ORDER

on

TRUE UP

for

FY 2007-08

and

AGGREGATE REVENUE REQUIREMENT

FOR THE FY 2009-10

for

NEW DELHI MUNICIPAL COUNCIL

DELHI ELECTRICITY REGULATORY COMMISSION

JUNE, 2009

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List of Abbreviations

ARR	Aggregate Revenue Requirement
A&G	Administrative and General
AAD	Advance Against Depreciation
APDRP	Accelerated Power Development and Reforms Program
AT&C	Aggregate Technical and Commercial
ATE	Appellate Tribunal for Electricity
BRPL	BSES Rajdhani Power Limited
BST	Bulk Supply Tariff
BTPS	Badarpur Thermal Power Station
BYPL	BSES Yamuna Power Limited
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CFL	Compact Fluorescent Lamp
CGHS	Cooperative Group Housing Societies
CGS	Central Generating Stations
CISF	Central Industrial Security Force
CoS	Cost of Supply
CPI	Consumer Price Index
CPRI	Central Power Research Institute
CSGS	Central Sector Generating Stations
CWIP	Capital Work in Progress
DA	Dearness Allowance
DERA	Delhi Electricity Reform Act
DERC	Delhi Electricity Regulatory Commission
DIAL	Delhi International Airport Limited
DISCOMs	Distribution Companies (BRPL, BYPL & NDPL)
DMRC	Delhi Metro Rail Corporation
DPCL	Delhi Power Corporation Limited
DTL	Delhi Transco Limited
DVB	Delhi Vidyut Board
DSM	Demand Side Management
DVC	Damodar Valley Corporation
FBT	Fringe Benefit Tax
FPA	Fuel Price Adjustment
GFA	Gross Fixed Assets
GoNCTD	Government of National Capital Territory of Delhi
HEP	Hydro Electric Power
HT	High Tension
IDC	Interest During Construction

IPGCL	Indraprastha Power Generation Company Limited
JJ Cluster	Jhugghi Jhopadi Cluster
LT	Low Tension
MES	Military Engineering Service
MLHT	Mixed Load High Tension
MU	Million Units
MYT	Multi Year Tariff
NABL	National Accreditation Board for Testing and Calibration of Laboratories
NCT	National Capital Territory
NDMC	New Delhi Municipal Corporation
NDPL	North Delhi Power Limited
NGO	Non Government Organisation
NHPC	National Hydroelectric Power Corporation
NPCIL	Nuclear Power Corporation of India Limited
NTI	Non Tariff Income
NTP	National Tariff Policy
O&M	Operations and Maintenance
PGCIL	Power Grid Corporation of India
PLF	Plant Load Factor
PPA	Power Purchase Agreement
PPCL	Pragati Power Corporation Limited
R&M	Repair and Maintenance
RAPS	Rajasthan Atomic Power Station
REA	Regional Energy Account
RoCE	Return on Capital Employed
RRB	Regulated Rate Base
RTI	Right to Information
SERC	State Electricity Regulatory Commission
SJVNL	Satluj Jal Vidyut Nigam Limited
SLDC	State Load Despatch Center
SPD	Single Point Delivery
SVRS	Special Voluntary Retirement Scheme
THDC	Tehri Hydro Development Corporation
ToD	Time of Day
TPS	Thermal Power Station
UI	Unscheduled Interchange
WACC	Weighted Average Cost of Capital
WC	Working Capital
WPI	Wholesale Price Index

A1: INTRODUCTION

1.1 This Order relates to the petition filed by the New Delhi Municipal Council (hereinafter referred to as 'NDMC' or the 'Petitioner') on 2 February, 2009 for true up of the Tariff Order for the first year of the Control Period i.e. FY 07-08 and determination of Tariffs for the FY 09-10 using Multi Year Tariff Principles specified in the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2007 notified on 30 May, 2007.

New Delhi Municipal Council (NDMC)

1.2 New Delhi Municipal Council (NDMC) is a Municipal Council entrusted with the distribution of electricity to the consumers in the New Delhi area under Section 195 to 201 of the New Delhi Municipal Council Act 1994. The NDMC has the obligations of a Licensee under the Indian Electricity Act 1910 in respect of the New Delhi Area.

1.3 Delhi Transco Limited (DTL) was the sole entity responsible for the bulk procurement and bulk supply of power in the NCT of Delhi (hereinafter referred to as Delhi) till 31 March, 2007. However, the responsibility for making power supply arrangements in Delhi was shifted to DISCOMs/NDMC in pursuance of the Policy Directions issued by the GoNCTD on 28 June, 2006. The existing and the upcoming Power Purchase Agreements (PPAs) were assigned to the DISCOMs/NDMC; vide the Commission's Order dated March 31, 2007. The Commission has, in the same Order introduced intra-state Availability Based Tariff (ABT) in Delhi w.e.f 1 April 2007.

1.4 Delhi Electricity Regulatory Commission (hereinafter referred to as the 'DERC or the 'Commission') adopted the Multi Year Tariff (MYT) framework for determination of tariffs for generation, transmission and distribution business in Delhi with a view to bring relative certainty regarding tariff and its basis during the Control Period and reduce the efforts of all parties involved in the annual tariff determination The Commission notified the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2007 on 30 May, 2007.(hereinafter referred to as the 'MYT Regulations'). The first MYT Distribution Order for NDMC was issued by the Commission on 7 March 2008, after analysing the MYT petitions filed by the NDMC.

1.5 The Petitioner has, now, filed a petition before the Commission for true-up of first year of the Control period i.e. FY 07-08 under Section 62, 64 and 86 of the Electricity Act, 2003, (hereinafter referred to as the "Act") read with the MYT Regulations.

1.6 This Tariff Order relates to true-up of uncontrollable expenses for the first year i.e. FY 07-08 of the Control Period (FY08 – FY11) under the MYT framework and Revision of sales and Power Purchase for the FY 2009-10 in accordance with the MYT Regulations as explained in detail in Chapter A4 of this Order. True up of uncontrollable parameters viz., sales and Power Purchase for FY 2008-09 shall be taken up based on the audited accounts, during the next Tariff Order for FY 2010-11.

1.7 The Commission has finalised this Tariff Order based on the Petitioner's Petition, review and analysis of the past records, additional information and submissions, Court judgements, necessary clarifications submitted by the Petitioner and views expressed by various stakeholders.

Delhi Electricity Regulatory Commission

1.8 Delhi Electricity Regulatory Commission was constituted by the GoNCTD on 3 March, 1999 and it became operational w.e.f. 10 December, 1999.

1.9 The Commission's approach to MYT Regulations is driven by the Electricity Act 2003, the National Electricity Policy, the Tariff Policy and the Delhi Electricity Reform Act, 2000 (hereinafter referred to as 'DERA').

Functions of the Commission

1.10 The Commission derives its powers from DERA as well as from the Act. The major functions assigned to the Commission under the DERA are as follows:

(a) to determine the tariff for electricity, wholesale, bulk, grid or retail and for the use of the transmission facilities;

(b) to regulate power purchase, transmission, distribution, sale and supply;

(c) to promote competition, efficiency and economy in the activities of the electricity industry in the National Capital Territory of Delhi;

(d) to aid and advise the Government on power policy;

(e) to collect and publish data and forecasts;

(f) to regulate the assets, properties and interest in properties concerned or related to the electricity industry in the National Capital Territory of Delhi including the conditions governing entry into, and exit from the electricity industry in such manner as to safeguard the public interest;

(g) to issue licenses for transmission, bulk supply, distribution or supply of electricity;

(h) to regulate the working of the licensees; and

(i) to adjudicate upon the disputes and differences between licensees.

1.11 The functions assigned to the Commission under the Act are as follows:

"*Section 86 (1) The State Commission shall discharge the following functions, namely:* -

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

Provided that where open access has been permitted to a category of consumers under Section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

(b) *regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;*

(c) *facilitate intra-state transmission and wheeling of electricity;*

(d) *issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;*

(e) *promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;*

(f) *adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;*

(g) *levy fee for the purposes of this Act;*

(h) *specify State Grid Code consistent with the Grid Code specified under Clause (h) of sub-section (1) of Section 79;*

(i) *specify or enforce standards with respect to quality, continuity and reliability of service by licensees;*

(j) *fix the trading margin in the intra-state trading of electricity, if considered, necessary;*

(k) *discharge such other functions as may be assigned to it under this Act.*

Section 86 (2) The State Commission shall advise the State Government on all or any of the following matters, namely: -.

(i) *promotion of competition, efficiency and economy in activities of the electricity industry;*

(ii) *promotion of investment in electricity industry;*

(iii) *reorganisation and restructuring of electricity industry in the State;*

(iv) matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government."

1.12 As per Section 61 of the Act "The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:-"

(a) the principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;

(b) the generation, transmission, distribution and supply of electricity are conducted on commercial principles;

(c) the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;

(d) safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;

(e) the principles rewarding efficiency in performance;

(f) multiyear tariff principles;

(g) that the tariff progressively, reflects the cost of supply of electricity, and also, reduces and eliminates cross-subsidies within the period to be specified by the Appropriate Commission;

(h) the promotion of co-generation and generation of electricity from renewable sources of energy;

(i) the National Electricity Policy and tariff Policy:

Tariff Orders Issued by the Commission

1.13 The Commission has issued Tariff Orders for NDMC for the, FY06 and FY07 on 2 November 2005 and 26 December 2006 respectively. The Commission issued the MYT Order for NDMC on 7 March 2008 for the Control Period FY 07-08 to FY 10-11 based on the MYT Regulations. The key highlight of this Order was bifurcation of ARR into Controllable and Uncontrollable Parameters with a view to limit the adjustment of tariff variations during the Control Period to uncontrollable parameters, and also to set performance targets for the Controllable Parameters.

Multi Year Tariff Framework

1.14 The Commission adopted MYT principles for determination of tariffs, in line with the provisions of Section 61 of the Electricity Act, 2003. The Commission had allotted the PPAs to various DISCOMs/NDMC as per the directive of

GoNCTD and simultaneously introduced intra-state ABT in Delhi vide order dated on March 31, 2007.

1.15 In the MYT framework, the Commission set long term performance targets for entities engaged in generation, transmission and distribution. Simultaneously, the Commission segregated costs into two categories; first which are expected to be controlled by the utilities and a second category over which they do not have significant control.. The Commission set targets for each year of the Control Period for the items or parameters that are deemed to be "controllable" and which include: Operation and Maintenance (O&M) Expenses, AT&C Losses, Quality of Supply etc.

1.16 Any financial losses arising out of the under-performance with respect to the targets specified by the Commission for the "controllable" parameters shall be to the Licensee's account. The Commission has also specified the circumstances under which some of the controllable parameters shall be trued up during or at the end of the control period.

1.17 The MYT framework is also designed to provide predictability and reduce regulatory risk. This is achieved by approval of a detailed capital investment plan for each utility, considering the expected network expansion and load growth during the Control Period. The longer time span enables the distribution company to propose its investment plan in detail on the possible sources of financing and the corresponding capitalization schedule for each investment.

Multi Year Tariff Regulations

1.18 Before finalizing the MYT Regulations, the Commission had issued a Consultative Paper and draft MYT Regulations for Generation, Transmission and Distribution to all concerned stakeholders, including the Government, Generation companies, Transmission and Distribution licensees, consumers, etc. These documents detailed the principles, approach and methodology to be adopted for the determination of tariff for various entities under the MYT framework and also highlighted the various issues which were to be discussed and finalized for successful implementation of the MYT principles.

1.19 These draft Regulations and MYT Consultative Paper were issued on 11 October, 2006 and a notice to this effect was published in leading newspapers seeking comments from public and stakeholders.

1.20 The Commission issued the MYT Regulations vide notification dated 30 May, 2007 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 FY08 – FY11 after going through the public hearing process.

1.21 In pursuance of the MYT Regulations, the DISCOMs/NDMC are required to submit actual annual performance as part of the annual review to assess the performance vis-à-vis the targets approved in the MYT Order, 2008-11.

