ORDER

on

TRUE UP

for

FY 2008-09 & FY 2009-10

and

AGGREGATE REVENUE REQUIREMENT

for

FY 2011-12

for

NEW DELHI MUNICIPAL COUNCIL

DELHI ELECTRICITY REGULATORY COMMISSION

AUGUST, 2011

LIST OF TABLES

List of Abbreviations

ARR	Aggregate Revenue Requirement
A&G	Administrative and General
AAD	Advance Against Depreciation
ABT	Availability Based Tariff
ACD	Advance Consumption Deposit
AMR	Automated Meter Reading
APDRP	Accelerated Power Development and Reforms Program
AT&C	Aggregate Technical and Commercial
ATE	Appellate Tribunal for Electricity
BEST	Birhanmumbai Electric Supply Test
BHEL	Bharat Heavy Electrical Limited
BIS	Bureau of Indian Standards
BPTA	Bulk Power Transmission Agreement
BRPL	BSES Rajdhani Power Limited
BST	Bulk Supply Tariff
BTPS	Badarpur Thermal Power Station
BYPL	BSES Yamuna Power Limited
CAGR	Compounded Annual Growth Rate
CCGT	Combined Cycle Gas Turbine
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CFL	Compact Fluorescent Lamp
CGHS	Cooperative Group Housing Societies
CGS	Central Generating Stations
CIC	Central Information Commission
CISF	Central Industrial Security Force
CoS	Cost of Supply
CPI	Consumer Price Index
CPRI	Central Power Research Institute
CPSUs	Central Power Sector Utilities
CSGS	Central Sector Generating Stations
CWIP	Capital Work in Progress
DA	Dearness Allowance
DA	Distribution Automation
DDA	Delhi Development Authority
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
DVC	Damodar Valley Corporation
EHV	Extra High Voltage
EPS	Electric Power Survey
FBT	Fringe Benefit Tax
FPA	Fuel Price Adjustment
GFA	Gross Fixed Assets
GIS	Geographical Information System
GoNCTD	Government of National Capital Territory of Delhi
GTPS	Gas Turbine Power Station
HEP	Hydro Electric Power
HPSEB	Himachal Pradesh State Electricity Board
HRA	House Rent Allowance
HT	High Tension
HVDS	High Voltage Distribution System
IDC	Interest During Construction
IGI Airport	Indira Gandhi International Airport
IPGCL	Indraprastha Power Generation Company Limited
JJ Cluster	Jhugghi Jhopadi Cluster
KSEB	Kerala State Electricity Board
LED	Light Emitting Diode
LIP	Large Industrial Power
LT	Low Tension
LVDS	Low Voltage Distribution System
MCD	Municipal Corporation of Delhi
MES	Military Engineering Service
MLHT	Mixed Load High Tension
MMC	Monthly Minimum Charge
MoP	Ministry of Power
MTNL	Mahanagar Telephone Nigam Limited
MU	Million Units
MYT	Multi Year Tariff
NABL	National Accreditation Board for Testing and Calibration of Laboratories
NAPS	Narora Atomic Power Station
NCT	National Capital Territory
NDLT	Non Domestic Lowe Tension
NDMC	New Delhi Municipal Corporation
NDPL	North Delhi Power Limited
NEP	National Electricity Policy
NGO	Non Government Organisation
NHPC	National Hydroelectric Power Corporation
NPCIL	Nuclear Power Corporation of India Limited

NRPC	Northern Regional Power Committee
NTI	Non Tariff Income
NTP	National Tariff Policy
O&M	Operations and Maintenance
OCFA	Opening Cost of Fixed Assets
PGCIL	Power Grid Corporation of India
PLF	Plant Load Factor
PLR	Prime Lending Rate
PPA	Power Purchase Agreement
PPCL	Pragati Power Corporation Limited
PTC	Power Trading Corporation
PWD	Public Works Department
R&M	Repair and Maintenance
RAPS	Rajasthan Atomic Power Station
REA	Regional Energy Account
RoCE	Return on Capital Employed
ROE	Return on Equity
RRB	Regulated Rate Base
RTI	Right to Information
RWA	Resident Welfare Associations
SBI	State Bank of India
SERC	State Electricity Regulatory Commission
SIP	Small Industrial Power
SJVNL	Satluj Jal Vidyut Nigam Limited
SLDC	State Load Despatch Center
SPD	Single Point Delivery
SPUs	State Power Utilities
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 New Delhi Municipal Council (hereinafter referred to as 'NDMC' or the 'Petitioner') for True Up of uncontrollable expenses for FY 2009-10 and approval of Aggregate Revenue Requirement (ARR) and Wheeling and Retail Supply Tariffs for all consumer categories for FY 2011-12 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 (hereinafter referred to as the 'MYT Regulations') notified on 30 May, 2007.

New Delhi Municipal Council (NDMC)

1.2 The 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 Under Section 200 of the New Delhi Municipal Council Act 1994, NDMC has the powers to fix charges to be levied for the electricity supplied by it, subject to the provisions of any law for the time being in force.

1.4 Till 31 March, 2007, Delhi Transco Limited (DTL) was the sole entity responsible for the bulk procurement and bulk supply of power in Delhi. All the DISCOMs in Delhi had to purchase power from DTL at an approved Bulk Supply Tariff (BST) based on their capacity to pay. On 28 June, 2006, GoNCTD issued a set of Policy Directions for making power supply arrangements in Delhi from 1 April, 2007. These Policy Directions were issued under Section 108 of the Electricity Act 2003 (hereinafter referred to as the 'Act') and stated the following:

(a) With effect from 1 April, 2007, the responsibility for arranging supply of power in Delhi shall rest with the Distribution Companies in accordance with the provisions of the Electricity Act 2003 and also the National Electricity Policy. The DERC may initiate all measures well in advance so that necessary arrangements are put in place.

(b) With effect from 1 April, 2007, the Delhi Transco Limited will be a Company engaged in only wheeling of power and also operate the State Load Dispatch Centre (SLDC) in accordance with the mandate of the GoNCTD.

(c) The DERC would have to make arrangements on the various existing Power Purchase Agreements (PPAs) between the present Distribution Companies in a manner to take care of different load profiles of the three DISCOMs, the New Delhi Municipal Council (NDMC) and also the Military Engineering Services (MES).

(d) While addressing the issue of transition to new arrangements in which the Distribution Companies would trade in power, specific Orders may be issued by DERC for ensuring that there is no disruption in the transmission network.

1.5 The business of Bulk Supply of electricity is no longer a part of the business of DTL, and the same is now vested with the distribution licensees (DISCOMs) of the State, w.e.f. 1 April, 2007.

1.6 The PPAs of the existing and upcoming projects were assigned to the DISCOMs; vide the Commission's Order dated March 31, 2007. In the same Order, the Commission ordered for introduction of Intra state ABT in Delhi w.e.f 1 April, 2007 with the following conditions:

(a) The UI rate should be the same as prescribed by CERC as on 31 March, 2007. All the five Distribution Companies/ Agencies as well as DTL shall comply with the various provisions of the IEGC/ Regulations issued by CERC in this regard.

(b) The SLDC shall act as the nodal agency for the collection and distribution of UI charges as far as ABT is concerned.

(c) Scheduling be followed as is being practiced which is also generally in conformity with the procedure followed by NRLDC.

(d) STU/SLDC shall exercise necessary control in transmission/ load dispatch, system protection as specified in the Act, IEGC, Regulations of CERC, CEA, Rules etc.

(e) Any Violations of the Act, Rules, Regulations, IEGC etc. shall be brought to the notice of the Commission by STU/SLDC.

Delhi Electricity Regulatory Commission (DERC)

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

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

Functions of the Commission

1.9 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.

1.10 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.

(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."

1.11 As part of the tariff related provisions of the Act, the State Electricity Regulatory Commission (SERC) has to be guided by the National Electricity Policy, National Tariff Policy and the National Electricity Plan.

The Coordination Forum

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

1.13 Accordingly, the GoNCTD vide Notification No. F.11/36/2005/Power/1789 dated 16.06.2005 constituted the Coordination Forum, comprising of Chairperson and Members of DERC, CMD of DTL, Managing Director of IPGCL/PPCL, CEOs of NDPL, BYPL and BRPL with Secretary, DERC as the Member Secretary. Since the Committee constituted did not include NDMC and MES, who also distribute power in Delhi, the Commission had decided to invite them for all the meetings. The Commission has since held 23 meetings on the following dates :

Table 1: Meetings of Coordination Forum

Meeting	Date
1st Meeting	August 29, 2005
2nd Meeting	October 25, 2005
3rd Meeting	December 20, 2005
4th Meeting	January 20, 2006
5th Meeting	March 1, 2006
6th Meeting	April 17, 2006
7th Meeting	May 15, 2006
8th Meeting	June 14, 2006
9th Meeting	August 23, 2006
10th Meeting	September 28, 2006
11th Meeting	November 22, 2006
12th Meeting	January 25, 2007
13th Meeting	March 15, 2007
14th Meeting	April 16, 2007
15th Meeting	October 23, 2007
16th Meeting	November 23, 2007
17th Meeting	August 13, 2009
18th Meeting	October 12, 2009
19th Meeting	November 12, 2009
20th Meeting	December 18, 2009
21st Meeting	February 19, 2010
22nd Meeting	October 1, 2010
23rd Meeting	January 19, 2011

1.14 In the Co-ordination forum meeting held on January 19, 2011, the DTL/SLDC informed that Grid Coordination Committee has already reviewed Delhi Grid Code 2008 and recommended the amendments considering the views of all the members i.e. Distribution Licensees , IPGCL/PPCL. The Commission directed the DTL/SLDC to finalise the amendments to enable the Commission notify the amended grid code expeditiously.

1.15 The Commission again directed and advised Distribution Licensees to expedite the replacement of oil filled transformers by dry type transformers in residential/commercial buildings in compliance to the Commission Order dated 20.01.2010 to avoid any untoward incidents. The Commission further advised wherever 11 kV oil filled switchgear is also installed along with oil filled distribution transformers in residential/commercial buildings, the same should also be replaced to make the premises oil free.

Multi Year Tariff Regulations and Extension of the Control Period

1.16 The Commission 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. 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.

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

1.18 The Commission issued regulations vide notification dated May 30, 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 FY 2007-08 – FY 2010-11 after going through the public hearing process.

1.19 The Commission vide its Order dated May 10, 2011 extended the MYT Regulations and the Control Period for a further period of one year up to March 31, 2012.

Filing of Tariff Petition for True Up of expenses for FY 2008-09

Filing of Petition

1.20 The Petitioner has filed its Petition before the Delhi Electricity Regulatory Commission (hereinafter referred to as ‘DERC or the ‘Commission’) on December 15, 2009 for True Up of uncontrollable expenses for FY 2008-09 under Section 62, 64 and 86 of the Electricity Act, 2003, read with the MYT Regulations, 2007.

Acceptance of Petition

1.21 The Commission admitted the Petition vide its Order dated January 8, 2010 subject to clarifications, if any, which would be obtained from the Petitioner from time to time. A copy of the Admission Order dated January 5, 2010 is enclosed as **Annexure I** to this Order.

Filing of Petition for True Up of expenses for FY 2009-10 and approval of ARR for FY 2011-12

Filing of Petition

1.22 The Petitioner has filed its Petition before the Commission on March 10, 2011 for True Up of uncontrollable expenses for FY 2009-10 and for approval of Aggregate Revenue Requirement (ARR) and Wheeling and Retail Supply Tariff for all consumer categories for FY 2011-12 under Section 62, 64 and 86 of the Electricity Act, 2003, read with the MYT Regulations, 2007.

Acceptance of Petition

1.23 The Commission admitted the Petition for True Up of uncontrollable expenses for FY 2009-10 and Petition for approval of Aggregate Revenue Requirement (ARR) and Wheeling and Retail Supply Tariff for all consumer categories for FY 2011-12 vide its Order dated May 04, 2011 subject to clarifications, if any, which would be obtained from the Petitioner from time to time. A copy of the Admission Order dated May 05, 2011 is enclosed as **Annexure II** 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 on the petitions filed by the utilities, obtaining and analysing information/clarifications received from the utilities and submitting all issues for consideration by the Commission.

1.25 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 the Staff of the Commission and the Consultants in arriving at its final decision

1.27 The Commission conducted a preliminary scrutiny/analysis of the Petition submitted by the Petitioner and observed certain deficiencies. Accordingly, deficiency notes were issued to the Petitioner. Further, the Commission solicited additional information/ clarifications from the Petitioner as and when required. The Petitioner submitted the additional information through various letters, as listed in Table 2.

1.28 The Commission interacted regularly with the Petitioner to seek clarifications and justification on various issues essential for the analysis of the Petition.

1.29 The Commission also conducted multiple validation sessions with the Petitioner during which discrepancies in the Petition and additional information required by the Commission were sought. Subsequently, the Petitioner submitted replies to the issues raised in these sessions.

1.30 As part of the discussion, the Commission provided an opportunity to the Petitioner to validate the data submitted for True-up of FY 2008-09 / FY 2009-10 and provide documentary evidence to substantiate its claims. The Commission and the Petitioner also discussed key issues raised in the Petition, which included details of capital expenditure and capitalisation plan, allocation of expenses into Wheeling and Retail Supply Business, AT&C loss reduction trajectory, etc.

1.31 The Petitioner submitted its replies, as shown below, in response to the queries raised by the Commission, which have been considered for approval of the ARR of the Petitioner:

Table 2: List of Correspondence with NDMC

S.No.	Date	Letter No.	Subject
1	10.03.2011	D-493/AEE(P)/11	Filing of True-up Petition for FY 2009-10, revision of ARR and corresponding determination of tariff for FY 2011-12
2	24.05.2011	D-101/AEE(P)/11	Information in respect of discrepancies pointed out in the Petition for approval of True-up for FY 2009-10 and ARR for FY 2011-12
3	27.05.2011	D-106/AEE(P)/11	Volume of Power Purchase by NDMC
4	13.06.2011	D-118/AEE(P)/11	Additional Information required in the Technical Validation held in the Commission on 03.06.2011
5	28.06.2011	--	Additional Information required by the Commission in its meetings held on 14.06.2011 and 27.06.2011
6	30.06.2011	D-150/AEE(P)/11	Additional Information required by the Commission in its meetings held on 14.06.2011 and 27.06.2011
7	01.07.2011	D-154/AEE(P)/11	Information required vide letter dated 27.06.2011 regarding short-term contracts for FY 2008-09 & 2011-12 alongwith DPPG approval
8	06.07.2011	No. 161/AEE(P)/11	3rd Quarterly Progress Report & CAPEX Plan for FY 2012-15
9	08.07.2011	D No. 164/AEE(P)/11	Scheme Proposal of 33 kV system in NDMC area
10	21.07.2011	D-198/AEE(P)/11	Additional Information required by the Commission in its meetings held on 14.06.2011 and 27.06.2011
11	28.07.2011	D-213/AEE(P)/11	True-up Petition for FY 2008-09 and 2009-10 and revision of Tariff for FY 2011-12
12	01.08.2011	D-217/AEE(P)/11	Implementation of Power Purchase Price Adjustment formulae suggested by M/s NDPL, M/s BRPL, and M/s BYPL

Public Hearing

1.32 The Petitioner published a Public Notice on May 8, 2011 indicating the salient features of its Petition for True Up of uncontrollable expenses for FY 2009-10 and approval of Aggregate Revenue Requirement (ARR) and Wheeling and Retail Supply Tariff for all consumer categories for FY 2011-12, for inviting responses from the stakeholders, in the following newspapers:

(a) The Times of India (English)

(b) Navbharat Times (Hindi)

(c) Pratap (Urdu)

1.33 Copies of the Public Notice in English, Hindi and Urdu are enclosed as **Annexure III** to this Order. A detailed copy of the Petition was also made available for purchase from the head-office of the Petitioner on any working day from May 09, 2011 to May 24, 2011 between 11 A.M. and 4 P.M. on payment of Rs 100/-. A complete copy of the Petition was also made available on the website of the Commission, as well as that of the Petitioner, requesting for comments of the stakeholders thereon.

1.34 The Commission also published a Public Notice inviting comments from stakeholders on the petitions filed by the Distribution licensees for True Up of uncontrollable expenses for FY 2009-10 and approval of Aggregate Revenue Requirement (ARR) and Wheeling and Retail Supply Tariff for all consumer categories for FY 2011-12 in the following newspapers with their respective dates of publication:

(a) Times of India (English) – May 12, 2011.

(b) Hindustan Times (English) – May 11, 2011.

(c) Nav Bharat Times (Hindi) – May 11, 2011.

(d) The Daily Milap (Urdu) – May 11, 2011.

(e) Daily Educator (Punjabi) – May 11, 2011.

1.35 Interested consumers and stakeholders were requested to file their objections and suggestions on the Petition by May 28, 2011. Copies of the above Public Notice in English, Hindi, Punjabi and Urdu are attached as **Annexure IV** to this Order.

1.36 At the request of the stakeholders, the Commission extended the last date for filing objections and suggestions on the petitions filed by the Distribution licensees for True Up of uncontrollable expenses for FY 2009-10 and approval of Aggregate Revenue Requirement (ARR) and Wheeling and Retail Supply Tariff for all consumer categories for FY 2011-12 to June 5, 2011. The Public Notice in this regard was published in the following newspapers with their respective dates of publication:

(a) Times of India (English) – May 29, 2011

(b) Hindustan Times (English) – May 29, 2011

(c) Nav Bharat Times (Hindi) – May 28, 2011

(d) The Daily Milap (Urdu) – May 28, 2011

(e) Daily Educator (Punjabi) – May 28, 2011

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

1.38 The Hon'ble High Court of Delhi in its Order dated May 23, 2011 in Writ Petition Civil No. 4821/2010 in the matter of Sh. N. K. Garg Vs. Govt. of NCT of Delhi inter-alia directed the Commission to proceed afresh by following due procedure and do the needful regarding determination of Tariff. The Commission observed that True Up for FY 2008-09 was an integral part of the tariff petitions filed by the DISCOMs for approval of ARR and Wheeling and Retail Supply Tariff for all consumer categories for FY 2010-11. At this stage, when FY 2010-11 is already over, determination of tariff for FY 2010-11 becomes irrelevant, but True Up for FY 2008-09 survives. Accordingly, in compliance of the said directions of the Hon'ble High Court of Delhi, the Commission published a Public Notice on June 12, 2011 inviting comments from stakeholders on the True Up Petition for FY 2008-09 filed by the distribution licensees in the following newspapers:

(a) Times of India (English)

(b) Hindustan Times (English)

(c) Nav Bharat Times (Hindi)

1.39 Interested consumers and stakeholders were requested to file their objections and suggestions on the Petition by June 25, 2011. Copies of the above Public Notice in English and Hindi are attached as **Annexure VI** to this Order.

1.40 At the request of the stakeholders, the Commission extended the last date for filing objections and suggestions on the petitions filed by the Distribution licensees for True Up of uncontrollable expenses for FY 2008-09 to July 1, 2011. The Public Notice in this regard was published on June 25, 2011 in the following newspapers with their respective dates of publication:

(a) Times of India (English)

(b) Hindustan Times (English)

(c) Nav Bharat Times (Hindi)

1.41 Copies of the above Public Notice in English and Hindi are attached as **Annexure VII** to this Order.

1.42 In the past, the Commission had received requests from stakeholders to extend help to the consumers in understanding the ARR petitions and filing their comments. In this regard the Commission prepared a document highlighting the salient features of the tariff petitions filed by the Distribution licensees, which was hosted on the Commission's website. The Commission also appointed two of its officers who were available to all interested stakeholders for discussion on ARR petitions and related matters after seeking prior appointment. This was duly highlighted in the Public Notices brought out by the Commission.

