2011-12. Further the Commission has computed the revised employee expenses for each year from FY 2007-08 to FY 2010-11 both including and excluding arrears. Accordingly, the Commission has considered the employee expenses excluding arrears as computed in the Tariff Order for FY 2011-12 and added the year wise arrears details as submitted by the Petitioner for each year separately for the period FY 2007-08 to FY 2011-12.

3.14 In this regard the Commission asked Petitioner to submit the year wise details of actual arrears assessed on implementation of Sixth Pay Commission's report and payment made during FY 2007-08 to FY 2011-12. The Petitioner vide its letter no. F.DTL/203/F-I/2012-13/Opr.GM (C&RA)/233 dated February 8, 2013 submitted that it has paid a sum of Rs. 122.31 Crore towards the wage arrears including the additional allowances on the basis of Sixth Pay Commission's Report and submitted the breakup of the amount as given in the table below:

S.No.	Particulars	Amount (Rs. Crore)
(i)	Arrears paid till October 2009 to December 2009	43.36
(ii)	Employer contribution for Employee Provident Fund	0.71
(iii)	Interim Relief	10.97
(iv)	Over Time& Holiday Pay arrears	7.33
(v)	Children Education Allowance	2.90
(vi)	Salary arrears till January, 2010 to March, 2011	45.00
(vii)	Leave Salary Contribution (LSC) and Pension Contribution (PC) paid to Pension Trust	12.04
	Total	**122.31**

3.15 Further the Petitioner submitted that the amount of interim relief for a sum of Rs.10.97 Crore claimed as part of arrear was released to the employees during FY 2008-09 and FY 2009-10 in the monthly salaries and was recovered while releasing the arrears of wage revision and claimed as pay arrears. Therefore, the impact of interim relief as part of arrears is reflected in the monthly salaries of the employees during FY 2008-09 &FY 2009-10.

3.16 The Petitioner further submitted that the amount of Overtime and Holiday Pay arrears w.e.f January 2006 and Children Education Allowance w.e.f. September 2008 was paid in the monthly salaries and accounted for under 'other allowances'.

3.17 The Petitioner further submitted that wages of the employees was revised w.e.f January 1, 2010, but the Commission had considered the impact of revision of salaries w.e.f April 1, 2011. The wage arrears for the period from January 01, 2010 to March 31, 2011 was claimed by DTL & considered by the Commission on average basis as per the arrears computed by DTL upto December 31, 2009 which works out to Rs. 45 Crore.

3.18 Based on the review of above information, the Commission observed that the Petitioner has not submitted actual year wise disbursement of arrears for FY 2007-08 to FY 2011-12 despite repetitive clarifications. Therefore, the Commission decided to provisionally approve the impact of Payment of arrears for the revision in salaries from FY 2007-08 to FY 2010-11 and once the final year wise actual disbursement is provided by the Petitioner the Commission may consider the same in the next Tariff Order.

3.19 Based on the above submission of the Petitioner and taking reference from the Tariff Order of FY 2011-12, the Commission has computed the Payment of arrears for the revision in salaries from FY 2007-08 to FY 2011-12 as follows;

a) Payment of Salary Arrears paid till October 2009 to December 2009 at Rs 43.36 Crore has been considered in FY 2009-10 as submitted by the Petitioner.
b) Employer contribution to employee provident fund at Rs 0.71 Crore has been considered in FY 2011-12 as no actual payment detail is furnished by Petitioner.
c) Interim Relief at Rs 5.06 Crore has been considered in FY 2008-09 based on the information furnished by the Petitioner in FY 2011-12 Tariff Order and the remaining amount of Rs 5.91 Crore has been considered in FY 2009-10 as submitted by the Petitioner.
d) Overtime, Holiday Pay arrears and Children education allowance at Rs 8.01 Crore has been considered in FY 2010-11 on the basis of the information furnished by the Petitioner in the Tariff Order for FY 2011-12 and the remaining amount of Rs 2.22 Crore has been considered in FY 2011-12 as no actual payment detail is furnished by the Petitioner.
e) Salary Arrears of January, 2010 to March, 2011 at Rs 45 Crore has been considered in FY 2010-11 as submitted by the Petitioner.
f) Amount due to the Pension Trust on account of revision in Leave Salary Contribution (LSC) and Pension Contribution (PC) at Rs 12.04 Crore have been considered in FY 2011-12 as no actual payment detail is furnished by Petitioner.

3.20 Accordingly, the Commission has considered the year wise actual arrears as given in table below:

Table 5: Year wise Actual Arrears approved by the Commission (Rs. Crore)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Payment of Salary Arrears till October 2009 to December 2009		43.36		
The Employer Contribution to EPF				0.71
Interim Relief	5.06	5.91		
OT & HP Arrears & Children Education Allowance			8.01	2.22
Salary arrears till January 2010 to March 2011			45	
LPSC paid to Pension Trust				12.04
Total	**5.06**	**49.27**	**53.01**	**14.97**

3.21 As regards other expenses submitted by the Petitioner of Actuarial Valuation amount at Rs 1.28 Crore, Rs 1.98 Crore and Rs 4.25 for FY 2009-10, FY 2010-11 and FY 2011-12 and Ex Gratia amount at Rs 3.25 Crore for FY 2011-12, the Commission asked Petitioner to submit the basis of computation for the same. In reply, the Petitioner vide its letter no. F.DTL/203/F-I/2012-13/Opr.GM (C&RA)/233 dated February 8, 2013 provided the Actuarial Valuation report, however computations of the Actuarial Valuation was not submitted by the Petitioner. In this regard, the Commission again asked Petitioner to submit the computation as the year wise Actuarial Valuation amount submitted in the Petition has not been reflected in the report submitted by the Petitioner. However, the Petitioner has not submitted reply of the query of the Commission. As regards, Ex Gratia the Petitioner has not submitted reply to the query of the Commission. Accordingly, the Commission has not considered the Actuarial Valuation and Ex Gratia as the Commission has not been able to undertake the prudence check of the partial information submitted by the Petitioner.

3.22 As regards LTC expenses of Rs 0.95 Crore claimed by the Petitioner, the Commission in the Tariff Order for FY 2011-12 has considered the introduction/removal/increase of certain allowances such as HRA, TPA, CCA, LTC and Children Education Allowance with effect from FY 2008-09as 'New Allowances' on account of implementation of wage revision and hence the Commission has not considered the same separately.

3.23 With regard to the Employee expenses of 220 kV IP Switchyard, the Petitioner vide its letter no. F.DTL/203/F-I/2012-13/Opr.GM (C&RA)/233 dated February 8, 2013 furnished the year wise salary details of the IPGCL employees transferred to DTL. Petitioner submitted the salary details of Rs 0.11 Crore in FY 2009-10, Rs 1.78 Crore in FY 2010-11 and Rs 1.73 Crore in FY 2011-12. Therefore, the Commission has considered the Employee expenses of Rs. 3.62 Crore for 220 kV IP Switchyard in FY 2011-12 as submitted by the Petitioner.

3.24 As regards, Pension Trust the Commission has not considered the Petitioner's claim of Rs 28.84 Crore as the matter is sub-judice in High Court on account of the Pension Trust.

3.25 Further, Hon'ble ATE vide its Judgment in Appeal No. 184 of 2011 dated February 27, 2013 directed the Commission to allow the impact of 6th Pay Commission's recommendations on actual basis. The relevant section of the direction is reproduced below:

"In the present case, it is pointed out that the actual data has been made available to the State Commission. Therefore, the State Commission should have allowed the impact of 6th Pay Commission's recommendations on actual basis and not restricted the employee's cost by applying an indexation factor from the year 2007-08"

3.26 Based on the above analysis and considering the ATE Judgment the Commission has approved the revised employee expenses for the Control Period as given in the table below:

Table 6: Revised Employee Expenses approved by the Commission for FY 2007-08 to FY 2011-12 (Rs. Crore)

Employee Expenses	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Employee expenses excluding Arrears (According to table 25 and table 28 of the Tariff Order for FY 2011-12) (B)	56.47	59.10	61.85	64.74	100.42
Approved Yearwise Actual Arrears in Tariff Order for FY 2013-14 (reference to be given later) (C)	0.00	5.06	49.27	53.01	14.97
Employee expenses including arrears (B+C)	**56.47**	**64.16**	**111.12**	**117.75**	**115.39**
Additional Expenses for 220 kV IP Switchyard					3.62
Total Employee Expenses	**56.47**	**64.16**	**111.12**	**117.75**	**119.01**

Administrative and General (A&G) Expenses

Petitioner's Submission

3.27 The Petitioner has submitted that A&G expenses for FY 2007-08 to FY 2011-12 has been computed considering the revised A&G expenses of FY 2006-07 approved by the Commission in the Tariff Order for FY 2011-12 and escalating the same by the escalation factor for computing the A&G expenses for FY 2007-08 to FY 2011-12. Further, the Petitioner submitted that the other expenses which was not considered by the Commission for approving the A&G expenses for FY 2006-07 as base including Foreign exchange loss, Legal Award expenses, Ground Rent etc. has been considered in A&G Expenses for FY 2006-07. A&G Expenses submitted by the Petitioner for the first Control Period is given in the table below:

Table 7: A&G Expenses submitted by the Petitioner for First Control Period(Rs. Crore)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Escalation factor		1.0559	1.0866	1.0881	1.1010	1.0861
A&G Expenses	14.30	15.10	16.41	17.85	19.66	21.35
Additional A&G allowed towards GIS stations (As per ARR 2011-12 Order)				2.45		
Other Expenses*			3.00	8.65	6.29	9.71
Total A&G Expenses		**15.10**	**19.41**	**28.95**	**25.95**	**31.06**

** includes Foreign Exchange loss, Legal Award expenses, Ground Rent, etc.*

Commission's Analysis

3.28 In the Tariff Order for FY 2011-12, the Commission had already considered the additional A&G expenses of Rs 2.45 Crore towards GIS stations (Rs 1.93 Crore of tender cost, Rs 1.18 Crore of training cost less adjustment of Rs 0.66 Crore).

3.29 As regards other expenses claimed by Petitioner, the Commission asked Petitioner to submit the details related to other A&G expenses for FY 2008-09 to FY 2011-12 claimed by Petitioner. In reply, the Petitioner vide its letter no. F.DTL/203/F-I/2012-13/Opr.GM (C&RA)/233 dated February 8, 2013 submitted the other A&G Expenses includes expenses related to Pension Trust, Foreign Exchange Loss, Legal Award Expenses, Ground Rent and Property Tax, Loss on disposal of assets, etc. The detailed breakup of other A&G Expenses submitted by the Petitioner is given in the table below:

Table 8: Breakup of Other A&G Expenses submitted by Petitioner(Rs Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
A&G Expenses of Pension Trust					0.50
Foreign Exchange Loss			0.54	1.41	
Legal Award Expenses			0.22	0.62	2.00
Ground Rent and Property Tax			4.89	1.26	2.77

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Other Expenses (Additional)		3.00	3.00	3.00	4.44
Total	**0.00**	**3.00**	**8.65**	**6.29**	**9.71**

3.30 The Petitioner further submitted that the above expenses cannot be deemed to have been included/covered in the amount of A&G Expenses determined in accordance with the normative formulae specified in MYT Regulations, 2007 and, therefore, the same have been claimed over and above the normative A&G expenses.

3.31 The Commission is of the view that above mentioned expenses submitted by the Petitioner would have been included in the base years expenses and cannot be considered as extraordinary expenditure and thus in accordance with the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2007, the Commission has not approved any additional expenditure of A&G expenses and considers the A&G Expenses same as approved in the Tariff Order for FY 2011-12.

Table 9: A&G Expenses approved by the Commission for First Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Escalation Factor(approved in Tariff Order dated August 26, 2011)	1.0466	1.0466	1.0466	1.0466	1.0466
A&G Expenses (approved in Tariff Order dated August 26, 2011)	14.96	15.66	16.39	17.15	17.95
Additional A&G allowed towards GIS stations (approved in Tariff Order dated August 26, 2011)			2.45		
Total A&G Expenses	**14.96**	**15.66**	**18.84**	**17.15**	**17.95**

Repair & Maintenance Expenses (R&M expenses)

Petitioner's Submission

3.32 Petitioner submitted that in accordance with the Transmission Tariff Regulation, 2007 the Repairs and Maintenance (R&M) expenses to be determined based on the following formulae:

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

Where, 'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the n^{th} year.

3.33 Petitioner submitted that GFA for the 1st Control Period has been considered as per the True up value of GFA approved by the Commission for FY 2006-07 and actual assets capitalisation of DTL for FY 2007-08 to FY 2011-12.Further, submitted that in accordance with the decision of Delhi Govt., the Petitioner has taken over the 220 KV switchyard of IP Generating Station in January 2010 and accordingly, it has incurred an additional R&M expense of Rs. 0.05 Crore (for three months) in FY 2009-10.The Petitioner has provided the R&M Expenses for first control period as given in the table below:

Table 10: R&M Expenses submitted by the Petitioner for First Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
GFA Opening (Actual Capitalisation)	922.98	990.22	1136.75	1231.47	1856.19
Additional R&M expenses for three month for FY 2009-10			0.05		
K Factor	2.19%	2.19%	2.19%	2.19%	2.19%
R&M Expenses	20.21	21.69	24.95	26.97	40.65
Additional Exp. On GIS s/stn.				3.957	3.957
Total R&M Expenses	**20.21**	**21.69**	**24.95**	**30.93**	**44.61**

Commission's Analysis

3.34 Considering the extra-ordinary nature of expenditure in the Tariff Order for FY 2011-12 the Commission has allowed an additional R&M expense on account of 220 KV switchyard of IP Generating Station at Rs 3.957 Crore from FY 2010-11 onwards as additional expenditure amortised for next 5 years from FY 2010-11 to FY 2014-15 to avoid the additional burden on the consumer in a single year. As regards additional expenditure for three months of FY 2009-10, the Commission considers the additional expenditure of Rs 0.05 Crore.