Filing of True-up Petition for the First Year (FY 07-08) of the Control Period

Filing of Petition

1.22 The Petitioner (NDMC) has filed its petition for true-up of the first year of the Control Period on 2 January 2009. The Commission observed that the petition suffers from large number of deficiencies and accordingly a deficiency memo was issued to the Petitioner on 19 January 2009 directing them to remove the deficiencies by 30 January 2009. The petitioner, in response removed some of the deficiencies and submitted a revised petition on 3 February 2009, which was also deficient on many counts.

Acceptance of Petition

1.23 A preliminary scrutiny of the revised petition dated 3 February 2009 was undertaken and various discrepancies were observed in the revised petition as well. The Commission conducted a hearing on admission of the petition on 19 February, 2009. After hearing the submissions of the Petitioner, the Commission issued an Order on 19 February, 2009 for admission of the petition subject to submission of additional information/clarifications sought from time to time. A copy of the Admission Order dated 19 February, 2009 is enclosed as ***Annexure I*** to this Order.

Interaction with the Petitioner

1.24 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 of the petitions filed by the utilities, obtain and analyse information/clarifications received from the utilities and, accordingly, submit all issues for consideration by the Commission.

1.25 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.

1.26 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 tariff determination. The use of the term 'Commission' may, therefore, be read in the context of the above clarification. The Commission has considered due diligence conducted by Staff of the Commission and the Consultants in arriving at final decision.

1.27 The Petitioner submitted various letters in response to the queries raised by the Commission during the Technical validation sessions for review of the petition. The list of correspondence undertaken with them is summarised in Table 1 below:

Table 1: List of Correspondence with NDMC

S. No.	Date	Letter No.	Subject
1.	02.01.2009	-	Filing of True-up Petition for F.Y. 2007-08 Tariff for F.Y. 2009-10
2.	02.02.2009	D-38/PA/Dir(I)/I09	Filing of True-up Petition for F.Y. 2007-08 and revised ARR for the F.Y. 2009-10
3.	27.03.2009	-	Filing of revised and additional information true-up Petition for F.Y. 2007-08
4.	16.04.2009	D-11/AEE(P)/109	Details of Inter DISCOMs energy bills raised during the year 2007—08 and bills paid to NTPC in support of ARR.
5.	29.04.2009	D-24/AEE(P)/09	Clarification regarding True-up Petition for F.Y. 2007-08 and proposed Tariff F.Y. 2009-10
6.	13.05.2009	D-43/AEE(P)/09	Clarification regarding True-up Petition for the year 2007-08 & corresponding tariff adjustment.
7.	03.06.2009	Fax	Additional revenue on account of MP billing during F.Y. 2007-08

Public Hearing

1.28 The Petitioner published a Public Notice indicating salient features of its petition, and invited responses from the consumers and other stakeholders, in the following newspapers on 24 March 2009 :

(a) The Hindustan Times

(b) Hindustan (Hindi)

(c) Pratap (Urdu)

1.29 Copies of the Public Notice (in English, Hindi and Urdu) are enclosed as ***Annexure II*** to this Order. A detailed copy of the petition was also made available for purchase from the respective head-office of the Petitioner on any working day from 24 March, 2009 to 13 April, 2009, between 11 A.M. and 4 P.M. on payment of Rs 100/-. A complete copy of the petition was also put up on the website of the Commission, as well as that of the Petitioner requesting for comments of the stakeholders thereon.

1.30 The Commission received comments from DMRC in regard to the petition filed by NDMC.

1.31 The public hearing was held in the Commission on April 22, 2009 to discuss the issues in the petition related to true-up of FY 07-08 and determination of Wheeling and Retail Supply Tariff for the FY 09-10 filed by the Petitioner. The Commission has received response from DMRC. However, none of the stakeholder was present in the public hearing. The Commission took serious note that the petition has not been filed in line with the MYT Regulations and the expenses claimed by the Petitioner were not duly supported by documents. In the absence of separate accounts for the electricity distribution business, the Commission was not in a position to validate the expenses claimed by the petitioner for the FY 07-08. The Petitioner pleaded that another opportunity may be provided to re-submit the petition along with proper justification and additional information. The Commission directed the Petitioner to remove the deficiencies/ defects in the petition as conveyed to the Petitioner vide letter no. F-3(251)/Tariff/DERC/2008-09/Pt.file/226 dated April 22, 2009 latest by April 29, 2009 and provide an advance copy to DMRC. The Petitioner responded vide letter no. D-24/AEE(P)/09 dated 29 April 2009.

1.32 Another hearing in the matter was held on 4 May 2009 where NDMC officials were present before the Commission. The Commission observed with great concern that despite several reminders, deficiency gaps was not filled appropriately. Subsequently, a follow up hearing with the officials of NDMC was held on May 8, 2009 in the Commission wherein certain clarifications were sought regarding the true-up petition.

Layout of the Order

1.33 This Order consists of five chapters that include:

(a) Chapter 1: Provides a historical background including information regarding the Commission, an overview of the MYT framework and details of the tariff setting process;

(b) Chapter 2: Provides a detailed account of the Public Hearing process, including the objections raised by various stakeholders, Petitioner's responses and the Commission's views on the responses;

(c) Chapter 3: Details the process of true-up of the first year of the Control Period i.e. FY 07-08;

(d) Chapter 4: Aggregate Revenue Requirement for the FY 09-10 and the approach adopted by the Commission to meet the revenue gap;

(e) Chapter 5: Determination of Tariff for all consumer categories.

1.34 The Order contains following Annexures, which are an integral part of the Tariff Order.

(a) Annexure I – Admission Order dated 19 February 2009;

(b) Annexure II – Copies of Public Notices published by NDMC

APPROACH OF THE ORDER

1.35 In this order the Commission has considered the true up petition for FY 07-08, revision of uncontrollable parameters like Sales, Purchase of Power for the FY

2009-10 and the consequential adjustments in the Annual Revenue Requirement for FY 09-10. The Petitioner has made its submission for true up for FY 07-08 and has kept the ARR for the FY 08-09 and FY 09-10 at same level approved in the MYT Order. Under the MYT Framework, the Commission has projected the ARR for the Petitioner for each year of the Control Period in the MYT Order issued on 7 March, 2008. The Regulations provide that actual expenses incurred by the Petitioner in respect of the uncontrollable parameters shall be trued up at the end of the respective financial year based on the actual/audited information as per the provisions of the MYT Regulations.

Approach for True up for FY 07-08

1.36 The true up for the FY 07-08 has been carried out as per the provisions of the MYT Regulations. Under the MYT Regulations, the components of expenses have been segregated into Controllable and Uncontrollable Parameters. The Regulations provide that the Uncontrollable Parameters shall be trued up based on the audited financial statements and the Controllable Parameters shall not be trued up. The Commission has considered the true up for FY 07-08 based on these provisions of MYT Regulations.

1.37 The Commission has observed that the Petitioner has not submitted the separate Audited accounts for the FY 07-08. At the time of issuance of MYT order, the Petitioner had submitted that NDMC is in the process of finalising the Double Entry Accounting system and they would try to furnish all relevant data and submit the relevant accounts to the Commission shortly. However, the petitioner has not submitted separate records/accounts for electricity business in its true up petition. The Commission has expressed its unhappiness and observed that the Petitioner has been making such commitments over the last couple of years, but, nothing concrete has been done by the Petitioner so far.

1.38 The true up for the FY 2007-08 is to be carried out as per the provisions of the MYT Regulations.

1.39 In light of the above background, the Commission has trued up the uncontrollable parameters viz. power purchase cost, energy sales and revenue based on the provisional information provided by the Petitioner for FY 07-08. In regard to the controllable parameters the Commission is of the view that the MYT Regulations do not permit true up of controllable parameters.

Approach for the FY 08-09

1.40 FY 08-09 is the second year of MYT Control Period. Clause 5.42 of the MYT Regulations provides that variations on account of uncontrollable items like energy sales and power purchase cost shall be trued up. Further that True up shall be carried out for each year based on the regular tariff petition for true up and prudence check by the Commission.

Approach for True up for the FY 09-10

1.41 The Petitioner, in its petition has not made any change in the ARR of FY 09-10 approved by the Commission in the MYT Order. The Commission has examined whether a basis exists for revisiting the ARR under the MYT Framework which is already approved in the MYT Order.

1.42 In this regard the following provision of the MYT Regulations pertaining to Distribution business are relevant:

(i) Regulation 3.2 - ARR for Wheeling Business and ARR for Retail Supply business to fix the Wheeling Tariff and Retail Supply Tariff separately.

(ii) Regulation 4.5 & 4.6 – Base line values (operating and cost parameters) and performance targets.

(iii) Performance Targets - are covered by Regulation 4.7 and 4.8 and includes AT & C loss, O & M expenditure, Return on capital employed, Depreciation and quality of supply.

(iv) Regulation 4.10, 4.11 and 4.12 relates to sales forecast

(v) Regulation 5.28 relates to ARR for Retail Supply Business for each year of the control period and shall contain-

a. Cost of Power Procurement

b. Transmission and Load Dispatch Charges

c. Supply Margin; and

d. Corrections for "uncontrollable" factors

(vi) Para 5.1 of MYT Order, which, interalia, provides that:

"The uncontrollable parameters include power purchase cost and Sales, which may require year to year revision. Since the Power Purchase cost represents approximately 75 % of the ARR, to take care of any variation in uncontrollable parameters, the Commission has fixed the tariff till 31st March, 2009"

(vii) The allocation from the unallocated quota of Power at the disposal of GoNCTD may change from time to time and needs to be considered based on the latest available data or the Commission may have to make reasonable assumptions w.r.t. allocation of Power from the unallocated quota.

(viii) Variation in sales and sales mix based on the data available subsequent to the issue of MYT Order in February 2008.

(ix) The Tariff Policy of GoI for Multi Year Tariff envisages that uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. Uncontrollable costs include variations in Power Purchase unit costs including on account of Hydro Thermal mix in case of adverse natural events.

1.43 Based on the provisions of the MYT Regulations, decision of the Commission in the MYT Order for FY 2008-11 and other reasons discussed above, the Commission is of the view that the sales forecast and Power Purchase quantum and cost is required to be revisited. These are dealt with in greater detail in Chapter – 4 of this Order.

Approach for the FY 10-11

1.44 The stakeholders who appeared before the Commission in the public hearings conducted for other DISCOMs have been expressing difficulty in understanding the petitions filed by the DISCOMs and consequently were expressing the views that they are not able to assist the Commission with their comments/views. Considering various difficulties raised by the stakeholders and to further streamline the stakeholders consultation process, the Commission decides to adopt the following procedure for the FY 2010-11.

a) The staff and the consultant of the Commission will immediately upon receipt of the Tariff Petition, examine the same and identify the issues to be dealt with in the Tariff Order and prepare a Base paper for the benefit of the stakeholders;

b) This base paper shall be placed on the Commission's website well in time for the stakeholders to go through the base paper as well as the Tariff Petitions filed by the Petitioners so that the stakeholders or their associations, NGOs etc. could use the same to make effective submissions before the Commission both in written pleadings and at the time of Public Hearings;

c) This would enable the Petitioners to provide necessary clarifications and justifications in an effective manner.

A2: RESPONSE FROM STAKEHOLDERS

Introduction

As a part of tariff determination process, the Commission directed the Petitioner to issue a public notice inviting comments/objections from the stakeholders on the Petition. The stakeholders were requested to submit their comments latest by April 13, 2009.

The Commission has provided public hearing as a platform to obtain the views of various stakeholders to encourage a transparent and participative approach in the process of tariff determination. The public hearing was conducted in the Commission on April 22, 2009. The Commission was surprised to notice that not even a single stakeholder was present during the public hearing.