1.43 The public hearing was held at the Commission's Court Room on the following dates, in 8 sessions, to discuss the issues related to the Petition filed by the Petitioner for True Up of expenses for FY 2008-09, FY 2009-10 and approval of ARR and Wheeling and Retail Supply Tariff for FY 2011-12.

Table 3: Schedule for Public Hearing

S No	Date	Time	Category
1	July 4, 2011	10:30 AM – 1:30 PM	Domestic
2	July 4, 2011	2:30 PM – 5:30 PM	Domestic
3	July 5, 2011	10:30 AM – 1:30 PM	Domestic
4	July 5, 2011	2:30 PM – 5:30 PM	Domestic
5	July 6, 2011	10:30 AM – 1:30 PM	Non Domestic and Industrial
6	July 6, 2011	2:30 PM – 5:30 PM	Non Domestic and Industrial
7	July 7, 2011	10:30 AM – 1:30 PM	Government and NGO

S No	Date	Time	Category
8	July 7, 2011	2:30 PM – 5:30 PM	Government and NGO

1.44 The issues and concerns voiced by various stakeholders have been examined by the Commission. The major issues discussed during the public hearing by the respondents and views of the Commission, have been summarized in Chapter A2 of this Order.

Layout of the Order

1.45 This Order is organised into seven Chapters:

(a) Chapter A1 provides details of the tariff setting process and the approach of the Order;

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

(c) Chapter A3 deals with the True Up of expenses for FY 2008-09;

(d) Chapter A4 deals with the True Up of expenses for FY 2009-10;

(e) Chapter A5 analyses the Aggregate Revenue Requirement for Wheeling and Retail Supply Business for FY 2011-12;

(f) Chapter A6 details the possible options for determination of Wheeling and Retail Supply Tariff for all consumer categories, and the approach adopted by the Commission; and

(g) Chapter A7 details of the Directives of the Commission.

1.46 The Order contains the following Annexure, which are an integral part of the Tariff Order.

(a) Annexure I – Admission Order dated January 5, 2010 on True Up Petition for FY 2008-09;

(b) Annexure II – Admission Order dated May 4, on True Up Petition for FY 2009-10 and ARR for FY 2011-12;

(c) Annexure III – Copies of Public Notices published by DISCOMs on True Up Petition for FY 2009-10 and ARR for FY 2011-12;

(d) Annexure IV – Copies of Public Notice published by the Commission on True Up Petition for FY 2009-10 and ARR for FY 2011-12;

(e) Annexure V – Copies of Public Notice published by the Commission for extension on timeline for submission of comments on True Up Petition for FY 2009-10 and ARR for FY 2011-12;

(f) Annexure VI – Copies of Public Notice published by the Commission on True Up Petition for FY 2008-09;

(g) Annexure VII – Copies of Public Notice published by the Commission for extension on timeline for submission of comments on True Up Petition for FY 2008-09;

Approach of the Order

1.47 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 March 07, 2008 (hereinafter referred to as the 'MYT Order'). The MYT 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 accounts and as per the provisions of the MYT Regulations. This Tariff Order relates to the True-up of the uncontrollable expenses for FY 2008-09 and FY 2009-10 under the Multi Year Tariff framework and determination of Aggregate Revenue Requirement for FY 2011-12. The Petitioner has made its submission for True Up for FY 2008-09, FY 2009-10 and with ARR for FY 2011-12. Further, the Petitioner has also submitted the revised ARR for FY 2010-11 for review.

Approach for True up

1.48 The True Up for FY 2008-09 and FY 2009-10 is to be carried out as per the provisions of the Electricity Act, 2003 and the MYT Regulations. Under the MYT Regulations, the components of ARR have been segregated into Controllable and Uncontrollable Parameters. The MYT Regulations provide that the Uncontrollable Parameters shall be Trued up based on the audited accounts and the Controllable Parameters shall not be Trued up. As per clause 4.16 of the MYT Regulations:

The True Up across various controllable and uncontrollable parameters shall be conducted as per principle stated below:

(a) *Variation in revenue / expenditure on account of uncontrollable sales and power purchase shall be Trued up every year;*

(b) *For controllable parameters,*

(i) Any surplus or deficit on account of O&M expenses shall be to the account of the Licensee and shall not be Trued up in ARR; and

(ii) Depreciation and RoCE shall be Trued up at the end of Control Period.

1.49 Some of the issues raised by the Petitioner are presently under appeal before the Hon'ble Supreme Court, Hon'ble High Court and Hon'ble Appellate Tribunal of Electricity. Pending the decision of the Court/Tribunal on such issues, the Commission has decided to follow the stand it has already taken in this regard.

1.50 In view of the above, the Commission has Trued up the uncontrollable parameters viz. power purchase cost, energy sales and revenue based on the audited accounts and other information submitted by the Petitioner for FY 2008-09 and FY 2009-10 after the prudence check. In regard to controllable parameters the Commission is of the view that the MYT Regulations do not permit any True Up of controllable parameters. For other components such as impact of Sixth Pay Commission, and cost of new initiatives, the Commission is of the view that these components can be considered if there are new developments which permit consideration and such consideration is within the applicable regulatory framework. The detailed treatment of each component is provided in Chapter A3 (for FY 2008-09) and Chapter A4 (for FY 2009-10) of this Order.

Approach for FY 2010-11

1.51 The Petitioner in its Petition has requested for a revision of the ARR for FY 2010-11 which had been determined earlier by the Commission in its MYT Order dated March 07, 2008. The mechanism for True Up as specified in the MYT Regulations envisages that variations on account of uncontrollable items like energy sales and power purchase cost shall be Trued up. Truing up shall be carried out for each year based on actual / audited accounts and prudence checks undertaken by the Commission. Accordingly, the Commission is of the opinion that in accordance with the Regulations, the True Up of FY 2010-11 can only be considered based on the audited financial statement once the Petitioner makes a regular tariff Petition for True Up of FY 2010-11.

Approach for FY 2011-12

1.52 The Petitioner has submitted the ARR Petition for the FY 2011-12 along with the True Up Petition for FY 2008-09 and FY 2009-10.

1.53 In this regard the following provision of the MYT Regulations, Tariff Orders, etc. pertaining to Distribution business are relevant:

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

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

(c) Performance Targets – 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.

(d) Regulations 4.10, 4.11 and 4.12 relate to sales forecast

(e) Regulation 5.28 relates to ARR for Retail Supply Business for each year of the Control Period and shall contain-

(i) Cost of Power Procurement

(ii) Transmission and Load Dispatch Charges and

(iii) Supply Margin

(f) Para 5.1 of MYT Order, inter alia, 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"

(g) 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 with respect to allocation of Power from the unallocated quota.

(h) Availability of Power from the new sources of generation, based on their actual / revised Commissioning schedule.

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

1.54 Based on the provisions of the MYT Regulations and the Commission's decision on extending the Control Period up to FY 2011-12, and other reasons discussed above, the Commission is of the view that the sales forecast and Power Purchase quantum and cost is to be examined based on the principles of the MYT Regulations for determination of ARR for FY 2011-12. These are dealt with in detail in Chapter A5 of this Order.

A2: RESPONSE FROM STAKEHOLDERS

Introduction

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

2.2 The public hearing was held at the Commission's Court Room from 04 July 2011 to 07 July 2011 to discuss the issues related to the Petition filed by the Petitioner for True Up of expenses for FY 2008-09, FY 2009-10 and approval of ARR and Wheeling and Retail Supply Tariff for FY 2011-12. In the Public hearing stakeholders put forth their comments/suggestions before the Commission in the presence of the Petitioner. The Petitioner was given an opportunity to respond to the comments put forth by the stakeholders.

2.3 The Commission did not receive any comments from the stakeholders in the NDMC area.

A3: TRUE UP FOR FY 2008-09

Background

3.1 The Commission had approved the Aggregate Revenue Requirement (ARR) of NDMC for each year of the Multi Year Tariff Control Period (FY 2007-08 to FY 2010-11) in its Multi Year Tariff Order dated 7 March, 2008. The MYT Regulations provide for truing up of the uncontrollable components of the ARR at the end of each year of the Control Period based on audited accounts and prudence checks by the Commission.

3.2 NDMC in its Petition has sought truing up of the expenditure and revenue for FY 2008-09. In this Chapter, the Commission has analysed the Petition of the NDMC in accordance to the principles laid down under MYT Regulations.

3.3 While undertaking the True-up exercise for FY 2008-09, the Commission had to face several difficulties since the audited accounts for FY 2008-09 were not available and NDMC has not been maintaining separate records/ accounts for the electricity business 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 expense and revenue as the Commission has done while processing the ARR and Tariff Petitions of the three DISCOMs in Delhi, viz. BRPL, BYPL and NDPL.

3.4 The Commission would like to reiterate that the Petitioner is not complying with the directives issued by the Commission since the issuance of the Tariff Order for FY 2005-06. The Commission in its earlier Tariff Orders for FY 2005-06 and FY 2006-07 had given directives to NDMC 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 directives issued by the Commission.

3.5 Further, the Commission had directed the Petitioner to take prior approval from the Commission for its capital expenditure plan and any increase in R&M expense beyond the approved R&M expense. The Petitioner has not complied with these directives either.

3.6 The Commission is constrained to remark that despite the assurance given by the Petitioner every year that it would furnish all relevant data and accounts to the Commission shortly, it has never submitted separate records/accounts for electricity business as a separate entity in any of its Petition. Further, the Petitioner has not provided all the requisite information in the detailed formats prescribed by the Commission under the MYT Regulations.

3.7 Therefore, the Commission once again directs the Petitioner to maintain regulatory accounts and provide all details/information in the prescribed formats along with the supporting documents for the ensuing filing of True Up Petition at the end of the

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

MYT Period

Employee Expenses

3.8 The Petitioner in its Petition for True Up for FY 2008-09 has sought increase in Employee Expenses on account of impact of Sixth Pay Commission Recommendation and correction of inflation index.

Correction of inflation-linked escalation factor for Employee Cost and A&G Expenses

Petitioner's Submission

3.9 The Petitioner has submitted that in accordance with the MYT regulations, employee cost and A&G expenses are linked to an inflation-based escalation factor that takes into account the inflation indices of the immediate past five years. While fixing the tariff for FY 2007-08, the Commission had taken inflation figures for FY 2001-02 to FY 2005-06 because the figures for FY 2006-07 were not available then. However, the latest figures of CPI & WPI are now available; the Commission should replace the provisional computation for FY 2007-08 to FY 2010-11 with confirmed figures by correcting the escalation factor.

Commission's Analysis

3.10 As per the MYT Regulations for determination of distribution and retail supply tariff, employee and A&G expenses for the Control Period are to be determined using the following methodology:

"... The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:

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

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

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

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

Where

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

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

immediately preceding five years...”

3.11 NDPL, in appeal No 52/2008 against the MYT Order for NDPL raised the issue of determination of escalation factor before the Hon’ble ATE. The same has been decided upon by the Hon’ble ATE in its Order dated May 31, 2011. The summary of NDPL’s claim as summarized in the Hon’ble ATE Order is given below:

“... According to the Appellant, while computing the inflation factor for the MYT period starting from FY 2007-08, the Delhi Commission has erred on following two counts:

(i) The Commission has considered the inflation factors for Consumer Price Index and Whole-sale Price Index for the FY 2001-02 to FY 2005-06 instead of FY 2002-03 to FY 2006-07; and

(ii) Contrary to MYT Regulations, the Delhi Commission has erroneously applied the inflation factor for the entire Control Period based on the annual basis for the FY 2001-02 to FY 2005-06. Due to this wrong calculation, it has resulted in unjust denial of expenses in the ARR to the extent of several Cr of rupees for the FY 2007-08 to FY 2010-11. For the year in issue, i.e. FY 2007-08, the State Commission has wrongly calculated the immediately preceding 5 years from FY 2001-02 to FY 2005-06. The words “immediately preceding 5 years” appearing in 5.4(c) of the Regulations imply immediately preceding 5 years for which the final figures are available. This means immediately preceding 5 years would be FY 2002-03 to FY 2006-07.”

3.12 In response to NDPL’s claim the Hon’ble ATE has given the following Judgement in the matter:

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

However, the indexation factor based on actual WPI and CPI indices for the control years of the present MYT tariff will be used while deciding the indexation factor for the next MYT tariff and, therefore, no prejudice will be caused either to the distribution company or the consumers. We also observe that in the Central Commission’s Regulations also the O&M expenses for generating station and transmission system are escalated at a fixed escalation factor during the Control Period.

23. Accordingly this issue is only partly decided in favour of the Appellant to the extent that the indexation factor has to be determined on the basis of actual WPI and CPI for the immediately preceding five years period from FY 2002-03 to FY 2006-07 *and not FY 2001-02 to FY 2005-06 as worked out by the State Commission. The State Commission is directed to accordingly allow the O&M Expenses for the Control Period after including CPI/WPI during FY 2006-07 along with the carrying cost."*

3.13 In accordance with the Judgement of the Hon'ble ATE in Appeal No. 52/2008, the Commission has decided to revise the O&M expenses for the Petitioner. Accordingly, the Commission has re-determined the escalation factor for the Control Period on the basis of actual WPI and CPI for the immediately preceding five years period from FY 2002-03 to FY 2006-07 instead of FY 2001-02 to FY 2005-06 as worked out in the MYT Order. The escalation factor, however, has not been revised on a rolling in accordance with the decision of the Hon'ble ATE.

3.14 The CPI and WPI values for calculation of revised escalation factor are given in the table below.

Table 4: Actual CPI and WPI

Year	CPI (Overall)	% Growth YoY	WPI (Overall)	% Growth YoY
2000-01	444.17		155.59	
2001-02	463.33	4.3%	161.34	3.7%
2002-03	481.75	4.0%	166.85	3.4%
2003-04	500.33	3.9%	175.90	5.4%
2004-05	519.50	3.8%	187.23	6.4%
2005-06	542.41	4.4%	195.60	4.5%
2006-07	578.75*	6.7%	206.20	5.4%

Source: Ministry of Labour Website, http://labourbureau.nic.in and Ministry of Commerce and Industry Website, http://eaindustry.nic.in/Download_Data_9394.html

**Obtained using Average CPI as per new series (2001=100) i.e. 125 X linking factor between old and new series i.e. 4.63*

3.15 Based on these values, the Commission has re-calculated the annual growth in values of CPI (overall) for Industrial Workers and WPI (overall) for the period FY 2002-03 to FY 2006-07 and has considered the same for determination of indices during the Control Period. The summary of the same is provided in the table below.

Table 5: Projected CPI and WPI during the Control Period

Year	Projected Growth in CPI		CPI (Overall)	Projected Growth in WPI		WPI (Overall)
	Approved in MYT Order	Approved Now	Approved Now	Approved in MYT Order	Approved Now	Approved Now
2007-08	3.98%	4.55%	605.11	4.69%	5.03%	216.58
2008-09	3.98%	4.55%	632.67	4.69%	5.03%	227.48
2009-10	3.98%	4.55%	661.49	4.69%	5.03%	238.93
2010-11	3.98%	4.55%	691.62	4.69%	5.03%	250.96

3.16 The Commission has determined the inflation factor for the n^{th} year ($INDX_n$) using a weighted average of CPI and WPI as specified in the MYT Regulations. The inflation factor is then used to calculate the escalation factor for each year ($INDX_n$/ $INDX_{n-1}$) as shown in the table below.

Table 6: Escalation Factor for the Control Period

Year	Index (Consolidated) Approved in MYT Order	Index (Consolidated) Approved Now	Escalation Factor Approved in MYT Order	Escalation Factor Approved Now
2006-07	407.08	411.10		
2007-08	423.97	430.27	1.0415	1.0466
2008-09	441.56	450.34	1.0415	1.0466
2009-10	459.88	471.34	1.0415	1.0466
2010-11	478.97	493.32	1.0415	1.0466

3.17 The tables below gives the Employee and A&G expenses approved in the MYT Order and approved now after revision of the escalation factor.

Table 7: Revised A&G Expenses approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
A&G Expenses approved in MYT Order	11.93	12.43	12.95	13.48
A&G Expenses approved now	11.99	12.55	13.14	13.75

Table 8: Revised Employee Expenses approved by the Commission (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Employee Cost (excluding impact of 6th Pay Commission) Approved in MYT Order	56.37	58.71	61.15	63.69
Employee Cost (excluding impact of 6th Pay Commission) Approved Now	56.65	59.29	62.05	64.94

Impact of Recommendations of 6th Pay Commission

Petitioner's Submission

3.18 The Petitioner has submitted that the employee expenses approved for the years FY 2007-08 to FY 2010-11 have to be revised to take into account the actual increase in employee expenses on account of 6th Pay Commission. The Petitioner has submitted that the 6th Pay recommendations have been implemented in the month of October 2009 and w.e.f. 01-04-2006.

3.19 The year wise break-up of the 6th Pay Commission Arrears has been submitted by the Petitioner in the additional information as given in the table below:

Table 9: Impact of Wage Revision as submitted by the Petitioner (Rs Cr)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Total Additional Amount Submitted on account of Wage Revision	11.43	20.78	29.06	29.09	37.64

Commission's Analysis

3.20 The Commission in its MYT Order had anticipated additional expenditure on account of wage revision expected due to implementation of recommendations of the 6th Pay Commission.

3.21 While approving employee cost for the Control Period it had allowed additional cost for FY 2005-06 and FY 2006-07 and had stated:

"4.26 The Commission has recognised the uncontrollable nature of the 6th Pay Commission recommendations in determination of employee expenses during the Control Period. Since the revision in pay, if any, may be applicable from January 1, 2006, the Commission has considered an increase of 10% in total employee expenses for the values in FY06 (3 months) and FY07 due to the same.

4.27 Based on this, the Commission has calculated the revised employee costs for FY06 and FY07 and the arrears arising out of it..."

3.22 The actual impact of wage revision on employee cost of FY 2006-07 has now been submitted as Rs 11.43 Cr. Accordingly, the revised employee cost for FY 2006-07 is shown in the table below.

Table 10: Revised Employee Expenses for FY 2006-07 (Rs Cr)

Particulars	FY 2006-07
Net Trued Up Employee Cost Approved in MYT Order	54.13
Additional amount approved now on account of wage revision	11.43
Revised Employee Cost	**65.56**

3.23 For considering the impact of wage revision on employee cost for each year from FY 2007-08 to FY 2010-11 the Commission, in its MYT Order, had increased the net Trued up employee cost of the base year (FY 2006-07) by 10%, and had escalated the total base employee expenses by the annual escalation factor to arrive at the approved employee cost for each year from FY 2007-08 to FY 2010-11.

3.24 The base employee expenses of the employees had been increased by 10% since the actual impact of wage revision on the base expenses was not available at the time. However, since the actual impact of wage revision on employee cost for FY 2006-07 is now available, the employee expenses of the base year have been revised as shown in Table 10 above. The revised employee expenses have been escalated by the relevant escalation factor to arrive at the employee expenses for each year from FY 2007-08 to FY 2010-11 as would have been done at the time of deciding the MYT tariff if the revised employee expense for FY 2006-07 had been known. The revised trajectory for employee expenses for FY 2007-08 to FY 2010-11 after revision in the base is shown below:

Table 11: Impact of Wage Revision on Employee Cost approved by the Commission (Rs Cr)

Particulars (Rs. Cr)	Base Year	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Base Employee Cost for FY 2006-07 Revised (as shown in Table 10)	65.56				
Escalation Factor		1.0466	1.0466	1.0466	1.0466
Employee Cost (Including 6th Pay Commission impact) – Revised (B)		68.61	71.81	75.16	78.66

3.25 Hence, the Commission has allowed arrears on account of revision of base year (FY 2006-07) salary for FY 2007-08 to FY 2009-10, as shown in the table below:

Table 12: Arrears approved for FY 2007-08-FY 2010-11 due to revision of base year salary (Rs Cr)

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Employee Cost (excluding 6th Pay Commission) – Revised on account of revision of Inflation Factor (A)	56.65	59.29	62.05	64.94
Employee Cost (Including 6th Pay Commission impact) – Revised (B)	68.61	71.81	75.16	78.66
Arrears on account of Revision of Base Year Salary (B-A)	11.96	12.52	13.11	13.72

3.26 The Commission while approving the employee cost in the MYT Order had expected the arrears on account of revision of employee costs to be paid in FY 2008-09 and had considered the payment of arrears in the total employee cost approved for FY 2008-09. Similarly, the increase in salaries had been considered for each year, but the impact of such increase had only been taken from FY 2009-10 onwards. However, the arrears on account of wage revision were only paid by the Petitioner in FY 2009-10. Further, the impact of increase in salaries has only been taken from FY 2010-11 onwards.