3.35 Considering the actual GFA and capitalisation and 'K factor' as 2.19%, the Commission has provisionally trued up the R&M expenses for FY 2007-08 to FY 2011-12. The R&M Expenses revised by the Commission for the Control Period is given in the table below.

Table 11: Revised R&M Expenses approved by the Commission for First Control Period

(Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
K Factor	2.19%	2.19%	2.19%	2.19%	2.19%
GFA Opening (Provisionally approved Capitalisation)	922.98	969.34	1069.45	1132.09	1715.23
R&M Expenses	**20.18**	**21.20**	**23.39**	**24.76**	**37.51**
Additional Exp. of GIS s/stn.	0.00	0.00	0.05	3.96	3.96
Total R&M Expenses	**20.18**	**21.20**	**23.44**	**28.71**	**41.47**

Efficiency Factor

Petitioner's Submission

3.36 Petitioner submitted that it has maximum number of Conventional type sub-stations and mostly are 25-30 year old and Petitioner is in process of upgradation of the same in a phased manner but that will require atleast 10 year period for complete upgradation as well as automation of existing substation. The Petitioner further submitted that Hon'ble ATE in Appeal No 28/2008 has directed the Commission to take a relook at the efficiency factor.

3.37 The Petitioner further submitted that the Commission had made an ad-hoc reduction of 2%, 3% and 4% for FY 2008-09, FY 2009-10 and FY 2010-11& FY 2011-12 respectively. The year wise efficiency factor approved by the Commission is on very higher side as O&M expenses allowed by the Commission is on normative basis and further the Commission has applied very high efficiency factor on it.

3.38 The Petitioner also submitted that actual inflation for FY 2010-11 and FY 2011-12 is to the tune of 10.1% and 8.6% respectively whereas the application of such high efficiency factor makes the allowed increase in employee and A&G expenses over the previous years to less than even 0.5% for FY 2010-11 and FY 2011-12. Therefore, it is requested to limit the efficiency factor to 1% keeping in view the old system and Judgment of ATE in this regard.

Commission's Analysis

3.39 In the MYT Order FY 2007-08 to FY 2010-11, the Commission approved the efficiency improvement factor as 2%, 3% and 4% for FY 2009, FY 2010 and FY 2011 respectively considering the huge capital investment plan for the Control Period.

3.40 The Petitioner filed an Appeal against the said MYT Order FY 2007-08 to FY 2010-11on the application of the efficiency factor. The Hon'ble ATE, in its Judgment dated September 29, 2010 has ruled that:

"(viii) The State Commission made an ad-hoc reduction of 2%, 3% and 4% for the FY 2008-09, FY 2009-10 and FY 2010-11 respectively. The only reason given by the State Commission is that the Appellant will have to improve its performance. There cannot be any reason for the ad-hoc reduction in O&M expenditure applying any annual improvement efficiency factor. Even though the Regulations provide for application of efficiency factor, such factor has to be determined only on the basis of the materials placed before the State Commission and analysis by the Commission and not on ad-hoc basis. The State Commission is directed to consider this and pass order accordingly on this issue."

3.41 Further, in the Tariff Order FY 2011-12, the Commission had retained the efficiency factors set in the MYT Order i.e. 2%, 3% and 4% for FY 2008-09, FY 2009-10 and FY 2010-11, respectively as Hon'ble ATE has not ruled against the application of an efficiency factor but it has directed the Commission to re-look into the value determined for such a factor after further analysis and considering the submissions of the Petitioner. However, the Petitioner in its True up Petition for FY 2007-08 to FY 2010-11 had not proposed any value for efficiency factor. Therefore the Commission had maintained the efficiency factor for FY 2011-12 at the level of FY 2010-11.i.e. 4%. However, once the Petitioner submits any material the Commission shall revisit this number if it is so satisfied based on such material.

3.42 In this regard, the Commission asked Petitioner to submit the justification for proposing the efficiency factor as 1% as against 2%,3%, 4% and 4% approved by the Commission for FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12, respectively in Tariff Order dated August 26, 2011.

3.43 In reply, the Petitioner vide letter no. F.DTL/203/F-I/2012-13/Opr.GM (C&RA)/233 dated February 8, 2013 submitted that it has offered the efficiency recovery @ 1% on adhoc basis. The Petitioner submitted that once the O&M expenses (Employee cost etc.) are approved by the Commission based on normative formulae and due diligence, no further recovery should be made on any account including efficiency factor. Thus, the Petitioner has not put forth any justification for considering an efficiency factor of 1%.

3.44 The Commission is of the view that despite the opportunity provided to the Petitioner to justify its claim of revised efficiency factor, Petitioner could not submit proper justification of seeking relaxation in the efficiency factor. Hence, the Commission has retained the efficiency factor as approved in the MYT Order FY 2007-08 to FY 2010-11 .i.e. 2%,3%, 4% and 4% for FY 2008-09, FY 2009-10, FY 2010-11& FY 2011-12.

Summary of O&M Expenses

Petitioner's Submission

3.45 Petitioner has submitted the summary of O&M expenses for the first Control Period (i.e. FY 2007-08 to FY 2011-12)as given in the table below:

Table 12: O&M Expenses submitted by the Petitioner for First Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Employee Cost (including Efficiency Factor)	56.47	64.49	111.84	129.04	165.93
A&G Expenses	15.10	16.41	17.85	19.66	21.35
R&M Expenses	20.21	21.69	24.95	26.97	40.65
O&M Expenses	91.78	102.58	154.64	175.66	227.93
Efficiency Factor	0%	1%	1%	1%	1%
Net O&M Expenses	**91.78**	**102.2**	**154.21**	**175.2**	**227.31**
Additional A&G allowed for GIS			2.45		
Other A&G Expenses	0.00	3.00	8.65	6.29	9.71
Additional R&M Allowed for GIS	0.00	0.00	0.00	3.96	3.96
Allowed O&M Expenses	**91.78**	**105.2**	**165.31**	**185.44**	**240.98**

Commission's Analysis

3.46 Based on various elements of O&M expenses as discussed above, the summary of O&M Expenses approved by Commission for the Control Period are given in the table below.

Table 13: O&M Expenses approved by the Commission (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Employee Cost	56.47	64.16	111.12	117.75	115.39
A&G Expenses	14.96	15.66	16.39	17.15	17.95
R&M Expenses	20.18	21.20	23.39	24.76	37.51
O&M Expenses	**91.61**	**101.02**	**150.90**	**159.66**	**170.86**

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Efficiency Factor	0%	2%	3%	4%	4%
Net O&M Expenses	**91.61**	**99.00**	**146.37**	**153.27**	**164.02**
Additional Employee Expenses for 220 kV IP Switchyard	0.00	0.00	0.00	0.00	3.62
Additional A&G allowed for GIS	0.00	0.00	2.45	0.00	0.00
Additional R&M Allowed for GIS	0.00	0.00	0.05	3.96	3.96
Allowed O&M Expenses	**91.61**	**99.00**	**148.87**	**157.23**	**171.60**

Capital investment and Assets Capitalisation

Petitioner's Submission

3.47 Petitioner has submitted the actual capitalisation for FY 2007-08 to FY 2011-12 as given in the table below:

Table 14: Assets classwise Capitalisation submitted by the Petitioner (Rs. Crore)

Parameters	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Land	1	16.15	8.98	3.06	0
Land under Lease				0	0
Building	1.03	4.76	0.53	2.67	0
Meters	1.53	0.01	0.12	0.04	0
Lines Network	3.38	1.54	8.85	191.71	306.67
Other Civil Works	21.81	3.7	32.24	14.82	2.79
Plant & Machinery	37.17	118.2	39.49	369.52	243.40
Office Equipment	0.2	0.35	0.7	0.32	0.04
Computer	0.45	0.51	1.08	40.22	5.69
Furniture	0.47	0.77	0.12	0.27	0.54
Misc Assets	0.04	0.15	0.13	0.09	
Vehicles	0.02	0.41	1.3	0.71	0.57
SCADA	0.14	(0.02)	1.18	1.29	0
Total	**67.24**	**146.53**	**94.72**	**624.72**	**559.70**

**Plant& Machinery for the Year 2009-10 includes Rs. 9.49 Crore of 220 kV I.P. Switch Yard Assets taken over by the Petitioner*

Commission's Analysis

3.48 The Commission has recently completed the prudence check of capital expenditure for the period FY 2007-08 to FY 2010-11. The prudence check involved the prudence check of procurement records and physical verification of the assets on ground. The prudence check of Capital expenditure for FY 2011-12 has been carried out by the staff of the Commission. While examining the details of capitalisation as furnished by Petitioner, the Commission has observed that the methodology regarding apportionment of employee expenses and A&G expenses requires review. Also the capitalisation of interest during construction requires detailed examination. The Commission is in the process of validating the capitalisation of IDC and apportionment of employee expenses and A&G expenses to capital cost. Therefore, the year wise capitalisation considered in this Tariff Order is provisional to this extent and would be revised on completion of the above review.

3.49 During analysis of the Capitalisation amount mentioned in the Petition and the Audited Accounts for FY 2007-08 to FY 2011-12, the Commission observed that the capitalisation amount mentioned in the Petition does not reconcile with the capitalisation amount mentioned in the Audited Accounts for the period FY 2007-08 to FY 2011-12. In order to reconcile the same, the Commission asked Petitioner to reconcile the capitalisation amount mentioned in the Audited Accounts and Petition.

3.50 In reply, Petitioner vide letter no F.DTL/DGM (Fin)I /310/2012-13/ dated June 12, 2013 submitted that in the Audited Accounts the capitalization of investment is accounted for as per the accounting policy of the company, approved by management of DTL in accordance with the mandatory accounting standards issued by Institute of Chartered Accountant of India. However, the capitalization of investment in the ARR Petitions are claimed after fulfilling additional formalities/conditions like issuance of electrical clearance/certificate by Electrical inspector against each of the works completed during the concerned financial year. In this regard, there is a variation in the capitalisation amount mentioned in the Audited Accounts and the capitalisation amount as submitted in Forms -30 specified by the Commission which are finalized based on the certificates as stated above. Therefore, it is submitted that the capitalization of the investments claimed by the Petitioner should be allowed based on details submitted in Form - 30 and other supporting documents.

3.51 Petitioner further clarified that no separate funding is arranged for each scheme and the total fund requirement of the entire year is based on the projections of execution of works considering the proportion of funds is met through loans and additional equity (including internal accruals) as specified in the Transmission Tariff Regulations,2007 i.e. 70:30. Further submitted that DTL has made every effort to maintain the debt- equity ratio as stipulated in the Transmission Tariff Regulations, 2007.

3.52 During analysis of the Capitalisation submitted in Form-30, the Commission observed that the Petitioner has considered interest during construction on schemes capitalised as well as the schemes under CWIP during the year. In this regard, the Commission has recomputed the year wise interest during construction for the schemes capitalised during the Control Period for FY 2007-08 to FY 2011-12.

3.53 Further, the Commission observed that Petitioner in its Form-30 has considered the opening CWIP of FY 2007-08 as Rs 146.09 Crore based on Audited Accounts as against Rs 86.86 Crore approved by the Commission after truing up for FY 2006-07 in the MYT Order for FY 2007-08 to FY 2010-11. In this regard, the Commission asked Petitioner to reconcile the difference of opening CWIP for FY 2007-08 based on Audited Accounts and as approved by the Commission after truing up for FY 2006-07. In this regard, the Petitioner could not reconcile the difference in opening CWIP for FY 2007-08 as approved by the Commission after truing up and based on Audited Accounts for FY 2006-07.Accordingly, the Commission deems appropriate to undertake provisional truing-up for FY 2007-08 to FY 2011-12 instead of final true up in this Order.

3.54 For reconciliation of scheme wise details, **the Commission directs the Petitioner to provide the Scheme wise opening CWIP and material cost for all the scheme capitalised during FY 2007-08 to FY 2011-12 with the reconciliation of closing CWIP of FY 2006-07 based on Audited Accounts of FY 2006-07 and as approved by the Commission after truing up in the MYT Order for FY 2007-08 to FY 2010-11 within one month of the issuance of this Order.**

3.55 In order to arrive at the year wise asset capitalization provisionally for FY 2007-08 to FY 2011-12, the Commission has considered the opening Capital Work in Progress of FY 2007-08 as per the Audited Accounts of FY 2007-08 and the year wise scheme wise material cost as submitted by the Petitioner is considered for all the transmission schemes capitalised during FY 2007-08 to FY 2011-12.

3.56 Actual debt-equity ratio as submitted by the Petitioner has been considered for working out the debt requirement. However, in accordance with the Transmission Tariff Regulations, 2007 the actual equity employed has been limited to 30% and excess equity has been considered as notional loan. Further, in order to work out the interest during construction, the average of the year wise opening and closing of the debt requirement has been considered and Interest rate has been considered based on interest rate as submitted by the Petitioner for computation of ROCE for FY 2007-08 to FY 2011-12. The capitalization of employee expenses and A&G expenses has been considered same as submitted by the Petitioner. The scheme wise capitalisation approved by Commission for FY 2007-08 to FY 2011-12 has been attached as Annexure VI. Accordingly, the year wise Capitalisation computed for the provisional true up of FY 2007-08 to FY 2011-12 is given in the table below:

Table 15: Capitalisation approved by the Commission for First Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Material Works Cost	34.87	81.38	57.06	509.22	407.31
IDC	2.57	6.07	4.85	53.65	54.98
Employee Expenses Capitalized (as submitted by Petitioner)	8.50	13.68	2.63	18.58	18.38
A&G Expenses Capitalized (as	1.50	2.42	0.46	3.28	3.24

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
submitted by Petitioner)					
Total	**47.44**	**103.54**	**65.00**	**584.74**	**483.91**

Depreciation

Petitioner's Submission

3.57 Petitioner submitted that the depreciation for FY 2007-08 to FY 2011-12 has been computed considering the depreciation rate specified in the Transmission Tariff Regulations, 2007 and the asset capitalised during the Control Period. The depreciation for the first control period i.e. FY 2007-08 to FY 2011-12submitted by the Petitioner is given in the table below.