The Commission has expressed its unhappiness over the data submitted by the Petitioner and observed that the Petitioner has revised its ARR in various submissions during the tariff determination process for FY 09-10. Infact, the Commission has taken a serious view of revised ARR submitted by the Petitioner and directed the Petitioner to provide reasonable justification in case of major variations in the revised ARR as against the admitted ARR. Further, the Commission has clarified that it will not entertain any revision in the submissions of the Petitioner without adequate supporting documents.

The Commission received comments/views from DMRC in response to the petition. The comments/ views of DMRC, the replies given by the Petitioner and the views of the Commission have been summarised as below:

Delhi Metro Rail Corporation (DMRC)

Views of the Stakeholders

2.1. DMRC has submitted that NDMC should propose the tariff for DMRC as a separate category of consumer based on actual cost for availing around 8MVA of power supply at 66 kV (from Park Street grid sub-station of NDMC) excluding both the subsidy and cross subsidy elements.

2.2. Further, DMRC submitted that in November, 2002, the issue of electricity tariff for DMRC was discussed in a meeting wherein Principal Secretary (Power), GoNCTD with Delhi Tranco, DISCOMs and DMRC were present. It was concluded jointly that DMRC needs to be treated as special category and DISCOMs will recommend to DERC, tariff based on the actual cost of supply at 220/66 kV without either the cross subsidy or subsidy elements.

2.3. The Hon'ble Commission has in the previous tariff orders given views that tariff for DMRC should be made applicable on cost to serve principle in line with the tariff policy as any cross subsidisation of DMRC tariff would only result in the burden on other consumer categories. Accordingly, in all the tariff orders issued by the Commission, DMRC has been treated as a separate consumer category for all the DISCOMs.

2.4. DMRC has submitted that it is not requesting for any subsidy but for continuation of the adoption of similar principle so that DMRC does not cross subsidise other consumers. Any deviation from the above mentioned principle would increase the cross subsidisation as well as losses of DMRC.

Petitioner's Submission

2.5. The application of DMRC is under consideration and no prayer has been made in the application for treatment of DMRC as a separate category or for charging tariff based on actual cost.

2.6. The Petitioner also mentioned in its reply to DMRC that the stakeholder has not provided any reason / justification for treatment of DMRC as a special category and whether the stakeholder is being treated as a special category by the other DISCOMs in Delhi. It is also submitted that if such benefit is not extended by the other DISCOMs, the same cannot be claimed from the Petitioner.

2.7. Further, the Petitioner has submitted that extending the benefit of special category consumer to DMRC would attract other institutions in the Petitioner's distribution area to claim for a similar treatment as DMRC leading to serious financial crisis. While referring to the Electricity Act, 2003 and the Delhi Metro Rail Corporation Act, the Petitioner has submitted that no such provision exists that entitle DMRC to special treatment. Moreso, in order to maintain parity, the Petitioner has proposed that it shall charge DMRC a similar tariff as charged by other DISCOMs.

Commission's View

2.8. The Commission has while acknowledging that DMRC to be an essential service being serviced by different distribution licensees in the NCT of Delhi, created a separate consumer category and has fixed the tariff of the DMRC based on cost to serve . The fixed and energy charges for DMRC applicable in NDMC distribution area is as indicated in the tariff schedule.

A3: TRUEUP FOR FY 07-08

Approach

DERC had adopted a Multi Year Tariff (MYT) Framework from the Financial Year 2007-08. Under the new framework, the Commission issued its first MYT Distribution Order on 7th March 2008. Through this Order, the Commission approved a projected Annual Revenue Requirement (ARR) for each year of the Control Period, 2008-11.

Under the MYT regime, the framework for regulating the distribution companies is pre-defined for an ensuing period of time. The principles of regulating the returns of licensees and the trajectory of individual costs and revenue elements of the utility are determined at the onset of the Control Period. Essentially, the concept of MYT provides an element of certainty to all stakeholders. The consumers would have a prior information of the expected movement in the tariff for the Control Period and the NDMC are also be able to plan their business having knowledge of the principles for tariff determination for the Control Period. Following benefits could be attributed to the adoption of MYT Framework:

- Predictability in the process of tariff determination
- Minimization of fluctuation in tariff during the Control Period

The MYT Regulations divide the tariff elements into:

- uncontrollable parameters and
- controllable parameters

Uncontrollable parameters refer to those parameters which are not within the control of the NDMC and these include Energy Sales and Power Purchase Cost.

Controllable parameters include expenses on those functions which are within the control of the NDMC. Under the MYT framework, the Commission has provided guideposts in terms of controllable expenses to ensure efficiency in the operations. Controllable parameters include the following:

- Operation & Maintenance Expenses
    - Employee Expenses
    - Administrative & General Expenses
    - Repairs & Maintenance
- Other miscellaneous expenses, statutory levies and taxes (except corporate income tax)
- AT&C Losses
- Depreciation
- Return on Capital Employed

The MYT Regulations provides that the uncontrollable components of the ARR shall be trued up, based on the audited accounts, at the end of each year of the Control Period. Further, the controllable parameters are required to be reviewed but shall not be trued up. In the subsequent sections of this Chapter the uncontrollable and controllable parameters are treated as per the principles laid down under the MYT Regulations.

During the true-up for FY 07-08, the Commission had to face several difficulties on account of the fact that the audited accounts for FY 07-08 was not available and that NDMC has not been maintaining separate records/accounts for electricity as a separate entity for supplying electricity in the NDMC area. Due to non-availability of certain critical data, the Commission could not carry out detailed analysis/ periodic review of various elements of expenses and revenue as the Commission has been doing while processing the ARR and Tariff Petitions of other Utilities.

The Commission would like to reiterate that the Petitioner is not complying with the directives issued by the Commission since the issuance of the First Tariff Order. The Commission in its earlier Tariff Orders for FY 05-06 and FY 06-07 had given directives regarding break-up of assets, separate records for R&M and A&G expenses incurred for electricity business. The Petitioner has not complied with any of the directions issued by the Commission. Further, Commission had directed the Petitioner to take prior approval from the Commission for the capital expenditure plan and any increase in R&M expense beyond the approved R&M expense. The Petitioner has not complied even with these directives.

The Commission is constrained to remark that despite the assurance given by the NDMC to furnish all relevant data and accounts to the Commission shortly, the Petitioner even in its True-up petition has not submitted any separate records/accounts for electricity business as a separate entity.

Further, the Commission has observed that the Petitioner has not provided the relevant information in the detailed formats prescribed by the Commission under the MYT Regulations. Therefore, the Commission directs the Petitioner to maintain regulatory accounts and provide the details/ information in the prescribed formats along with the supporting documents for the ensuing ARR Filings for FY 10-11.

With these constraints, the Commission has analysed the components of ARR for True-up purpose as discussed in subsequent sections.

Energy Sales

Petitioner's Submission

3.1. The Petitioner has submitted total sales of 1061 MUs in its True up petition as against 1047 MUs approved by the Commission in the MYT Order.

Commission's Analysis

3.2. The Commission noticed that the actual sales submitted by the Petitioner varied in different submissions. The Commission analyzed the category-wise sales and noticed that the sales were not properly reported in the respective consumer categories. The Commission also tried to validate the category wise sales data from the officers of the NDMC during Technical Validation Session. While analyzing the category-wise sales data submitted by the NDMC for FY07-08, the

Commission observed that the data submitted by the Petitioner was inconsistent and that the sales figure mentioned for the consumer in the Mixed category has been computed by assuming a notional power factor of 0.85.

3.3. The Petitioner was, therefore, directed to submit the rationale for assuming notional power factor of 0.85 for the mixed load category. The Petitioner through its letter no. D-43/AEE(P)/09 dated 13.05.2009 submitted that the actual sales for mixed load category for FY 07-08 is 605 MUs and the same should be considered for true-up of sales under this category.

3.4. The Commission is of the view that in the absence of information for the quarterly data i.e. Form 2.1 a, a qualitative analysis of the data could not be conducted. Since the Petitioner is not maintaining the quarterly data, the Commission directs the Petitioner to maintain information regarding category-wise/slab-wise energy sales on a monthly basis in future, and the monthly information should be submitted to the Commission within three weeks of the succeeding month.

3.5. The Commission therefore, for truing up of sales, has considered the sales figures submitted by the Petitioner for FY 07-08 along with the additional MUs on account of revised power factor, and approved the same for true up. The trued up sales approved by the Commission for FY 07-08 as shown in the Table 2 below:

Table 2: Trued up Energy Sales for FY 07-08 (MUs)

Category	MYT Order	True Up Petition	Trued-up
Domestic	212	220	220
Non-domestic	248	246	246
Mixed Load	575	605	605
Small Industrial Power	0.34	0.32	0.32
Public Lighting	8.10	7.63	7.63
Others	3.89	4.08	4.08
DMRC	0	0	0
Total	**1047**	**1083**	**1083**

AT&C Losses

Petitioner's Submission

3.6. The Petitioner has submitted in its true-up petition that it has achieved an AT&C loss level of 11.25% for FY 07-08 as against the minimum AT&C loss level of 11.20% prescribed in the MYT Order.

3.7. The Petitioner has submitted the computation for AT&C loss level of 11.25% for FY 07-08 as mentioned in Table 3 below:

Table 3: AT&C loss for FY 07-08 as submitted by the Petitioner (Rs. Crs)

Particulars	Amount
Units Input at NDMC Periphery (in MUs)	1,149.47
Units billed by NDMC (in MUs)	1,061.00
Distribution Loss (%)	**7.70%**
Revenue Billed (in Rs. Crs)	497.86
Revenue Realized (in Rs. Crs)	478.16
Collection Efficiency (%)	**96.04%**
AT&C Loss Level for FY 07-08	**11.25%**

Commission's Analysis

3.8. As per the MYT Order, the Petitioner has to reduce AT&C loss by a minimum of 20% (of the total reduction in AT&C loss for the Control Period FY 07-08 to FY 10-11 as specified in the MYT Regulations) i.e. 11.20% over the actual AT&C loss level of 11.50% in FY 06-07 during the first year of the Control Period. Any under recovery in the revenue realized, incase of an under achievement in AT&C loss with respect to the minimum AT&C loss level, will be to the account of the Petitioner. The MYT Order also provides incentive to the Petitioner incase the reduction in AT&C loss level during the first year of the Control Period is over 25% of the total reduction for the Control Period.

3.9. A comparison of the minimum AT&C loss level specified in the MYT Order and the actual AT&C loss level claimed by the Petitioner during FY 07-08 is summarised in Table 4.

Table 4: AT&C Loss Level for FY 07-08 (in %)

Particulars	Minimum AT&C Loss Target as per MYT Order	True-up Petition
AT&C Loss	11.20%	11.25%

3.10. The Commission has analysed the submissions of Petitioner and has observed various discrepancies. The Petitioner in its true-up petition had submitted an AT&C loss level of 11.25%. However, the Commission noticed that the Petitioner has not computed the AT&C loss correctly and directed the Petitioner to correct the same for the true-up of FY 07-08. Consequently, the Petitioner filed a revised petition of March 27, 2009 but maintained its earlier AT&C loss level without any corrections.

3.11. Subsequently, the Commission also observed in the revised petition that the Petitioner has considered power purchase quantum for 11 months of FY 07-08 for computing the AT&C loss levels. The Petitioner submitted that there was an inadvertent error while compiling the power purchase quantum and the same will be rectified and re-submitted. Further, the Petitioner submitted the revised AT&C loss through letter no. D-43/AEE(P)/09 dated May 13, 2009. The Petitioner has also submitted that the revenue realized did not consider the amount of Rs. 5.30 Crs received from the Secretariat on account of power sold to Members of Parliament during FY 07-08. The Petitioner has prayed that the same was noticed while finalization of details of demand raised and payment receipt towards electricity and water bills for FY 07-08 and the same should be considered by the Commission for true-up of FY 07-08

3.12. The Commission is unable to verify the units billed and the revenue realized by the Petitioner due to lack of segregated accounts for the electricity distribution business and detailed information submitted by the Petitioner.