Table 13: Approved Arrears Pay Out for FY 2007-08-FY 2009-10 & salary hike in FY 2010-11 (Rs Cr)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Additional amount approved now on account of wage revision (From Table 10)	11.43				
Arrears approved on account of Revision of Base Year Salary		11.96	12.52	13.11	13.72
Accumulated Arrears Pay Out approved		-	-	49.02	-
Approved Increase in Salary					13.72

Table 14: Revised Employee Expenses (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Employee Cost Allowed - MYT Order (A)	56.37	76.92	67.26	70.05
Employee Cost (excluding 6th Pay Commission) – Revised on account of revision of Inflation Factor (B)	56.65	59.29	62.05	64.94
Arrears (C)	-	-	49.02	-
Increase in Salaries in FY 2010-11 (D)				13.72
Employee Cost Revised (E=B+C+D)	56.65	59.29	111.07	78.66

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Difference from MYT Order (E-A)	**0.28**	**-17.63**	**43.80**	**8.60**

Capitalisation of Expenses

Capitalisation of Employee Expenses

3.27 For capitalizing the Employee Expenses for the Control Period, in the MYT Order, the Commission has approved the capitalisation of Employee Expenses submitted by the Petitioner.

3.28 However, now with the revised Employee Expenses approved for each year of the Control Period, the Commission has approved capitalisation of employee expenses by adjusting the Petitioner's submission of employee capitalized (as in the MYT Order) by first considering the ratio of the now Revised Gross Employee Expenses to the approved Employee Expense in the MYT Order for each year and then multiplying this ratio to the Petitioner's submission for the Control Period, as per the MYT Petition.

3.29 The table below shows the Employee Expense Capitalisation approved now by the Commission after the revision of the Employee Expense on account of Sixth Pay Commission Recommendations.

Table 15: Employee Expense Capitalisation (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Employee Expenses Capitalised in MYT Order	7.66	7.98	8.31	8.87
Revised Employee Expenses Capitalised	8.48	8.87	9.29	9.96
Increase in Employee Expense Capitalisation	0.82	0.89	0.98	1.09

Carrying Cost

3.30 The Petitioner has submitted that in order to undertake all capital expenditure work pertaining to the electricity business, it uses its reserve Municipal funds and does not take any loan and hence has no loan liability.

3.31 Hence, it is assumed that any loan taken will be for the purpose of working capital financing. Further, since the Commission in the MYT Order had allowed for working capital loans @ 9.5% p.a, the Petitioner is allowed a carrying cost @9.5% p.a.

Net Impact of True Up for Past Period

3.32 The Commission in MYT Order dated March 07, 2008 had approved opening revenue surplus for FY 2007-08 as Rs 113.49 Cr.

3.33 The Commission in Tariff Order dated June 18, 2009 had approved revenue surplus for FY 2007-08 as Rs 183.93 Cr. The Commission in this Order has implemented the Order of the Hon'ble ATE, which has resulted in increase in revenue surplus for FY 2007-08.

3.34 The net impact of True Up for past period (till FY 2007-08) as approved in this Order is shown below:

Table 16: Net impact of Past True up approved by the Commission (Rs Cr)

Particulars	FY 2007-08
Opening (Gap)/surplus	113.49
Revenue (Gap)/ surplus for FY 2007-08 approved in Tariff Order dated June 18, 2009	183.93
Increase in A&G Expenses on account of revision of inflation index	(0.06)
Increase in Employee Expenses on account of revision of inflation index	(0.28)
Decrease in Employee Expenses due to Increase in Employee Expense Capitalization	0.82
Total Revenue (Gap) surplus	297.88
Carrying Cost (in %)	9.5%
Carrying Cost (In Rs Cr)	19.54
Closing Revenue (Gap)/ surplus for FY 2007-08	**317.42**

True Up for FY 2008-09

Energy Sales

Petitioner's Submission

3.35 The Petitioner has submitted total sales of 1064.40 MU in its True up Petition as against 1082.98 MU approved by the Commission in the MYT Order.

Commission's Analysis

3.36 The Petitioner did not submit Form 2.1(a) as required by the Commission for analysis of category-wise sales data.

3.37 The Commission is of the view that in the absence of information for the quarterly data i.e. Form 2.1(a), a qualitative/ quantitative analysis of the data could not be conducted. Since the Petitioner is not maintaining quarterly data, the Commission has directed 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 in the Tariff Order for FY 2009-10, which has also not been complied with by the Petitioner.

3.38 The energy sales quantum for FY 2008-09 has been submitted by the Petitioner to be 1064.40 MU.

3.39 The Commission therefore, for truing up of sales, approved the sales figures submitted by the Petitioner for FY 2008-09. The category wise Trued up sales for FY 2008-09 as approved by the Commission is shown below:

Table 17: Trued Up Energy Sales for FY 2008-09 (MU)

	Categories	Approved in the MYT Order	Petitioner's Submission	Now Approved
1	**Domestic**	**215.59**	**208.98**	**208.98**
	Single Delivery Point	63.31	69.21	69.21
	Separate Delivery Point up to 100 kW	129.87	120.53	120.53
	Domestic Power up to 100 kW	22.41	19.24	19.24
2	**Non Domestic**	**257.86**	**250.81**	**250.81**
	Up to < 5 kW	60.39	51.15	51.15
	More than 5 kW and less than 100 kW	197.47	199.66	199.66
3	**Mixed Load**	**596.97**	**589.10**	**589.10**
	Supply at 11 kV (HT)	374.43	387.33	387.33
	Supply on LT where supply is given from NDMC sub station	7.38	4.82	4.82
	Supply on LT where applicant provides built up space for sub station	215.17	196.95	196.95
4	**Small Industrial Power**	**0.35**	**0.27**	**0.27**
5	**Public Lighting**	**8.23**	**8.73**	**8.73**
6	**Others**	**3.99**	**6.50**	**6.50**
7	**DMRC**	0.00	0.00	0.00
	Total	**1082.98**	**1064.40**	**1064.40**

AT&C Losses

Petitioner's Submission

3.40 The Petitioner has submitted that its AT&C loss level for FY 2008-09 was at 13.03% instead of 10.75% as approved for the year in the MYT Order.

3.41 The Petitioner has submitted the actual collection efficiency for FY 2008-09 as 97.01% against target of 100% approved in the MYT Order. This collection efficiency is even lower than the Trued-up collection efficiency of 97.11% for FY 2007-08 in the Tariff Order for FY 2009-10. The Petitioner has submitted that its collection efficiency has reduced on account of increasing cases of "premises locked" reported during the year. The Petitioner has submitted that it is taking corrective measures to tackle such problems in future, and has requested the Commission to approve the revised AT&C Loss level for FY 2008-09, as shown below.

Table 18: AT&C Loss level submitted by the Petitioner

Particulars	Approved in the MYT Order	Petitioner's Submission
AT&C Losses	10.75%	13.03%
Distribution Losses	10.75%	10.35%
Collection Efficiency	100%	97.01%

3.42 The Petitioner has submitted its computation for AT&C loss level of 13.03% achieved during FY 2008-09 as summarised below:

Table 19: AT&C loss for FY 2008-09 as submitted by the Petitioner

S. No	Energy Balance	Units	Petitioner's Submission
1	Power Purchase from CGS	MU	1596.75
2	PGCIL Losses	%	3.50%
3	PGCIL Losses	MU	29.38
4	Power Available at DTL Periphery from CGS	MU	1567.37
5	Power Purchase from Delhi GENCOs	MU	594.26
6	Intra-state Power Purchase	MU	1.59
7	Power Available at DTL Periphery	MU	2163.22
6	Power Sold through Bilateral Agreement	MU	264.54
8	Underdrawl of Power under UI	MU	449.70
9	DTL Losses	%	1.59%
10	DTL Losses	MU	23.06
11	Inter DISCOM Sale	MU	238.61
12	Net Power Available for Sale to NDMC Consumers	MU	1187.32
13	Energy Sold to the Consumers	MU	1064.40
14	Distribution Losses	MU	10.35%
15	Revenue Billed (including NDMC Tax @ 5%)	Rs. Cr	543.75
16	Revenue Realised (including NDMC Tax @ 5%)	Rs. Cr	527.49
17	Collection Efficiency	%	97.01%
18	Units Realised	MU	1032.58
19	AT&C Losses	%	13.03%

Commission's Analysis

3.43 In the MYT Order, the Commission has considered a total reduction of 1.50% in the Petitioner's AT&C losses (from 11.50% in FY 2006-07 to 10.00% in FY 2010-11) during the Control Period. The Commission had also approved a reduction of 25% of the total AT&C loss reduction target in each year of the Control Period.

3.44 A comparison of AT&C loss level specified in the MYT Order and the actual AT&C loss level claimed by the Petitioner during FY 2008-09 is mentioned below:

Table 20: AT&C loss for FY 2008-09 as submitted by the Petitioner

Particulars	Approved in the MYT Order	Petitioner's Submission
AT&C Loss Target	10.75%	13.03%

3.45 The Commission analysed the submissions of Petitioner and has observed various discrepancies. The units billed and the revenue realized by the Petitioner could not be verified due to lack of segregated audited accounts for the electricity distribution business.

3.46 Due to inability shown by the Petitioner to validate the requisite information, the Commission is constrained to provisionally consider the sales, revenue billed and revenue realized submitted for the computation of AT&C loss.

3.47 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 lower quantum of units input at the periphery as compared to the actual.

3.48 The Commission has considered the information for power purchases as given by DTL/SLDC for computing the Trued-up AT&C loss of the Petitioner for FY 2008-09. The revised AT&C loss of the Petitioner for FY 2008-09 is summarised below:

Table 21: Trued up AT&C loss for FY 2008-09

S. No	Energy Balance	Units	Now Approved
1	Units Input at NDMC Periphery	MU	1196.76
2	Energy Sold to the Consumers	MU	1064.40
3	Distribution Losses	MU	11.06%
4	Revenue Billed (including NDMC Tax @ 5%)	Rs. Cr	543.75
5	Revenue Realised (including NDMC Tax @ 5%)	Rs. Cr	527.49
6	Collection Efficiency	%	97.01%
7	Units Realised	MU	1032.57
8	AT&C Losses	%	13.72%

3.49 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.*"

3.50 Accordingly, the under-recovery in the revenue realized on account of non-achievement of the minimum AT&C loss target of the Petitioner for FY 2008-09 is as summarised below:

Table 22: Computation of Underachievement / Overachievement by the Commission

	Particulars	Units	MYT Order	Actual
A	AT&C Losses	%	10.75%	13.72%
B	Under Achievement	%		-2.97%
C	Energy Input (MUs)	MU	1196.76	1196.76
D	Units Realized	MU	1068.11	1032.57
E	Average Billing Rate	Rs./Unit		5.11
F	Amount Realized	Rs. Cr	545.65	527.49
			X	Y
G	Total financial impact on account underachievement (Y - X)	Rs. Cr	-18.16	
H	Less: Taxes @5% on tariff revenue	Rs. Cr	25.98	
I	Revenue available towards ARR	Rs. Cr	519.67	

3.51 Hence, the total revenue available towards ARR for FY 2008-09 has been computed by the Commission to be Rs. 519.67 Cr.

Power Purchase Quantum

Petitioner's Submission

3.52 Against the actual sales of 1064.40 MU during FY 2008-09, the Petitioner has claimed a net power purchase requirement of 1187.32 MU based on the actual distribution loss level of 10.35% for FY 2008-09. The quantum of power available at DTL periphery is submitted as 2163.22 MU for FY 2008-09.

Commission's Analysis

3.53 The Commission, in its MYT Order, had approved a net power purchase quantum of 1213.43 MU for the Petitioner from all sources including central sector generating stations, inter-state bilateral, intra-state power sale and Delhi generating stations for FY 2008-09.

3.54 The Commission through its letter dated 26 February, 2010 directed the Petitioner to submit month-wise station-wise power purchase details along with the bills, which was complied with by the Petitioner.

3.55 The Commission has reviewed the month-wise station-wise power purchase details submitted by the Petitioner and cross-verified the same with the monthly Regional Energy Accounts for FY 2008-09.

3.56 Based on the information submitted by DTL, the Commission observed that the Petitioner has received 1196.76 MU of energy at the DISCOM periphery as against the Petitioner's claim of 1187.32 MU.

3.57 Therefore, the Commission approves the net power purchase for the True-up of FY 2008-09 as summarised below:

Table 23: Trued-up Power Purchase Quantum for FY 2008-09 (in MU)

Source	Approved in the MYT Order	Petitioner's Submission	Now Approved
Gross Power Purchase Quantum	2088.29	2192.60	2192.60
Power Sold To Other Sources	826.55	503.15	503.15
Underdrawl of Power under UI		449.70	449.70
Net Power Purchase	1261.74	1239.75	1239.75
Transmission Losses:			
Total Transmission Losses	48.31	52.44	42.99
Net Power Available after Transmission Losses	**1213.43**	**1187.31**	**1196.76**

Power Purchase Cost

Petitioner's Submission

3.58 The Petitioner has submitted a gross power purchase cost of Rs. 638.77 Cr. Further, the Petitioner has claimed inter-state transmission charges of Rs 13.18 Cr, intra-state transmission charges of Rs. 16.68 Cr and SLDC charges of Rs. 3.93 Cr. Hence the total power purchase cost submitted by the Petitioner for FY 2008-09 is Rs. 672.56 Cr.

3.59 The Petitioner has submitted that the power purchase cost for FY 2008-09 shown in its Petition also includes an amount of Rs. 22.63 Cr, payment of which was made during FY 2009-10 but which pertains to energy purchased during FY 2008-09.

3.60 The Petitioner has submitted that on account of the its efforts in selling surplus energy at the best possible rates, the revenue from sale of surplus power in FY 2008-09 was Rs. 598.93 Cr. Hence, the net power purchase cost to NDMC for sale to its consumers is estimated at only Rs. 73.62 Cr, as opposed to Rs. 253.11 Cr approved as net power purchase cost (including transmission charges) in the MYT Order. Thus, the actual rate of power sale to the Petitioner's consumers for FY 2008-09 is Rs. 0.62 per unit.

Commission's Analysis

3.61 The Commission, in its MYT Order had approved a gross power purchase cost of Rs. 509.93 Cr for FY 2008-09. Further, the Commission has approved inter-state transmission charges of Rs 7.85 Cr, intra-state transmission charges of Rs. 13.67 Cr and SLDC charges of Rs. 0.63 Cr.

3.62 The Commission had estimated the revenue from sale of surplus power to be Rs. 278.96 Cr. Hence, the Commission had approved net power purchase cost (inclusive of transmission charges) of Rs. 253.11 Cr for FY 2008-09 in its MY Order.

3.63 The Commission through its letter dated 26 February, 2010 directed the Petitioner to submit month-wise station-wise power purchase details along with the bills, which was complied with by the Petitioner.

3.64 The Commission has reviewed the details of month-wise station-wise power purchase and transmission charges submitted by the Petitioner. The Commission notices that while the power purchase cost details for FY 2008-09 are maintained on a cash basis, the Petitioner has included a sum of Rs. 22.63 Cr which was paid in FY 2009-10 but pertains to FY 2008-09, in its total cost for FY 2008-09. The Commission directs the Petitioner to maintain all power purchase cost details on an accrual basis from hereafter, and approves the amount of Rs. 22.63 Cr to be included in the power purchase cost of FY 2008-09.

3.65 The Commission hence approves the net power purchase cost for FY 2008-09 at Rs. 73.62 Cr for FY 2008-09 as submitted by the Petitioner.

Table 24: Trued-up Power Purchase Cost for FY 2008-09 (in Rs Cr)

Source	Approved in the MYT Order	Petitioner's Submission	Now Approved
Gross Power Purchase Cost	509.93	638.77	638.77
Power Sold To Other Sources	278.96	598.93	598.93
Net Power Purchase Cost	230.97	39.84	39.84
Transmission Charges			

Source	Approved in the MYT Order	Petitioner's Submission	Now Approved
Total Transmission Charges	22.15	33.79	33.79
Net Power Purchase Cost including Transmission Charges	**253.11**	**73.62**	**73.62**

Review of Controllable Parameters

Petitioner's Submission

3.66 As per Section 11.2 and Section 8.8 of the MYT Regulations, the Petitioner is required to submit information as a part of annual review on actual performance to assess the performance vis-à-vis the targets approved by the Hon'ble Commission. Therefore, the Petitioner submits that in its Petition, it has restricted itself to submission of actual expenses for FY 2008-09 for controllable factors.

Commission's Analysis

3.67 As per Clause 4.7 of the MYT Regulations, the Commission has specified targets for controllable parameters which inter alia include Operation & Maintenance expenditure (comprising of employee expenses, repair & maintenance expenses, administration & general expenses and other miscellaneous expenses, viz. audit fee, rent, legal fees etc.), Return on Capital Employed and depreciation.

3.68 Furthermore, as per Clause 4.16(b), for controllable parameters, any surplus or deficit on account of O&M expenses shall be to the account of the Licensee and shall not be Trued up in the ARR; and, depreciation and ROCE shall be Trued up at the end of the Control Period.

3.69 The Commission has observed that the Petition filed by the Petitioner had several discrepancies with respect to the provisions of the MYT Regulations and the MYT Order. The Commission has admitted the Petition despite the discrepancies and information gaps in the Petition in order to expedite the process of tariff determination. The Commission issued a deficiency note to the Petitioner on 13 January, 2010 highlighting the deficiencies observed in the Petition, and directed the Petitioner to submit clarifications and/or further information. The Petitioner did not furnish any additional information and supporting documents/ clarifications relevant to some of the issues mentioned in the deficiency note for the consideration of the Commission.

3.70 In consideration of the non-availability of the audited accounts for the electricity business for the FY 2008-09, the Commission continues with the provisional expenses approved in the MYT Order for the True-up of FY 2008-09.

Employee Expenses

Petitioner's Submission

3.71 The Petitioner has proposed Rs 68.34 Cr (net of efficiency factor@2%) as Employee Expense for FY 2008-09 in its True-up Petition for FY 2008-09.

3.72 Further, the Petitioner has proposed an additional Employee Expense of Rs 85.54 Cr on account of wage revision due to the impact of Sixth Pay Commission Recommendations for FY 2008-09, as an additional information submitted to the Commission.

3.73 The employee expenses proposed by the Petitioner for FY 2008-09 is shown below:

Table 25: Employee Expenses proposed for FY 2008-09 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission
Employee Cost (excluding Sixth Pay Commission)		68.34*
Sixth Pay Commission payments to Employees		84.54
Employee Capitalisation		7.98
Net Employee Expenses	**68.94***	**144.90**

* Net of efficiency factor @2%

Commission's Analysis

3.74 The Commission has observed that as per the MYT Regulations, employee expense is classified as a controllable expense. In the MYT Order, permissible employee expense has been provided for each year of the Control Period as per the methodology prescribed in the MYT Regulations. While approving the employee expenses for each year of the Control Period, the Commission had undertaken analysis and prudence check of the actual employee cost incurred in the base year as per audited accounts. The expected scenario in future years of the Control Period was also considered.