Table 16: Depreciation submitted by the Petitioner for First Control Period (Rs. Crore)

Parameters	Depreciation Rate	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Land	-	0.00	0.00	0.00	0.00	0.00
Building	3.60%	1.05	1.15	1.25	1.30	1.35
Meters	6.00%	0.05	0.10	0.10	0.11	0.11
Lines Network	3.60%	7.42	7.51	7.70	11.31	20.28
Other Civil Works	1.80%	1.44	1.67	1.99	2.42	2.57
Plant & Machinery	3.60%	19.62	22.41	25.25	32.61	43.65
Office Equipment	6.00%	0.20	0.21	0.25	0.28	0.29
Computer	18.00%	0.31	0.40	0.54	4.26	8.39
Furniture	6.00%	0.17	0.21	0.24	0.25	0.27
Misc Assets	6.00%	0.04	0.05	0.06	0.06	0.07
Vehicles	18.00%	0.64	0.68	0.84	1.02	1.13
SCADA	6.00%	3.05	3.05	3.09	3.16	3.20
Total		**33.99**	**37.44**	**41.29**	**56.76**	**81.30**

Commission's Analysis

3.58 The Commission in the MYT Order FY 2007-08 to FY 2010-11 and Tariff Order for FY 2011-12 had approved depreciation expenses considering the approved GFA and capitalisation for FY 2007-08 to FY 2010-11 and FY 2011-12 and the rates specified in the Transmission Tariff Regulations, 2007.

3.59 The Commission has computed the depreciation for FY 2007-08 to FY 2011-12 considering the opening balance of GFA for FY 2007-08 approved in the MYT Order for FY 2007-08 to FY 2010-11,capitalisation approved after truing up for FY 2007-08 to FY 2011-12 and the depreciation rates specified in the Transmission Tariff Regulations, 2007. As the asset class wise GFA is not available with the Commission therefore for computing the asset class wise depreciation the Commission has considered the class wise asset addition on pro rata basis based on asset addition submitted by the Petitioner. The year wise depreciation approved by the Commission after truing up for FY 2007-08 to FY 2011-12 is given in the table below:

Table 17: Depreciation approved by the Commission for First Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Depreciation	**33.06**	**35.35**	**37.78**	**51.63**	**72.83**

Return on Capital Employed

3.60 Return on Capital Employed (RoCE) for the Petitioner is to be determined as specified in the Transmission Tariff Regulations, 2007. RoCE can be determined only after determination of Regulated Rate Base (RRB) for any particular year and the Weighted Average Cost of Capital (WACC) for the year as determined in the following section.

Working Capital Requirement

Petitioner's Submission

3.61 Petitioner submitted that working capital requirement for FY 2007-08 to FY 2011-12 has been computed in accordance with the Transmission Tariff Regulations, 2007.The Petitioner submitted the revised working capital for the first control period i.e. FY 2007-08 to FY 2011-12 as given in the table below:

Table 18: Working Capital submitted by the Petitioner for First Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
O&M Expenses for 1 month (A)	7.65	8.77	13.77	15.45	20.08
Receivables equivalent to 2 months (B)	34.30	39.04	59.21	90.11	197.93
Total Working Capital (A+B)	**41.95**	**47.81**	**72.98**	**105.56**	**218.01**

Commission's Analysis

3.62 The Commission has approved the Working Capital in the MYT Order for FY 2007-08 to FY 2010-11 and the Tariff Order for FY 2011-12 on normative basis considering the approved O&M expenses and expected revenues from Transmission Charges.

3.63 For computing the working capital for truing up of FY 2007-08 to FY 2011-12, the Commission has considered the total approved trued up O&M expenses and the actual approved after truing up for FY 2007-08 to FY 2011-12. The working capital approved by the Commission after truing up for FY 2007-08 to FY 2011-12 is given in the table below:

Table 19: Working Capital approved by the Commission (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
O&M Expenses	91.61	99.00	148.87	157.23	171.60
1/12th of O&M Expenses (A)	7.63	8.25	12.41	13.10	14.30
ARR approved in this Order	185.86	196.34	228.58	310.82	403.62
Receivables equivalent to 2 months average billing (B)	30.98	32.72	38.10	51.80	67.27
Total Working Capital (A+B)	**38.61**	**40.97**	**50.50**	**64.91**	**81.57**

Regulated Rate Base

Petitioner's Submission

3.64 Petitioner submitted that the Regulated Rate Base (RRB) for each year of the Control Period has been computed based on the formula stipulated in the Transmission Tariff Regulations, 2007, the actual capitalisation during FY 2007-08 to FY 2011-12 is given in the table below:

Table 20: RRB submitted by the Petitioner for First Control Period (Rs. Crore)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Regulated Rate Base	**624.28**	**682.86**	**759.89**	**866.32**	**1,209.59**	**1,844.08**
OCFA	827.87					
Accumulated Depreciation	269.48					
Δ AB	65.89	33.25	109.09	53.43	567.96	478.40
Capitalisation during the Year	95.67	67.24	146.53	94.72	624.72	559.70
Depreciation	29.77	33.99	37.44	41.29	56.76	81.30
Change in W C		41.95	5.86	25.17	32.57	111.31
Equity	180	200.17	244.13	272.55	778.96	946.87
Debt	3984.48	579.55	682.12	748.42	946.72	1338.51
Rate of return on Equity		14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt		11.50%	11.50%	9.92%	10.50%	11.50%
Weighted Avg Cost of Capital (WACC)		**12.14%**	**12.16%**	**11.01%**	**12.08%**	**12.54%**

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Return on Capital Employed (RoCE)		**82.90**	**92.40**	**95.38**	**146.12**	**231.25**

Commission's Analysis

3.65 In the Tariff Order for FY 2011-12 the Commission has revised the computation of RRB approved in the MYT Order for FY 2007-08 to FY 2010-11 as the Commission in the MYT Order had wrongly considered the closing GFA and accumulated depreciation for FY 2006-07 in place of opening GFA and accumulated depreciation for the year.

3.66 During analysis, the Commission observed that the Petitioner has repeated the same mistake of considering the total working capital for FY 2007-08 in place of change in working capital as highlighted by the Commission in the Tariff Order for FY 2011-12.

3.67 For truing up for FY 2007-08 to FY 2011-12, the Commission has approved the RRB for FY 2007-08 to FY 2011-12 considering the opening RRB and the actual year wise capitalisation, depreciation and change in working capital approved after truing up for FY 2007-08 to FY 2011-12. The approved rate base for each year of the Control Period is given in the table below:

Table 21: RRB approved by the Commission for First Control Period (Rs. Crore)

Particulars		FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
A	OCFA	827.87				
B	Accumulated Depreciation	269.48				
C	**Regulated Rate Base**	**690.17**	**704.80**	**775.35**	**812.10**	**1359.60**
D=E-F	Δ AB	14.37	68.19	27.21	533.10	411.08
E	Investment Capitalized	47.44	103.54	65.00	584.74	483.91

Particulars		FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
F	Depreciation	33.06	35.35	37.78	51.63	72.83
G	Change in WC	0.26	2.36	9.53	14.40	17.30
H=C+D +G	RRB (Closing)	704.80	775.35	812.10	1359.60	1787.98
I = C+D/2+ G	**RRB(i)**	**697.61**	**741.26**	**798.49**	**1093.05**	**1582.44**

Means of Finance

Petitioner's Submission

3.68 Petitioner in its additional information submitted the details of actual drawal of loans from FY 2007-08 to FY 2011-12 from various financial institutions. The Petitioner further clarified that scheme wise funding has not been arranged by DTL and the total fund requirement during the year is based on the projections of execution of works considering the debt: equity ratio as specified in the Transmission Tariff Regulations, 2007. The summary of the outstanding loans at the end of each year from FY 2007-08 to FY 2011-12 is given in the table below:

Table 22: Loan Details submitted by the Petitioner (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
DPCL Loan					
Opening Balance	255.00	168.85	153.00	0.00	0.00
Addition	0.00	0.00	0.00	0.00	0.00
Repayment	86.15	15.85	153.00	0.00	0.00
Closing Balance	168.85	153.00	0.00	0.00	0.00
Allahabad Bank					
Opening Balance	0.00	0.00	0.00	20.00	758.00
Addition	0.00	0.00	20.00	738.00	141.00
Repayment	0.00	0.00	0.00	-	-
Closing Balance	0.00	0.00	20.00	758.00	899.00
Union Bank of India					
Opening Balance	0.00	0.00	0.00	230.00	292.50

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Addition	0.00	0.00	230.00	62.50	7.50
Repayment	0.00	0.00	0.00	0.00	0.00
Closing Balance	0.00	0.00	230.00	292.50	300.00
GoNCTD Loans					
Opening Balance	341.25	386.93	450.65	414.38	0.00
Addition	93.75	93.75	-	0.00	616.36
Repayment	48.07	30.03	36.28	414.38	12.50
Closing Balance	386.93	450.65	414.38	0.00	603.86
Power Bonds					
Opening Balance	0.00	0.00	0.00	200.00	200.00
Addition	0.00	0.00	200.00	0.00	0.00
Repayment	0.00	0.00	0.00	0.00	0.00
Closing Balance	0.00	0.00	200.00	200.00	200.00

Commission's Analysis

3.69 Based on the analysis of loan details submitted by the Petitioner, the Commission observed that the loan addition during the year for the entire Control Period is significantly higher than the capitalisation for the entire Control Period. Therefore for the purpose of provisional truing up for FY 2007-08 to FY 2011-12, the Commission has considered the loan amount after deducting the equity contribution for FY 2007-08 to FY 2011-12from the provisionally approved capitalisation. Accordingly, the debt approved by the Commission for FY 2007-08 to FY 2011-12 is given in the table below:

Table 23: Approved Debt Investment for the Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capitalisation	47.44	103.54	65.00	584.74	483.909
Debt Investment	33.21	72.48	50.57	445.65	342.54

3.70 Based on the loan details submitted by the Petitioner, the Commission observed the loan addition during FY 2007-08 to FY 2011-12 is around Rs. 2200 Crore as against total capitalisation of Rs. 1285 Crore. Even the CWIP of around Rs 1000

Crore for FY 2013-14 may be considered as suggested by Petitioner, the actual loan drawn during FY 2007-08 to FY 2011-12 is significantly high. Therefore, for provisional truing up purpose the Commission has reduced the total loan addition from various sources in proportion to the capitalisation. Further, the addition in loan amount from various sources have been computed on pro-rata basis from the loan addition submitted by the Petitioner for the approved loan for FY 2007-08 to FY 2011-12. Accordingly, the Commission approves loan addition of Rs 385.43 Crore from Allahabad Bank, Rs 128.62 Crore from Union Bank of India, Rs 344.64 Crore from GoNCTD and Rs 85.75 Crore from Power Bonds. Interest rate for each loan has been considered the same as submitted by the Petitioner for FY 2007-08 to FY 2011-12.

3.71 **In this regard, the Commission directs the Petitioner to submit the report on year wise loan availed and the purpose of loan for FY 2007-08 to FY 2013-14 within three months of the issuance of this Order.**

3.72 The summary of the outstanding loan approved by the Commission for FY 2007-08 to FY 2011-12 is given in the table below:

Table 24: Approved Loan Details (outstanding)(Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
DPCL Loan					
Opening Balance	255.00	168.85	153.00	0.00	0.00
Addition	0.00	0.00	0.00	0.00	0.00
Repayment	86.15	15.85	153.00	0.00	0.00
Closing Balance	168.85	153.00	0.00	0.00	0.00
Allahabad Bank					
Opening Balance	0.00	0.00	0.00	8.57	324.98
Addition	0.00	0.00	8.57	316.41	60.45
Repayment	0.00	0.00	0.00	0.00	0.00
Closing Balance	0.00	0.00	8.57	324.98	385.43
	0.00	0.00	0.00	0.00	0.00
Union Bank of India					

Particulars	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**
Opening Balance	0.00	0.00	0.00	98.61	125.41
Addition	0.00	0.00	98.61	26.80	3.22
Repayment	0.00	0.00	0.00	0.00	0.00
Closing Balance	0.00	0.00	98.61	125.41	128.62
GoNCTD Loans					
Opening Balance	341.25	333.37	347.11	317.98	288.84
Addition	40.19	40.19	0.00	0.00	264.26
Repayment	48.07	26.46	29.14	29.14	29.14
Closing Balance	333.37	347.11	317.98	288.84	523.96
9.5% of Power Bonds					
Opening Balance	0.00	0.00	0.00	85.75	85.75
Addition	0.00	0.00	85.75	0.00	0.00
Repayment	0.00	0.00	0.00	0.00	0.00
Closing Balance	0.00	0.00	85.75	85.75	85.75

Determination of WACC and ROCE

Petitioner's Submission

3.73 Petitioner has submitted calculation of ROCE for FY 2007-08 to FY 2011-12. Petitioner submitted that for computation of ROCE, the cost of equity has been considered as 14% and cost of debt as 11.5% to determine the Weighted Average Cost of Capital (WACC) for each year of the Control Period.