3.13. Therefore, due to inability shown by the Petitioner to validate the same, the Commission has provisionally considered the sales, revenue billed and revenue realized submitted by the Petitioner for the computation of AT&C loss. Energy input at the Petitioner periphery has been validated from the information submitted by DTL and it is observed that the Petitioner has claimed a lesser number of units input at the periphery as compared to the actual. The same was also discussed with the officers of the NDMC. The same is discussed later under "Power Purchase" in detail.

3.14. The Commission has considered the power purchase information sourced from DTL for computing the trued-up AT&C loss of the Petitioner for FY 07-08. The revised AT&C loss of the Petitioner for FY 07-08 is summarised in the Table 5 below:

Table 5: Trued-up AT&C loss for FY 07-08 (Rs. Crs)

Particulars	
Units Input at NDMC Periphery (in MUs)	1,234.40
Units billed by NDMC (in MUs)	1,083.14
Distribution Loss (%)	**12.25%**
Revenue Billed (in Rs. Crs)	497.86
Revenue Realized (in Rs. Crs)	483.46
Collection Efficiency (%)	**97.11%**
AT&C Loss Level for FY 07-08	**14.79%**

3.15. The actual AT&C loss of 14.79% as per revised computation is higher than the minimum AT&C loss level of 11.20% as specified in the MYT Order. The Commission therefore concludes that the Petitioner has not been able to meet the minimum AT&C loss level target for the FY 07-08.

3.16. As per Clause 4.23 of the MYT Order, "Any under recovery in the revenue realised, if the AT&C loss reduction in the first year of the Control Period is below 20%, shall be to the account of the Petitioner."

3.17. Accordingly, the under recovery in the revenue realized on account of the non-achievement of the minimum AT&C loss target of the Petitioner for FY 07-08 is as summarised in Table 6 below:

Table 6: Financial Impact for Non-achievement of AT&C Target

Particulars	MYT Order	Actual
A. AT&C Losses	11.20%	14.79%
B. Over Achievement / (Under Achievement) (%)		-3.59%
C. Energy Input (MUs)		1234.40
D. Units Realized (MUs)	1096.15	1051.81
E. Average Billing Rate (Rs. Per Unit)*		4.60
F. Amount Realized (Rs. Crs)	503.83	483.46
	X	**Y**
G. Total financial impact on account underachievement (Y-X) (Rs Cr)	20.38	

**Average billing rate is computed as the Total Amount Realized divided by Total Units Realized*

Power Purchase

Petitioner's Submission

3.18. The Petitioner in its true-up petition has submitted total units input of 2236.95 MUs from all sources in its true-up petition for FY 07-08. Further, the Petitioner has provided the details of 1087.48 MUs surplus energy sold through bilateral, intra-state, UI to other States as well as to distribution companies in Delhi.

3.19. The Petitioner has submitted a net power availability of 1149.47 MUs at the NDMC periphery for FY 07-08.

Commission's Analysis

3.20. The Commission, in its MYT Order had approved a gross power purchase quantum of 2295.96 MUs from BTPS for the first year of the Control Period i.e. FY 07-08.

3.21. It was observed that the Petitioner in its Petition had submitted power purchase quantum for 11 months of FY 07-08. The Commission directed the Petitioner to submit the power purchase for complete FY 07-08. Based on the Commission's direction, the Petitioner through its letter no. D-43/AEE(P)/09 dated May 13, 2009 submitted the revised power purchase quantum taking into account the 12 months details for FY 07-08.

3.22. The Commission noticed that in its subsequent submission the Petitioner has claimed net power availability of 1208 MUs (after transmission losses) for FY

07-08 as against the approved net power availability of 1178 MUs in the MYT Order.

3.23. Based on the information submitted by DTL, the Commission observed that the Petitioner has received 1234 MUs of energy at the DISCOM periphery as against the Petitioner claim of 1208 MUs.

3.24. Therefore, the Commission approves power purchase of 1234.40 MUs (after transmission losses) for the true-up of FY 07-08 as summarised in Table 7 below:

Table 7: Trued-up Power Purchase Quantum for FY 07-08 (MUs)

Source	MYT Order	True-up Petition	Trued-up
Net Power Available after Transmission Losses	1178.48	1208.26	1234.40

Power Purchase Cost

Petitioner's Submission

3.25. The Petitioner has submitted power purchase cost of Rs. 179.40 Crs. after deducting the revenue earned from sale of surplus power.

3.26. Further, the Petitioner has claimed transmission charges of Rs. 15.08 Crs and SLDC charges of Rs. 0.38 Crs for the power purchased during FY 07-08.

3.27. In addition to the power purchase cost for FY 07-08, the Petitioner has claimed an amount of Rs. 21.77 Crs against true-up expenditure for previous year.

Commission's Analysis

3.28. The Commission in its MYT Order had approved total power purchase cost of Rs. 257.18 Crs (including transmission and SLDC charges) as against Rs. 194.86 Crs (including transmission charges and SLDC charges) claimed by the Petitioner for FY 07-08. It is observed that the reduction in power purchase cost as claimed by the Petitioner against the cost approved by the Commission in its MYT Order is on account of higher revenue realized from the sale of surplus power during FY 07-08. Further, the Commission observed that the Petitioner has earned a revenue of Rs. 505.93 Crs from sale of surplus power as against Rs. 410.47 Crs approved in the MYT Order for FY 07-08.

3.29. During the discussions with the Petitioner, it was observed that the Petitioner had submitted power purchase details including sale of surplus power for the first 11 months of FY 07-08. The Commission directed the Petitioner to submit the power purchase details for the whole year of FY 07-08. Subsequently, the Petitioner through letter no. D-43/AEE(P)/09 dated May 13, 2009 submitted the power purchase for full year of FY 07-08.

3.30. Considering the fact that the Petitioner does not maintain segregated accounts for the electricity distribution business, review of the power purchase claim of the Petitioner was undertaken based on the information sourced from SLDC and the power purchase bills submitted by the Petitioner.

3.31. Further, the Commission observed that the Petitioner's claim of Rs. 21.77 Crs towards true-up expenditure for FY 06-07 is not justified. The Commission had considered the power purchase cost of the Petitioner for FY 06-07 based on the information sourced from DTL, which already includes the amount of Rs. 21.77 Crs claimed by the Petitioner in the true-up of FY 07-08. Therefore, the Commission would like to highlight that the same had already been considered during the true-up of power purchase cost for FY 06-07 in Table 8 on Page 34 of the MYT Order.

3.32. Based on the review and prudence check, the Commission approves a power purchase cost of Rs 191.01 Crs (including transmission and SLDC charges) for FY 07-08 as summarized in Table 8 below:

Table 8: Approved Power Purchase Cost for FY 07-08 (Rs. Crs)

Particulars	MYT Order	True-up Petition	Trued-up
Gross Power Purchase Cost	650.86		681.48
Less: Revenue from Sale of Surplus Power			
Intra-State	84.29		85.07
Bilateral Sale	326.18		64.31
UI Sale	-		356.55
Net Power Purchase Cost	**240.39**	**179.4**	**175.55**
Transmission and SLDC Charges	16.79	15.46	15.46
Power Purchase Cost (including Transmission and SLDC Cost)	**257.18**	**194.86**	**191.01**

True up of Controllable Parameters

Petitioner's Submission

3.33. The Petitioner has, in its true up petition for the FY 07-08, requested the Commission to approve the actual expenses incurred by it for the FY 07-08.

Commission's Analysis

3.34. The Commission has observed that the Petitioner has not filed the petition in accordance with the provisions of MYT Regulations and MYT Order. The Commission has admitted the petition despite the discrepancies and information gaps in the petition in order to expedite the tariff determination process. The Commission issued a deficiency note on January 19, 2009 to NDMC highlighting the deficiencies observed in the petition and directed the NDMC to submit clarifications and/or further information. The Petitioner, in response submitted the supporting documents and clarifications relevant to some of the issues vide letter dated February 3, 2009 for consideration of the Commission.

3.35. The Commission would like to point out that the targets for the controllable parameters for the Control Period were set in consideration of all the relevant parameters with great efforts at the time of issuance of MYT Order as the provisional/audited accounts for FY07 were not available and that NDMC has not been maintaining separate records/accounts for electricity business as a separate entity for supply of electricity in NDMC area.

3.36. The Commission is confronted with a similar situation for true up for the FY 07-08. The Commission has observed that despite several directions issued by the Commission in its previous tariff orders, the Petitioner has still not separated the accounts of its electricity distribution business.

3.37. In consideration of the non-availability of the audited accounts for the electricity business for the FY 07-08 and provisions of the MYT Regulations, the Commission continues with the provisional expenses approved in the MYT Order for the true-up of FY 07-08.

Operations & Maintenance Expense

Petitioner's Submission

3.38. The Petitioner has submitted that for FY 07-08 it has incurred O&M expenses of Rs.115.98 Crs which is higher than the amount approved towards O&M expenses in the MYT Order. Details of the amount claimed by the Petitioner has been provided in Table 9 below:

Table 9: O&M Expense submitted by the Petitioner (Rs. Crs)

Particulars	FY 07-08
Employee Expenses	63.94
A&G Expenses	40.04
R&M Expenses	12.00
Total	115.98

Commission's Analysis

3.39. The Commission had approved an amount of Rs.77.77 Crores towards the O&M expense for the FY 07-08 based on the methodology prescribed in the MYT Regulations.

3.40. The Commission has observed that the Petitioner has not submitted the details of O&M Expenses in line with the MYT Regulations. The Commission has further noticed that due to lack of audited accounts, the amount incurred towards O&M expenses cannot be verified for the purpose of periodic review.

3.41. Further, it is observed that the Petitioner has charged a market rent of Rs. 39.49 Crs (under the A&G expenses) on the offices and other land utilised for electricity business. The Commission would like to highlight that the Petitioner would have created these assets out of the capital expenditure planned in the previous years and the maintenance for these assets is being charged under the repairs and maintenance expense.

3.42. As per Clause 4.16(b)(i) of the MYT Regulations, O&M Expense is a controllable parameter and any surplus or deficit on account of actual O&M Expense compared to as approved in the MYT Order for the Control Period shall be to the account of the Petitioner and shall not be trued up.

3.43. The Commission would like to point out that since the issuance of Tariff Order for FY 05-06, the Petitioner has not been furnishing details of actual employee expenses, Administration & General expenses and Repair & Maintenance expenses. The Commission has since been analysing all the components of ARR with these constraints.

3.44. The Commission would also like to highlight that the petitioner has not complied with any of the directives issued by the Commission on O&M expenses in the previous Tariff Orders.

3.45. Accordingly, keeping in view the aforesaid constraints and the provisions of the MYT Regulations, the Commission approves the provisional O&M expense at the same level as approved in the MYT Order for the FY 07-08 as per Table 10 below:

Table 10: O&M Expense Approved by the Commission (Rs. Crs)

Particulars	FY 07-08
Employee Expenses	48.71
A&G Expenses	11.93
R&M Expenses	17.13
Total	**77.77**

Review of Capital Expenditure & Capitalisation

3.46. The Commission had approved the capital investment plan for the MYT Control Period as under:

Table 11: Capital Investment Plan Approved for Control Period (Rs. Crs)

Particulars	FY 08	FY 09	FY 10	FY 11	Total
Capital Investment*	81.60	228.64	174.88	109.82	594.94

** Including IDC and Establishment expenses*

3.47. In the MYT Order dated 07th March, 2008, the Commission had expressed the view that the capital investment of Rs. 594.94 Crs projected by NDMC was an ambitious investment programme and the annual investment proposed for each year were significantly higher than the actual investments made by the NDMC in the previous years. Still the Commission approved the projections as it believed that future capital investments need to be considered on the basis of future requirements and not on past performance alone.

3.48. However, the Commission reiterated that the consideration of capital investment including capitalization of interest and establishment expenses during the Control Period for the purpose of determination of ARR did not imply the approval of schemes and NDMC has to obtain the scheme wise approval for the capital expenditure to be incurred during each year of the Control Period as per the annual investment plan drawn for the purpose.