3.75 The Commission has considered the Petitioner's claim of additional employee expenses on account of Sixth Pay Commission Recommendations to its employees over and above employee expenses approved in the MYT Order. The Commission has already dealt with these between Para 3.20 to 3.25.

3.76 With respect to correction of inflation-linked indexation for employee expense, the Commission has already factored in the impact of revision of inflation index in accordance with the Judgement of the Hon'ble ATE as detailed in paras 3.8 to 3.17:

3.77 The Commission approves the employee expenses for FY 2008-09 as shown below:

Table 26: Employee expenses approved for FY 2008-09 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
Gross Employee Expenses	76.92	144.90	59.29

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
(Without Impact of Sixth Pay Commission)			
Add: Interim Relief Paid on account of Sixth Pay Commission			
Less: Capitalisation	7.98		8.87
Net Employee Expenses	**68.94**	**144.90**	**50.42**

Administration & General (A&G) Expenses

Petitioner's Submission

3.78 In its Petition, the Petitioner had submitted that it incurred an amount of Rs. 9.78 Cr towards A&G expenses in FY 2008-09, which is lower than the amount approved for the year in the MYT Order.

Table 27: A&G Expenses proposed for FY 2008-09 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission
A&G Expenses*	**12.43**	**9.78***

**Net of efficiency factor @ 2%*

Commission's Analysis

3.79 The Commission had approved a gross amount of Rs 12.43 Cr towards A&G expense for FY 2008-09 in its MYT Order based on the methodology prescribed in the MYT Regulations.

3.80 As per Clause 4.16(b)(i) of the MYT Regulations, A&G expense is a controllable parameter and any surplus or deficit on account of actual A&G 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.

3.81 The Commission has also factored in the impact of revision of inflation index in accordance with the Judgement of the Hon'ble ATE as detailed in Para 3.8 – Para 3.17.

3.82 As detailed in Paragraphs 3.10 to 3.17, the Commission approves the A&G Expenses for FY 2008-09 as shown in the table below:

Table 28: A&G Expenses approved for FY 2008-09 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
A&G Expenses	**12.43**	**9.87***	**12.55**

**Net of efficiency factor @ 2%*

Repairs & Maintenance (R&M) Expenses

Petitioner's Submission

3.83 With respect to R&M expenses, the Petitioner has submitted that it is in the process of finalization of accounts and is also considering the option of determining the opening GFA for the electricity business. Therefore, for the time being, the Petitioner has prayed that it is unable to determine its R&M expenses based on the methodology provided in the MYT Regulations and the value of K factor as determined by the Commission in the MYT Order. Hence, the Petitioner has considered the R&M expenses at the Commission's approved level as determined for FY 2008-09 in the MYT Order, i.e. Rs 20.81 Cr.

3.84 The R&M Expenses claimed by the Petitioner for FY 2008-09 are shown below:

Table 29: R&M Expenses proposed for FY 2008-09 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission
R&M Expenses*	**20.81**	**20.81**

**Net after efficiency factor of 2%*

Commission's Analysis

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

3.86 Accordingly, the R&M expenses are approved at the same level as provided in the MYT Order for FY 2008-09 as shown below:

Table 30: R&M Expenses approved for FY 2008-09 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
R&M expenses*	**21.23**	**21.23**	**21.23**

Operation & Maintenance Expense

Petitioner's Submission

3.87 Operation & Maintenance (O&M) Expense is the sum total of expenses incurred towards employee, A&G and R&M expenses. The Petitioner has claimed net O&M expenses of Rs. 114.51 Cr (including Rs 85.54 Cr of payment on account of Sixth Pay Commission to its employees) which is higher than the amount approved in the MYT Order, i.e. Rs 100.55 Cr.

Commission's Analysis

3.88 The Commission has approved the revised employee cost considering the impact of revision of inflation index and revision of salary due to recommendation of Sixth pay

Commission. The Commission has also revised A&G Expenses on account of revision of inflation index. The O&M Expenses approved by the Commission is shown below:

Table 31: Amount approved by the Commission (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
Employee Expenses (Net of Capitalisation)	68.94	144.90	50.42
A&G Expenses	12.43	10.07	12.55
R&M Expenses	21.23	21.23	21.23
Gross O&M Expenses	102.61	176.20	84.20
Less: Efficiency improvement factor	2%	2%	2%
Net O&M expenses	**100.55**	**172.67**	**82.52**

Review of Capital Expenditure & Capitalisation

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

Table 32: Capital Investment Plan Approved for Control Period (Rs. Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Total
Capital Investment	81.60	228.64	174.88	109.82	594.94

3.90 In the MYT Order dated March 7, 2008, the Commission had expressed the view that the capital investment of Rs. 594.94 Cr 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.

3.91 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 The Petitioner 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.

3.92 The Petitioner 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.

3.93 The Petitioner was directed in the MYT Order dated 7 March 2008 and Tariff Order dated June 18, 2009 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 Petitioner 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.

3.94 The Commission observed that none of the directions issued by the Commission vide Tariff Order dated June 18, 2009, with respect to the capital expenditure schemes for approval and submission of quarterly progress reports have been complied by NDMC.

3.95 The NDMC was reminded of the compliance of the directives vide letter dated July 24, 2009 and was granted time till August 10, 2009 for submission of the Capex schemes for approval of the Commission and submission of quarterly progress reports. However, no details were submitted by NDMC. Therefore, a show cause notice was issued by the Commission on August 28, 2009 whereby NDMC was directed to explain as to why appropriate proceedings may not be initiated against them. A hearing was conducted by the Commission on December 10, 2009 and Order issued on December 22, 2009, wherein a last and final opportunity was given to the NDMC for compliance of the directions of the Commission. NDMC was given four weeks time till January 23, 2010, for submission of details to the Commission and to the Steering Committee constituted by the Commission, which is headed by the State Transmission Utility (i.e. Delhi Transco Limited). The Commission also directed NDMC to segregate the accounts of electricity business from their other activities latest by April 1, 2010.

3.96 However, none of these directions were complied with NDMC. The NDMC has furnished only information about their on-going schemes during the FY 2009-10 which was submitted by them on February 3, 2010. However, these details were only for information and not for approval of the Commission.

3.97 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. The Petitioner is once again directed to comply with directions stipulated in the MYT Order so that the capital investments could be carried out in a coordinated manner.

Review of Depreciation

3.98 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 provides for True Up of Depreciation and RoCE at the end of the Control Period.

3.99 The Commission had approved an amount of Rs. 17.43 Cr towards depreciation for FY 2008-09 in the MYT Order, which is the same as the amount claimed by the Petitioner for FY 2008-09 in its True Up Petition.

3.100 The Commission observes that it had erroneously allowed depreciation on consumer contributions and grants for the MYT Control Period (FY 2007-08 – FY 2010-11). As per the MYT Regulations,

"5.13 ……

Provided that depreciation shall not be allowed on assets funded by any capital subsidy/ grant."

3.101 Since the Regulations allow depreciation only on assets capitalised, information is required from the Petitioner regarding the consumer contribution capitalized till date by the Petitioner. However, this information is not readily available with the Petitioner. As and when such information is made available to the Commission, the Commission will revise the depreciation approved for the Petitioner.

3.102 For now, in view of the provisions of the MYT Regulations as indicated in Para 3.98 above, the Commission has retained the amount of depreciation at Rs. 17.43 Cr as approved for FY 2008-09 in the MYT Order. Necessary adjustments will be carried out at the end of Control Period along with the carrying cost.

Table 33: Depreciation submitted by Petitioner for FY 2008-09 (Rs. Cr)

Depreciation	Approved in the MYT Order	Petitioner's Submission	Now Approved
Depreciation	17.43	17.43	17.43

Review of Return on Capital Employed

3.103 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.

3.104 The Commission had approved an amount of Rs. 29.79 Cr towards RoCE in the MYT Order for FY 2008-09, which is the same amount claimed by the Petitioner for FY 2008-09 in its True Up Petition.

3.105 However, the Petitioner has requested for an additional Rs. 0.02 Cr as interest and finance charges. The Petitioner has submitted that in order to undertake all capital expenditure works, it uses its reserve Municipal funds and does not take any loan and hence does not have any loan liability. However, it has considered an amount of Rs. 1.85 lakh against bank charges on account of issuance of LCs to the generators.

3.106 The Commission observed that the Petitioner has not submitted any information regarding the capital works undertaken during the FY 2008-09 and the corresponding changes in the regulated rate base.

3.107 As per the MYT regulations, RoCE is a controllable parameter which will Trued-up at the end of the Control Period. The Commission has retained the amount of RoCE as approved in the MYT Order. Necessary adjustments will be carried out at the end of Control Period in accordance with the provisions of the MYT Regulations.

Table 34: RoCE approved for True Up for FY 2008-09

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
RoCE including Supply Margin	29.79	29.79	29.79
Interest & Finance Charges	0.00	0.02	0.00
Total RoCE including Supply Margin	29.79	29.81	29.79

Administrative and Civil Engineering Departments Expenses

Petitioner's Submission

3.108 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.

3.109 The Petitioner has quoted the Commission's Tariff Order for FY 2005-06 for considering an allocation of 19% of the salary expenses of its Administrative department towards its electricity distribution business for FY 2008-09. The allocation of expenses against this head comes out to be Rs. 68.02 Cr. Further, since the Petitioner is yet to segregate the expenses shared by its Civil Engineering Department on account of electricity distribution business, it has requested the Commission to consider an amount of Rs. 10 Cr under this head, which it claims is the same as approved in the Tariff Order for FY 2005-06 as well as in the MYT Order.

Commission's Analysis

3.110 The Commission is of the view that since the segregated account of the Petitioner's 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 the amount of Rs. 35.37 Cr for Administrative Department expenses allocated to the electricity business and Rs. 10 Cr for Civil Engineering Department expenses allocated to the electricity business, as approved for FY 2008-09 in the MYT Order.

3.111 Though the amount towards administrative department and civil engineering department expenses is being approved in the True-up of FY 2008-09, the Commission is of the opinion that the electricity business cannot subsidies any other business of NDMC. The Commission had, in its Tariff Order dated 2 November, 2005, elaborated in detail the justification for allocating the administrative department expenses to the electricity department. Subsequently in its Order dated 6 December, 2006 and 7 March, 2008, the Commission reiterated its opinion that the 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 is 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)

3.112 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.

3.113 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.

3.114 Therefore, the Commission approves Rs. 35.37 Cr for Administrative Department expenses allocated to the electricity business and Rs. 10 Cr for Civil Engineering Department expenses allocated to the electricity business, as approved for FY 2008-09 in the MYT Order.

Table 35: Administrative and Civil Engineering Department expenses for 2008-09 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
Allocation of Administrative expenses to the electricity business	35.37	68.02	35.37
Allocation of Civil Engineering Department expenses to the electricity business	10.00	10.00	10.00
Total Allocation of Administrative and Civil Engineering Department expenses to the electricity distribution business	45.37	78.02	45.37

Non Tariff Income

Petitioner's Submission

3.115 The Petitioner in its True up Petition has considered non-tariff income of Rs. 8.24 Cr for FY 2008-09, while the amount approved in the MYT Order was Rs. 3.22 Cr.

Commission's Analysis

3.116 In light of the MYT Regulations, the Commission examined the issue of Non Tariff Income, which determined the approach towards treatment of Non Tariff Income. Clause 5.25 of the MYT Regulations states that "The amount received by the licensee on account of Non Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such licensee". Clause 5.27 further elaborates that "The net aggregate revenue requirement of the licensee eligible for recovery during each year of the Control Period shall be determined after deducting from the aggregate revenue requirement, the non tariff income and the other income". A joint reading of both the above clauses indicates that NTI, being an integral part of the revenue requirement, shall be Trued up at the end of each year of the Control Period.

3.117 As per the MYT Regulations only two sets of parameters are recognized i.e. controllable and uncontrollable. The uncontrollable parameters include revenue/expenditure on account of sales and power purchase and the MYT Regulations provide for their annual True Up. On the other hand, the controllable parameters include O&M expense, Capex related expenses and RoCE, but do not specifically include Non Tariff Income. Also, the MYT Regulations in regard to controllable expenses specifically provide for True Up of Capex related expenditure i.e. RoCE and Depreciation at the end of the Control Period.

3.118 Hence, the Commission has approved the amount of Non Tariff Income as summarised below:

Table 36: Trued-up Non Tariff Income approved (Rs. Cr)

Non Tariff Income	Approved in the MYT Order	Petitioner's Submission	Now Approved
Total Non-Tariff Income	3.22	8.24	8.24

Annual Revenue Requirement for FY 2008-09

3.119 The Commission approves the Annual Revenue Requirement (ARR) after incorporating the above changes at Rs. 241.55 Cr for FY 2008-09. The ARR approved in the MYT Order, as claimed by the Petitioner and the Trued up ARR is summarised below:

Table 37: Aggregate Revenue Requirement now approved for FY 2008-09 (Rs Cr)

Aggregate Revenue Requirement	Approved in the MYT Order	Petitioner's Submission	Now Approved
Net Power purchase cost	230.97	39.84	39.84
Inter-state Transmission Charges	7.85	13.18	13.18
Intra-State Transmission Charges	13.67	16.68	16.68
SLDC Fee and Charges	0.63	3.93	3.93
Net Impact of Past True Up			0.00*
O&M expenses	100.55	98.93	82.52
Depreciation	17.43	17.43	17.43
RoCE including supply margin allowed	29.79	29.79	29.79
Administrative & Civil Engineering Department Expenses allocated to electricity	45.37	78.02	45.37
Less: Non Tariff Income	3.22	8.24	8.24
Aggregate Revenue Requirement	**443.04**	**296.33**	**240.50**

**Already included in True Up for Past Period and approved revenue gap for FY 2007-08*

Revenue available towards ARR

Petitioner's Submission

3.120 The Petitioner has submitted that based on the tariff rates as approved by the Commission and the monthly consumption, it has raised bills of Rs. 543.75 Cr to its consumers against energy and demand charges. The total revenue realized from consumers in 2008-09 is submitted to be Rs. 503.45 Cr after deducting the NDMC tax amount.

Table 38: Revenue available towards ARR submitted by the Petitioner (Rs. Cr)

Revenue from Sale of Power to Consumers	Rs. Cr
Tariff Revenue	471.17
Demand Charges	44.63
LT S/C	11.69
Total Revenue	**527.49**
Less: Taxes @ 5% on Tariff Revenue	24.14
Net Revenue	**503.45**

Commission's Analysis

3.121 The total amount realized by the Petitioner and approved by the Commission is detailed in Table 22. The Commission has computed the total revenue of the Petitioner available towards ARR to be Rs. 519.67 Cr, as detailed below:

Table 39: Revenue available towards ARR approved for FY 2008-09

Particulars	Now Approved
Revenue available towards ARR (Rs Cr)	519.67

Revenue (Gap)/ Surplus

3.122 The revenue surplus/(gap) for FY 2008-09 as approved in the MYT Order, submitted by the Petitioner and Trued up by the Commission is summarised in Table 40 below:

Table 40: Revenue Surplus/(Gap) for FY 2008-09 (Rs Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
ARR for FY 2008-09	443.04	296.33	240.50
Revenue available towards ARR	516.28	503.45	519.67
(Gap)/ Surplus	**73.24**	**207.12**	**279.17**

3.123 As shown above, the approved net revenue surplus is Rs. 279.17 Cr for FY 2008-09 which would be adjusted in the determination of the Aggregate Revenue Requirement for FY 2010-11. The treatment of this net revenue surplus is dealt with in Chapter A6.

A4: TRUE UP FOR FY 2009-10

Background

4.1 The Commission had approved the Aggregate Revenue Requirement (ARR) of NDMC for each year of the Multi Year Tariff Control Period (FY 2007-08 to FY 2010-11) in its Multi Year Tariff Order for NDMC dated March 7, 2008. The Commission while truing up for FY 2007-08 had revised the Aggregate Revenue Requirement (ARR) of NDMC for FY 2009-10 in its Tariff Order dated June 18, 2009 due to revision of uncontrollable parameters i.e. sales and power purchase. The MYT Regulations provide for truing up of the uncontrollable parameters of the ARR at the end of each year of the Control Period based on the audited accounts and prudence check by the Commission.

4.2 NDMC in its Petition has sought truing up of the expenditure and revenue for FY 2009-10. In this Chapter, the Commission has analysed the Petition of NDPL in accordance with the principles laid down under MYT Regulations.

Energy Sales

Petitioner's Submission

4.1 The Petitioner has submitted total sales of 1142.12 MU in its True up Petition as against 1119.87 MU approved by the Commission in its Order dated June 18, 2009.

Commission's Analysis

4.2 The Commission analysed category-wise annual sales data submitted by the Petitioner for FY 2009-10.

4.3 The Commission therefore, for truing up of sales, approved the sales figures submitted by the Petitioner for FY 2009-10. The category wise Trued up sales for FY 2009-10 as approved by the Commission is shown below:

Table 41: Trued Up Energy Sales for FY 2009-10 (MU)

	Categories	Approved in the Order June 18, 2009	Petitioner's Submission	Now Approved
1	**Domestic**	**219.54**	**223.41**	**223.41**
	Single Delivery Point		74.76	74.76
	Separate Delivery Point up to 100 kW		129.54	129.54
	Domestic Power up to 100 kW		19.11	19.11
2	**Non Domestic**	**268.04**	**249.63**	**249.63**
	Up to < 5 kW		50.68	50.68
	More than 5 kW and less than 100 kW		198.95	198.95
3	**Mixed Load**	**619.49**	**652.45**	**652.45**
	Supply at 11 kV (HT)		439.23	439.23

	Categories	Approved in the Order June 18, 2009	Petitioner's Submission	Now Approved
	Supply on LT where supply is given from NDMC sub station		4.36	4.36
	Supply on LT where applicant provides built up space for sub station		208.86	208.86
4	**Small Industrial Power**	**0.35**	**0.35**	**0.35**
5	**Public Lighting**	**8.36**	**9.19**	**9.19**
6	**Others**	**4.09**	**7.08**	**7.08**
7	**DMRC**	0.00	0.00	0.00
	Total	**1119.87**	**1142.12**	**1142.12**

AT&C Losses

Petitioner's Submission

4.4 The Petitioner has submitted that its AT&C loss level for FY 2009-10 was at 12.46% instead of 10.38% as approved for the year, FY 2009-10 in the MYT Order.

4.5 The Petitioner has submitted the actual collection efficiency for FY 2009-10 as 98.04% against target of 100% approved in the MYT Order. The Petitioner has requested the Commission to approve the revised AT&C Loss level for FY 2009-10, as shown below.

Table 42: AT&C Loss level submitted by the Petitioner

Particulars	Approved in the MYT Order	Petitioner's Submission
AT&C Losses	10.38%	12.46%
Distribution Losses	10.38%	10.71%
Collection Efficiency	100%	98.04%

4.6 The Petitioner, in its True-up Petition, has submitted its computation for AT&C loss level of 12.46% achieved during FY 2009-10 as summarised below:

Table 43: AT&C loss for FY 2009-10 as submitted by the Petitioner

Energy Balance	Units	Petitioner's Submission
Units Available at Discom's periphery	MU	1,279.06
Units Billed by NDMC	MU	1142.12
Distribution Loss	%	10.71%
Revenue Billed	Rs Cr	555.57
Revenue Realised	Rs Cr	544.68
Collection Efficiency	%	98.04%

Energy Balance	Units	Petitioner's Submission
AT&C Loss	**%**	**12.46%**

Commission's Analysis

4.7 In the MYT Order, the Commission has considered a total reduction of 1.50% in the Petitioner's AT&C losses (from 11.50% in FY 2006-07 to 10.00% in FY 2010-11) during the Control Period. The Commission had also approved a reduction of 25% of the total AT&C loss reduction target in each year of the Control Period.