3.74 Further submitted that for FY 2006-07, debt includes loan amounting to Rs.3452 Crore from GoNCTD. However, for the purpose of calculating weighted average cost of capital, the amount of Rs 3452 Crore, now converted into equity from loan, has been excluded from equity and debt. Further, for FY 2010-11, equity includes Rs.239 Crore loan of GoNCTD converted into equity vide GoNCTD Letter no. F.11 (28)/2005/Power Ot.I/937 dated 16/07/10 & Rs. 80 Crore as equity infusion by DPCL. The RoCE computation submitted by the Petitioner for FY

2007-08 to FY 2011-12 is given in the table below:

Table 25: Return on Capital Employed submitted by the Petitioner (Rs. Crore)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Regulated Rate Base	**624.28**	**682.86**	**759.89**	**866.32**	**1,209.59**	**1,844.08**
Equity (Closing)	180	200.17	244.13	272.55	778.96	946.87
Debt (Closing)	3984.48	579.55	682.12	748.42	946.72	1338.51
Rate of return on Equity		14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt		11.50%	11.50%	9.92%	10.50%	11.50%
Weighted Avg Cost of Capital (WACC)		**12.14%**	**12.16%**	**11.01%**	**12.08%**	**12.54%**
Return on Capital Employed (RoCE)		**82.90**	**92.40**	**95.38**	**146.12**	**231.25**

Commission's Analysis

3.75 Based on the approved capitalisation, equity & debt contribution, cost of debt & equity, the ROCE has been computed for FY 2007-08 to FY 2011-12 as given in the table below:

Table 26: Return on Capital Employed approved by the Commission (Rs. Crore)

Particulars		**FY 2006-07 (Base Year)**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**
A	RRBi	0.00	697.61	741.26	798.49	1093.05	1582.44
B	Amount Capitalised During the Year	95.67	47.44	103.54	65.00	584.74	483.91
$C_n = C_n\text{-}1 + (B_n * 30\%)$	Equity (Closing)	180.00	194.23	225.29	239.72	697.80	839.17
	Equity (Average)	0.00	187.12	209.76	232.51	468.76	768.49
$D_n = D_n\text{-}1 + (B_n * 70\%)$	Debt (Closing)	532.48	565.69	638.16	688.73	895.39	1237.92
	Debt (Average)		549.08	601.92	663.45	792.06	1066.66
E	Rate of Return on Equity		14%	14%	14%	14%	14%
F	Rate of Return on Debt		11.50%	11.50%	9.92%	10.50%	11.50%
G =	WACC		12.14%	12.15%	10.98%	11.80%	12.55%

Particulars		**FY 2006-07 (Base Year)**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**
E*(C/(C+D))+ F*(D/(C+D))							
H = A * G	**RoCE**		**84.66**	**90.03**	**87.66**	**128.99**	**198.55**

Capitalisation of Expenses

Petitioner's Submission

3.76 Petitioner has submitted the capitalisation of expenses for FY 2007-08 to FY 2011-12. The Petitioner has given the information of interest capitalised during the Control Period but the same has not been deducted from the total expenses while arriving at the ARR for the year considering that all the interest during construction has been capitalised and added in the asset base after capitalisation. The capitalisation of expense submitted by the Petitioner for FY 2007-08 to FY 2011-12 is given in the table below:

Table 27: Capitalisation of Expenses submitted by the Petitioner (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Interest & Finance charges Capitalised	1.98	4.82	3.53	29.96	26.63
Employee expenses	8.5	13.68	2.63	18.58	18.38
A&G Expenses	1.5	2.42	0.46	3.28	3.24
Expenses Capitalised	11.97	20.91	6.61	51.82	48.25

Commission's Analysis

3.77 The Commission in the Tariff Order for FY 2011-12 has clarified that during the Policy Direction Period, the Commission was allowing total interest expenses incurred by the licensee under the total revenue requirement and subtracting interest expenses for loan on the Capital Works in Progress as it was capital in nature and was added to the cost of the assets as Interest During Construction.

However, in the MYT regime, the Commission is following the principle of Return on Capital Employed (RoCE) as per the Transmission Tariff Regulations, 2007, under which return on equity and interest on debt is allowed for assets capitalized and any interest cost incurred before capitalization is considered as interest during construction and would be added to the cost of the assets. Accordingly, the interest capitalized deducted from the ARR of the Petitioner in the MYT Order for FY 2007-08 to FY 2010-11 has been rectified and therefore a total of Rs. 354 Crore deducted as interest capitalized from the ARR of the Petitioner for FY 2007-08 to FY 2010-11 has been added back to the ARR for FY 2011-12 of the Petitioner in the Tariff Order for FY 2011-12. However, A&G and Employee expenses capitalized during each year have been reduced from the ARR approved for FY 2007-08 to FY 2010-11.

3.78 For truing up of capitalization of expenses, the Commission has added the interest during construction in the capital cost of the assets and considered the capitalization of the employee and A&G expenses for FY 2007-08 to FY 2011-12 as submitted by the Petitioner. Accordingly, capitalization of employee and A&G expenses has been reduced from the true up of the ARR for FY 2007-08 to FY 2011-12. The summary of A&G, employee expenses and interest charges capitalized by the Commission is given in the table below:

Table 28: Capitalisation of Expenses approved by the Commission (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revised Interest & Finance Charges Capitalized	0.00	0.00	0.00	0.00	0.00
Employee Expenses	8.50	13.68	2.63	18.58	18.38
A&G Expenses	1.50	2.42	0.46	3.28	3.24
Total	**10.00**	**16.09**	**3.09**	**21.86**	**21.62**

Rebate on Transmission/Wheeling of Power:

Petitioner's Submission

3.79 Petitioner has submitted that it has given rebate to Discoms on wheeling of power up to December 2007 for an amount of Rs. 1.81 Crore as per the provisions of Transmission Regulations, 2007 and Rs. 2.51 Crore in FY 2010-11 and Rs. 1.96 Crore in FY 2011-12 as per the provisions of Transmission Regulations, 2007. Accordingly, requested the Commission to consider the same as an expense in the ARR.

Commission's Analysis

3.80 Regarding the Rebate on Transmission/Wheeling of Power, the Commission in the Tariff Order for FY 2011-12 had clarified its approach adopted in the MYT Order for FY 2007-08 to FY 2011-12 as reproduced below:

"The Commission acknowledges the rebate given to the DISCOMS is a commercial arrangement, and cannot be passed through in tariffs. Hence, no rebate has been allowed for the Control Period."

3.81 Thus no rebate has been allowed in the ARR for FY 2011-12 and the Commission adopted the same approach for provisional truing up for FY 2007-08 to FY 2011-12. This line of decision has been upheld by the Hon'ble APTEL in its Judgment dated February 27, 2013 in Appeal No. 184 of 2011.

Income Tax Expenses

Petitioner's Submission

3.82 In response to the query of the Commission to provide the details of actual income tax paid for FY 2007-08 to FY 2011-12, the Petitioner vide its letter no. F.DTL/DGM (Fin)I /2013-14/ dated July 5, 2013 submitted that DTL had claimed Income tax from Discoms as assessed by Income tax Department and thus no excess amount has been claimed by DTL. Further, submitted that the Petitioner is liable to pay Minimum Alternate Tax under the provisions of Section 115JB of the Income Tax Act, 1961. In terms of the provisions of Section 115JAA, the said amount of tax paid under section 115JB of the Income Tax Act, 1961 shall be allowed to be carry forward for 10 assessment years immediately succeeding the assessment year in which the tax credit becomes applicable. Accordingly, details of MAT paid by DTL in the preceding years and availability of Tax Credit is mentioned in the table below:-

Table 29: Income Tax provisions submitted by the Petitioner (Rs. Crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
MAT Paid (Rs. Crore)	4.36	6.61	8.13	15.82	3.40	201.14
Tax Credit of MAT available till	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22

Commission's Analysis

3.83 In accordance with the Transmission Tariff Regulations 2007, the Commission has computed the income tax liability limited to the RoE component only, considering the return on average equity for each year of the Control Period @14%.Thereafter, the Commission has considered the minimum of the MAT paid by Petitioner and worked out income tax liability. The relevant provisions of the Transmission Tariff Regulations 2007 are reproduced below:

"5.23 Income Tax, if any, on the Licenced Business of the Transmission Licensee shall be treated as expense and shall be recoverable from its beneficiaries. However, tax on any income other than that through its Licenced Business shall not be a pass through, and it shall be payable by the Transmission Licensee itself.

5.24 The income tax actually payable or paid shall be included in the Tariff computation. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the Beneficiaries.

5.25 Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. However any tax liability on incentives due to improved performance shall not be considered."

3.84 The Commission observed that the Petitioner has recovered income tax from the Discoms as per the actual profit earned for FY 2007-08 to FY 2011-12 instead of income tax on regulated return on equity basis. In this regard, the Commission has provisionally approved the Income Tax for FY 2007-08 to FY 2011-12 considering the provisional capitalisation. In this regard, the Commission directs Petitioner to return the additional income tax reimbursed from the Discoms for FY 2007-08 to FY 2011-12 as given in the table below:

Table 30: Income Tax provisions approved by the Commission (Rs. Crore)

Particulars	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**
MAT Rate in %	11.33%	11.33%	16.99%	19.93%	20.01%
MAT calculated on RoE component (A)	3.08	3.57	5.70	19.47	23.51
MAT submitted by the Petitioner (B)	6.61	8.13	15.82	3.40	201.14
Tax approved by Commission [Min (A, B)]	**3.08**	**3.57**	**5.70**	**3.40**	**23.51**
Amount to be refunded to Discoms	**3.53**	**4.56**	**10.12**	**0**	**177.63**

Non Tariff Income:

Petitioner's Submission

3.85 Petitioner has submitted the Non Tariff Income for FY 2007-08 to FY 2011-12. The Non Tariff Income submitted by the Petitioner is given in the table below:

Table 31: Non Tariff Income for First Control Period (Rs. Crore)

Particulars	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Non Tariff Income	1.37	5.68	4.94	2.57	3.89

Commission's Analysis

3.86 In reply to the Commission's query, the Petitioner in its additional submission vide letter no. F.DTL/DGM (Fin)I /310/2012-13/ dated June 12, 2013 submitted the detailed breakup of non-tariff income for the Control Period from FY 2007-08 to FY 2011-12 as mentioned in the table below:

Table 32: Detailed Breakup of Non Tariff Income submitted by the Petitioner (Rs. Crore)

S. No.	Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12 -
A	**Income from Investments**					
1	Interest Income from Investments	0.92	0.82	0.41	0.39	0.32
2	Interest on fixed deposits	-	-	-	-	-
3	Interest from Banks other than Fixed Deposits					
4	Interest on any other items					
	Sub-Total	**0.92**	**0.82**	**0.41**	**0.39**	**0.32**
B	**Other Non Tariff Income**					
1	Interest on loans and Advances to Staff	0.01	0.01		-	-
2	Interest on Loans and Advances to Licensees	-	-	-	-	-
3	Interest on Loans and Advances to Lessors	-		-		
4	Interest on Advances to Suppliers / Contractors	-		-		
5	Gain on Sale of Fixed Assets	-		3.29	-	-
6	Income/Fee/Collection against staff welfare activities	-		-		
7	Revenue from surcharges for late payment	-		-	-	-
8	Revenue from surcharge for low power factor and other penal charges					
9	Miscellaneous receipts	0.44	4.85	1.24	2.18	2.18

S. No.	Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12 -
10	Income from Sale of Scrap	-	-	-		-
11	Misc. charges from consumers (Rebate recd on Power Purchase)	-	-	-	-	-
	Sub-Total	**0.45**	**4.86**	**4.53**	**2.18**	**2.18**
	Total	**1.37**	**5.68**	**4.94**	**2.57**	**2.5**

3.87 Further, in reply to the Commission's query, Petitioner submitted the detailed break up of Miscellaneous Receipts (S. No. B.9 in the above table)as given in the table below:

Breakup of Miscellaneous Receipts as submitted by the Petitioner (Rs. Crore)

Misc. receipts as stated	**2007-08 Actual**	**2008-09 Actual**	**2009-10 audited**
Water charges, fire charges, licence fee etc.	0.10	0.10	0.09
Tender sale	0.11	0.13	0.27
LD/encashment of BG etc/DMRC work	0.24	4.36	0.88
Income from sports(Advertisement)+ sale of old newspaper etc	0.00	0.23	
Tax refund for 2003-04	0.00	0.03	
Misc. receipts excluding tax	**0.45**	**4.85**	**1.24**

3.88 Further the Commission observed that Petitioner has not considered the various other heads in its additional submission of Non-Tariff Income as per the Audited Accounts.i.e Rebate received on power purchase, LPSC on wheeling & transmission charges, Sale of Scrap, Other Operative Income. The Non Tariff Income details as per schedule 14 of the Audited Accounts for FY 2007-08 to FY 2011-12 is given in the table below:

Table 33: Non Tariff Income as per Schedule 14 of Audited Accounts (Rs. Crore)

Particulars (Rs. Crore)	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**
Interest on Loan to Staff	0.0111	0.0075	0.0068			

Particulars (Rs. Crore)	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Interest from Banks/FD	1.3357	5.6312	6.7147	0.4189	2.7857	
Miscellaneous Receipts	4.726	8.2148	10.5558	5.0921	2.98	
Rebate received on Power Purchase (Revised Tariff)	164.8335	3.6341	0.501			0.2596
Incentive received from Discoms on transmission availability						3.7288
LPSC on wheeling & transmission charges						6.8013
Excess Provision W/back	0.0012	0.705	0.0708	1.8105	0.0898	
Interest on Unscheduled Interchange				32.0513		
Profit on Deposit of Assets				3.2913		
Sale of Scrap					1.7179	6.7351
Other Operative Income						0.128
Interest on Investments	1.4202	0.9198	0.8213	0.4095	0.3894	
Total	**172.33**	**19.11**	**18.67**	**43.07**	**7.962**	**17.65**

3.89 The Commission observed that there is a significant difference in the various heads of Non Tariff Income as submitted by the Petitioner and in the Audited Accounts. The Commission asked Petitioner to submit the rationale behind not considering the various heads under Non-Tariff Income as mentioned in the Audited Accounts for FY 2007-08 to FY 2011-12. The Petitioner in its reply submitted that income on account of Interest received from Banks/FDRs, provisions written back, interest on Unscheduled Interchange, profit on disposal of assets and revenue from sale of scarp as included in Miscellaneous receipts has not been considered. The Petitioner submitted the reason for non inclusion of the interest received on FDRs is due to the fact that interest paid by the Petitioner in addition to capitalisation has not been allowed by the Commission as a part of tariff. Similarly, receipts on account of sale of scrap have also not been included as the same has been approved by the Commission in the previous Tariff Orders. Further income on account of SCADA has not been considered as the same does not form part of fixed assets of Petitioner.