3.49. NDMC was directed to file the detailed proposal for various capital expenditure schemes implemented/to be implemented during the Control Period. The Annual investment plan should have been submitted prior to commencement of the respective financial year. NDMC was advised to submit the quarterly progress report of actual capital investment in the format prescribed by the Commission within one month of the closure of respective quarter.

3.50. However, the Commission observed that capital investment schemes were not submitted by the Petitioner for approval to the Commission. Further, the progress made in respect of the schemes initiated and executed thereafter was also not submitted. As per MYT Regulations, the Commission shall true-up the capital investment at the end of the Control Period based on the actual capital investment carried out by the Petitioner.

3.51. The NDMC was directed in the MYT Order to organise for scheme-wise completion and consequent capitalization of the assets in consonance with the commissioning/commercial operation of the respective scheme which would be certified by the Electrical Inspector/SLDC/relevant authority and considered as an element of distribution system in operation. The NDMC was also required to submit the necessary statutory clearances/certificates of Electrical Inspector, etc. for all EHV & HV works and certificate of SLDC for commissioning/commercial operation. The Commission had advised NDMC to ensure timely completion of the works/schemes as per the schedule stipulated in the proposals submitted to the Commission for approval.

3.52. However, none of these directions have been complied with by NDMC. In the absence of the afore-mentioned information, it is not possible to carry out performance review, as required under Clause 4.14 of the MYT Regulations. NDMC is once again directed to comply with directions stipulated in the MYT Order dated 07th March, 2008 so that the capital investments could be carried out in a coordinated manner.

Review of Depreciation

3.53. The Commission has approved an amount of Rs. 13.49 Crs towards depreciation for FY 07-08 in the MYT Order as against the Petitioner claim of Rs. 15.69 Crs for true-up of FY 07-08.

3.54. As per Clause 4.7 of the MYT Regulations, depreciation is a controllable parameter, for which the Commission has set targets for each year of the Control Period. Further, as per Clause 4.14 of the MYT Regulations, adjustment to depreciation and return on capital employed for the actual investment vis-à-vis approved capital investment shall be done at the end of the Control Period. Clause 4.16(b)(ii) of the MYT Regulations also provide for true up of Depreciation and ROCE at the end of the Control Period.

3.55. Further, the Commission has observed that the Petitioner has not taken prior approval for the capital expenditure schemes undertaken by it during the FY 07-08 despite several directions issued by the Commission.

3.56. In view of the Provisions of the MYT Regulations as indicated in Para 3.54 above the Commission has retained the amount of depreciation of Rs. 13.49 Crs as approved in the MYT Order, 2008-11. Necessary adjustments will be carried out at the end of Control Period along with the carrying cost.

Review of Return on Capital Employed

3.57. The Commission had approved an amount of Rs. 17.74 Crs towards RoCE in the MYT Order for the FY 07-08 against the Petitioner claim of Rs. 9.98 Crs for true-up of FY 07-08.

3.58. As per Clause 4.7 of the MYT Regulations, RoCE is a controllable parameter, for which the Commission has set targets for each year of the Control Period. Further, as per Clause 4.14 of the MYT Regulations, adjustment to depreciation and RoCE for the actual investment vis-à-vis approved capital investment shall be done at the end of the Control Period. Clause 4.16(b)(ii) of the MYT Regulations also provide for true up of Depreciation and ROCE at the end of the Control Period.

3.59. The Commission has observed that the Petitioner has not submitted the information regarding the capital works undertaken during the FY 07-08 and the corresponding changes in regulated rate base. Due to non-availability of certain critical data, the Commission is constrained to carry out the periodic review of ROCE for the FY 07-08 as per the MYT Regulations.

3.60. In view of the above, the Commission has retained the amount of RoCE as approved in the MYT Order, 2008-11. Necessary adjustments will be carried out at the end of Control Period along with the carrying cost.

Administrative Deptt and Civil Engineering Deptt. Expenses

3.61. The Petitioner has submitted that the services of the Administration & Civil Engineering Department are common to all the functions carried out by it and the expenditure pertaining to these departments should be allocated to all functions of the Petitioner. The Petitioner has submitted an expense of Rs. 46.71 Crs for the FY 07-08 as against the Commission approved figure Rs. 45.37 Crs.

3.62. The Commission is of the view that since the segregated account of electricity business is not available, the exact details of the cost of works carried out by the Civil Engineering Department and Administrative Department for electricity business cannot be identified. The Commission, therefore, retains an amount of Rs. 45.37 Crs as approved in the MYT Order towards this expense.

3.63. Though the amount towards administrative department and civil engineering department expenses is being approved in the true-up of FY 07-08, the Commission is of the opinion that the electricity business cannot subsidise any other business of NDMC. the Commission had in its Tariff Order dated November 2, 2005 elaborated in detail the justification for allocating the administrative department expenses to the electricity department. The Commission had also in its Order dated December 6, 2006 and March 7, 2008, reiterated its opinion that administrative department of NDMC is a common department which serves the requirement of all the departments of NDMC and hence the electricity business cannot subsidise any other business of NDMC. This view of the Commission was also identical to the views expressed by the Hon'ble ATE in the matter of BEST vs. MERC (Order dated 18 August, 2006 against Appeal no. 61 of 2006)

3.64. The Petitioner has submitted in its MYT petition that it has decided to adopt the National Municipal Accounting Manual and NDMC's Accounts Manual is being modified by customising the Municipal Accounting Manual to the requirement of NDMC. This adoption, inter alia, will involve implementation of double entry accounting system and separate booking of cost of works carried out by the Civil engineering department for electricity department. NDMC has assured to provide complete details of expenditure relating to common departments to electricity supply once the Manual and the Double Accounting System is implemented.

3.65. In this regard, the Commission had directed the Petitioner to separately book the cost of works carried out by civil engineering department for electricity department and provide the complete details of such works and associated costs at the end of the year bringing out clearly the percentage expenditure of Civil Engineering Department booked to electricity department vis-à-vis all the other departments. However, the petitioner has not submitted any compliance to this directive.

Non Tariff Income

Petitioner's Submission

3.66. The Commission had approved non-tariff income (NTI) of Rs. 3.09 Crs for FY 07-08 in the MYT Order. The Petitioner in its true-up petition has submitted a NTI of Rs. 6.16 Crs for FY 07-08. However, in the subsequent submission dated April 29, 2009, the Petitioner has reduced the NTI amount to Rs. 3.59 Crs.

3.67. Since the Petitioner does not maintain separate accounts for electricity business, the Commission is not able to validate the non-tariff income from the Petitioner's annual accounts. Further, the Commission is not in a position to crosscheck whether the Petitioner has included all the relevant heads under Non Tariff Income or not. Therefore, the Commission approves the amount of Rs. 3.59 Crs towards NTI as submitted by the Petitioner for true-up of FY 07-08.

Annual Revenue Requirement for FY 07-08

3.68. The Commission herewith approves the Annual Revenue Requirement (ARR) after incorporating the above changes at Rs 299.52 Crs for FY 07-08. The ARR approved in the MYT Order, ARR as claimed by the Petitioner and the Trued up ARR is summarised in Table 12 below:

Table 12: Truing up of ARR for FY 07-08 (Rs. Crs)

Particulars	As per MYT Order	Petitioner Claim	Trued-up
Power Purchase Cost	240.39	179.40	175.55
Intra-State Transmission Charges (incld SLDC charges)	16.79	15.46	15.46
Operations & Maintenance Costs	77.77	115.98	77.77
Depreciation	13.49	15.69	13.49
Admin & Civil Engg. Dept Expenses	45.37	46.71	45.37
True-up expense for FY 06-07		21.77	
Return on Capital Employed	17.74	9.98	17.74
Less: Non Tariff Income	3.09	3.59	3.59
Less: Financial Impact on account of non-achievement of AT&C losses			20.38
Less: Surplus for FY 06-07 *	21.89		21.89
Aggregate Revenue Requirement	**386.57**	**401.40**	**299.52**

*As approved in the Para 5.6/ Table 56 of the MYT Order of NDMC

Revenue

3.69. The Petitioner has submitted billed revenue of Rs. 497.86 Crs from the sale of power for true-up of FY 07-08. The Commission has analysed the submission made by the Petitioner and has observed that the Petitioner did not submit the slab wise consumption and revenue of domestic category in FY 07-08. Though, the Commission directed the Petitioner to submit the same, the Petitioner expressed it inability to submit the details. Therefore, in absence of audited accounts and appropriate information from the Petitioner, the Commission has provisionally considered the revenue billed of Rs. 497.86 Crs for the computation of collection efficiency as detailed earlier under "AT&C Losses".

3.70. Further, the Petitioner has submitted revenue realized of Rs. 478.16 Crs in its revised petition towards sale of power to be considered towards annual revenue requirement for FY 07-08. However, the Petitioner in its letter no. D-43/AEE(P)/09 dated May 13, 2009 has submitted that an amount of Rs. 5.30 Crs was recovered from the Secretariat on account of sale of power to Members of Parliament during FY 07-08 which had not been included in the revenue realized submitted in the Petition. The Petitioner has prayed to include the same while computing the revenue realized for FY 07-08.

3.71. In view of non-availability of detailed break-up of revenue realized, the Commission has considered an amount of Rs. 483.46 Crs submitted by the Petitioner towards revenue realized for true-up of FY 07-08.

Revenue Surplus/ (Gap)

3.72. The revenue gap/ surplus for FY 07-08 as approved in the MYT Order, as submitted by the Petitioner and as trued up the Commission is summarised in Table 13 below:

Table 13: Revenue Surplus/ (Gap) for FY 07-08 (Rs. Crs)

Particulars	Approved	True Up Petition	True-up Approved
ARR for FY 07-08	386.57	401.40	299.52
Revenue available towards ARR	500.06	478.16	483.46
(Gap)/ Surplus	**113.49**	**76.76**	**183.93**

3.73. Based on the True-up exercise, there is a net revenue surplus of Rs. 183.93 Crs for FY 07-08, which would be adjusted in the determination of the Aggregate Revenue Requirement for FY 09-10. Treatment of this net revenue surplus is dealt with in Chapter A4.

A4: ARR FOR FY 09-10

Aggregate Revenue Requirement for FY 09-10

Introduction

4.1. The Petitioner in its Petition has not filed its revised Aggregate Revenue Requirement for the FY 09-10 and has prayed the Commission to consider the ARR as approved in the MYT Order for the FY 09-10. The Commission has carried out a detailed analysis of the ARR for the FY 09-10 as required under the MYT Regulations. The same is produced in this section.

4.2. In the process of ARR determination, the Commission has considered all information submitted by the Petitioner. This includes the information submitted for FY 07-08, information in the formats prescribed under MYT Regulations and replies to queries raised during discussions.

Approach

4.3. The Petitioner has submitted its true up Petition for FY 07-08 and has not made any revision in the ARR approved by the Commission in the MYT Order for the FY 09-10. The Commission has examined whether a basis exists for revisiting the ARR under the MYT Framework which is already approved in the MYT Order. In this regard Clause 8.3, Clause 5.28 and Clause 4.6 of the MYT Regulations are relevant. Clause 8.3 provides the framework for projecting the targets for each year of the Control Period on the onset of the Control Period. Clause 8.3 provides that the Petitioner shall furnish a business plan which shall include sales & demand forecast, power procurement plan, AT&C Loss reduction and projection for other components for each year of the Control Period. The Commission observed that the stipulations of Clause 8.3 were followed at the time of issuing the MYT Order. At the onset of the Control Period the Commission had considered the submissions of the Petitioner and after prudence check, analysis and application of MYT Regulations approved the targets for controllable parameters as well as forecasts for the uncontrollable parameters for each control year. In this regard, the Commission has also observed that Clause 4.6 of the MYT Regulation provides that the Commission shall normally not revisit the performance targets even if the targets are fixed on the basis of un-audited accounts. Commission in its MYT Order has fixed the targets for the controllable parameters and Clause 4.8 and 4.9 defines targets for controllable parameters for AT&C losses, O&M expenditure and quality of supply. Therefore, considering the revision of controllable parameters for FY 09-10 now would essentially imply revision of one set of projections with another.

