

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

Petition No. 54/2007

In the matter of : **Approval of Aggregate Revenue Requirement (ARR) for the Multi Year Tariff 2007-11 and the determination of retail Tariffs to be charged by New Delhi Municipal Council (NDMC) for the electricity.**

AND

In the matter of:

New Delhi Municipal Council
Through its: **Secretary**,
Palika Kendra, Sansad Marg,
New Delhi-110 001.

...Petitioner

Coram:

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

Appearance:

1. Sh. S. M. Ali, Director(Commercial), NDMC;
2. Sh. Vivek Sharma, CRISIL;
3. Sh. Sidharth Mehta, CRISIL.

ORDER

(Date of Hearing: 07.11.2007)

(Date of Order: 08 .11.2007)

1. The New Delhi Municipal Council (NDMC) which is a deemed licensee has filed an Aggregate Revenue Requirement and Multi Year Tariff petition with the Commission on 01.11.2007. The petition No. 54/2007 was listed for admission and hearing on 7.11.07.
2. After going through the submissions and prayers made in the petition and at the time of hearing, the Commission observed that the petition filed by NDMC is incomplete, defective and not prepared in accordance with the Delhi Electricity Regulatory Commission (Terms and Conditions for determination of Wheeling Charges and Retail Supply Tariff) Regulations, 2007. Some of the major deviations/deficiencies which have been observed in the petition are given below :-
 - a) The petitioner has not estimated the AT&C Loss as per the Commission's MYT Regulations for any of the years during the control period. Instead, the Petitioner has estimated Transmission and

Distribution losses at 11.5% during the control period. The Petitioner has to draw up the petition in the manner prescribed in the Regulations and clearly indicate the AT&C Loss reduction as per the parameters of the Regulations. The AT&C Loss target should indicate some co-relation with the proposed Capital Expenditure and the Business Plan. In the petition, the Petitioner has stated that their Distribution system is fairly efficient and with the added capital expenditure they should be able to incrementally bring down the AT&C Loss Levels from what has been proposed in the said Petition.

- b) The Petitioner has not proposed the base line and performance trajectory for all quality parameters as per the Regulations and therefore, directed to include the trajectory in the prescribed format so that the Petitioner is able to meet the performance standards as specified in the Electricity Supply Code of the Commission.
- c) The Petitioner has not submitted the details of the Business Plan in accordance with the provisions of Clause 8.3 of the Multi Year Tariff Regulations. The Business Plan, which has been incorporated in the Petition, is very nascent and does not contain any details with regard to the manner in which these plans have been drawn and it is also not associated with the load growth which the Petitioner is expecting over the Control Period. The Commission has already issued instructions to the Petitioner on the subject matter which have not been answered by the Petitioner so far. The Petitioner is directed to take appropriate steps for filing the requisite details with the Commission.
- d) After going through the Petition, it has also been observed that the Petitioner has not complied with the instructions and directives issued by the Commission in the previous Tariff Orders and continued with the same deficiencies in this Petition as well.
- e) It has also been observed that the Petitioner has neither submitted the audited financial statement for any of the previous years nor there is any provisional statement for the F.Y. 2006-07. Instead, the entire provisions are laid down on the foundation of Commission's Tariff Order for FY 2006-07
- f) Sh. S. M. Ali, Director (Commercial), appearing on behalf of the Petitioner, has submitted that they are in the process of finalising the

Double Entry Accounting and they would try to furnish all relevant data and submit the relevant accounts to the Commission shortly. The Commission has expressed its unhappiness and observed that it has been hearing about such commitments from the Petitioner over the last couple of years, but, nothing concrete has been furnished by the Petitioner so far. The Commission would at least like to see the Municipal Accounting Manual based upon which the Petitioner is preparing the financial statement.

- g) After going through the various heads of expenses, it has been observed that there are inconsistencies in the manner in which all the expenses have been allocated, especially with regard to the Civil Engineering Department and Administrative and General expenses. It has been observed that various components of A&G expenses have been incorrectly stated in the written statement and they do not match with the table given in the Petition. It has been further observed that certain expenses which should be capitalised, have been incorporated in Repair & Maintenance Expenses which should be appropriately dealt with.
- h) The Petitioner has also not specified the proposed tariff for each consumer category, slab-wise and voltage wise. Since, this Petition is not merely a Petition for Aggregate Revenue Requirement and is also a Petition for seeking tariff from this Commission, the Petitioner is expected to clearly indicate the exact tariff proposed from each category of consumers and the slab which would be given to various consumers. It is also observed that the Petitioner has not made any proposal based upon the cost of service model which would allocate the cost of business to each category of consumers based on voltage wise cost.
- i) It is further observed that the petition does not indicate the progressive reduction of cross subsidy and the application is at variance with the Regulations which stipulate that the proposed tariff should progressively reflect the cost of supply to each consumer category.
- j) The Commission would also like the Petitioner to segregate their ARR for the Wheeling Business and Retail Supply Business as per the formats under the Regulations.

- k) It has also been observed that the various formats which have been submitted alongwith the petition contain a lot of inconsistencies. The formats are not complete in all respects, there is data deficiency and the data given does not correlate with each other. Furthermore, the Petitioner has not furnished various formats prescribed under Regulations. It is also noticed that the Petitioner has neither prayed for an exemption from furnishing those data nor they have explained the absence of such data. The Petitioner should clearly indicate and furnish the entire data as prescribed in the formats in the Regulations. Wherever data is not available or is not pertinent to the petition, the Petitioner should make a specific mention thereto.
- l) The Commission has also observed that the Petition contains a figure of Rs. 33 crore which is indicated as surplus in the Year 2006-07. However, it is observed that this figure has not been adequately reflected in their Petition and tariff figures have not been adjusted. In view of the available surplus, the Petitioner is directed to reconsider the figure in their Tariff calculation and accordingly, Table 22 of the Petition has to be corrected.
- m) It has been observed that the Petitioner has proposed calculation based upon market rent of various sub-stations, electricity offices and service stations. The Commission feels that this presumption is not as per the norms which have been practiced in this sector.
- n) It has also been observed that UI transactions which have resulted in revenue of approximately Rs. 110 crore till the 27th week of 2007-08, have not been adequately indicated in the Petition as revenue available to the Petitioner. The Petitioner is directed to recalculate these revenues and project the amount accordingly for the control period.
- o) It has also been observed that the Petitioner has indicated total capital expenditure of approximately Rs.550 crore without proposing any borrowing during the control period. In case the entire funding is to be given by the Government in the form of equity/ grant / debt etc., treatment of such capital expenditure will have to be reconsidered as per the Regulations.

3. The Petitioner has been heard at some length with regard to the prayers made and it is felt that considering the various data deficiencies, the Petitioner has to revise the prayer clause in accordance with the deficiencies as pointed out in this order. With the above observations the petition for Aggregate Revenue Requirement and Multi Year Tariff Determination is admitted. The Petitioner is directed to submit all requisite information and details as discussed above, within a period of 10 days from the issue of this Order, alongwith a draft public notice.
4. Ordered accordingly.

Sd/-
(K. Venugopal)
MEMBER

Sd/-
(Berjinder Singh)
CHAIRMAN