4.8 A comparison of AT&C loss level specified in the MYT Order and the actual AT&C loss level claimed by the Petitioner during FY 2009-10 is mentioned below:

Table 44: AT&C loss for FY 2009-10 as submitted by the Petitioner

Particulars	Approved in the MYT Order	Petitioner's Submission
AT&C Loss Target	10.38%	12.46%

4.9 Due to inability shown by the Petitioner to validate the requisite information, the Commission is constrained to provisionally consider the sales, revenue billed and revenue realized submitted for the computation of AT&C loss.

4.10 Energy input at the Petitioner periphery has been validated from the information submitted by DTL/SLDC and it is observed that the Petitioner has claimed 1279.06 MU, which is higher than DTL's submission of units input at the periphery as compared to the actual of 1247.55 MU.

4.11 The Commission has considered the power purchase information provided by DTL/SLDC for computing the Trued-up AT&C loss of the Petitioner for FY 2009-10. The revised AT&C loss of the Petitioner for FY 2009-10 is summarised below:

Table 45: Trued up AT&C loss for FY 2009-10

S. No	Energy Balance	Units	Now Approved
1	Units Input at NDMC Periphery	MU	1247.55
2	Energy Sold to the Consumers	MU	1142.12
3	Distribution Losses	MU	8.45%
4	Revenue Billed (including NDMC Tax @ 5%)	Rs. Cr	555.57
5	Revenue Realised (including NDMC Tax @ 5%)	Rs. Cr	544.68
6	Collection Efficiency	%	98.04%
8	**AT&C Losses**	**%**	**10.25%**

4.12 As specified in the MYT Order, for the purpose of calculating the incentive/ penalty on account of over/under achievement of AT&C loss reduction target the Commission would consider the following:

(a) First year of the Control Period: The Petitioner shall be eligible for an incentive if the AT&C loss reduction in the first year of the Control Period is above 25%. 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. The Petitioner shall not be eligible for any incentive or penalty if the AT&C loss reduction in the first year of the Control Period is between 20% and 25%.

(b) Second year of the Control Period: The Petitioner shall be eligible for an incentive if the cumulative value of loss reduction in that year and in the previous year is over 50%. Any under recovery in the revenue realised, if the AT&C loss reduction in the second year of the Control Period is below 20% and that the cumulative value of loss reduction in that year and in the previous year is below 45%, shall be to the account of the Petitioner. The Petitioner shall not be eligible for any incentive or penalty if the cumulative AT&C loss reduction in the first and second year of the Control Period is between 45% and 50%.

(c) Third year of the Control Period: The Petitioner shall be eligible for an incentive if the cumulative value of loss reduction in that year and in the previous two years is over 75%. Any under recovery in the revenue realised, if the AT&C loss reduction in the third year of the Control Period is below 20% and that the cumulative value of loss reduction in that year and in the previous two years is below 70%, shall be to the account of the Petitioner. The Petitioner shall not be eligible for any incentive or penalty if the cumulative AT&C loss reduction in the first, second and third year of the Control Period is between 70% and 75%.

(d) Last year of the Control Period: The Petitioner shall be eligible for an incentive if the cumulative value of loss reduction at the end of the Control Period is over 100%. Any under recovery in the revenue realised, if the AT&C loss reduction in the last year of the Control Period is below 20% and that the cumulative value of loss reduction at the end of the Control Period is below 100%, shall be to the account of the Petitioner.. The Petitioner shall not be eligible for any incentive or penalty if the cumulative AT&C loss reduction at the end of the Control Period is 100%.

4.13 Accordingly, the over-recovery in the revenue realized on account of over-achievement of the minimum AT&C loss target of the Petitioner for FY 2009-10 is summarised below:

Table 46: Computation of Overachievement by the Commission

	Particulars	Units	MYT Order	Approved
A	AT&C Losses	%	10.38%	10.25%
B	Under Achievement	%		0.13%
C	Energy Input (MUs)	MU	1247.55	1247.55
D	Units Realized	MU	1118.05	1119.73
E	Average Billing Rate	Rs./Unit		4.86

	Particulars	Units	MYT Order	Approved
F	Amount Realized	Rs. Cr	543.86	544.68
			X	Y
G	Total financial impact on account overachievement (Y - X)	Rs. Cr		0.82
H	Benefit to be retained by the Petitioner (G/2)	Rs Cr		0.41
I	Benefits to be passed on to consumers (G/2)	Rs Cr		0.41
J	Revenue available towards ARR (inclusive of Etax) (Y-H)	Rs Cr		544.27
K	Less: Etax @5% of revenue	Rs Cr		24.51
L	Revenue available towards ARR	Rs Cr		519.76

4.14 Hence, the total revenue available towards ARR for FY 2009-10 has been computed by the Commission to be Rs. 519.76 Cr.

Power Purchase Quantum

Petitioner's Submission

4.15 Against the actual sales of 1142.12 MU during FY 2009-10, the Petitioner has claimed a net power purchase requirement of 1279.06 MU based on the actual distribution loss level of 10.71% for FY 2009-10. The quantum of power available at DTL periphery is submitted as 2195.82 MU for FY 2009-10.

Commission's Analysis

4.16 The Commission, in its Order dated June 18, 2009, had approved a net power purchase quantum of 1249.51 MU for the Petitioner from all sources including central sector generating stations, inter-state bilateral, intra-state power and Delhi generating stations for FY 2009-10.

4.17 The Commission directed the Petitioner to submit month-wise station-wise power purchase details along with the bills, which was complied with by the Petitioner.

4.18 The Commission has reviewed the month-wise station-wise power purchase details submitted by the Petitioner and cross-verified the same with the monthly Regional Energy Accounts for FY 2009-10.

4.19 Based on the information submitted by DTL/SLDC, the Commission observed that the Petitioner has received 1247.55 MU of energy at the DISCOM periphery as against 1279.06 MU claimed by the Petitioner.

4.20 Therefore, the Commission approves the net power purchase for the True-up of FY 2009-10 as summarised below:

Table 47: Trued-up Power Purchase Quantum for FY 2009-10 (in MU)

Source	Approved in the Order dated June 18, 2009	Petitioner's Submission	Now Approved
Gross Power Purchase Quantum	2087.96	2202.46	2202.46
Power Sold To Other Sources	779.00	394.04	394.04
Underdrawl of Power under UI		474.70	474.70
Net Power Purchase	1308.96	1333.72	1333.72
Transmission Losses:			
Total Transmission Losses	59.36	54.66	86.17
Net Power Available after Transmission Losses	**1249.60**	**1279.06**	**1247.55**

Power Purchase Cost

Petitioner's Submission

4.21 The Petitioner has submitted a gross power purchase cost of Rs. 600.68 Cr. Further, the Petitioner has claimed transmission and SLDC charges of Rs 43.84 Cr. Hence the total power purchase cost submitted by the Petitioner for FY 2009-10 is Rs. 644.52Cr.

4.22 The Petitioner has submitted that on account of the its efforts in selling surplus energy at the best possible rates, the revenue from sale of surplus power in FY 2009-10 was Rs. 286.06 Cr. Hence, the net power purchase cost to NDMC for sale to its consumers is estimated at only Rs. 358.46 Cr, against Rs. 232.20 Cr approved as net power purchase cost (including transmission charges) in the Order dated June 18, 2009. Thus, the actual rate of power sale to the Petitioner's consumers for FY 2009-10 is Rs. 2.80 per unit.

Commission's Analysis

4.23 The Commission, in its the Order dated June 18, 2009 had approved a gross power purchase cost of Rs. 535.15 Cr for FY 2009-10. Further, the Commission has approved inter-state transmission charges of Rs 13.80 Cr, intra-state transmission charges of Rs. 14.36 Cr (including SLDC charges).

4.24 The Commission had estimated the revenue from sale of surplus power to be Rs. 331.11 Cr. Hence, the Commission had approved net power purchase cost (inclusive of transmission charges) of Rs. 232.20 Cr for FY 2009-10 in its Order dated June 18, 2009.

4.25 The Commission directed the Petitioner to submit month-wise station-wise power purchase details along with the bills, which was complied with by the Petitioner.

4.26 The Commission has reviewed the details of month-wise station-wise power purchase cost and transmission charges submitted by the Petitioner.

4.27 Further, the Petitioner in its True-up Petition for FY 2008-09 had submitted that the power purchase cost for FY 2008-09 shown in its Petition also includes an amount of

Rs. 22.63 Cr, payment of which was made during FY 2009-10 but which pertains to energy purchased during FY 2008-09. In this regard, the Commission had directed the Petitioner to submit a clarification stating that this amount has not been counted again in the power purchase cost for FY 2009-10. Subsequently, the Petitioner informed the Commission that this amount has not been included in the power purchase cost for FY 2009-10.

4.28 The Commission hence approves the net power purchase cost for FY 2009-10 at Rs. 358.46 Cr for FY 2009-10 as submitted by the Petitioner.

Table 48: Trued-up Power Purchase Cost for FY 2009-10 (in Rs Cr)

Source	Approved in the Order dated June 18, 2009	Petitioner's Submission	Now Approved
Gross Power Purchase Cost	535.15	600.68	600.68
Power Sold To Other Sources	331.11	286.06	286.06
Net Power Purchase Cost	204.04	314.62	314.62
Transmission Charges			
Total Transmission Charges	28.16	43.84	43.84
Net Power Purchase Cost including Transmission Charges	**232.20**	**358.46**	**358.46**

Review of Controllable Parameters

Petitioner's Submission

4.29 As per Section 11.2 and Section 8.8 of the MYT Regulations, the Petitioner is required to submit information as a part of annual review on actual performance to assess the performance vis-à-vis the targets approved by the Hon'ble Commission. Therefore, the Petitioner submits that in its Petition, it has restricted itself to submission of actual expenses for FY 2009-10 for controllable parameters.

Commission's Analysis

4.30 As per Clause 4.7 of the MYT Regulations, the Commission has specified targets for controllable parameters which inter alia include Operation & Maintenance expenditure (comprising employee expenses, repair & maintenance expenses, administration & general expenses and other miscellaneous expenses, viz. audit fee, rent, legal fees etc.), Return on Capital Employed and depreciation.

4.31 Furthermore, as per Clause 4.16(b), for controllable parameters, any surplus or deficit on account of O&M expenses shall be to the account of the Licensee and shall not be Trued up in the ARR; and, depreciation and ROCE shall be Trued up at the end of the Control Period.

4.32 The Commission has observed that the Petition filed by the Petitioner had several discrepancies with respect to the provisions of the MYT Regulations and the MYT Order. The Commission has admitted the Petition despite the discrepancies and information gaps in the Petition in order to expedite the process of tariff determination. The Commission issued a deficiency note to the Petitioner on 13 January, 2010 highlighting the deficiencies observed in the Petition, and directed the Petitioner to submit clarifications and/or further information. The Petitioner did not furnish any additional information and supporting documents/ clarifications relevant to some of the issues mentioned in the deficiency note for the consideration of the Commission.

4.33 In consideration of the non-availability of the audited accounts for the electricity business for the FY 2009-10 and in accordance with the provisions of the MYT Regulations, the Commission continues with the provisional expenses approved in the MYT Order for the True-up of FY 2009-10.

Employee Expenses

Petitioner's Submission

4.34 The Petitioner has proposed an Employee Expense of Rs 103.56 Cr for FY 2009-10. As an additional submission to the Commission, the Petitioner has submitted an amount of Rs 89.27 Cr as payments made to its employees in FY 2009-10 on account of wage revision due to the impact of Sixth Pay Commission Recommendations.

4.35 The employee expenses proposed by the Petitioner for FY 2009-10 is shown below:

Table 49: Employee Expenses proposed for FY 2009-10 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission
Sixth Pay Commission payments to Employees		103.56
Employee Capitalisation		0.00
Net Employee Expenses	**58.95**	**103.56**

Commission's Analysis

4.36 The Commission has observed that as per the MYT Regulations, employee expense is classified as a controllable expense. In the MYT Order, permissible employee expense has been provided for each year of the Control Period as per the methodology prescribed in the MYT Regulations. While approving the employee expenses for each year of the Control Period, the Commission had undertaken an analysis and prudence check of the actual employee cost incurred in the base year as per audited accounts. The expected scenario in future years of the Control Period was also considered.

4.37 The Commission has considered the Petitioner's claim of additional employee expenses on account of Sixth Pay Commission increment to its employees over and above employee expenses approved in the MYT Order. The Commission has already dealt with these between para 3.18 to 3.25

4.38 With respect to correction of inflation-linked indexation for employee expense, the Commission has already factored in the impact of revision of inflation index in accordance with the Judgement of Hon'ble ATE as detailed in paras 3.8 to 3.17:

4.39 The Commission approves the employee expenses for FY 2009-10 as shown below:

Table 50: Employee expenses approved for FY 2009-10 (Rs. Cr)

<table>
<tr><th>Particulars</th><th>Approved in the MYT Order</th><th>Petitioner's Submission</th><th>Now Approved</th></tr>
<tr><td>Gross Employee Expenses (Without Impact of Sixth Pay Commission)</td><td rowspan="2">67.26</td><td rowspan="3">103.56</td><td rowspan="2">111.07</td></tr>
<tr><td>Add: Interim Relief Paid on account of Sixth Pay Commission</td></tr>
<tr><td>Less: Capitalisation</td><td>8.31</td><td>9.29</td></tr>
<tr><td>Net Employee Expenses</td><td>58.95</td><td>103.56</td><td>101.78</td></tr>
</table>

Administration & General (A&G) Expenses

Petitioner's Submission

4.40 In its Petition, the Petitioner had submitted that it incurred an amount of Rs. 12.95 Cr towards A&G expenses in FY 2009-10, which is the same as that approved for FY 2009-10 in the MYT Order, as well as that approved in the Order dated June 18, 2009.

Table 51: A&G Expenses proposed for FY 2009-10 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission
A&G Expenses	12.95	12.95

Commission's Analysis

4.41 The Commission had approved a gross amount of Rs 12.95 Cr towards A&G expense for FY 2009-10 in its MYT Order based on the methodology prescribed in the MYT Regulations.

4.42 As per Clause 4.16(b)(i) of the MYT Regulations, A&G expense is a controllable parameter and any surplus or deficit on account of actual A&G 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.

4.43 The Commission has also factored in the impact of revision of inflation index in accordance with the Judgement of the Hon'ble ATE as detailed in Para 3.8 – Para 3.17.

4.44 As detailed in Para 3.10- 3.17 of this Order, the Commission approves the A&G Expenses for FY 2009-10 as shown in the table below:

Table 52: A&G Expenses approved for FY 2009-10 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
A&G Expenses	12.95	12.95	13.14

Repairs & Maintenance (R&M) Expenses

Petitioner's Submission

4.45 NDMC has considered the R&M cost as approved by the Commission for FY 2009-10 in the MYT Order as these are controllable parameters.

4.46 The R&M Expenses claimed by the Petitioner for FY 2009-10 are shown below:

Table 53: R&M Expenses proposed for FY 2009-10 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission
R&M Expenses	28.98	28.98

Commission's Analysis

4.47 As per Clause 4.16(b)(i) of the MYT Regulations, R&M Expense is a controllable parameter and any surplus or deficit on account of actual R&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.

4.48 Accordingly, the R&M expenses are approved at the same level as provided in the MYT Order for FY 2009-10 as shown below:

Table 54: R&M Expenses approved for FY 2009-10 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
R&M expenses*	28.98	28.98	28.98

Operation & Maintenance Expense

Petitioner's Submission

4.49 Operation & Maintenance (O&M) Expense is the sum total of expenses incurred towards employee, A&G and R&M expenses. The Petitioner has claimed O&M expenses of Rs. 145.49 Cr (including Rs 89.27 Cr of payment on account of Sixth Pay Commission to its employees) which is higher than the amount approved in the MYT Order, i.e. Rs 100.87 Cr.

Commission's Analysis

4.50 The Commission has approved the revised employee cost considering the impact of revision of inflation index and revision of salary due to recommendation of Sixth pay Commission. The Commission has also revised A&G Expenses on account of revision of inflation index. The O&M Expenses approved by the Commission is shown below:

Table 55: Amount approved by the Commission (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
Employee Expenses (Net of Capitalisation)	58.95	103.56	101.78
A&G Expenses	12.95	12.95	13.14
R&M Expenses	28.98	28.98	28.98
Gross O&M Expenses	100.87	145.46	143.90
Less: Efficiency improvement factor	3%	3%	3%
Net O&M expenses	**97.85**	**141.12**	**139.58**

Review of Capital Expenditure & Capitalisation

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

Table 56: Capital Investment Plan Approved for Control Period (Rs. Cr)

Particulars	FY 2007-08	FY 2009-10	FY 2009-10	FY 2010-11	Total
Capital Investment	81.60	228.64	174.88	109.82	594.94

4.52 Clause 4.13 & 4.14 of MYT Regulations stipulates as under;

"4.13 The Commission shall approve capital investment plan of the Licensees for the Control Period commensurate with load growth, distribution loss reduction and quality improvement proposed in the Business Plan. The investment plan shall also include corresponding capitalization schedule and financing plan.

4.14 The Commission shall review the actual capital investment at the end of each year of the Control Period. Adjustment to depreciation and return on capital employed for the actual capital investment vis-à-vis approved capital investment shall be done at the end of Control Period."

4.53 The Commission shall review the actual Capital Investment at the end of the extended MYT control period i.e. March 31, 2012 and adjustment for depreciation and RoCE shall be done.

4.54 In the MYT Order dated March 7, 2008, the Commission had expressed the view that the capital investment of Rs. 594.94 Cr 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.

4.55 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 The Petitioner 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.

The Commission is of the view that capitalization will ultimately depend upon the actual completion of a scheme, statutory approvals like Electrical Inspector Certificate etc and actual commissioning of the proposed assets. The said exercise will be taken up by the Commission before finalizing the next year Tariff Order.

Review of Depreciation

4.56 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 provides for True Up of Depreciation and RoCE at the end of the Control Period.

4.57 The Commission had approved an amount of Rs. 23.85 Cr towards depreciation for FY 2009-10 in the MYT Order, which is the same as the amount claimed by the Petitioner for FY 2009-10 in its True Up Petition.

4.58 The Commission observes that it had erroneously allowed depreciation on consumer contributions and grants for the MYT Control Period (FY 2007-08 – FY 2010-11). As per the MYT Regulations,

"5.13 ……Provided that depreciation shall not be allowed on assets funded by any capital subsidy/ grant."

4.59 Since the Regulations allow depreciation only on assets capitalised, information is required from the Petitioner regarding the consumer contribution capitalized till date by the Petitioner. However, this information is not readily available with the Petitioner. As and when such information is made available to the Commission, the Commission will revise the depreciation approved for the Petitioner.

4.60 For now, in view of the provisions of the MYT Regulations as indicated in Para 3.98 above, the Commission has retained the amount of depreciation at Rs. 23.85 Cr as approved for FY 2009-10 in the MYT Order. Necessary adjustments will be carried out at the end of Control Period along with the carrying cost.

Table 57: Depreciation submitted by Petitioner for FY 2009-10 (Rs. Cr)

Depreciation	Approved in the MYT Order	Petitioner's Submission	Now Approved
Depreciation	23.85	23.85	23.85

Review of Return on Capital Employed

4.61 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.