4.4. The Commission has noticed that the Clause 5.28 of MYT Regulation provides specifically for corrections for uncontrollable factors for each year of the control period to be included in the ARR of the retail supply business.

4.5. The Commission observed, as noted in the previous paragraph, the objective of segregating costs into controllable and uncontrollable is to differentiate cost which are expected to be easily controlled by the licensee and the cost over which the licensee does not have significant control. Therefore, the second category of cost where licensee does not have much control is because of uncontrollable parameters i.e. power purchase quantum/cost and sales. The Commission feels it is important to revisit the projections of power purchase made in the MYT order as power purchase represents approximately 75% of the ARR.

4.6. A reference to Para 5.1 of the MYT Order also indicates that the uncontrollable parameters viz power purchase cost and sales may require year to year revision. Accordingly, the Commission had fixed the retail tariff till 31st March, 2009 only, to take care of any variations in uncontrollable parameters as the power purchase cost represents approximately 75% of the ARR.

4.7. In light of the above, the Commission has considered the revision of ARR for uncontrollable parameters for FY 09-10 and other components of costs are considered as per the MYT Order. However, the Commission has now computed the revenue for the FY 09-10 since it was not computed in the MYT Order.

Energy Sales

Petitioner's Submission

4.8. The Petitioner has not submitted revised sales estimates for FY 09-10 and has kept the energy sales at the same level as approved in the MYT Order.

Commission's Analysis

4.9. In the MYT Order, the Commission had considered the 4 years CAGR for projecting sales for the Control Period taking into account consumption trends in recent period.

4.10. The Commission is of the view that the factors affecting the actual consumption of electricity are numerous and often beyond the control of the licensee including factors such as Government Policy, economic climate, weather conditions and force majeure events like natural disasters, etc. Under such a situation, the attempt is to look into various factors and estimate the interrelationships to arrive at a reasonably accurate forecast within a range and use a single point-estimate within the range for the purpose of estimating future costs/ revenues. Based on this approach, the Commission has revisited the sales approved for FY 09-10 in the MYT Order.

4.11. The Commission, therefore for projecting/revising the category-wise consumption of NDMC for the FY 09-10 has considered the sales growth trends during past two years (FY 08 & FY 09) in the distribution area of NDMC.

4.12. The Commission while doing the true-up for FY 07-08 has observed that there are minor variations in the actual category-wise sales during FY 07-08 as against the approved sales in the MYT Order. Further, the Commission has analysed the provisional sales data provided by the Petitioner for FY 08-09 and has noticed that the provisional sales is close to the sales approved in the MYT Order.

4.13. Further, the Commission has computed the revised sales for FY 09-10 based on the actual sales for FY 07-08 and provisional sales for FY 08-09 submitted by the Petitioner. However, the Commission has observed that the revised projection of sales is similar to the projections made in the MYT Order. Therefore, considering the low variation in MYT Order approved sales for FY 09-10 and revised sales computed by the Commission for FY 09-10, the Commission is of the view that there is no requirement for changing the projections of sales for FY 09-10.

4.14. In the absence of sales projections for DMRC for FY 09-10, its impact on sales/ revenue will be considered on actuals at the time of true-up of FY 09-10.

4.15. The Commission would like to further reiterate that the energy sales for the Control Period were set with great difficulty at the time of issuance of MYT Order due to the fact that actual slab-wise energy sale for the past years was not available. Further, the Petitioner was not maintaining proper record of energy consumption where kvah billing is applicable.

Table 14: Approved Sales for FY 09-10 (in MUs)

Category	FY 09-10
Domestic	219.54
Non-domestic	268.04
Mixed Load	619.49
Small Industrial Power	0.35
Public Lighting	8.36
Others	4.09
DMRC	0
Total	**1119.87**

AT&C Losses

Introduction

4.16. The AT&C framework is regulated by Clause 4.7 and 4.8 of the MYT Regulations. As per Clause 4.7 the Commission shall set targets for each year of the Control Period for the items or parameters that are deemed to be controllable. AT&C Loss is included as one of the controllable parameters as per this Clause. Essentially this means that the Commission shall provide AT&C Loss targets to be achieved for each year of the Control Period.

4.17. The first Control Period for four years runs from FY 07-08 to FY 10-11. The Commission has provided in its MYT Order the AT&C Loss targets for each year of the control period.

4.18. The MYT Regulation provides that the NDMC is required to achieve an AT&C Loss target of 10% at the end of the Control Period. Further, the Commission has provided in the MYT Order the AT&C Loss levels for each year of the Control Period which is summarized below:

Table 15: Commission Approved AT&C and Distribution Loss Reduction Trajectory (%)

Particular	FY09	FY10	FY11
AT & C loss target	10.75%	10.38%	10.00%
AT & C loss Reduction over previous year	0.38%	0.38%	0.38%
Distribution loss target	10.75%	10.38%	10.00%
Collection Efficiency	100%	100%	100%

4.19. The Commission has analyzed that for FY 07-08 the Petitioner has not been able to achieve the AT&C Loss level target set in the MYT Order. A detailed computation in this regard has been discussed earlier in the Chapter A3 under the section of "AT&C Loss". As per the computation & analysis of AT&C Loss level done by the Commission, the Petitioner has achieved an AT&C Loss level of 14.79% compared to the targeted minimum AT&C loss level of 11.20% prescribed in the MYT Order for FY 07-08.

4.20. However, the Commission is of the opinion that the AT&C loss level is a controllable parameter as per the MYT Regulations. Therefore, the AT&C loss level for FY 09-10 will remain the same as specified in the MYT Order and any over-achievement or under-achievement in the same will attract a benefit or a penalty.

4.21. Accordingly, the power purchase requirement for the FY 09-10 has been computed based on the AT&C Loss level of 10.38% for FY 09-10 as approved in the MYT Order.

Energy Requirement

4.22. The Commission has computed the energy requirement for FY 09-10 as per the revised sales estimate and distribution losses of 10.38% as approved by the Commission in the MYT Order for FY 09-10. The approved energy requirement for FY 09-10 is summarized in Table 16 below:

Table 16: Energy Requirement for FY 09-10 approved by the Commission

Particulars	As per MYT Order	Revised Projections
Sales (in MUs)	1119.87	1119.87
Distribution Losses (%)	10.38%	10.38%
Energy Requirement (in MUs)	1249.51	1249.51

Power Purchase

4.23. Under the framework of MYT Regulations Power Purchase quantum has been classified as an Uncontrollable Component. Since power purchase cost contributes maximum share in the total Annual Revenue Requirement of the Petitioner; it is pertinent that the projection of power purchase expense is done with utmost prudence. Power from all the sources including Central Sector Generating Plants, State Generating Plants, Future Plants, etc is analyzed to determine the total power purchase quantum and cost for the Petitioner.

Allocation of Power from Central and State Generating Stations

4.24. The Commission through its Order dated 7th March, 2008 has reallocated the power among the distribution companies from the Generating Stations in Delhi System. In this reallocation, NDMC has been allocated power from three plants namely BTPS (125 MW), Dadri TPS (125 MW) and Pragati Power plant (100 MW) compared with the earlier allocation of 350 MW from BTPS plant only. Allocation of the other three DISCOMs (i.e. BRPL, BYPL & NDPL) has subsequently increased from BTPS and decreased from Dadri TPS and Pragati Power Plant.

4.25. The balance firm power from BTPS, Dadri and Pragati is distributed among the three DISCOMs in the ratio of the Reassignment Order (i.e. 43.58%, 27.24% and 29.18% to BRPL, BYPL and NDPL, respectively). However, the 15% unallocated power from these plants is to be received in the ratio of 10%, 55% and 35% to BRPL, BYPL and NDPL, respectively. Further, unallocated power from the NDMC share in these plants (52.5 MW) has been assigned to BRPL.

4.26. **GoNCTD through its letter no. F.11(41)/2007/Power/845 dated 26th March, 2009 has extended the Order no. F11(41)/2007/Power/2397 regarding allocation of unallocated power quota up to the June 30, 2009. Therefore, Commission has considered the distribution of unallocated power from the NDMC's share in Dadri, BTPS and Pragati for the first quarter of FY 09-10 as per the existing GoNCTD Order. For the remaining FY 09-10, the Commission has assumed that the unallocated power (15%) from NDMC's share in Dadri, BTPS and Pragati would be at the disposal of the GoNCTD and may be allotted by the Government to the needy distribution company(ies).**

4.27. If GoNCTD allocated the unallocated power in any manner other than the assumption in the preceding Paras above, the same shall be accounted for at the time of true-up of power purchase costs in the subsequent Orders. The Commission has already addressed the GoNCTD in this regard vide letter dated May 28, 2009.

4.28. The allocation considered by the Commission for projection of power availability from the Delhi Stations is summarised in Table 17 below:

Table 17: Allocation from Delhi Stations to NDMC

Stations	Installed Capacity (in MW)	NDMC Share (in MW)	Firm Allocation (85%) (in MW)	Unallocated Share (in MW)
BTPS*	705	125	106	19
Dadri**	840	125	106	19
Pragati*	305	100	85	15
Total	**1850**	**350**	**298**	**53**

** Total installed capacity of BTPS and Pragati is 705 MW & 305 MW, respectively. However, 530MW and 230MW is allocated to BRPL, BYPL and NDPL. Remaining 250 MW is allocated to NDMC and MES.*

*** Total installed capacity of 840 MW of which 756 MW is allocated to Delhi. 631MW is allocated to BRPL, BYPL and NDPL and the remaining 125MW is allocated to NDMC.*

Energy Availability from the Generating Stations in Delhi System

4.29. The Commission has computed the energy availability from the Pragati station (PPCL) based on the approved PLF and auxiliary consumption in the MYT Order for PPCL. For BTPS and Dadri TPS, the energy availability has been computed as per the PLF and auxiliary consumption approved by the Commission in the Petitioner's MYT Order dated March 7, 2008.

4.30. The effective share of firm and unallocated power from these plants has been applied on the net energy available from each plant to compute the total energy available for the Petitioner in FY 09-10. The effective share has been computed based on the allocation of power from Delhi system generating stations discussed earlier under "Allocation of Power from Central and State Generating Stations".

4.31. The Commission is of the opinion that actual power availability from the generating stations in Delhi System may vary from the projected units based on the actual units generated and share of the Petitioner in unallocated power. However, power purchase quantum is an uncontrollable parameter and will be true-up at the end of the year.

4.32. The projected net energy available to the Petitioner during FY 09-10 from the generating stations in Delhi System is summarized in Table 18 below.

Table 18: Energy Available from Delhi Generating Stations to NDMC as Approved by the Commission (MUs)

Generating Station	MYT Approved Units Availability	Revised Approved Availability
BTPS	697	697
Dadri	813	813
Pragati	578	578
Total Units	**2088**	**2088**

Power Purchase/Sale Quantum from Other Sources: Intra-State & Bilateral

4.33. The Commission has observed that the Petitioner has purchased 0.21 MUs of power from other sources during FY 07-08. The Commission is of the view that the Petitioner has adequate allocation of power from the generating stations in Delhi system and is not required to purchase any additional power from other sources. Therefore, the Commission has not considered any power purchase from bilateral or intra-state for FY 09-10.

4.34. However, based on the projected availability of power and demand of power in the distribution area of the Petitioner, the Commission is of the view that the Petitioner would have surplus power for sale to other sources i.e. bilateral and intra-state.