3.90 The Commission is of the view that the Petitioner should have considered all the components of Non- Tariff Income as mentioned in the Transmission Tariff Regulations, 2007. The relevant provision of the Non- Tariff Income in the Transmission Tariff Regulations, 2007 is reproduced below:

"5.27 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, miscellaneous receipts from the Beneficiaries and income to Licenced business from the Other Business of the Transmission Licensee shall constitute Non-Tariff Income of the Licensee.

5.28 The amount received by the Licensee on account of Non-Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee."

3.91 Accordingly, the Commission has considered the Non Tariff Income as per Audited Accounts for FY 2007-08 to FY 2011-12. The interest income from investments as mentioned in the Audited Accounts has not been considered as Commission has not allowed the additional loan while approving the capitalisation and thus considering interest earned from the same will not be appropriate. The Commission has not considered the Incentive received from Discoms on transmission availability as part of Non Tariff Income. As regard Miscellaneous receipts the Commission observed that there is a significant difference in the amounts submitted by the Petitioner in its additional submission and in the Audited Accounts. In this regard, the Commission asked Petitioner to submit the break-up of Miscellaneous receipts amount as mentioned in the Audited Accounts. However, the Petitioner submitted the break –up of Miscellaneous receipts of Rs 0.45 Crore, Rs 4.85 Crore and Rs 1.24 Crore as against the total amount mentioned as Rs 8.21 Crore, Rs 10.55 Crore and Rs 5.09 Crore in Audited Accounts for FY 2007-08, FY 2008-09 and FY 2009-10 respectively. Accordingly, the Commission has considered Miscellaneous receipts amounts as per the Audited Accounts. The Non-Tariff Income approved by the Commission is given in the table below:

Table 34: Non Tariff Income approved by the Commission (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Interest on Unscheduled Interchange	0.00	0.00	32.05	0.00	0.00
Interest on loans and Advances to Staff	0.01	0.01	0.00	0.00	0.00
Gain on Sale of Fixed Assets/Profit on Deposit of Assets	0.00	0.00	3.29	0.00	0.00
Miscellaneous receipts	8.21	10.56	5.09	2.98	0.00
Rebate received on power purchase	3.63	0.50	0.00	0.00	0.26
LPSC on wheeling & transmission charges	0.00	0.00	0.00	0.00	6.80
Excess Provision Written back	0.71	0.07	1.81	0.09	0.00
Sale of Scrap	0.00	0.00	0.00	1.72	6.74
Other Operative Income	0.00	0.00	0.00	0.00	0.13
Total Non-Tariff Income	**13.48**	**11.95**	**42.65**	**5.17**	**13.92**

Other Items:

Petitioner's Submission

3.92 Petitioner has submitted the details of other items for FY 2007-08 to FY 2011-12 as shown in the table below:

Table 35: Other Items for First Control Period (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Prior period Income/Expense	(1.65)	(0.73)	18.98	4.06	6.38
Prior period income of SLDC Income included in prior period	(0.04)	0.02	0	0	0
Provision for assets under dismantling	4.61	4.89	0	0	0

Commission's Analysis

3.93 In reply to the Commission's query, the Petitioner vide letter no. DTL/DGM (Fin)I /2013-14/ dated July 5, 2013 submitted that Prior period Income/expense have been considered based on the schedule 19 of the Audited Accounts after excluding the income /expenditure relating to SLDC.

3.94 With regard to the Provision for assets under dismantling, the Petitioner submitted that during FY 2007-08 the Plant and machinery of DTL was examined with respect to technical efficiency and useful life. Accordingly it was ascertained that the Plant and machinery amounting to Rs. 2.91 lakh as not been under active use and needed replacement at the earliest. Therefore, after determining the Depreciated value of assets in use, a provision of Rs.2.91 lakh was made for the aforesaid asset which required replacement and were not in use. In addition to this, provision amounting to Rs.1.69 Crore was made during FY 2007-08 towards the unserviceable stores which were no longer in use and needed replacement immediately. Similar provision amounting to Rs.4.89 Crore was made for FY 2008-09.

3.95 The Commission observed that under Schedule 19 of Audited Accounts, the expenditure mentioned were mostly of the nature of A&G and employee expenses which Petitioner has not provided the details related to the same and accordingly Commission does not find merit to approve the same without prudence check. However, once the details are available the Commission will consider the same.

3.96 As regards provision for asset under dismantling the Commission has not considered the same as in the true-up exercise it may not be appropriate to consider any provisioning of expenditures as true up is undertaken of the actual expenditure incurred. Accordingly, the Commission has not considered the other items, viz., Prior period Income/Expense, Prior period income of SLDC Income included in prior periodand Provision for assets under dismantling as submitted by the Petitioner.

Annual Revenue Requirement (ARR)

3.97 The Petitioner has submitted the Aggregate Revenue Requirement for the first Control Period (FY 2007-08 to FY 2011-12) as given in the table below:

Table 36: ARR for First Control Period as per submission of Petitioner (Rs. Crore)

S.No	Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
1	O&M Expenditure	91.78	105.2	165.31	185.44	240.98
2	Depreciation	33.99	37.44	41.29	56.76	81.3
3	Rebate on Sale/Wheeling of Power	1.81	0	0	2.51	1.96
4	Other Items					
a)	Prior period Income/Expense	-1.65	-0.73	18.98	4.06	6.38
b)	Prior period income of SLDC Income included in prior period	-0.04	0.02	0	0	0
c)	Provision for assets under dismantling	4.61	4.89	0	0	0
5	**Return on Capital Employed**	**82.9**	**92.4**	**95.38**	**146.12**	**231.25**
6	Less: A&G and Employee Expenses capitalised	-10	-16.09	-3.09	-21.86	-21.62
7	Less: Non Tariff Income	-1.37	-5.68	-4.94	-2.57	-3.89
8	**Revenue Requirement**	**202.04**	**217.46**	**312.93**	**370.47**	**536.35**

3.98 Further, the Petitioner has submitted the computation of True Up of ARR for FY 2007-08 to FY 2011-12 considering the carrying cost of 11.50% as given in the table below:

Table 37: True Up of ARR submitted by the Petitioner(Rs. Crore)

S.No.	Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
1	Opening Gap/(Surplus)	0	(4.00)	(22.23)	(68.85)	(255.18)
2	Addition during the Year	(3.78)	(16.80)	(42.32)	(170.16)	(172.32)
		11.50%	11.50%	9.92%	10.50%	11.50%
3	Carrying Cost	(0.22)	(1.43)	(4.30)	(16.16)	(39.25)

S.No.	Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
4	Closing Gap	(4.00)	(22.23)	(68.85)	(255.18)	(466.75)

Commission's Analysis

3.99 A summary of the Revenue Requirement as approved by the Commission for the Control Period including the revision and provisional true up of various costs for the period FY 2007-08 to FY 2011-12 is provided in the table below.

Table 38: ARR approved by the Commission (Rs. Crore)

Particulars	FY 2007-08			FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
	Approved in Tariff Order for FY 2011-12	Approved Now	Difference	Approved in Tariff Order for FY 2011-12	Approved Now	Difference	Approved in Tariff Order for FY 2011-12	Approved Now	Difference	Approved in Tariff Order for FY 2011-12	Approved Now	Difference	Approved in Tariff Order for FY 2011-12	Approved Now	Difference
Operation & Maintenance Expenses	91.61	91.61	0.00	102.08	99.00	(3.08)	153.77	148.87	(4.91)	172.67	157.23	(15.44)	206.33	171.60	(34.73)
Depreciation	36.57	33.06	(3.51)	43.80	35.35	(8.45)	68.89	37.78	(31.11)	102.94	51.63	(51.31)	128.39	72.83	(55.56)
Rebate on Sale/Wheeling of Power	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	**128.18**	**124.67**	**(3.51)**	**145.88**	**134.35**	**(11.53)**	**222.66**	**186.65**	**(36.01)**	**275.61**	**208.86**	**(66.74)**	**334.72**	**244.42**	**(90.30)**
Prior Period Income/Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prior period income of SLDC Income included in prior period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for assets under dismantling	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Return on Capital Employed	89.76	84.66	(5.11)	107.66	90.03	(17.62)	185.86	87.66	(98.20)	296.44	128.99	(167.44)	386.26	198.55	(187.72)

Particulars	FY 2007-08			FY 2008-09			FY 2009-10			FY 2010-11			FY 2011-12		
	Approved in Tariff Order for FY 2011-12	**Approved Now**	**Difference**	**Approved in Tariff Order for FY 2011-12**	**Approved Now**	**Difference**	**Approved in Tariff Order for FY 2011-12**	**Approved Now**	**Difference**	**Approved in Tariff Order for FY 2011-12**	**Approved Now**	**Difference**	**Approved in Tariff Order for FY 2011-12**	**Approved Now**	**Difference**
Less: A&G & Employee expenses capitalized	2.84	10.00	7.16	9.30	16.09	6.79	43.06	3.09	(39.98)	20.25	21.86	1.61	9.83	21.62	11.79
Less: Non Tariff Income	9.28	13.48	4.20	9.97	11.96	1.99	10.22	42.65	32.43	11.17	5.18	(5.99)	2.50	13.92	11.42
Net Aggregate Revenue Requirement	**205.83**	**185.86**	**(19.97)**	**234.26***	**196.34**	**(37.93)**	**355.25***	**228.58**	**(126.67)**	**540.62***	**310.82**	**(229.80)**	**708.66**	**407.43**	**(301.23)**

**Corrected*

A3.2: Impact of Appellate Tribunal of Electricity (ATE) Order in Appeal Nos- 133/2007 and 28/2008

Treatment of DVB Arrears

Petitioner's Submission

3.100 Petitioner submitted that it had filed an Appeal before Hon'ble ATE against the Tariff Order of the Commission dated September 22, 2006 for Bulk Supply of Electricity for FY 2006-07 (Appeal No. 133 of 2007) and against MYT Order dated December 20, 2007 (Appeal No. 28 of 2008).The Petitioner requested the Hon'ble ATE to consider DVB arrears of Rs 637 Crore on account of non-receipt of the same from the Holding Company while determining the Bulk Supply Tariff for the Petitioner. The Hon'ble ATE vide Order dated January 13, 2009 in the Appeal No. 133 of 2007 has considered the issue and passed Order as under:

"... the appeal succeeds and the Commission shall not treat the amount received by DPCL as amount coming to the credit of appellant...

The affect of the judgment along with the carrying cost will have to be given to truing up and subsequent tariff orders"

3.101 Further ATE vide Order dated September 29, 2010 in Appeal no 28/2008 passed Order as under:

"On the issue of DVB arrears, this Tribunal has already passed order in favour of the Appellant in its decision dated 13.01.2009 in Appeal No. 133/07. Despite this, the State Commission following its earlier practice, has considered the past arrears relating to the DVB recovered by the distribution company and remitted to the holding company as a revenue of the Appellant. This is contrary to the provisions of the statutory Transfer Scheme as well as the dictum laid down by this Tribunal in the decision quoted above. According to the Learned Counsel for the State Commission, the judgment dated 13.01.2009 passed by the Tribunal has been appealed before the Hon'ble Supreme Court and as such it has not attained finality and, therefore, the same need not be followed. This contention of the Learned Counsel for the State Commission is untenable since it is settled law that mere pendency of the Appeal before the Hon'ble Supreme Court would not entitle

the State Commission to observe that they need not follow the order of the Tribunal. Therefore, the State Commission is directed to allow the claim of the appellant relating to this issue"

3.102 Further in the True up Petition for FY 2007-11 and ARR Petition for FY 2011-12, the Petitioner had requested the Commission to consider the DVB arrears but the Commission has not considered as the matter is sub-judice before Supreme Court. However, the Hon'ble ATE in Appeal no. 28 directed the Commission to allow the claim of the Petitioner and stated as under:

"....This contention of the Learned Counsel for the State Commission is untenable since it is settled law that mere pendency of the Appeal before the Hon'ble Supreme Court would not entitle the State Commission to observe that they need not follow the Order of the Tribunal. Therefore, the State Commission is directed to allow the claim of the appellant relating to this issue."