4.62 The Commission had approved an amount of Rs. 48.42 Cr towards RoCE in the MYT Order for FY 2009-10, which is the same amount claimed by the Petitioner for FY 2009-10 in its True Up Petition.

4.63 In view of the above, the Commission has retained the amount of RoCE as approved in the MYT Order. Necessary adjustments will be carried out at the end of Control Period in accordance with the provisions of the MYT Regulations.

Table 58: RoCE approved for True Up for FY 2009-10

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
RoCE including Supply Margin	48.42	50.96	48.42

Administrative and Civil Engineering Departments Expenses

Petitioner's Submission

4.64 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.

4.65 The Petitioner has quoted the Commission's Tariff Order for FY 2005-06 for considering an allocation of 19% of the salary expenses of its Administrative department towards its electricity distribution business for FY 2009-10. The allocation of expenses against this head comes out to be Rs. 79.72 Cr. Further, since the Petitioner is yet to segregate the expenses shared by its Civil Engineering Department on account of electricity distribution business, it has requested the Commission to consider an amount of Rs. 10 Cr under this head, which it claims is the same as approved in the Tariff Order for FY 2005-06 as well as in the MYT Order.

Commission's Analysis

4.66 The Commission is of the view that since the segregated account of the Petitioner's 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 the amount of Rs. 35.37 Cr for Administrative Department expenses allocated to the electricity business and Rs. 10 Cr for Civil Engineering Department expenses allocated to the electricity business, as approved for FY 2009-10 in the MYT Order.

4.67 Though the amount towards administrative department and civil engineering department expenses is being approved in the True-up of FY 2009-10, 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 2 November, 2005, elaborated in detail the justification for allocating the administrative department expenses to the electricity department. Subsequently in its Order dated 6 December, 2006 and 7 March, 2008, the Commission reiterated its opinion that the 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 is 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)

4.68 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.

4.69 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.

4.70 Therefore, the Commission approves Rs. 35.37 Cr for Administrative Department expenses allocated to the electricity business and Rs. 10 Cr for Civil Engineering Department expenses allocated to the electricity business, as approved for FY 2009-10 in the MYT Order.

Table 59: Administrative and Civil Engineering Department Expenses for 2009-10 (Rs. Cr)

Particulars	Approved in the MYT Order	Petitioner's Submission	Now Approved
Allocation of Administrative expenses to the electricity business	35.37	69.72	35.37
Allocation of Civil Engineering Department expenses to the electricity business	10.00	10.00	10.00
Total Allocation of Administrative and Civil Engineering Department expenses to the electricity distribution business	45.37	79.72	45.37

Non Tariff Income

Petitioner's Submission

4.71 The Petitioner in its True up Petition has considered non-tariff income of Rs. 9.19 Cr for FY 2009-10, while the amount approved in the MYT Order was Rs. 3.35 Cr.

Commission's Analysis

4.72 In light of the MYT Regulations, the Commission examined the issue of Non Tariff Income, which shaped the approach towards treatment of Non Tariff Income. Clause 5.25 of the MYT Regulations states that *"The amount received by the licensee on account of Non Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such licensee"*. Clause 5.27 further elaborates that *"The net aggregate revenue requirement of the licensee* *eligible for recovery during each year of the Control Period shall be determined after deducting from the aggregate revenue requirement, the non tariff income and the other income".* A joint reading of both the above clauses indicates that NTI, being an integral part of the revenue requirement, shall be Trued up at the end of each year of the Control Period.

4.73 As per the MYT Regulations only two sets of parameters are recognized i.e. controllable and uncontrollable. The uncontrollable parameters include revenue/expenditure on account of sales and power purchase and the MYT Regulations provide for their annual True Up. On the other hand, the controllable parameters include O&M expense, Capex related expenses and RoCE, but do not specifically include Non Tariff Income. Also, the MYT Regulations in regard to controllable expenses specifically provide for True Up of Capex related expenditure i.e. RoCE and Depreciation at the end of the Control Period.

4.74 Hence, the Commission has approved the amount of Non Tariff Income as summarised below:

Table 60: Trued-up Non Tariff Income approved (Rs. Cr)

Non Tariff Income	Approved in the MYT Order	Petitioner's Submission	Now Approved
Total Non-Tariff Income	3.35	9.19	9.19

DTL Claim

4.75 The Commission in its Tariff Order dated May 28, 2009 approved provisional claim of Rs 117.95 Cr of DTL on account of revision of Power purchase cost for past period. NDMC share in the same was Rs 11.80 Cr.

4.76 In the matter of power purchase cost for FY 2005-06 and RLDC/ULDC charges for FY 2002-07, the Commission passed an order dated November 12, 2009 and has allowed the power purchase cost of Rs. 114.10 Cr for the FY 2005-06 and RLDC/ULDC Charges of Rs. 3.95 Cr for FY 2002-07. NDMC share in the same was Rs 6.30 Cr.

4.77 As per the Order of the Hon'ble ATE in appeal no. 133/07 filed by DTL where the Hon'ble ATE has directed that metering for NDMC has to be done at the sending end, the Commission has considered revenue of Rs 17.21 Cr accrued to DTL on account of bill raised by DTL to NDMC. The Commission allows NDMC additional Rs 17.21 Cr as expense on account of the bill raised by DTL in the ARR of FY 2009-10.

4.78 The Commission has considered the DTL claims of 35.31 Cr as approved by the Commission while truing up ARR for FY 2009-10, although the Petitioner has not claimed any expense on this account in its Petition.

Annual Revenue Requirement for FY 2009-10

4.79 The Commission approves the Annual Revenue Requirement (ARR) after incorporating the above changes at Rs. 623.52 Cr for FY 2009-10. The ARR approved in the MYT Order, as claimed by the Petitioner and the Trued up ARR is summarised below:

Table 61: Aggregate Revenue Requirement now approved for FY 2009-10 (Rs Cr)

Aggregate Revenue Requirement	Approved in the Order dated June 18, 2009	Petitioner's Submission	Now Approved
Net Power purchase cost	204.04	314.62	314.62
Transmission Charges	28.16	43.84	43.84
Net Impact of Past True Up			0.00*
O&M expenses	97.85	145.49	139.58
Depreciation	23.85	23.85	23.85
RoCE including supply margin allowed	48.42	50.96	48.42
Administrative & Civil Engineering Department Expenses allocated to electricity	45.37	79.72	45.37
Energy Conservation	2.00	0.00	0.00
DTL Claim			35.31
Less: Non Tariff Income	3.35	9.19	9.19
Aggregate Revenue Requirement	**447.29**	**649.30**	**641.70**

**Already included in True Up for Past Period and approved revenue gap for FY 2008-09*

Revenue available towards ARR

Petitioner's Submission

4.80 The Petitioner has submitted that based on the tariff rates as approved by the Commission and the monthly consumption, it has raised bills of Rs. 555.57 Cr to its consumers against energy and demand charges. The total revenue realized from consumers in 2009-10 is submitted to be Rs. 544.68 Cr including the NDMC tax amount.

Commission's Analysis

4.81 The total amount realized by the Petitioner and approved by the Commission is detailed in Table 46. The Commission has computed the total revenue of the Petitioner available towards ARR to be Rs. 519.76 Cr (excluding E tax), as detailed below:

Table 62: Revenue available towards ARR approved for FY 2009-10

Particulars	Petitioner's Submission	Now Approved
Revenue available towards ARR including E tax	544.68	544.27
Less E tax@ 5%		24.51
Revenue available for ARR		**519.76**

Revenue (Gap)/ Surplus

4.82 The revenue surplus/(gap) for FY 2009-10 as approved in the MYT Order, submitted by the Petitioner and Trued up the Commission is summarised below:

Table 63: Revenue Surplus/(Gap) for FY 2009-10 (Rs Cr)

Particulars	Approved in the Order dated June 18, 2009	Petitioner's Submission	Now Approved
ARR for FY 2009-10	447.29	642.38	641.70
Revenue available towards ARR	533.62	544.68	519.76
(Gap)/ Surplus	86.33	(97.70)	(121.94)
DTL Claim on provisional basis	**11.80**		**0.00***
Total (Gap)/Surplus	**74.53**		**(121.94)**

** already considered in the revenue requirement*

4.83 As shown above, the approved net revenue gap is Rs. 121.94 Cr for FY 2009-10 which would be adjusted in the determination of the Aggregate Revenue Requirement for FY 2010-11. The treatment of this net revenue gap is dealt with in Chapter A6.

A5: ARR FOR FY 2011-12

Approach

5.1 The Petitioner has filed a Petition for determination of Aggregate Revenue Requirement for FY 2011-12. The Commission has extended the MYT Regulations and the MYT Control Period for a further period of one year up to March 31, 2012 and it shall carry out True Up for each year of the Control Period only at the end of the extended Control Period. The Commission vide its Order dated May 4, 2011 admitted the Petition for approval of ARR for FY 2011-12.

5.2 This Chapter contains detailed analysis of the Petition submitted by the Petitioner and the various parameters approved by the Commission for determination of ARR and tariff for the Petitioner for FY 2011-12.

Energy Sales

Petitioner's Submission

5.3 The Petitioner has mentioned in its Petition that it has computed the energy sales for FY 2010-11 based on the actual energy sales in the first six months to various categories. The energy sales for FY 2011-12 have been determined considering the growth rate for past five-years in actual energy sales in various consumer categories. The Petitioner's submission for energy sales for FY 2010-11 and FY 2011-12 are given below:

Table 64: Sales (in MU) for FY 2010-11 and FY 2011-12 submitted by the Petitioner

Consumer Category	FY 2010-11 (Estimated)	FY 2011-12 (Projected)
Domestic	**243.38**	**255.15**
Single Delivery Point	81.17	88.40
Separate Delivery Point	142.20	146.74
Domestic Power	20.02	20.02
Non Domestic	**255.25**	**267.81**
Single Phase	52.69	53.03
Three Phase	202.56	214.78
Mixed Load	**655.87**	**678.14**
Supply at 11 KV (HT)	445.22	466.30
Supply on LT where supply is given from NDMC sub station	4.45	4.45
Supply on LT where applicant provides built up space for sub station	206.20	207.40
Small Industrial Power	**0.41**	**0.45**
Public Lighting	**9.49**	**10.10**
Others	**7.55**	**9.01**
Total	**1171.96**	**1220.67**

Commission's Analysis

5.4 The Commission feels that there are various factors which can have an effect on the actual consumption of electricity that are often beyond the control of the licensee, such as Government policy, economic climate, weather conditions, force-majeure events like natural disasters, etc. Hence, an attempt has been made to take into account various factors affecting electricity consumption and estimate the interrelationships among them to arrive at a reasonably accurate forecast for energy sales within a range for the purpose of estimating future costs/ revenues.

5.5 Accordingly, for projecting the category-wise energy sales of each Distribution Licensee for FY 2011-12, the Commission has considered the past growth trends in each consumer category as explained below:

(a) The Commission has adopted an Adjusted Trend Analysis Method for projecting the sales/ connected load/ number of consumers of Domestic, Non Domestic, Industrial, Agriculture, Public Lighting and Other categories. This method assumes that the underlying factors which drive the demand for electricity are expected to follow the same trend as in the past. The Commission has however, discounted for any outlier (relative to the trend) observed in the growth rates over the period of 5 years and excluded them while projecting energy sales for FY 2011-12.

(b) The strength of this method, when used with balanced judgment, lies in its ability to reflect recent changes and therefore makes it well suited as a basis for short-term projections in context of ARR determination.

(c) This method makes use of two statistical tools, namely the Compounded Annual Growth Rate (CAGR) and a simple average of the year-on–year growth rates (excluding the outliers), wherever appropriate. As per this method, Compounded Annual Growth Rates (CAGRs) were calculated from the past figures for each category, corresponding to different lengths of time in the past five years, along with the year on year growth rates since FY 2005-06. Pertinently, the CAGR is computed for each category for the past 5-year period FY 2005-06 to FY 2010-11, the 4-year period FY 2006-07 to FY 2010-11, the 3-year period FY 2007-08 to FY 2010-11, and the 2-year period FY 2008-09 to FY 2010-11, along with the 1-year growth rate of FY 2010-11 over FY 2009-10.

(d) Subject to the specific characteristics of each consumer category, either a particular CAGR or an average of the year-on–year growth rates is chosen as the basis of sales projection for that category. For example, if an abnormal growth rate (high or low), relative to the trend, is observed at the beginning of the five year period considered, then a shorter period is considered for the trend analysis and projections, i.e. appropriately a 3-year CAGR or a 4-year CAGR has been considered. However, if any outlier(s) is observed in the middle of this 5 year period, then a simple average of the year-on-year growth rates, excluding the outliers has been considered while making projections for FY 2011-12.

(e) For making projections of sales, the actual energy sales in FY 2010-11 for each consumer category, as submitted by the Petitioner, is taken as the base, i.e. the CAGR is applied over the actual consumption in FY 2010-11 to obtain the projection for each category for FY 2011-12. For that, the Commission has considered the Petitioner's submission (as additional information submitted to the Commission) of month-wise actual energy sales up to December 2010 to project energy sales for the entire FY 2010-11 (extrapolating in the same proportion observed in FY 2009-10). The Commission has projected energy sales of 1205.88 MU for FY 2010-11.

(f) For projecting sale to DMRC, the Commission has considered the submission made by DMRC to the Commission.

5.6 Thus, following the above mentioned method, the Commission has approved the sales for FY 2011-12 for each consumer category as detailed below:

Table 65: Approved sales for FY 2011-12 (MU)

Sales in MU		FY 2010-11 (Estimated)	FY 2011-12 (Approved)
1	**Domestic**	**240.83**	**258.88**
	Single Delivery Point	85.09	94.34
	Separate Delivery Point up to 100 KW	136.88	145.87
	Domestic Power up to 100 KW	18.85	18.66
2	**Non Domestic**	**251.43**	**254.89**
	Up to 5 KW	51.00	50.10
	More than 5 KW and less than 100 KW	200.43	204.80
3	**Mixed Load**	**697.37**	**726.17**
	Supply at 11 KV (HT)	486.26	514.96
	Supply on LT where supply is given from NDMC sub station	4.20	3.72
	Supply on LT where applicant provides built up space for sub station	206.91	207.48
4	**Small Industrial Power**	**0.30**	**0.31**
5	**Public Lighting**	**8.51**	**8.81**
6	**Others**	**7.44**	**8.66**
7	**DMRC**	**0.00**	**36.00**
	Total	**1205.88**	**1293.72**

Revenue in FY 2011-12 at Existing Tariff

5.7 As per the two-part tariff principle followed in the NCT of Delhi, the tariff for each category consists of fixed/ demand charges as well as energy charges. The fixed/ demand charges are specified for different categories as a fixed amount per month, or as a fixed amount per kW of connected load per month. The energy charges, on the other hand, are always usage-based and are specified per unit of electricity consumed.

5.8 Hence, taking into account the sales approved for each tariff slab for FY 2010-11 (as shown in Table 65) and the connected load for each slab obtained from FY 2009-10 data (as per additional information submitted by the Petitioner), the Commission has projected the revenue billed by the Petitioner in FY 2010-11 as detailed in Table 66 below. Since the collection efficiency for FY 2010-11 was approved at 100% in the MYT Order, the revenue realized in FY 2011-12 is projected to be equal to the amount of revenue billed.

Table 66: Revenue projected for FY 2011-12 by the Commission (Rs. Cr)

Revenue in FY 2010-11	Energy Charges	Demand Charges	Revenue Billed
Domestic	**75.25**	**0.28**	**75.53**
Single Delivery Point	*31.58*	*0.14*	*31.71*
Separate Delivery Point up to 100 kW	*36.95*	*0.11*	*37.07*
Domestic Power up to 100 kW	*6.72*	*0.02*	*6.74*
Non Domestic	**124.44**	**0.31**	**124.75**
Up to 5 kW	*22.04*	*0.05*	*22.09*
More than 5 kW and less than 100 kW	*102.40*	*0.26*	*102.66*
Mixed Load	**335.14**	**64.76**	**399.90**
Supply at 11 kV (HT)	*230.84*	*38.31*	*269.16*
Supply on LT where supply is given from NDMC sub station	*1.99*	*0.48*	*2.47*
Supply on LT where applicant provides built up space for sub station	*102.31*	*25.96*	*128.28*
Small Industrial Power	**0.15**	**0.00**	**0.15**
Public Lighting	**3.17**	**0.00**	**3.17**
Others	**4.03**	**0.01**	**4.04**
DMRC	**11.25**	**0.75**	**12.00**
Total Revenue Billed	**553.40**	**66.10**	**619.54**
Total Revenue Realized @ 100% Collection Efficiency		**619.54**	

AT&C Losses

Petitioner's Submission

5.9 The Petitioner in its Tariff Petition has projected the distribution loss level of 10.00% during FY 2011-12 and collection efficiency of 99%, which corresponds to AT&C losses of 10.90%.

Commission's Analysis

5.10 The Commission vide order dated May 10, 2011 has fixed the AT&C loss reduction target of NDMC at 9.60% for FY 2011-12. The Commission while fixing the targets has taken into consideration the general trend of the trajectory for target loss reduction during the control period (FY 07-11) as well as the actual performance claimed by the Petitioner during FY 2010-11. The Commission was of the opinion that it is in the public interest to consider the earlier trajectory and fix the target at a level that is lower than the actual achievement during FY 2010-11.

5.11 Accordingly, the power purchase requirement for FY 2011-12 has been computed based on the target AT&C loss level of 9.60%.

5.12 The AT&C loss target as submitted by the Petitioner and that approved by the Commission for FY 2011-12 is given below:

Table 67: AT&&C Loss Targets for FY 2011-12 (%)

Particulars	FY 2011-12	
	Petitioner's	Approved
AT&C Loss Target	10.90%	9.60%
Collection Efficiency Target	99.50%	100%
Distribution Loss Target	10.00%	9.60%

Energy Requirement

Petitioner's Submission

5.13 The Petitioner has estimated the energy requirement of 1356.30 MU against the projected sales of 1220.67 MU for FY 2011-12. The Petitioner has considered distribution loss of 10% for computation of energy requirement for FY 2011-12.

Commission's Analysis

5.14 The Commission has computed the energy requirement for FY 2011-12 as per the approved sales of 1293.72 MUs and Distribution losses target of 9.60% as approved by the Commission in this order for FY 2011-12. The approved energy requirement for FY 2011-12 is summarised below:

Table 68: Approved Energy Requirement for FY 2011-12

Particular	Petitioner's Submission	Approved
Sales (in MU)	1220.67	1293.72
Distribution Losses (%)	10.00%	9.60%
Energy Requirement at DISCOM periphery (in MU)	1356.30	1431.11

Power Purchase

5.15 Under the framework of MYT Regulations power purchase quantum has been classified as an uncontrollable component. Since power purchase cost constitutes major component of the total Annual Revenue Requirement of the Petitioner, it is pertinent that the projection of power purchase expense is done with utmost care. Power from all the sources including Central Sector Generating Stations (CSGS), State Generating Stations (SGS), Future Plants, etc is analysed to determine the total power purchase quantum and cost for the Petitioner.

Allocation of Power from Central and State Generating Stations

Petitioner's Submission

5.16 The Petitioner has submitted that only the firm allocation from the sources have been considered as the unallocated power may /may not be available to the Petitioner in the ensuing year.

Commission's Analysis

5.17 The Commission had reallocated the power among the distribution companies from the Generating Stations in Delhi System through its Order dated March 7, 2008. NDMC has been allocated power from three plants namely BTPS (125 MW), Dadri TPS (125 MW) and Pragati Power plant (100 MW) vide this order. The balance firm power from said stations is distributed among the DISCOMs in the ratio of the Reassignment Order dated March 31, 2007 (i.e. 43.58%, 27.24% and 29.18% to BRPL, BYPL and NDPL, respectively).