4.35. The Commission has assumed that the surplus power available to the Petitioner will be sold under intra-state and bilateral/ banking arrangements in the ratio of 50% and 50%. The units sold through other sources are summarized in Table 19 below:

Table 19: Energy Purchase /Sales through Other Sources for FY 09-10 (MUs)

Other Sources	MYT Approved	Revised Approved Availability
Power Sold to other Sources		
Intra State Power Sale	395	390
Bilateral / Banking Sale	395	390
Other Sales Total	**790**	**779**

4.36. As per the revised computation, the Petitioner would have surplus power of 779 MUs available for sale during FY 09-10 compared with the earlier estimate of 790 MUs in the MYT Order. As per the Provisional Load Generation Balance Report 2009-10 for the Northern Region dated 15th April, 2009 by Northern Regional Power Committee (NRPC), Delhi would have a surplus of 5143 MUs during FY 09-10 considering the demand within the State and availability of power from various generating stations. The Commission would like to highlight that the total surplus power for Delhi as estimated by the Commission for FY 09-10 is also inline with the NRPC estimates for Delhi.

Power Purchase Cost

Cost of Power Purchase from Existing Stations

4.37. The following methodology has been adopted by the Commission for estimation of the power purchase cost for FY 09-10 from existing stations:

a) The Commission continues with the earlier projections of fixed cost made in the MYT Order for FY 09-10. However, the Commission has provided an additional 7% increase in fixed cost over and above the FY 09-10 approved fixed cost in view of the recent CERC Tariff Regulations, 2009 for revision of Return on Equity, higher escalation in O&M costs, etc. The Commission has also considered the revised share of the Petitioner in BTPS and Dadri TPS while computing the fixed cost for the Petitioner from these plants.

b) The fixed cost for State generating stations has been considered based on the respective MYT Order of the Generation Company for the Control Period FY08 to FY11 as the ARR of the State generating stations has been fixed for the Control Period.

c) The variable cost (including fuel price adjustment) has been computed based on the average of actual variable charges per unit for FY 07-08 and FY 08-09 for these stations. An escalation of 4% has been applied for coal based stations on the average variable cost computed by the Commission to account for the increase in fuel cost. It is observed that the price of coal procured from Coal India Limited has remained unchanged since December 2007 and the spot price of imported coal has declined from $128 in April 2008 to $62 in April 2009.

d) Moreover, as per the recent CERC Tariff Regulations, 2009, tightening of SHR norms and secondary fuel oil consumption will result in the reduction of variable cost. Therefore, an average of variable cost for FY 07-08 and FY 08-09 would be adequate to meet the liability on account of variable cost from the power plants.

e) Other charges including income tax, incentive, etc for FY 09-10 has been assumed at similar level as approved in the MYT Order.

f) The Commission has computed the total power purchase cost considering fixed cost, variable cost (including FPA) and other charges (incentive, income tax, etc) for each plant.

4.38. The revised total power purchase cost computed by the Commission is summarized in Table 20 below:

Table 20: Approved Total Power Purchase Cost for NDMC from Existing Stations (Rs. Crs)

Source	MYT Order Approved	Revised Cost
Generating Stations in Delhi System		
BTPS	206.90	213.20
Dadri Thermal	194.39	198.31
Pragati -I	118.10	124.00
Total Cost	**519.39**	**535.51**

Cost of Power from Other Sources

4.39. For the sale of surplus power through intra-state during FY 09-10, the Commission has considered Rs. 3.00 per unit in line with the average rate of sale for FY 07-08 and FY 08-09 (provisional) for all distribution companies in Delhi. A rate of Rs. 5.50 per unit has been assumed for surplus power sold under bilateral arrangements by the Petitioner even though the average rate of power sold for Delhi as a whole for 2007-08 and 2008-09 were ~Rs. 5.61 per unit and ~Rs. 5.87 per unit respectively. The Commission has considered the actual average rate of bilateral sale for Delhi for FY 07-08 and provisional average rate of bilateral sale for Delhi for FY 08-09 for computing the rate of sale of power under bilateral arrangements.

Table 21: Total Cost of Power Purchase/Sale through Other Sources for FY 09-10 (Rs. Crs)

Particulars	Cost as Per MYT	Revised Cost
Power Sold to Other Sources		
Intra State Power Sales	108.69	116.86
Bilateral Power Sales	158.09	214.25

Particulars	Cost as Per MYT	Revised Cost
Net Bilateral Sale	**266.79**	**331.11**

Transmission Losses and Charges

4.40. The Commission has continued with the PGCIL losses of 3.5% for northern region as considered in the MYT Order. However, considering the high DTL losses during FY 07-08 and FY 08-09, the Commission has considered intra-state loss level of 1.50% as compared with the MYT approved 0.95% DTL loss level.

4.41. In case of other DISCOMs, the Commission has observed large variations in the actual and approved PGCIL transmission charges during FY 07-08 and FY 08-09. Therefore, the Commission has considered the PGCIL cost per MW as per the recent PGCIL bills for the month of Jan/Feb 2009 and has multiplied it with total MW capacity allocation for the Petitioner during FY 09-10. Intra-state transmission charges have been assumed at the similar level as approved for FY 09-10 in the MYT Order.

4.42. The PGCIL and DTL transmission losses and the cost is summarized in Table 22 below:

Table 22: Approved Transmission Losses and Charges for FY 09-10

Particulars	MYT Order Approved	Revised
Transmission Losses (in MUs)		
Inter-State (PGCIL)	28.47	28.47
Intra-State (DTL)	19.84	30.89
Total Transmission Losses	**48.31**	**59.36**
Transmission Charges (Rs. Crs)		
Inter-State (PGCIL)	7.85	13.80
Intra-State (DTL)	14.36	14.36
Total Transmission Charges	**22.21**	**28.16**

Energy Balance

4.43. Total power purchase for FY 09-10 as approved by the Commission is summarized below:

Table 23: Energy Balance for FY 09-10

Particular	As Per MYT			As Per Revised		
	Units (in MUs)	Total Cost (Rs. Crs)	Avg Cost*	Units (in MUs)	Total Cost (Rs. Crs)	Avg Cost*
Power Purchase from Dadri TPS	813.49	194.39	238.96	813.49	198.31	243.77
PGCIL losses	28.47			28.47		
Power purchase from Delhi Stations$	1274.80	325.00	254.94	1274.47	337.20	264.58
Power Available at Delhi Periphery	2059.82			2059.49		
DTL loss	19.84			30.89		
Power available to NDMC	2039.98			2028.59		
Sales	1119.87			1119.87		
Distribution Loss	10.38%			10.38%		
Required Power	1249.51	252.60	202.16	1249.51	204.40	163.58
Surplus/ (Deficit) Power available at NDMC Boundary	790.47	266.79	337.51	779.09	331.11	425.00

**Average cost in Paisa per unit*
$Includes BTPS and PPCL

Controllable Parameters

4.44. All other costs including O&M Costs have been projected in the MYT Order dated March 7, 2008. These costs were projected considering the various operating parameters for each year of the Control Period. Also, as per the MYT Regulations these costs are not required to be trued up. However, the MYT Regulations requires that these costs should be reviewed at the end of each year. The detailed framework regulating these costs has already been considered in Chapter 3 of this Order.

4.45. In light of the above, the Commission has considered other costs including the impact of sixth pay commission as per the projections made for FY 09-10 in the MYT Order dated March 7, 2008. In regard to the impact of the Sixth Pay Commission/ Shive Shankaran Committee, the Commission holds that the impact on this account is uncertain and should be trued up during the Control Period based on the actual impact. Moreover, the Commission has observed that provision of Rs. 12.34 Crs has been made for sixth pay commission upto FY 07-08 and subsequently revised salary base has been considered for projecting the employee cost from FY 08-09 onwards. The Commission is of the view that the above provision is sufficient to meet the claim arising due to provisional payment made by the Petitioner on account of sixth pay commission.

4.46. Further, the Commission has noticed that the Petitioner has mentioned the applicability of sixth pay commission and Shive Shankaran Committee in the true-up petition. The Commission is unable to comprehend the applicability of sixth pay commission or Shive Shankaran committee on the Petitioner based on the submissions made by the Petitioner. Therefore, this issue will further dealt with based on the submissions of NDMC in the next Tariff Order.

4.47. In order to enable the Petitioner to pursue its energy conservation and demand side management program, the Commission approves a provisional expenditure of Rs. 2 Crs for the year FY 09-10. The Petitioner is directed to submit various schemes of the energy conservation program for approval of the Commission. This expenditure will be trued-up at the end of FY 09-10. If the results are encouraging, the Commission will consider increasing this amount on merits.

Aggregate Revenue Requirement

4.48. Based on the above approach, Table 24 below summarises the ARR approved in the MYT Order and the revised ARR for FY 09-10.

Table 24: Approved ARR for FY 09-10 (Rs. Crs)

Particulars	As Per MYT Order	Revised ARR
Cost of Power Purchase	252.60	204.40
Inter-State Transmission (PGCIL) charges	7.85	13.80
Intra-state Transmission (DTL) charges	14.36	14.36
SLDC fees and charges	0.60	0.60
Operation & Maintenance Costs	97.85	97.85
Depreciation	23.85	23.85
Admin & Civil Engg. Dept Expenses	45.37	45.37
Return on Capital Employed	48.42	48.42
Less: Non Tariff Income	3.35	3.35
Energy Conservation	0.00	2.00
Aggregate Revenue Requirement	**487.55**	**447.29**

Revenue (Gap)/ Surplus at Existing Tariffs

4.49. The Commission has computed the revenue for the FY 09-10 considering the revised sales approved in the Table 14. The Commission's estimate of the revenues from sale of power for FY 09-10 at existing tariffs is tabulated below.

Table 25: Revenue (Gap)/Surplus for FY 09-10 (Rs. Crs)

Particulars (Rs. Crs)	FY 09-10
Aggregate Revenue Requirement	447.29
Revenue at Existing Tariffs	533.62
Revenue (Gap)/Surplus	86.33

Treatment of Revenue (Gap)/Surplus

Petitioner's Submission

4.50. The Petitioner has not computed the revenue estimates for FY 09-10 and has kept the ARR as the same level approved in the MYT Order for FY 09-10. Further, the Petitioner has not proposed any revenue gap/ surplus for the FY 09-10.

Commission's Analysis

4.51. Based on the Commission's analysis undertaken for true up for FY 07-08, there is a revenue surplus of Rs. 183.93 Crs for FY 07-08. Therefore, the total revenue surplus along with the carrying cost of 9% amounts to Rs. 192.21 Crs at the beginning of FY 08-09.

4.52. The Commission analysed that as per the MYT Order the estimated revenue surplus is Rs. 73.24 Crs for FY 08-09. The true-up for FY 08-09 will be undertaken based on the Audited Accounts during the next Tariff Order for FY 10-11. Further, based on Commission's computation there is a revenue surplus of Rs. 86.33 Crs for FY 09-10 at the existing level of tariffs. The summary of adjustment of the truing up gap of NDMC, if the existing tariffs continue, is summarised in Table 26 below:

Table 26: Net Revenue (Gap)/Surplus of NDMC at Existing Tariffs (Rs. Crs)

Particulars	FY 07-08	FY 08-09	FY 09-10
Opening level of Surplus	0.00	192.21	286.04
Revenue Requirement for the year	299.52	443.04	447.29
Revenue at existing tariffs	483.46	516.28	533.62
Surplus/ (Gap) for the year	183.93	73.24	86.33
Closing level of (Gap)/Surplus	183.93	265.45	372.37
Carrying Cost for the year (at 9%)	8.28	20.59	29.63
Net (Gap)/ Surplus	**192.21**	**286.04**	**402.00**

4.53. The Commission observes that after meeting the aggregate revenue requirement the Petitioner has a revenue surplus of Rs. 402 Crs. in the FY 09-10.

Treatment of DTL Arrears

4.54. Delhi Transco Limited has filed a Petition on 25th March, 2009 requesting the Commission for following payment on account of additional liability which has arisen for the past period, i.e. FY 2002-03 to 2006-07. The claim preferred by them in their Petition is as under:

Table 27: Claim as per DTL Petition (Rs. Crs)

S. No.	Particulars	Amount
1	Revised Power Purchase Tariff passed by CERC and other forums in favour of various generating stations.	117.95

S. No.	Particulars	Amount
2	Wage revision Arrears payable in 2008-09 (over and above considered by the Commission in the MYT Orders for the FYs 2005-06, 2006-07 and 2007-08 upto December, 2008)	48.66
3	Service tax Liability on wheeling charges under the process of levy by Commissioner of Service Tax	-

4.55. Justifying their claim, DTL has stated that the revised power purchase liability amounting to Rs. 117.95 Crs has arisen on account of Orders of the CERC for revised tariff of NTPC and other Gencos for the past period.