3.103 However, the Commission in the Tariff Order for FY 2011-12 has adjusted the surplus of Rs 196.17 Crore approved in the MYT Order for FY 2007-11alongwith negative carrying cost. Accordingly, the Petitioner has readjusted Rs. 196.17 Crore along with carrying cost and the impact of DVB arrears as given in table below:

Table 39: Readjustment of Surplus as submitted by the Petitioner (Rs. Crore)

S.No.	Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
1	Opening Gap	0	207.45	231.31	257.91	287.57	320.64
2	Surplus approved for FY 2006-07	196.17					
		11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
3	Carrying Cost	11.28	23.86	26.60	29.66	33.07	36.87
4	Closing Gap	207.45	231.31	257.91	287.57	320.64	357.51

Table 40: Treatment of DVB Arrear for FY 2002-03 to FY 2011-12as submitted by the Petitioner (Rs. Crore)

Particulars	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Opening Gap	0.00	113.15	236.01	322.14	520.82	603.97	673.43	750.87	837.22	933.50
Addition during the Year	107.00	103.87	55.78	152.85	21.99					
DVB Arrears:										
FY 2002-03	*107.00*									
FY 2003-04		*103.87*								
FY 2004-05			*55.78*							
FY 2005-06				*152.85*						
FY 2006-07					*218.16*					
Surplus approved FY 2006-07					*(196.17)*					
Rate of Interest	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
Carrying Cost	6.15	18.99	30.35	45.83	61.16	69.46	77.44	86.35	96.28	107.35
Closing Gap	**113.15**	**236.01**	**322.14**	**520.82**	**603.97**	**673.43**	**750.87**	**837.22**	**933.50**	**1040.85**

Commission's Analysis

3.104 The Commission is bound by the Hon'ble APTEL's Judgements in Appeal No. 133 of 2007 and in Appeal No. 28 of 2008 though statutory appeal from the judgement in Appeal No. 133 of 2007 is pending before the Apex Court. Considering the Hon'ble ATE Judgment and the submission of the Petitioner, the Commission allows the impact of DVB Arrears of the amount of Rs 673.43 Crore from FY 2007-08 to FY 2011-12.

3.105 Further, the Commission in the DTL Tariff Order for FY 2011-12, had not allowed various costs and expenses of DTL and adjusted a surplus of Rs. 196.17 Crore for FY 2006-07 (in accordance with the MYT Order for FY 2007-08 to FY 2010-11) along with the negative carrying cost. Aggrieved by the same, DTL filed an Appeal before ATE under Appeal No. 184 of 2011 stating that the Commission has grossly erred in assuming the surplus to the account of DTL though the ATE had already passed the Judgment in favour of DTL. In this regard, ATE in its Judgment dated February 27, 2013 stated that the Commission is incorrect in assuming the surplus to the account of DTL. The relevant section of the Judgment has been reproduced below:

"49......there is a huge deficit for the Appellant as against the surplus determined by the State Commission, there can be no question of the State Commission seeking to pass on the purported surplus of Rs. 196.17 Crore from the Appellant to the distribution licensees.

50. Therefore, it has to be held that the State Commission was not proper in assuming the surplus to the account of the Appellant. So, this point is also decided in favour of the Appellant."

3.106 Considering the Hon'ble ATE Judgment of adjusting the surplus of Rs 196.17 Crore for FY 2006-07 (in accordance with the MYT Order for FY 2007-08 to FY 2010-11), the Commission allows the same with the carrying cost of 11.50% from FY 2007-08 to FY 2011-12 as given in the table below:

Table 41: Readjustment of Surplus approved by the Commission (Rs. Crore)

S.No.	Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
1	Opening Gap	0	207.45	231.31	257.91	283.49	313.26
2	Surplus approved for FY 2006-07	196.17					
		11.50%	11.50%	11.50%	9.92%	10.50%	11.50%
3	Carrying Cost	11.28	23.86	26.60	25.58	29.77	36.02
4	**Closing Gap**	**207.45**	**231.31**	**257.91**	**283.49**	**313.26**	**349.28**

Table 42: Treatment of DVB Arrear approved by the Commission (Rs. Crore)

Particulars	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Opening Gap	0.00	113.15	236.01	322.14	520.82	603.97	673.43	750.87	825.36	912.02
Net Addition during the Year	107.00	103.87	55.78	152.85	21.99					
DVB Arrears:										
FY 2002-03	*107.00*									
FY 2003-04		*103.87*								
FY 2004-05			*55.78*							
FY 2005-06				*152.85*						
FY 2006-07					*218.16*					
Surplus approved FY 2006-07					*(196.17)*					
Rate of Interest	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%	9.92%	10.50%	11.50%

Particulars	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Carrying Cost	6.15	18.99	30.35	45.83	61.16	69.46	77.44	74.49	86.66	104.88
Closing Gap	**113.15**	**236.01**	**322.14**	**520.82**	**603.97**	**673.43**	**750.87**	**825.36**	**912.02**	**1016.90**

Summary of the Impact of revision and provisional True up of ARR for FY 2007-08 to FY 2011-12 and ATE Judgment

3.107 The Commission has considered the carrying cost on account of the revision of the ARR from FY 2007-08 to FY 2011-12 and computed the carrying cost at the interest rate submitted by the Petitioner for computation of ROCE. The total amount on account of revision and provisional true up of ARR from FY 2007-08 to FY 2011-12 including the carrying cost and impact of ATE Judgments is given in the table below:

Table 43: Impact of Revision and provisional True up of ARR for FY 2007-08 to FY 2011-12 including carrying cost and Impact of ATE Judgments (Rs. Crore)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Additional Amount Allowed on account of Revision in ARR from FY 2007-08 to FY 2010-11 including carrying cost					
Opening Gap/(Surplus)	0.00	(21.12)	(63.66)	(202.92)	(466.10)
Addition during the Year(Refer Table 38)	(19.97)	(37.93)	(126.67)	(229.80)	(301.23)
Rate of Interest (%)	11.50%	11.50%	9.92%	10.50%	11.50%
Carrying Cost	(1.15)	(4.61)	(12.60)	(33.37)	(70.92)
Closing Gap /(Surplus) of provisional True of past years	**(21.12)**	**(63.66)**	**(202.92)**	**(466.10)**	**(838.25)**
Impact of ATE Judgment: Additional amount to be allowed considering surplus of FY 2006-07 (Refer Table 41)					349.28
Impact of ATE Judgment: DVB Arrears(Refer Table 42)					1016.90
Total Impact of ATE Judgments					**1366.18**

A3.3: Revised ARR for FY 2013-14

Introduction

3.108 The Commission has analysed the Petition submitted by DTL for revised ARR for FY 2013-14. In the present Petition, the Petitioner has submitted the revised ARR for FY 2013-14 based on the actual capitalisation for nine months of FY 2012-13 (April 01, 2012 to December 31, 2012) and projections for three months of FY 2012-13 (January 01, 2013 to March 31, 2013) and proposed capitalisation for FY 2013-14.

Employee Expenses

Petitioner's Submission

3.109 Petitioner submitted that it has considered the inflation factor as approved by the Commission in the MYT Order for FY 2012-13 to FY 2014-15dated July 13, 2012 for computation of revised Employee Expenses for FY 2013-14 i.e. 1.08.

3.110 The Petitioner submitted that in the MYT Order for FY 2012-13 to FY 2014-15 dated July 13, 2012 the Commission has considered the employee expenses for FY 2010-11 as base for projecting the employee expenses for FY 2012-13 to FY 2014-15 as Audited Accounts for FY 2011-12 were not available during the MYT Order. Accordingly, in the revised ARR, Petitioner has projected employee expenses for FY 2013-14 considering FY 2011-12 as base as per the Audited Accounts. The revised employee expenses submitted by the Petitioner for FY 2013-14 is given in the table below:

Table 44: Employee Expenses submitted by the Petitioner (Rs. Crore)

Particulars	FY 2013-14
Escalation Factor	1.08
Employee Expenses	151.61
Additional Manpower due to new Assets addition @5%	7.58
Total Employee Expenses	**159.19**

Commission's Analysis

3.111 The Commission has not revised the employee expenses as approved in the MYT Order for 2012-13 to FY 2014-15dated July 13, 2012 as the Commission has approved the same after detailed prudence check of the actual expenses for FY 2010-11. Further, escalation factor on the approved base year employee expenses for FY 2010-11 has already been considered for approving the employee expenses for the Control Period.

3.112 Further in the MYT Order for FY 2012-13 to FY 2014-15, the Commission has adopted the same approach .i.e. Base year 2010-11 for approving the employee expenses of Utilities. Hence, the Commission has not revised the employee expenses for FY 2013-14. The employee expenses approved for FY 2013-14 is given in the table below:

Table 45: Employee Expenses approved by the Commission (Rs. Crore)

Particulars	FY2013-14
Employee Expenses	133.11

A&G Expenses

Petitioner's Submission

3.113 Petitioner submitted that it has considered the inflation factor as approved by the Commission in the MYT Order for FY 2012-13 to FY 2014-15 dated July 13, 2012 for computation of revised A&G Expenses for FY 2013-14 i.e. 1.08.

3.114 Further submitted that in the MYT Order for FY 2012-13 to FY 2014-15 dated July 13, 2012 the Commission has considered the A&G expenses for FY 2010-11 as base for projecting the employee expenses for FY 2012-13 to FY 2014-15 as Audited Accounts for FY 2011-12 were not available during the MYT Order. Accordingly, in the revised ARR, Petitioner has projected A&G expenses for FY 2013-14 considering FY 2011-12 as base as per the Audited Accounts. The revised A&G expenses submitted by the Petitioner for FY 2013-14 is given in the table below:

Table 46: A&G Expenses submitted by the Petitioner (Rs. Crore)

Particulars	FY 2013-14
Escalation Factor	1.08
A&G Expenses	28.84
Additional Expenses due to new Assets addition @5%	1.44
Total A&G Expenses	**30.28**

Commission's Analysis

3.115 The Commission has not revised the A&G expenses as approved in the MYT Order for 2012-13 to FY 2014-15 dated July 13, 2012 as the Commission has approved the same after detailed prudence check of the actual expenses for FY 2010-11. Further, escalation factor on the approved base year A&G expenses for FY 2010-11 has already been considered for approving the A&G expenses for the Control Period.

3.116 Further in the MYT Order for FY 2012-13 to FY 2014-15, the Commission has adopted the same approach .i.e. Base year 2010-11 for approving the A&G expenses of Utilities. Hence, the Commission has not revised the A&G expenses for FY 2013-14. A&G expenses approved by the Commission for FY 2013-14 is given in the table below:

Table 47: A&G Expenses approved by the Commission (Rs. Crore)

Particulars	FY2013-14
A&G Expenses	22.33

Repair & Maintenance Expenses (R&M expenses)

Petitioner's Submission

3.117 Petitioner submitted that it has computed the opening GFA of FY 2012-13 on the basis of actual value of assets capitalisation for FY 2007-08 to FY 2011-12 and revised value of assets capitalisation for FY 2012-13 and FY 2013-14. The 'K' factor has been considered the same as approved by the Commission in MYT Order for FY 2012-13 to FY 2014-15.

Table 48: R&M Expenses submitted by the Petitioner for FY 2013-14 (Rs. Crore)

Particulars	FY 2013-14
Opening GFA	3153.47
K Factor (%)	1.424%
R&M Expenses	**44.91**
Additional R&M allowed on GIS (approved in FY 2011-12)	3.96
Total R&M Expenses	**48.86**

Commission's Analysis

3.118 As per the MYT Regulations 2011, the Repairs and Maintenance (R&M) Expenses of the Petitioner for the Control Period are to be determined based on the following formula:

*R&Mn = K * GFA n-1*

Where,

R&Mn is Repair and Maintenance Costs of the Licensee for the nth year;

"K" is a constant (could be expressed in %).

Value of K for each year of the Control Period shall be determined by the Commission in the MYT Tariff order based on Applicant's filing, benchmarking, approved cost by the Commission in past and any other factor considered appropriate by the Commission.

3.119 The Commission has revised R&M expenses approved for the Control Period in the MYT Order for FY 2012-13 to FY 2014-15dated July 13, 2012 on the basis of revised GFA and capitalisation approved by the Commission after truing up for FY 2007-08 to FY 2011-12. The Commission has considered actual provisionally trued up GFA of FY 2011-12 as opening GFA for FY 2012-13,capitalisation for FY 2012-13 and K' factor considered the same as approved in the MYT Order for FY 2007-08 to FY 2011-12. i.e.1.424%.

3.120 In the MYT Order for FY 2012-13 to FY 2014-15dated July 13, 2012, the Commission had approved additional R&M expenses to meet the expenditure on Gas Insulated Switch gear Station (GIS) and accordingly the Commission has considered the same in the revised R&M expenditure. The summary of the revised R&M expenditure approved by the Commission for FY 2013-14 is given in the table below:

Table 49: Revised R&M Expenses approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Opening GFA	2588.36
K Factor (%)	1.424%
R&M Expenses (excluding additional R&M allowed on GIS)	36.86
Additional R&M allowed on GIS (approved in FY 2011-12 Order)	3.96
Total R&M Expenses	**40.82**

Efficiency Factor

Petitioner's Submission

3.121 Petitioner submitted that it has considered efficiency factor at 1% for computing the O&M expenses for FY 2013-14.

Commission's Analysis

3.122 As discussed in section 3.40 that the Commission has given various opportunities to the Petitioner to justify the basis of estimating efficiency factor as 1%. However, Petitioner could not submit proper justification for the same. Accordingly, the Commission has considered the efficiency factor as 3% for FY 2013-14 as approved in the MYT Order for FY 2012-13 to FY 2014-15 dated July

13, 2012.