5.18 Govt. of NCT of Delhi (GoNCTD) through its letter no. F.11 (41)/2007-Power/PF-1/14350 dated 20 May, 2011 has revised the allocation of unallocated power generation share of GoNCTD in Central Power Station (Dadri and BTPS) and Delhi Power Generation Stations (RPH, GT, PPCL) from 1 April, 2011 onwards. According to the above, the allocation of 323.5 MW of unallocated power quota is extended for auxiliary consumption for IP station equivalent to 1 MW. Also, 0.9 MW power which was allocated to Aravali power plant, Jhajjar for construction activities is now available to Delhi as the plant has now become operational. Therefore, 0.9 MW has been equally allocated among three DISCOMS. As per the said letter, the allocation of balance 321.6 MW power quota among distribution companies is reassigned as follows:

Table 69: Allocation of Unallocated quota to Delhi DISCOMs

Name of the Distribution company	Quantum of power
BRPL	39.65% of available power ie. 127.5 MW +0.3 MW=127.8 MW
BYPL	a) 30.94% of the available power ie 99.5 MW +0.3 MW= 99.8 MW (From 10.00 A.M to 05.00 P.M) b) 37.16% of the available power ie 119.5 MW +0.3 MW= 119.8 MW (For rest of the time)
NDPL	23.19% of available power ie 74.5 MW+0.3 MW =74.8 MW
NDMC	6.22% of the available power ie 20 MW (10:00 AM to 05:00 P.M)

5.19 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).

5.20 If GoNCTD allocates the unallocated power in any manner other than the assumption considered in the preceding paragraphs above, the same shall be accounted for at the time of True-up of power purchase costs in the subsequent Orders.

5.21 The allocation considered by the Commission for projection of power availability from the Delhi Stations is summarised below:

Table 70: Allocations from Delhi Stations to NDMC

Stations	Installed Capacity (MW)	NDMC share (MW)	Firm Allocation (85%) (MW)	Share from Unallocated Power (MW)	Total Share for FY 2011-12 (MW)
BTPS*	705	125	106.25	1.78	108.03
Dadri**	840	125	106.25	2.06	108.31
IP Station***	0	-	-	0.00	0.00
Rajghat#	135	-	-	0.36	0.36
Gas Turbine##	270	-	-	0.73	0.73
Pragati###	330	100	85.00	0.90	85.90
Total	**2280**		297.50	**5.83**	**303.33**

**Total installed capacity of BTPS 705 MW. However, 530MW is allocated to BRPL, BYPL and NDPL. Remaining 175 MW is allocated to NDMC and MES.*
*** Total installed capacity of Dadri is 840 MW, 756 MW allocated to Delhi of which 631MW is allocated to BRPL, BYPL and NDPL. Remaining 125MW is allocated to NDMC.*
**** IP station has been deCommissioned*
 # Total installed capacity of Rajghat is 135MW. However 0.9 MW power was given as construction power to Aravalli Power Project at Jhajhar and 1.0 MW as auxiliary power for IP station
The capacity has been derated from 330 MW to 270 MW
$ Figures rounded off to zero decimal places
Total installed capacity of Pragati 330 MW. However, 230MW is allocated to BRPL, BYPL and NDPL. Remaining100 MW is allocated to NDMC.

Energy Availability from the Generating Stations

Petitioner's Submission

5.22 Petitioner has submitted that availability from Pragati Station, BTPS and Dadri stations has been considered as approved by the Commission in the MYT order for the station. Apart from the above mentioned stations, the Petitioner has submitted that PPCL-III is also envisaged to commence supply of power from 1 September'2011 onwards, accordingly, availability from PPCL-III is also being considered.

5.23 The Petitioner has projected energy availability for FY 2011-12 by considering the average PLF for past 22 months for Dadri and Badarpur TPS and for Pragati station PLF has been kept at 85% as approved by the Commission in the previous Tariff Order.

5.24 The Petitioner has considered the auxiliary consumption for Dadri TPS and Badarrpur TPS as 9% and 11% respectively for FY 2011-12. For gas based stations, the auxiliary consumption has been assumed at 3%.

5.25 The Petitioner has stated that the PPCL-III is expected to commence its generation from 1 September 2011 onwards and its availability has been calculated accordingly by taking into consideration its capacity, 80% PLF and share of NDMC

5.26 The Petitioner has envisaged a net availability of 2480.42 MUs from the aforementioned sources in FY 2011-12.

5.27 The power purchase estimated by the Petitioner from various generating plants in the Delhi system are summarised below:

Table 71: Energy Available to NDMC as per the Petitioner (MU)

Plant	Plant Capacity (MW)	NDMC share (MW)	Energy Estimated (in MU)
Dadri TPS	840	106.25	803.33
Badarpur TPS	705	106.25	664.80
Pragati Power station	330	85	615.60
PPCL-III	1500	100	396.69
Total Units	**3375**	**397.55**	**2480.42**

Commission's Analysis

5.28 The Commission has computed the energy availability from the State Generating Stations i.e. Rajghat, Gas Turbine and PPCL based on the approved PLF and auxiliary consumption in the respective MYT Order for IPGCL and PPCL stations.

5.29 For BTPS and Dadri-I, the energy availability has been computed based on the station PLF taken as an average for the last three financial years (FY 2008-09 FY 2009-10, FY 2010-11) and auxiliary consumption as approved in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, hereinafter referred to as CERC Tariff Regulations, 2009.

5.30 In case of PPCL-III, Bawana station, the Commission based on the latest available data has decided to approve CoD from mid-December'11 and last day of March'12 for Unit-I and II respectively as against September'11 and February'12 specified by CEA. Accordingly, energy availability is calculated at 85% PLF and by taking auxiliary consumption at 3%.

5.31 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 2011-12. The effective share for the Petitioner 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".

5.32 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, since power purchase quantum is an uncontrollable parameter and it will be subjected to True Up at the end of the year.

5.33 The projected net energy available to the Petitioner during FY 2011-12 from the generating stations is summarised below:

Table 72: Energy Available from Delhi Generating Stations to NDMC (MU)

Generating Station	Petitioner's Submission	Approved Availability
BTPS	664.80	720.03
NCPP (Dadri Thermal)	803.33	830.50
IP Station	0	-
Rajghat	0	1.98
Pragati -I	615.60	585.51
Gas Turbine	0.00	4.38
PPCL-III	396.69	74.28
Total Units	**2088.00**	**2216.68**

Power Purchase Quantum from Other Sources: Intra-State, Bilateral & Banking

Petitioner’s Submission

5.34 The Petitioner has submitted that purchase of power from the other DISCOMs in the State has not been envisaged for FY 2011-12.

5.35 The Petitioner has estimated the bilateral sales at 739 MU and inter-DISCOMs sale at 317 MU for FY 2011-12.

5.36 The Petitioner has submitted that it has considered the sale of surplus power to intra-state sales and bilateral sales in the ratio of 50:50.

Commission’s Analysis

5.37 Based on the analysis of energy availability from various sources and the requirement of power for sale in the distribution area of the Petitioner, the Commission is of the view that the Petitioner would have an overall surplus power for sale to others in FY 2011-12.

5.38 The Commission has considered that the quantum of power to be purchased through intra-state purchases and through bilateral purchase during FY 2011-12 to be nil.

5.39 The Commission has considered that the surplus power available to the Petitioner will be entirely sold under bilateral/ banking arrangements for FY 2011-12.

5.40 The units purchased and sold through others sources are summarised below:

Table 73: Energy Purchase /Sales through Other Sources for FY 2011-12 (MU)

Other Sources	Petitioner's Submission	Approved
Power Purchase from other Sources		
Intra State Power Purchase	-	-

Other Sources	Petitioner's Submission	Approved
Bilateral Purchase	-	-
Banking Purchase	-	-
UI Purchase	-	-
Other Purchases Total	**0**	**0**
Power Sold to other Sources		
Intra State Power Sale	316.74	-
Bilateral Sale	739.05	724.24
Banking Sale	-	-
UI Sale	-	-
Other Sales Total	**1055.78**	**724.24**

Power Purchase Cost

Cost of Power Purchase from Generating Stations

Petitioner's Submission

5.41 The Petitioner has considered the power purchase cost for Dadri and other state Gencos (except PPCL-III) at the same levels as was for FY 2010-11. The power purchase cost for PPCL-III has been considered at Rs 3 per unit.

5.42 The Petitioner has estimated the cost of energy sales under bilateral and inter arrangement based on the average per unit cost realized by NDMC during April 2009 to September 2010 from the surplus sales.

5.43 The cost of power from various sources projected by the Petitioner is shown below:

Table 74: Projected cost of power

Name of Station	Units purchased (MU)	Per unit cost (Rs/kWh)	Cost (Rs Crs)
Dadri TPS	803.33	3.19	256.43
Badarpur TPS	664.80	3.98	264.49
Pragati power	615.60	2.53	155.46
IPGCL	0.00	0.00	0.00
PPCL-III	396.69	3.00	119.01
Total	**2480.43**	**3.21**	**795.39**

Commission's Analysis

5.44 The following methodology has been adopted by the Commission for estimation of the power purchase cost for FY 2011-12:

(a) The fixed and variable cost for state generating stations has been considered as per the Tariff Order issued by the Commission for FY 2011-12.

(b) The Commission has projected the variable cost for BTPS and Dadri-I station based on the average of the variable cost and FPA submitted by the DISCOMS for FY 2010-11.

(c) The fixed charges for BTPS and Dadri-I has been taken from the provisional Tariff Orders issued by CERC on July 6, 2011.

(d) In case of Pragati-III, the Commission has considered the power purchase rate as 407 paisa based on the Tariff Petition filed by PPCL and assuming that fuel requirement is met from the KG basin.

5.45 The total power purchase cost computed by the Commission is summarised below:

Table 75: Approved Total Power Purchase Cost for Existing Stations (Rs. Cr)

Source	Quantum (MUs)	Fixed Cost (Rs Cr)	Variable cost (Rs Cr)	Other Cost (Rs Cr)	Total Cost (Rs Cr)
BTPS	720.03	59.83	227.90	0.00	287.73
NCPP (Dadri Thermal)	830.50	60.91	198.70	0.07	259.69
IP Station	-	-	-	-	-
Rajghat	1.98	0.47	0.48	0.00	0.95
Pragati -I	585.51	64.69	108.79	0.00	173.48
Gas Turbine	4.38	0.52	1.33	0.00	1.85
PPCL-III	74.28	0.00	30.23	0.00	30.23
Total Units	**2216.68**	**186.47**	**567.44**	**0.07**	**753.97**

Cost of Power from Other Sources

Petitioner's Submission

5.46 The Petitioner has estimated the cost of energy sales under bilateral and inter arrangement for FY 2011-12 based on the average per unit cost realized by NDMC during April 2009 to Sep 2010 from the surplus sales during FY.

Commission's Analysis

5.47 The Commission has considered that there will be no requirement of power purchase for meeting the seasonal demand in the Petitioner's area of operation through intra-state purchase.

5.48 For the sale of surplus power entirely under the bilateral arrangements by the Petitioner the Commission has considered a rate of Rs 3.60 per unit during FY 2011-12, which is equal to the average rate of bilateral power sold by DISCOMs as a whole from Apr'10- March'11.

Table 76: Total Cost of Power Purchase/ revenue from Sale by NDMC through Other Sources for FY 2011-12(Rs. Cr)

Particulars	Cost as Per Petitioner	Approved
Power Purchase from Other Sources		
Intra State Purchase	-	-
Bilateral Purchase	-	-
Banking Purchase	-	-
UI Purchase	-	-
Others Total	-	-
Power Sold to Other Sources		
Intra State Sales	110.86	-
Bilateral Sales	258.67	260.72
Banking Sales		-
UI Sales		-
Others Total	**369.52**	**260.72**
Net Bilateral Purchase/(Sale)	**(369.52)**	**(260.72)**

Transmission Losses and Charges

Petitioner's Submission

5.49 The Petitioner has estimated PGCIL losses at 4% and DTL losses have been assumed at 1.5%.

5.50 The Petitioner has considered the PGCIL and DTL charges for FY 2011-12 by taking 10% escalation over the estimated transmission charges for FY 2010-11.

Commission's Analysis

5.51 The Commission has considered the northern region losses at 3.69% based the average of the weekly losses reported on the NRPC website from 21 June 2010 to 27 March 2011.

5.52 The intra-state transmission losses have been approved at 1.28% based on the actual losses for FY 2010-11 reported by Delhi Transco Limited vide letter no. F.DTL/203/10-11/Opr (Comm)/F-1/33 dated 13 May 2011.

5.53 Recently, CERC has issued 'Determination of POC rates and transmission losses in accordance with Regulation 17(2) of Central Electricity Regulatory Commission (sharing of inter state transmission charges and losses) Regulations, 2010 but at this juncture, it is very difficult to gauge its impact therefore, the Commission has allowed inter-state transmission charges by considering an escalation factor of 5% on the actual transmission charges submitted by the Petitioner for FY 2010-11.

5.54 The intra-state transmission charges have been allowed based on the ARR approved by the Commission for Delhi Transco Limited (DTL) for FY 2011-12.

5.55 The PGCIL and DTL transmission losses and the cost is summarised below:

Table 77: Approved Transmission Losses and Charges for the Petitioner for FY 2011-12

Particulars	Petitioner Claim	Approved
Transmission Losses (in MU)		
Inter-State (PGCIL)	68.35	33.39
Intra-State (DTL)		27.95
Total Transmission Losses	**68.35**	61.33
Transmission Charges (Rs. Cr)		
Inter-State (PGCIL)	52.03	18.68
Intra-State (DTL)		118.76
Total Transmission Charges	**52.03**	137.44

Energy Balance

5.56 Total power purchase for FY 2011-12 as approved by the Commission is summarised below:

Table 78: Energy Balance for the FY 2011-12

Particular	Petitioner's Submission			Now Approved		
	Units (in MU)	Total Cost (Rs. Cr)	Avg Cost*	Units (in MU)	Total Cost (Rs. Cr)	Avg Cost*
Power Purchase from Dadri TPS	803.33	256.43	3.19	830.50	259.69	3.13
Inter-State Bilateral Purchase	0.00			0.00	-	-
Banking purchase	0.00			0.00	-	-
UI purchase	0.00			0.00	-	-
PGCIL losses	0.00			33.39	-	-
Power purchase from Delhi Stations	1677	539	3.21	1386.18	494.24	3.57
Intra state power purchase	0			0	-	-
Power Available at Delhi Periphery	2480.42	795.39	3.21	2183.29	753.97	3.45
DTL loss	68.35			27.95	-	-
Power available to NDMC	2412.07	795.39	3.30	2155.34	753.97	3.50
Sales	1220.67			1293.72	-	-
Distribution loss	135.63			137.39	-	-
Required Power	1356.3	477.70	3.52	1431.11	493.21	3.45
Surplus/ (Deficit) Power available for sale at NDMC Boundary	1055.78	369.52	3.50	724.24	260.72	3.60

** average cost in Rs/unit*

Fuel Price Adjustment Surcharge

5.57 The Distribution Licensees procure power from central generating stations, state generating stations through the long-term power purchase agreements and through short-term purchases. The power purchase cost accounts for about 80% of Annual Revenue Requirement of the distribution licensees and includes the cost paid for procurement of power, transmission charges, UI charges, SLDC/RLDC charges. The net power purchase cost after deducting amounts realized from sale of surplus power is considered for purpose of ARR.

5.58 The Commission recognizes that the power purchase costs are uncontrollable in nature and are volatile making it difficult to accurately estimate power purchase costs at the time of annual tariff fixation. The power purchase cost is beyond the control of distribution licensees and dependent upon following factors:

(a) Price of Fuel (Coal/Gas) which are highly unpredictable as has been seen from the data of past few years.

(b) Availability of power from new sources.

(c) Weather conditions such as extreme harsh summers/cold which have direct impact on the demand.

(d) Demand supply gap of power within the country.

5.59 Any fluctuation in the cost of fuel is a pass through for the generator through a fuel price adjustment formula and is payable by the distribution licensees in their monthly bills.

5.60 However, power purchase cost being uncontrollable, in nature, is pass-through to the consumers but the difference in actual cost of procurement of power and the estimated cost of purchase of power gets Trued up only after 2 years. The time lag of two years puts additional burden on consumers by way of interest charges which have to be borne by the consumers, additionally.

5.61 The Commission vide its Order dated August 26, 2011 in Petition Nos 22/2010, 23/2010 and 24/2010 has given the Fuel Price Adjustment mechanism on quarterly basis for thermal power generating stations having long-term PPAs with distribution licensees of Delhi. The Distribution licensee is allowed to adjust the difference between the actual variable fuel cost and variable fuel cost approved in the Tariff Order for the financial year on a quarterly basis, in respect of thermal power stations having long term power purchase agreements and listed in Table 79. The Fuel Price Adjustment would be done according to the formula given below:

Quarterly Fuel Price Adjustment (FPA)

$$\text{FPA } n^{th} \text{ quarter (\%)} = \frac{100 \times \left(\text{Average Rate of FPA nth quarter (Rs./kWh)} \times \text{Total units procured in (n-1)th quarter (Kwh) from thermal power stations as given in Table 79} \right)}{\text{Total Energy Charges Billed (excluding fixed charges, theft, arrears, LPSC, E-tax etc.) to all consumers of the utility in (n-1)th quarter (Rs.) as certified by the Statutory Auditors (1)*.}}$$

Where,

VC - Variable Cost/Charges billed by the generating companies for the concerned power station for the relevant period

Average Rate of FPA nth Qtr. (Rs. /Kwh) = Avg.VC (n-1) th Qtr. (Rs. /Kwh) – Avg.VC (Base) (Rs. /Kwh)

$$\text{Avg. VC (n-1)th Qtr. (Rs./Kwh)} = \frac{\text{V.C. per unit in (n-1)th Qtr x units procured from respective thermal plants as given in, Table 79 in (n-1)th Quarter}}{\text{Total units procured from all thermal stations as given in Table 79 in (n-1)th Quarter.}}$$

Avg. VC (Base). = (Rs./Kwh) Weighted average variable cost of all thermal power stations as given in table below as approved in Tariff Order

Note (1): For determining the Total Energy Charges, bills raised during the quarter will only be considered, regardless of billing cycle and there shall be no pro rata adjustments due to actual date of meter reading.*

Table 79: Schedule – Base Variable Cost FY 2011-12

Name of the Station	Quantum	Variable Charges (Rs Cr)	Variable Cost (Rs/unit)
NCTPS (Dadri)	830.50	198.70	2.39
Rajghat	1.98	0.48	2.44
GAS TURBINE	4.38	1.33	3.03
Pragati –I	585.51	108.79	1.86
BTPS	720.03	227.90	3.17

Name of the Station	Quantum	Variable Charges (Rs Cr)	Variable Cost (Rs/unit)
Total	2142.40	537.20	2.51

5.62 In order to give effect to the Fuel Price Adjustment (FPA) on quarterly basis the following be implemented:

(a) The FPA will be charged to all categories of consumers.

(b) The FPA for any quarter would be charged only after it is approved by the Commission.

(c) The weighted average base variable cost in Rs./Kwh shall be as approved in the Tariff Order for FY 2011-12, (August, 2011) as given below.

NDMC = Rs. 2.51*

*detailed computation is given in Table 79 above for NDMC. The Schedule will be revised in every subsequent Tariff Order

(d) The Distribution licensee shall submit to the Commission the details in respect of changes in Variable Cost of the thermal plants listed in for (n-1)th quarter. Further, Auditor's Certificate along with statement indicating plant-wise details of Variable Charges and units purchased from each thermal plant listed in for (n-1)th quarter shall be furnished along with the proposal of FPA submitted for the Commission's approval.