4.56. The Commission has admitted the Petition of DTL and has considered the arguments advanced them. Pending final decision in the matter the Commission deems it appropriate to provisionally allow the amount claimed in respect of revised power purchase cost claimed by the Transmission Utility. The Commission appreciates the financial difficulties explained by DTL and is of the view that not providing for the additional liability on account of revised power purchase in the present Tariff order may adversely impact the financial position/Capex plan of the company. The Commission is also aware that the total ARR of DTL is only to the tune of about Rs. 180 Crs. This being a company with a small capital base, the Commission is of the view that making provisional allowance of Rs. 117.95 Crs would enable DTL to go ahead with their Capex plan which will strengthen the transmission infrastructure and will be in the ultimate interest of the consumers. This provisional allowance of Rs. 117.95 Crs is subject to the final decision of the Commission in the matter. The Commission is also of the view that since this liability relates to past power purchases, the same has to be necessarily passed on to DISCOMs and ultimately to the consumers.

4.57. The apportionment of Rs. 117.95 Crs (to be paid to DTL) amongst different Distribution Licensees is being done on provisional basis. This provisional allocation is subject to the final decision by the Commission in the matter. The provisional allocation of Rs. 117.95 Crs is summarised in Table 28 below:

Table 28: Provisional Apportionment of DTL Claim

DISCOM	Power Purchase Allocation	Amount (Rs. Crs)
BRPL	40.00%	47.18
BYPL	24.00%	28.31
NDPL	26.00%	30.67
NDMC	10.00%	11.80

A5: TARIFF DESIGN

Introduction

5.1 This section focuses on the revenue at existing tariffs, revenue gap and tariff philosophy of the Commission.

Revenue (Gap)/Surplus at Existing Tariffs

5.2 The summary of net revenue surplus/ (gap) for NDMC along with adjustment of the truing up gap at existing tariffs is shown below:

Table 29: Net Revenue (Gap)/Surplus of NDMC at Existing Tariffs (Rs. Crs)

Particulars (Rs. Crs)	FY 07-08	FY 08-09	FY 09-10
Opening level of Surplus	0.00	192.21	286.04
Revenue Requirement for the year	299.52	443.04	447.29
Revenue at existing tariffs	483.46	516.28	533.62
Surplus/ (Gap) for the year	183.93	73.24	86.33
Closing level of (Gap)/Surplus	183.93	265.45	372.37
Carrying Cost for the year (at 9%)	8.28	20.59	29.63
DTL Claim on Provisional Basis			11.80
Net (Gap)/ Surplus	**192.21**	**286.04**	**390.21**

Treatment of Revenue Surplus

5.3 The Commission had taken steps towards reduction of cross-subsidy and had attempted to align the tariffs with the cost of supply at various voltage levels in the Tariff Orders of other DISCOMs. However, the Commission would like to highlight that the Petitioner does not maintain the asset-wise break-up at each voltage level. Therefore, it is difficult for the Commission to compute the cost of service at each voltage level for the Petitioner.

5.4 In view of the above, the Commission in this Tariff Order has still made an effort to reduce the prevailing cross subsidy level in the existing tariff structure. The prevailing levels of electricity tariff in Delhi contain a large degree of cross subsidy, with some categories of consumers paying well above the cost of supply. It has to be recognised that low and subsidised tariff initiate inefficient high demand for power, which puts pressure on the system capacity and the quality of service. As per Section 61 (g) of the Electricity Act 2003 the tariff should progressively reflect the cost of supply of electricity and also reduce and eliminate cross-subsidies within the period to be specified by the Commission.

5.5 The Commission has reduced the existing energy charges of some of the consumer categories. The reduction of tariff is determined considering the current power purchase cost, consumption pattern in consumer categories, seasonality trends in consumption, power purchase from outside states to meet the peak shortages and level of cross subsidy in the existing tariff.

5.6 The Commission is in the process of reducing the cross subsidy to the levels proposed by the Government of India over a period of time. As a first step, the energy charges is proposed to be reduced by 10 paise in the Small Industrial Power during the winter months viz October to March as indicated in the Tariff Schedule. The reason for allowing lower tariff in the winter months is that the average cost of power purchase is lower during the winter months. While passing the benefits to the industrial consumers, Commission is of the view that the industries should take steps to conserve energy by DSM at all times and more so during the period from April to September. Moreover, while doing this reduction, the Commission has incentivised the category of consumers availing power at higher voltages since the incidence of loss at a higher voltage is lower than the loss level of consumers connected at lower voltages.

5.7 The Commission has considered the submissions made by DMRC regarding creation of separate category for DMRC. Therefore, the Commission has fixed the tariff of DMRC based on the cost to serve. The Commission proposes to continue with the similar level of fixed and energy charges as determined incase of other DISCOMs.

5.8 The Commission has also rationalised the energy charges for the consumers under temporary supply in line with the energy charges for temporary supply of other DISCOMs.

5.9 The surplus, if any, of the NDMC after considering the reduction of tariff in some of the categories in FY 09-10 would be transferred to the MYT contingency reserve as specified in MYT Regulations along with necessary carrying cost based on the time of collection of the surplus amounts and the time at which these amounts are created to the Contingency Reserve. Funds available in the Contingency Reserve shall be considered while determining the aggregate revenue requirement and the tariff structure of the respective company for FY 10-11.

Revenue (Gap)/Surplus at Approved Tariffs

5.10 The summary of net revenue surplus/ (gap) for NDMC along with adjustment at approved tariffs is shown below

Table 30: Net Revenue (Gap)/Surplus of NDMC at Approved Tariffs (Rs. Crs)

Particulars (Rs. Crs)	FY 07-08	FY 08-09	FY 09-10
Opening level of Surplus	0.00	192.21	286.04
Revenue Requirement for the year	299.52	443.04	447.29
Revenue at Approved tariffs	483.46	516.28	533.62
Surplus/ (Gap) for the year	183.93	73.24	86.33
Closing level of (Gap)/Surplus	183.93	265.45	372.37
Carrying Cost for the year (at 9%)	8.28	20.59	29.63

Particulars (Rs. Crs)	FY 07-08	FY 08-09	FY 09-10
DTL Claim on Provisional Basis			11.80
Net (Gap)/ Surplus	**192.21**	**286.04**	**390.20**

5.11 The Commission, hereby, directs the Petitioner to transfer the complete surplus revenue realised in FY 09-10 at approved tariffs to MYT Contingency Reserve. This surplus shall be used in accordance with the directions of the Commission from time to time. The Petitioner is directed to approach the Commission for the same. The Commission however, would like to highlight that the surplus revenue of Rs 390.20 Crs as determined is a provisional estimate and may change while truing up of the expenses for FY 09-10.

Tariff Schedule

	Category	Fixed/Demand Charges [1]	Energy Charges (April to Sep)	Energy Charges (Oct to March)
1	**Domestic Lighting & Fan and Power on**			
1.1	**Single Delivery Point [2]**			
	Life Line up to 50 units	2 Rs /kW/month	125 Paise/kWh	
	0-100 units	2 Rs /kW/month	150 Paise/kWh	
	101-200 units	2 Rs /kW/month	210 Paise/kWh	
	201-400 units	2 Rs /kW/month	300 Paise/kWh	
	Above 400units	2 Rs /kW/month	360 Paise/kWh	
1.2	**Separate Delivery Points/Meters**			
A	Lighting/Fan	2 Rs /kW/month	Same as in 1.1	
B	Power	2 Rs /kW/month	360 Paise/kWh	
2	**Non Domestic**			
2.1	**Non Domestic (Low Tension)**			
A	Single Phase (<= 5kW)	2 Rs /kW/month	440 Paise/kWh	
B	Three Phase (>= 5kW)	2 Rs /kW/month	500 Paise/kWh	
2.2	**Mixed Load (High Tension) – Sanctioned Load >100 kW**			
A	Supply at 11 kV (HT)	150 Rs/kVA/month	390 Paise/kVAh [3]	
B	Supply on LT (400 Volt, where supply is given from NDMC sub-station)	200 Rs/kVA/month	465 Paise/kVAh	
c	Where applicant provides built up space for sub-station	Tariff for Supply on 11 kV as above plus 10%		
3	**Small Industrial Power [4]**	2 Rs /kW/month	410 Paise/kWh	400 Paise/kWh
4	**Public Lighting**	Maintenance Charges @ Rs 60/ month/ Street lighting point	360 Paise/kWh	
5	**Railway Traction(other than DMRC) [5]**	150 Rs/kVA/month [6]	340 Paise/kVAh	
6	**Temporary Supply**			
6.1	For a total period of			
A	Less than 16 days	50% of the relevant category	higher by 30% (temporary surcharge) of the relevant category of tariff	
B	More than or equal to 16 days	same as that of relevant category	higher by 30% (temporary surcharge) of the relevant category of tariff	
6.2	For religious functions of traditional and established characters and cultural activities	Same as 1.1	Same as 1.1 without temporary surcharge	
6.3	For major construction projects	Same as that of relevant category	Same as that of relevant category with temporary surcharge of 30%	
7	**Delhi Metro Rail Corporation (DMRC)**			
A	DMRC (220 kV)	75 Rs/kVA/month	300 P/kVAh	
B	DMRC (66 kV)	75 Rs/kVA/month	300 P/kVAh	

Notes of Superscripts:

[1] For all categories other than Domestic, Fixed/Demand charges are to be levied on sanctioned load or MDI reading, whichever is higher, on per kW or part thereof basis. Where the MDI reading exceeds contract demand by more than 5%; a surcharge of 30% shall be levied on the fixed/demand plus energy charges for such billing cycle only.

[2] The entitlement of various slabs under domestic category shall be worked out on pro-rata basis depending upon the duration of the billing cycle.

[3] The incumbent shall be entitled for a rebate of 2.5% on the energy charges on 11 kV rates for availing 3 phase supply on 33/66 kV and 4% for supply at 220 kV.

[4] For Industrial consumers having valid NDMC licensee

[5] Tariffs for Northern Railways Traction are based on the supply being given through a single delivery and metering point at single voltage. An additional capacity blockage charges are also applicable to be calculated as Rs 1260 x (2.97A + 5) where A is contract/maximum demand, whichever is higher, in MVA subject to a minimum of Rs 25000.

[6] The simultaneous maximum demand, for all metering points, shall be considered for levying demand violation charges.

Electricity taxes and other levies

5.12 The rates stipulated in the Schedule are exclusive of electricity tax and other taxes and charges, as levied from time to time by the Government or any other competent authority, which are payable extra.

Surcharges

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

Payments

5.14 In the event of the electricity bill rendered by the licensee, not being paid in full within the time specified on the bill, a surcharge @ 1.5% on the principal amount of bill which has not been paid shall be levied for each 30 days successive period or part thereof until the payment is made in full without prejudice to the right of the licensee to disconnect the supply after due date in the event of non-payment in accordance with section 56 of Electricity Act, 2003. This will also apply to temporary connections, where payment of final bill amount after adjustment of consumption deposit, is not made by due date.

5.15 The Commission directs the Petitioner, that in case the bill for consumption of electricity is more than Rs. 4,000, payment for the bill shall only be accepted by the Petitioner by means of an Account Payee cheque/DD. However, the blind consumers shall be allowed to make payment of electricity bills, for any amount, through cash.

Billing in kVAh

5.16 Wherever the fixed/demand/energy charges are specified in Paisa per kVAh, for the purpose of billing the kVAh as read from the meter shall be used.

Interpretation/clarification

5.17 In case of doubt or anomaly, if any, in the applicability of tariff or in any other respect, the matter will be referred to the Commission and Commission's decision thereon shall be final and binding.