O&M Expenses

Petitioner's Submission

3.123 The summary of the O&M expenses submitted by the Petitioner for FY 2013-14 is given in the Table below:

Table 50: O&M Expenses submitted by the Petitioner for FY 2013-14 (Rs. Crore)

S.No.	Particulars	FY 2013-14
1	Employee Expenses	159.19
2	A&G Expenses	30.28
3	R&M Expenses	44.91
4	O&M Expenses	234.37
5	Efficiency Factor	1%
6	Net O&M Expenses	232.03
7	Additional R&M allowed on GIS (Approved in FY 2011-12 Order)	3.96
8	**Total O&M Expenses**	**235.99**

Commission's Analysis

3.124 The summary of the O&M expenses approved by the Commission for FY 2013-14 is given in the Table below:

Table 51: Revised O&M Expenses approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Employee Cost	133.10
R&M Expenses (excluding additional R&M allowed on GIS)	36.86
A&G Expenses	22.33
Total O&M expenses	192.29
Efficiency Improvement	3.0%
Net O&M Expenses	**186.52**
Additional R&M allowed on GIS (approved in FY 2011-12 Order)	3.96

Particulars	FY 2013-14
Total O&M expenses	**190.48**

Capital Investment and Capitalisation

Petitioner's Submission

3.125 Petitioner submitted the revised estimates of assets capitalisation for FY 2013-14 on the basis of Business plan submitted for 2nd Control Period as well as considering the schemes spill over to FY 2013-14. The revised assets capitalisation submitted by the Petitioner for FY 2013-14 is given in the Table below:

Table 52: Assets Capitalisation for FY 2013-14 (Rs. Crore)

Parameters	FY 2013-14
Lines Network	331.00
Other Civil Works	10.00
Plant & Machinery	308.30
Office Equipment	0.60
Computer	0.40
Furniture	0.70
Misc. Assets	0.25
Revised Projections by DTL	**651.25**

Commission's Analysis

3.126 The Commission in the MYT Order for FY 2012-13to FY 2014-15 dated July 13, 2012 has provisionally allowed capital expenditure and capitalisation of Rs 450 Crore and Rs 400 Crore for each year of the Control Period .i.e. FY 2012-13 to FY 2014-15.

3.127 The capitalisation for FY 2013-14 has been considered the same as approved by the Commission in the MYT Order for FY 2012-13 to FY 2014-15. The capitalisation for FY 2013-14is given in the table below:

Table 53: Revised Capitalisation approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Capitalisation during the Year	**400.00**

Depreciation

Petitioner's Submission

3.128 Petitioner submitted that it has computed the depreciation for FY 2013-14 considering the depreciation rates specified in Transmission Tariff Regulations, 2011, the existing GFA and the proposed capitalisation for FY 2013-14as given in the table below:

Table 54: Depreciation for FY 2013-14 (Rs. Crore)

Particulars	Rate of Depreciation	FY 2013-14
Land	-	0.00
Land under Lease	3.34%	0.33
Building	3.34%	1.25
Meters	5.28%	0.09
Lines Network	5.28%	59.85
Other Civil Works	3.34%	5.33
Plant & Machinery	5.28%	103.64
Office Equipment	6.33%	0.35
Computer	15.00%	7.48
Furniture	6.33%	0.37
Misc Assets	6.33%	0.09
Vehicles	9.50%	0.62
SCADA	6.33%	3.38
Total		**182.79**

Commission's Analysis

3.129 The Commission in the MYT Order for FY 2012-13 to FY 2014-15 has approved depreciation on the assets projected to be added during the Control Period, considering the approved capitalisation for each year and the rates specified in the Appendix-I of the Transmission Tariff Regulations, 2011.

3.130 The Commission has revised the depreciation as approved in the MYT Order for FY 2012-13 to FY 2014-15 on the basis of revised GFA and capitalisation approved by the Commission after truing up for FY 2007-08 to FY 2011-12. The Commission has considered provisional trued up GFA of FY 2011-12 as opening GFA for FY 2012-13, capitalisation for FY 2012-13 as approved in the MYT Order FY 2010-11 to FY 2012-13 and the rates specified in the Appendix-I of the MYT Regulations, 2011. The summary of the revised depreciation expenses for FY 2013-14 are given in the table below:

Table 55: Revised Depreciation approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Opening Balance of Accumulated Depreciation (corresponding to revised GFA)	814.44
Depreciation for the Year	146.49
Closing balance of Accumulated Depreciation	**960.93**

Rebate on Transmission/ Wheeling of Power

Petitioner's Submission

3.131 The Petitioner has submitted the rebate of Rs. 2.50 Crore on transmission/wheeling of power for FY 2013-14.

Commission's Analysis

3.132 The Commission has not considered the rebate on wheeling charges keeping the same view as detailed out in the MYT Order dated July 13, 2012.

Return on Capital Employed

Petitioner's Submission

3.133 Petitioner submitted that return on capital employed for FY 2013-14 has been computed on the basis of the revised assets capitalisation as given in the table below:

Table 56: Return on Capital Employed submitted by the Petitioner (Rs. Crore)

Particulars	FY 2013-14
Regulated Rate Base	3070.12
Addition in Regulated Rate Base	468.46
Investments during the year (Addition in Fixed Assets)	651.25
Depreciation	182.79
Δ WC	224.07
Equity (Closing)	1363.52
Equity (Average)	1265.83
Debt (Closing)	2310.70
Debt (Average)	2082.76
Rate of Return on Equity	14.00%
Rate of Return on Debt	11.50%
Weighted Average Cost of Capital (WACC)	12.43%
Return on Capital Employed (RoCE)	**381.62**

Commission's Analysis

3.134 The Commission in the MYT Order for FY 2012-13 to FY 2014-15dated July 13, 2012 has computed the Return on Capital Employed (ROCE) for the Petitioner in accordance with the MYT Regulations, 2011 as mentioned below:

"ROCE=WACCi RRBi*

Where,

WACCi is the Weighted Average Cost of Capital for each year of the Control period;

RRB - Regulated Rate Base is the asset base for each year of the Control Period based on the capital investment plan and working capital"

3.135 The methodology for computation of the Regulated Rate Base for the i^{th} year of the Control Period as specified by the Commission in MYT Regulations 2011 is as follows –

"The RRB shall be determined for each year of the Control Period at the beginning of the Control Period based on the approved capital investment plan with corresponding capitalisation schedule and normative working capital.

The Regulated Rate Base for the i^{th} year of the Control Period shall be computed in the following manner:

$$RRB_i = RRB_{i-1} + \Delta AB_{i}/2 + \Delta WC_i;$$

Where,

'i' is the i^{th} year of the Control Period, i = 1,2,3,4 for the Control Period;

RRB_i: Regulated Rate Base for the i^{th} year of the Control Period;

ΔABi: Change in the Regulated Rate Base in the i^{th} year of the Control Period. This component shall be the average of the value at the beginning and end of the year as the asset creation is spread across a year and is arrived at as follows:

$$\Delta ABi = Invi – Di – CCi;$$

Where,

Inv_i: Investments projected to be capitalised during the i^{th} year of the Control Period and approved;

D_i: Amount set aside or written off on account of Depreciation of fixed assets for the i^{th} year of the Control Period;

CC_i: Consumer Contributions, capital subsidy / grant pertaining to the ΔAB_i and capital grants/subsidies received during i^{th} year of the Control Period for construction of service lines or creation of fixed assets;

RRB_{i-1}: Regulated Rate Base for the Financial Year preceding the ith year of the Control Period. For the first year of the Control Period, RRB_{i-1} shall be the Regulated Rate Base for the Base Year i.e. RRB_O;

$RRB_O = OCFA_O – AD_O – CC_O$;

Where;

$OCFA_O$: Original Cost of Fixed Assets at the end of the Base Year available for use and necessary for the purpose of the Licenced Business;

AD_O: Amounts written off or set aside on account of depreciation of fixed assets pertaining to the regulated business at the end of the Base Year;

CC_O: Total contributions pertaining to the $OCFA_o$, made by the consumers, capital subsidy / grants towards the cost of construction of Transmission System by the Transmission Licensee and also includes the capital grants/subsidies received for this purpose;"

3.136 The Commission in the MYT Order for FY 2012-13 to FY2014-15 dated July 13, 2012 has provisionally approved the RRB considering the provisionally revised GFA of the Petitioner for FY 2011-12 to arrive at the estimate of the GFA for the Control Period, approved capitalisation, depreciation and working capital for each respective year of the Control Period.

3.137 In the revised ARR for FY 2013-14, the Commission has considered the actual GFA for FY 2011-12 and considered the revised capitalisation, depreciation and working capital for projecting the RRB for each year of the Control Period .i.e. FY 2012-13 to FY 2014-15.

3.138 Further for determining the WACC, the Commission has considered the debt-equity ratio for new assets added during the Control Period, .i.e. FY 2012-13, to FY 2014-15 as 70:30 as per the normative ratio specified in the Transmission

Tariff Regulations, 2011.

3.139 The Commission has therefore revised the ROCE approved in the MYT Order for FY 2012-13 to FY 2014-15 dated July 13, 2012 for the Control Period based on the WACC derived and the approved regulated rate base. The table below summarises the revised ROCE for FY 2013-14

Table 57: Revised Return on Capital Employed approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Regulated Rate Base (opening)	**2106.53**
Change in Regulated Rate Base	253.51
Investment Capitalized	400.00
Depreciation	146.49
Change in WC	26.02
Average Gross Equity	1019.17
Average Gross Debt	1657.92
Rate of return on Equity	14.00%
Rate of Return on Debt	11.04%
WACC	12.17%
RRB (Closing)	2386.06
RRB(i)	**2259.30**
Return on Capital Employed (ROCE)	**274.89**

Capitalisation of Expenses

Petitioner's Submission

3.140 Petitioner submitted that capitalisation of expenses for FY 2013-14 is computed on the basis of the revised assets capitalisation. The capitalisation of expenses submitted by the Petitioner for FY 2013-14 is given in the table below:

Table 58: Capitalisation of Expenses for FY 2013-14 (Rs. Crore)

S.No.	Particulars	FY 2013-14
1	Interest & Finance Charges Capitalised	37.45

S.No.	Particulars	FY 2013-14
2	Employee Expenses	23.53
3	A&G Expenses	4.15

Commission's Analysis

3.141 The Commission in the MYT Order for FY 2012-13 to FY 2014-15dated July 13, 2012 has approved the capitalisation of employee and A&G expenses in the same ratio of employee and A&G expenses submitted by the Petitioner. The capitalisation of employee and A&G expenses has been considered the same as approved in the MYT Order for FY 2012-13 to FY 2014-15. The summary of the revised employee and A&G expenses capitalisation approved by the Commission for FY 2013-14 is given in the table below:

Table 59: Revised Capitalisation of Expenses approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Employee Expenses	33.76
A&G Expenses	6.25
Expenses Capitalised	**40.01**

Income Tax Expenses

Petitioner's Submission

3.142 Petitioner submitted that it has computed the income tax for FY 2013-14 by considering the MAT rate of 20.01% on the revised Return on Capital Employed at Rs. 76.36 Crore.

Commission's Analysis

3.143 The Commission in the MYT Order for FY 2012-13 to FY 2014-15 dated July 13, 2012 has approved the income tax for the Petitioner for the Control Period considering the return on average equity for each year of the Control Period (@14%) and the MAT rate of 20.01%, as applicable to the Petitioner.

3.144 The Commission in this Tariff Order has not revised the tax on income and considered the same as approved in the MYT Order for FY 2012-13 to FY 2014-15 . The Income Tax provision approved by the Commission for FY 2013-14 is given in the table below:

Table 60: Revised Income Tax provisions approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Income Tax on the Return on Equity	23.87

Non Tariff Income

Petitioner's Submission

3.145 Petitioner has considered the Non Tariff Income FY 2013-14 as approved by the Commission in MYT Order for FY 2012-13 to FY 2014-15dated July 13, 2012.

Commission's Analysis

3.146 In this Tariff Order the Commission has not revised the Non-Tariff Income as approved in the MYT Order for FY 2012-13 to FY 2014-15. The Non-Tariff Income approved by the Commission for FY 2013-14 is given in the table below:

Table 61: Non-Tariff Income approved by the Commission (Rs. Crore)

Particulars	FY 2013-14
Non Tariff income	2.50

Payment to Pension Trust

Commission's Analysis

3.147 The Govt. of NCT of Delhi (GoNCTD) vide its letter No.F.11(33)/2013-14/1750 dated July 18, 2013 has forwarded the request of the DVB Pension Trusts for providing funds in the Petitioner's ARR for FY 2013-14. Copy of the letter is attached as Annexure- VII. The above letter of the GoNCTD states as follows:-

"Power Dept. GNCTD is in receipt of a request from DVBETBF-2002 (Pension Trust), the contents of which are reproduced below:-

A representation was filed by DVB Pension Trust on 1st March, 2013 before the Hon'ble Commission for adhoc funding required for the purpose of releasing the payments of retirement benefits to the DVB pensioners during the financial year 2013-14 based on the projected payments and considering the fact that the Trust was left with no funds.

2. The Trust sought provision of funds in the tariff order to the extent of Rs. 440 crores for the financial year 2013-14 on adhoc basis.

3. It is submitted that similar representations were also filed by Pension Trust for the financial years 2011-12 & 2012-13 and sums of Rs. 150 crores & Rs. 160 crores respectively were provided on adhoc basis by Hon'ble Commission to be recovered from distribution utilities.

4. These adhoc funds are to be adjusted with the total liabilities of the Pension Trust as may be determined on the basis of actuarial valuation.

5. The aforesaid representation was submitted in response to the tariff petitions filed by the distribution Utilities, DTL and IPGCL for the True Up of 2007-12 and tariff for 2013-14 considering the statutory position contained in Transfer Scheme Rules read with Tripartite Agreements as per which the successor utilities are required to pay their contributions to Pension Trust. As per the provisions of Trust Deed, the said contributions are to be paid by way of monthly contributions and balance contributions on the basis of actuarial valuation for each year. However due to disputes *raised by Discoms on the amount of initial funding provided by GNCTD as provided under rule 6(9) of Transfer Scheme Rules, 2011 the actuarial valuation after the date of unbundling (transfer) could not be done by Pension Trust and therefore the demands based on the said valuation could not be raised against the successor Utilities including Discoms.*

6. As a result of the continuing defaults by Discoms on account of the initial under-funding issue, Trust had to make payments of monthly pension and other regular claims of the pensioners out of the adhoc funds provided by the Commission in the tariff orders of 2011-12 and 2012-13 amounting to Rs. 150 and Rs. 160 crores respectively and the available funds at that time.

7. ***However for finding a permanent solution to the funding issue the Trust and DISCOMS are in discussion towards transferring the management of funds of Pension Trust to LIC of India. Both parties are in broad agreement on the modalities but certain technical, legal and financial issues have to be sorted out which will take some time.***

8. Therefore pending the same, a representation has again been filed by Pension Trust before the Hon'ble Commission for the financial year 2013-14 for a sum of Rs. 440 crores based on the projected payments to be made towards regular pension and other retirement benefits of the DVB pensioners during the financial year 2013-14. It is submitted that the demand of funding for 2013-14 amounting to Rs. 440 crores can be met by monthly contributions from each of the above stated utilities in the proportion of the employees transferred to the successor utilities as on 1.7.2002 (date of unbundling of DVB) which works out as under or in any other manner as the Hon'ble Commission deems fit.

TPDDL	*23.56%*
BRPL	*30.35%*
BYPL	*24.86%*
DTL	*9.10%*
IPGCL	*12.13%*
Total	*100%*

It is submitted that based on the above proportion, the monthly contributions at maximum works out to Rs. 12 crores from one utility.

9. ***It is noteworthy to mention that Pension Trust has completely run out of funds at this moment and not in a position to pay next month's pensions also.*** *Urgent intervention of the Commission is accordingly requested for including the proposed monthly contributions in the tariff order for 2013-14 of the respective utilities till such time a permanent solution to the issue is reached by handing over the management of funds to LIC of India. It is also submitted that in a recent meeting held under the chairmanship of Principal Secretary (Power), GNCTD on the subject, all utilities had agreed to monthly payment mechanism provided the same is included in DERC's tariff order.*

It is requested that the above request of the DVB ETBF-2002 may be acceded to."

3.148 In view of the request of GoNCTD, the Commission has decided to allow a lumpsum provision of Rs.400 Crore as the Commission is of the view that the Pension Trust should manage its funds in a more appropriate manner and also endeavour to ensure optimum utilisation of the funds.

3.149 The Commission is also of the view that parties to the discussion for transferring the management of funds of Pension Trust to LIC of India should work out the modalities and should sort out the technical, legal and financial issues involved in such a transfer at the earliest, to avoid ad-hoc provisions of this nature on a continuing basis.

3.150 The Commission has also received a request from Public Grievance Cell, Delhi for funding of Electricity Consumer Advocacy Centre (ECAC) and charges for meter testing. In this regard, the Commission has decided to allow Rs 20 lakh towards funding of ECAC and Rs 50 lakh towards charges for meter testing provisionally in the ARR for FY 2013-14. Copy of letter received from Public Grievance Cell, GoNCTD is attached as Annexure- VIII. The Terms of Reference for ECAC and the charges for meter testing will be issued separately by the Commission.

Aggregate Revenue Requirement

Petitioner's Submission

3.151 On the basis of the above discussed expenditure to be incurred for FY 2013-14 and after subtracting the Non Tariff Income, the Petitioner has submitted the revised ARR for FY 2013-14as given in the table below:

Table 62: Aggregate Revenue Requirement for FY 2013-14 (Rs. Crore)

S.No.	Particulars	FY 2013-14
1	Operation & Maintenance Costs	235.99
2	Depreciation	182.79
3	Rebate on Sale/Wheeling of Power	2.50
4	Return on Capital Employed	381.62
5	Less: Expenses capitalised	(27.68)
6	Less: Non Tariff Income	(2.50)
7	Income Tax Provisions	76.36
8	Revenue Requirement	849.07
9	Impact of provisional True up & Past Arrears (Table below)	1182.28
10	**Net ARR for FY 2013-14**	**2031.35**

3.152 Further, the Petitioner has submitted the computation of Impact of True up and Past arrears for the first Control Period as given in the table below:

Table 63: Impact of True up & Past Arrears

Particulars	FY 2011-12	FY 2012-13
Opening Gap (Rs. Crore)	0	985.18
Addition during the Year (Rs. Crore)	931.61	79.25*
	11.50%	11.50%
Carrying Cost (Rs. Crore)	53.57	117.85
Closing Gap (Rs. Crore)	**985.18**	**1182.28**

* *Rs. 79.25 Crore is difference of approved and revised ARR for FY 2012-13*

Commission's Analysis

3.153 On the basis of the analysis of expenditure for FY 2007-08 to FY 2011-12, the impact of provisional true up approved by the Commission for FY 2013-14 is given in the table below:

Table 64: Impact of provisional True up in ARR approved by the Commission for FY 2013-14 including carrying cost (Rs. Crore)

Particulars	FY 2012-13	FY 2013-14
Total Impact of Provisional True up from FY 2007-08 to FY 2011-12 (Opening Gap) (Refer Table 43)	(838.25)	(932.47)
Rate of Interest for Carrying Cost	11.24%	11.04%
Carrying Cost	(94.22)	(102.94)
Closing Gap	**(932.47)**	**(1035.42)**

3.154 Further, on the basis of the analysis of the expenditure approved for the Petitioner during FY 2013-14 and after deducting the Non Tariff Income the Commission has approved the revised ARR for FY 2013-14 as given in the table below:

Table 65: Revised Aggregate Revenue Requirement approved by the Commission (Rs. Crore)

Particulars	FY 2013-14		
	Approved in MYT Order July 2012	Approved Now	Difference
Operation & Maintenance Expenses	195.66	190.48	-5.18
Depreciation	162.24	146.49	-15.75
Rebate on Sale/Wheeling of Power	0.00	0.00	0.00
Income Tax	23.87	23.87	0.00
Total Expenditure	**381.77**	**360.84**	**-20.93**
Return on Capital Employed	300.13	274.89	-25.17

Particulars	FY 2013-14		
	Approved in MYT Order July 2012	**Approved Now**	**Difference**
Less: A&G & Employee expenses capitalized	40.01	40.01	0.00
Less: Non Tariff Income	2.50	2.50	0.00
Net Aggregate Revenue Requirement (for current year)	**639.40**	**593.22**	**-46.17**

3.155 The total impact of the past Arrears approved by the Commission in the ARR for FY 2013-14 including carrying cost is given in the table below:

Table 66: Impact of Past Arrears in ARR approved by the Commission for FY 2013-14 including carrying cost (Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**
Total Impact of past Arrears (Opening Gap) (Refer Table 43)	1366.18	1519.74
Rate of Interest for Carrying Cost	11.24%	11.04%
Carrying Cost	153.56	167.78
Closing Gap	**1519.74**	**1687.52**

A4: Transmission Tariff Design

4.1 The transmission tariff payable by the beneficiaries of the transmission system has been designed in order to recover the Aggregate Revenue Requirement approved by the Commission for FY 2013-14.

4.2 This section details out the methodology adopted by the Commission for designing and approving the Transmission Service Charge.

4.3 The Commission has determined tariff following the approach contained in the MYT Regulations 2011.

Transmission Tariff Design and Allocation

4.4 The approved revenue requirement of the transmission business of the Petitioner for each year of the Control Period shall be recovered through tariffs from the users/ beneficiaries of the transmission system in Delhi i.e. BRPL, BYPL, TPDDL, NDMC, MES and long term open access customers, if any.

4.5 The Clause 6.6 of the Transmission Regulation states that "*The Annual Transmission Service Charge (ATSC) shall be divided between Beneficiaries of the Transmission System on monthly basis based on the Allotted Transmission Capacity or Contracted Capacity, as the case may be.*"

4.6 In view of the above, the Petitioner may raise the bills for Annual Transmission Charges for each year of the Control Period on the basis of the ARR approved by the Commission for the respective year, as provided in the table below.

Table 67: Approved ARR for FY 2013-14 (Rs. Crore)

SL No	Particulars	FY 2013-14
1	Net ARR for Transmission Business	593.22
2	**Impact of provisional True up including carrying cost**	**(1035.42)**
3	Payment to Pension Trust	400.00
4	Payment to Public Grievance Cell for meter testing and consumer advocacy	0.70
5	**Sub-Total (1+2+3+4)**	**(41.50)**
6	ARR allowed for FY 2013-14 including impact of partial past DVB Arrears	500.00
7	Total Impact of past Arrears	1687.52
8	**Balance past DVB Arrears (7-(5+6))**	**1146.02**

4.7 The Commission is of the view that passing through the impact of past DVB arrears in a single year will lead to significant increase in tariff. In this regard, the Commission has decided to approve the ARR for FY 2013-14 at Rs 500 Crore including Rs 541.50 Crore towards impact of DVB arrears and the balance remaining amount of Rs.1146.02 Crore will be recovered through amortisation of revenue gap in subsequent years. Thus the Commission approves the ARR of Rs 500 Crore for FY 2013-14.

4.8 All of the above charges shall be recovered every month on pro-rata basis and shall be shared by all the Distribution Licensees (long term transmission users) including deemed licensees in proportion to the generating capacity allocated from the various Central Sector Generating Stations, Generating Stations within Delhi and Contracted power on bilateral basis.

4.9 The charges from short term open access customers, if any, shall be recovered in line with the provisions mentioned in the MYT Regulations.

4.10 The transmission service charge (Net ARR for Transmission Business – Rs 500.00 Crore) shall be recovered fully, only if the transmission system availability is 98% or above, as specified in the MYT regulations. The charges shall be recovered on a pro rate basis in case the availability is lower than the target level.

Sample Bill for Monthly Transmission Charges

4.11 A sample bill for the calculation and recovery of monthly transmission charges from the Distribution licensees is explained below:

Table 68: Sample Bill for calculating the monthly Transmission Charges

Billing of Transmission Charge for the month of XXX									
Aggregate Revenue Requirement (Rs. Crore)				500					
Monthly Charges Applicable (Rs. Crore)				41.67					
Licensees	Weighted Avg. Entitlement in Generating Stations within Delhi		Weighted Avg. Entitlement in CSGS Stations & Long term open access capacity approved		Contracted power on bilateral basis		Total Weighted Avg. Entitlement		Allocation of Monthly Charges
	MW	%	MW	%	MW	%	MW	%	Rs. Cr
BRPL	100	29%	200	40%	70	47%	370	37%	15.42
BYPL	100	29%	150	30%	50	33%	300	30%	12.50
TPDDL	75	21%	150	30%	30	20%	255	26%	10.63
NDMC	50	14%	0	0%	0	0%	50	5%	2.08
MES	25	7%	0	0%	0	0%	25	3%	1.04
Total	350	100%	500	100%	150	100%	1000	100%	41.67

A5: Directives

5.1 The Commission issues following directives in this Tariff Order:

5.2 The Commission takes note of the fact that the schemes capitalized during extended MYT period i.e. FY 2007-08 to FY 2011-12 have been delayed. It has to be ensured that asset capitalization takes place within a reasonable time so that IDC does not increase disproportionately.

5.3 As a norm, the Commission would consider the commissioning period indicated by the utility at the time of seeking approval of the scheme from the Commission. In certain cases completion of a project may get delayed for reasons beyond the control of the utility. This can only be an exception but not the rule and the utility would need to justify delay in capitalization in each case where delay takes place. The Commission may accept the delayed commissioning if it is satisfied based on the information furnished by the utility that such delay was for reasons beyond the control of the utility. Failing this or pending receipt of satisfactory explanation regarding delay in commissioning, the Commission would have no option but to go by the commissioning period indicated by the utility at the time of seeking approval to the scheme and provide for IDC based on such completion time.

5.4 The Commission directs the Petitioner to seek approval of the Commission for all schemes as per the terms and conditions of the License. The Commission directs the DTL to submit the quarterly progress reports for the schemes being implemented during each year of the Control Period within 15 days of the end of each quarter. DTL is further, directed to submit the actual details of capitalization for each year for the Control Period by June 30 of the following year for consideration of the Commission. All information regarding capitalization of assets is to be furnished in the formats prescribed by the Commission. These formats are to be submitted along with the necessary statutory clearances/ certificates of Electrical Inspector, etc. for all EHV & HV works and certificate of SLDC for commissioning/ commercial operation.

5.5 The Commission directs the Petitioner to submit the cost of material addition in each scheme from the date of inception to the date of capitalization of the scheme.

5.6 The Commission directs the Petitioner to submit the Scheme wise opening CWIP and material cost for all the scheme capitalized during FY 2007-08 to FY 2011-12 with the reconciliation of closing CWIP of FY 2006-07 based on Audited Accounts of FY 2006-07 and as approved by the Commission after truing up in the MYT Order for FY 2007-08 to FY 2010-11 within one month of the issuance of this order.

5.7 The Commission directs the Petitioner to submit the report on year wise loan availed and the purpose of loan for FY 2007-08 to FY 2013-14 within three months of issuance of this Tariff Order.

5.8 The Commission directs the DTL to take up the issue of interest rate on Plan Funds with GoNCTD for appropriate reduction. It may also borrow from other lenders at a lesser rate of interest. DTL shall endeavour to optimize the expenditure on account of interest on short term loan by negotiating the interest rates.

5.9 The Commission has allowed a provisional consolidated amount of Rs. 400 Crore for FY 2013-14 for all successor entities in ARR to DTL towards Pension Trust as a lump sum amount. DTL shall pass on this amount to Pension Trust and shall keep separate record of payment made to Pension Trust.

5.10 The Commission has allowed a provision of Rs 0.70 Crore for FY 2013-14 in the ARR of DTL on account of Payment to Public Grievance Cell, Delhi for meter testing and consumer advocacy. DTL shall pass on this amount to Public Grievance Cell and shall keep separate record of payment made to Payment to Public Grievance Cell, Delhi.

5.11 The Commission directs the Petitioner to return the additional income tax reimbursed from the Discoms for FY 2007-08 to FY 2011-12.