(e) The percentage of FPA will be rounded off to two decimal places.

(f) The percentage increase on account of FPA will be applied as a surcharge on the total energy charges (excluding fixed charges, theft bills, arrears, LPSC, E. Tax etc.) billed to a consumer of the utility.

(g) Auditors Certificate for the total energy charges billed as above for all consumers of the utility in (n-1)th quarter shall be furnished along with the proposal of FPA submitted for the Commission's approval.

(h) The distribution utility shall separately get the quarterly form 2.1 (a) duly certified by the Statutory Auditor.

(i) The bill format shall clearly identify the FPA percentage and amount of FPA billed as separate entries.

(j) The FPA calculated for any quarter shall be applied prospectively for 3 months after approval is received from the Commission.

(k) In view of the fact that FPA computed for any quarter will be applied after a time delay for a subsequent 3-month period, there would necessarily be a difference between the actual fuel cost increase and the recovery by the distribution utility through the quarterly adjustments. The difference will be adjusted at the time of annual True-up undertaken by the Commission for that year.

5.63 This Fuel Price Adjustment (FPA) formula shall remain applicable till it is amended, reviewed, revised or otherwise amended.

Controllable Parameters

Operation and Maintenance Expenses

5.64 The Petitioner has submitted individual projections of its Employee Expenses, Repairs and Maintenance (R&M) Expenses and Administrative and General (A&G) Expenses to arrive at the O&M expenses for FY 2011-12.

5.65 As per the MYT Regulations, 2007 for determination of distribution tariff, employee and A&G expenses for the Control Period shall be determined using the following methodology:

$$EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (INDX_n / INDX_{n-1})$$

5.66 The inflation factor for the n^{th} year ($INDX_n$) is determined using a combination of Consumer Price Index (CPI) and Wholesale Price Index (WPI) for the n^{th} year as shown below:

$$INDX_n = 0.55*CPI_n + 0.45*WPI_n$$

Employee Expenses

Petitioner's Submission

5.67 The Petitioner has submitted that the projected Employee Expense for FY 2011-12 is Rs 130.89 Cr (including pension liability of Rs 20.81 Cr). Further, the Petitioner submitted that this amount includes a provision of Rs. 10 Cr made towards payment of arrears due to implementation of the 6th Pay Commission in FY 2011-12.

5.68 The Petitioner has submitted that it has followed the methodology recommended by the Commission in the Order issued dated 7th March, 2008 to compute the employee costs for the FY 2011-12.

5.69 The formula used to determine the employee and A&G expenses for the current MYT Control Period is presented below:

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

5.70 As recommended by the Commission, the inflation factor for the nth year is computed by using the following combination of Consumer Price Index (CPI) and Wholesale Price Index (WPI).

INDXn = 0.55*CPIn +0.45*WPIn

5.71 To compute the escalation factor, NDMC has considered the CPI (overall) for Industrial Workers published by the Labor Bureau and the WPI component is linked to A&G costs and hence has been taken from the WPI (overall) published by the Central Statistical Organization.

5.72 The Petitioner has considered an escalation factor of 1.067 for calculating employee and A&G expense.

5.73 The following table shows the projections for employee expenses allocated to the electricity business of NDMC for FY 2011-12 as submitted by the Petitioner.

Table 80: Proposed Employee Expenses for the Control Period (Rs Cr)

Particulars	FY 2011-12
Total Employee Expenses	130.89
Less: Capitalisation	0.00
Net Employee Expenses	**130.89**

Commission's Analysis

5.74 The Commission has determined the employee expenses of the Petitioner for the Control Period using the methodology detailed in the MYT Regulations, 2007. As per the MYT Regulations;

$$\text{“}EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1})*(INDX_n/ INDX_{n-1})\text{”}$$

5.75 Hence, the employee expenses for the nth year (FY 2011-12) of the Control Period (EMPn) shall be determined using the employee expenses for the (n-1)th year (FY 2010-11) (EMPn-1) and the applicable escalation factor.

5.76 The Commission in this Order has revised the Employee expense for each year of the Control Period on account of implementation of the 6th Pay Commission Recommendation for DVB employees in Para 3.18 to 3.25.

5.77 While revising the Employee Expense for the Control Period (FY 2007-08 to FY 2011-12), the Commission has considered the following methodology (detailed in Chapter A3 of this Order):

(a) The employee expense for the base year (FY 2006-07) has been revised by the amount of Sixth Pay Commission impact pertaining to FY 2006-07, as submitted by the Petitioner.

(b) The revised base year salary has been escalated as per the escalation factors mentioned in Chapter A3 of this Order to arrive at the employee expenses for the Control Period (FY 2007-08 to FY 2011-12).

(c) All arrears (including additional allowances paid in FY 2008-09 and FY 2010-11) due to salary revision for the period FY 2006-07 to FY 2009-10 is assumed to have been paid in FY 2009-10.

(d) For the purpose of projecting Employee Expense for FY 2010-11, revised Employee Expenses for FY 2010-11 has been considered. For the new allowances which became applicable from FY 2008-09, escalation factor has been applied on the actual allowances paid by the Petitioner in FY 2009-10 to arrive at the new allowances for FY 2010-11.

(e) The total Employee Expenses (including new allowances) has been escalated by the escalation factor to arrive at the Employee expenses for FY 2011-12.

5.78 The capitalisation of employee expenses has been discussed later in this Tariff Order in the section "Capitalisation of Expenses and Interest charges".

5.79 The approved employee expenses of the Petitioner for each year of the Control Period are as shown below.

Table 81: Approved Revised Employee Expenses for the Control Period (Rs Cr)

Particulars	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Index(n)/ Index (n-1)		1.0466	1.0466	1.0466	1.0466	1.0466
Gross Employee Expense Approved	54.13	56.65	59.29	111.07	78.66	82.32
Less: Capitalisation		8.48	8.87	9.29	9.96	10.01
Net Employee Expense Approved		**48.17**	**50.42**	**101.78**	**68.70**	**72.32**

Administration & General Expenses

Petitioner's Submission

5.80 The Petitioner has proposed A&G Expense of Rs 14.39 Cr for FY 2011-12.

5.81 The Petitioner has submitted that in accordance with the MYT regulations, A&G expenses is linked to an inflation-based escalation factor that takes into account the inflation indices of the immediate past five years. While fixing the tariff for FY 2007-08, the Commission had taken inflation figures for FY 2001-02 to FY 2005-06 because the figures for FY 2006-07 were not available then. The Petitioner has submitted that the provisional computation for FY 2007-08 to FY 2010-11 should be replaced with confirmed figures by correcting the escalation factor as the latest figures of CPI & WPI are now available.

Commission's Analysis

5.82 The Commission has, in accordance with the Judgement of Hon'ble ATE in Appeal No. 52/2008 filed by NDPL, has re-determined the escalation factor for the Control Period on the basis of actual WPI and CPI for the immediately preceding five years period from FY 2002-03 to FY 2006-07 and not FY 2001-02 to FY 2005-06 as worked out in the MYT Order. The escalation factor, however, has not been revised on a rolling basis as requested by the Petitioner.

5.83 For the purpose of calculating A&G Expense for FY 2011-12, the Commission has, determined the A&G Expenses for the Control Period using the same methodology as specified in the MYT Regulations, 2007.

5.84 The Commission has calculated the A&G expenses for the Control Period (FY 2007-08 to FY 2011-12) by considering the approved A&G Expenses of the base year (FY 2006-07) and has escalated the same as per the escalation factor mentioned in Chapter A3 of this Order.

5.85 The capitalisation of A&G Expenses has been discussed later in the Order in the section "Capitalisation of Expenses and Interest charges".

5.86 The summary of A&G Expenses as approved by the Commission is given in the table below.

Table 82: Revised A&G Expense for FY 2007-08 to FY 2011-12 (Rs Cr)

Particulars	Base Year FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Index(n)/ Index (n-1)		1.0466	1.0466	1.0466	1.0466	1.0466
Gross A&G Expense approved	11.46	11.99	12.55	13.14	13.75	14.39
Less: approved capitalisation	0.00	0.00	0.00	0.00	0.00	0.00
Net A&G Expense approved	**11.46**	**11.99**	**12.55**	**13.14**	**13.75**	**14.39**

R&M Expenses

Petitioner's Submission

5.87 The Petitioner has submitted that it has considered the R&M cost as approved by the Commission for FY 2009-10 and FY 2010-11 in the MYT Order as these are controllable parameters. R&M Expenses for FY 2011-12 have been projected in line with the methodology adopted by the Commission in its MYT Order. The Petitioner mentions that it is important for it to incur the R&M expenses as mentioned below in order to maintain and strengthen the system and quality of supply.

5.88 The Petitioner has submitted that R&M expenses have been worked out by applying the formula as per MYT Regulations given by the Commission. Considering the FY 2006-07 as a base year, the value of 'K' factor by considering FY 2006-07 as base year the value of K is calculated by considering the R&M expenses as per Commission's Tariff Order for FY 2006-07 and estimated opening level of GFA for FY 2006-07 i.e. 4.99%.

5.89 R&M expenses as proposed by the Petitioner for FY 2011-12 are as follows:

Table 83: Proposed R&M Expenses for the Control Period

Particulars	FY 2011-12
R&M Expenses	**45.21**

Commission's Analysis

5.90 The Commission has considered the approved values of R&M Expenses and opening GFA approved after truing up of expenses for FY 2006-07 to calculate the of 'K factor' for the determination of R&M expenses for the Control Period. Unlike the methodology followed by the Commission for the other DISCOMs by considering the average K factor for last 5 years, in case of NDMC the Commission had considered the K factor of one year (i.e. FY2006-07) since the data of R&M expenses and GFA were not available. Thus, the K factor considered by the Commission for the Control Period is 4.99%.

5.91 The Commission has determined the R&M Expenses for FY 2011-12, considering the opening level of GFA for FY 2011-12 and 'k' factor approved by the Commission in the MYT Order (4.99%).The summary of R&M Expenses approved by the Commission for the Control Period is as shown below.

Table 84: Approved R&M Expenses for FY 2011-12 (Rs Cr)

Particulars	FY 2011-12
R&M Expenses	**45.21**

Capitalisation of Expenses

Capitalisation of Employee Expenses

5.92 For capitalizing the Employee Expenses for the Control Period, in the MYT Order, the Commission has approved the capitalisation of Employee Expenses submitted by the Petitioner.

5.93 However, now with the revised Employee Expenses approved for the each year of the Control Period, on account of revision of inflation factor and impact of Sixth Pay Commission Recommendations (as discussed in Chapter 3 of this Order), the Commission has approved capitalisation of employee expenses by adjusting the Petitioner's submission of employee capitalized (as in the MYT Order) by first considering the ratio of the now Revised Gross Employee Expenses to the approved Employee Expense in the MYT Order for each year and then multiplying this ratio to the Petitioner's submission for the Control Period, as per the MYT Petition.

5.94 Following the above mentioned principle, the Commission has allowed Employee capitalisation of Rs 10.01 Cr for FY 2011-12.

Table 85: Employee Expense Capitalisation (Rs Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Revised Employee Expenses Capitalised	8.48	8.87	9.29	9.96	10.01

Efficiency Factor

5.95 The Commission is of the view that the O&M expenses trajectory for the Control Period shall be decided considering an expected annual efficiency improvement factor.

5.96 The Commission expects the Petitioner to improve its performance considering the repetitive nature of O&M works and introduction of new technologies. Hence, the Commission has determined the efficiency improvement factor as 2%, 3%, 4% and 4% for FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12 respectively.

5.97 As the Commission has extended the MYT Regulation upto March 31, 2012, the Commission has followed the efficiency trajectory prescribed by the Commission in the MYT Order and considered efficiency factor of 4% for FY 2011-12 (at the same level as considered for FY 2010-11 in the MYT Order). The Commission expects the Petitioner to improve its performance considering the repetitive nature of O&M works and introduction of new technologies. Further, the Commission is of the view that the Petitioner should try to bring efficiency into the system, thereby, reducing the burden of inefficiencies on to the consumers of Delhi.

5.98 The summary of total O&M Expenses approved by the Commission for FY 2011-12 is provided in the table below.

Table 86: Approved O&M Expenses for FY 2011-12

Particulars	FY 2011-12
Employee Cost (Net of capitalisation)	72.32
A&G Expenses	14.39
R&M Expenses	45.21
Total O&M Expenses	131.92
Efficiency Improvement	4%
Net O&M Expenses	**126.64**

Administrative Department and Civil Engineering Department Expenses

Petitioner's Submission

5.99 The Petitioner has submitted that NDMC has a separate Administration department consisting of NDMC Board, Finance Department, General Administration, Law Department, Public Relations, Staff and Labour welfare, Vigilance department, Auto workshop, Information & Technology, Engineer-in-Chief etc. Also, there is a separate Civil Engineering Department and the services of the department are utilized for the civil portion of electrical works. Thus, the services of the Administration & Civil Engineering Department are common to all the functions carried out by the Petitioner and the expenditure pertaining to these departments should be allocated to all functions of the Petitioner.

5.100 The Petitioner has submitted that pending the implementation of double entry accounting system, NDMC proposes an escalation of 4.16% as per the MYT regulations over the Commission's approved figure for FY 2006-07 under Administrative & Civil Engineering Department expenses during the Control Period as summarised in the table below.

5.101 NDMC has followed the Hon'ble Commission Order dated 2nd November 2005 for allocation of expenditure relating Administrative and Civil Engineering Departments to Electricity Supply. In line with the aforesaid Order NDMC has allocated 19% of the employee salaries (except for the electricity business) in the electricity supply business. Besides, NDMC has made an additional provision of Rs. 10 Cr for the cost incurred by the Civil Engineering Department.

5.102 The estimated salary of the NDMC employees (except for the electricity business) for the FY 2010-11 has been escalated by 4% for projecting the salary for FY 2011-12. Allocation of total expenses against admin and civil engineering department towards electricity distribution business is summarized in the table below:

Table 87: Proposed Administrative & Civil Engineering Department Expenses for FY 2010-11 and FY 2011-12

Particulars	FY 2010-11	FY 2011-12
Total Expenses allocated (Rs Cr)	**79.26**	**82.03**

Commission's Analysis

5.103 The Petitioner submitted 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 requirements of NDMC. The adoption of Accounting Manual will involve the implementation of the double entry accounting system and hence, separate booking of the cost of works carried out by Civil Engineering Department for Electricity Department. The Petitioner would provide the complete details of expenditure relating to common departments to the electricity supply once the National Municipal Accounting Manual and double entry accounting system is implemented within NDMC.

5.104 The Commission had in its Tariff Order dated November 2, 2005, already elaborated in detail the justification for allocating the cost of Civil Engineering Department to the Electricity Department. As the exact details of the cost of the works carried out by the Civil Engineering Department for Electricity Department were not available, the Commission, for the purpose of determination of ARR for FY 2005-06, has considered a lump sum amount of Rs. 10.00 Cr on provisional basis towards this expenditure. As the details of cost of works carried out by the Civil Engineering Department for electricity are still not available, the Commission has considered the same amount for the Control Period towards this expense. The Commission will consider the actual cost of works carried out by Civil Engineering Department for electricity appropriately during the truing up process at the end of the year.

5.105 ***The Commission directs 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.***

5.106 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. With respect to allocation of the Administrative Department expenses, the Commission re-iterates its opinion that the Administrative Department of NDMC is a common department, which serves the requirement of all the departments of NDMC. Therefore, the expenses of Administrative Department need to be shared by all the departments of NDMC. As the total cost incurred on administrative department is not available, therefore the Commission proposes to consider Rs 35.37 Cr towards administrative expenses allocated to electricity department for each year of the Control Period, same as approved for FY 2006-07 in previous Tariff Order.

5.107 The summary of Administrative and Civil Engineering Department expenses allocated to electricity department as considered by the Commission for the Control Period is given below:

Table 88: Approved Admin & Civil Engg. Deptt. Expenses for the Control Period

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Civil Engineering Department	10.00	10.00	10.00	10.00	10.00
Administrative Department	35.37	35.37	35.37	35.37	35.37
Total Expenses allocated (Rs Cr)	**45.37**	**45.37**	**45.37**	**45.37**	**45.37**

Capital Investment

Petitioner's Submission

5.108 The Petitioner has proposed a capital expenditure of Rs 105.00 Cr for FY 2011-12.

5.109 The Petitioner has submitted that it has a vintage and weak distribution network, which warrants a higher degree of maintenance to ensure reasonable availability, reliability and quality of supply. In view of the above, the Petitioner has proposed investments for meeting the load growth requirements, augmentation of transformers, Feeder capacities, replacement of switchgears and other equipments at all levels viz. 66 KV level, 33 KV level and 11 KV/LT level. More than 50% of the total investments are attributed to 11 KV/LT works.

Commission's Analysis

5.110 The Commission provisionally approves Rs 120 Cr as capital expenditure for FY 2011-12, as against Rs 105 Cr proposed by the Petitioner.

5.111 As regards to the proposed capital investment of Rs 105.00 Cr for FY 2011-12, the Commission has carried out initial scrutiny for the proposed investment. The Commission is of the opinion that the capital investment proposed by the Petitioner needs a review for considering prudent investment in an efficient and economical manner.

5.112 The Commission reiterates the need for an integrated and a coordinated approach between the DTL and the distribution utilities for a pragmatic capital expenditure plan to ensure that the benefits of system improvement are available to the end consumers. Keeping in view the present status of preparedness for the proposed investment and need for integrating the implementation plan, the Commission has approved the investment plan for the Control Period at a normative level considering actual investment made during the past years and assessing system requirement for the ensuing period.

5.113 The Commission re-iterates that the consideration of capital investment including capitalization of interest and establishment expenses during the Control Period for the purpose of determination of ARR does not imply approval of schemes and the Petitioner 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. The Annual investment plan should be submitted prior to commencement of the respective Financial Year. The Petitioner is directed to submit the complete DPRs along with cost benefit analysis for schemes more than Rs 2 Cr for obtaining investment approval of the Commission. The Petitioner shall also obtain the approval from the Commission for individual schemes less than Rs 2 Cr but aggregating to Rs 20 Cr. The Petitioner is advised to submit the quarterly progress report of actual capital investment in the format prescribed by the Commission within one month of the respective quarter. The Commission would also True-up the capital investment for each year at the end of the Control Period based on the actual capital investment carried out by the Petitioner.

Asset Capitalisation

Petitioner's Submission

5.114 The Petitioner has proposed to capitalize assets worth Rs 70.00 Cr in FY 2011-12, as shown in the table below.

Table 89: Proposed CWIP for the Control Period (Rs Cr.)

Particular	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening CWIP	40.80	114.32	87.44	54.91
Additions to CWIP	228.64	174.88	109.82	105.00
Capitalisation of Investment	155.12	201.76	142.35	70.00
Closing CWIP	111.07	84.19	51.66	89.91

Commission's Analysis

5.115 The Commission has approved a capitalisation of assets worth Rs 112.50 Cr (80% of the average capitalisation approved for FY 2007-08 to FY 2010-11).

5.116 The Commission has analysed the available details to consider provisional capitalization for the Control Period and the same would be subjected to True-up at the end of the Control Period. The Petitioner is directed to submit actual details of capitalization for each year for the Control Period by September 30 of the following year to the Commission for scrutiny and year-wise capitalization of assets.

5.117 The Commission hereby directs the Petitioner to organize 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.

5.118 The Petitioner is further directed that the relevant information be furnished in the formats prescribed by the Commission for capitalization of assets. The said formats are to be submitted along with the necessary statutory clearances/ certificates of Electrical Inspector, etc. for all EHV & HV works and certificate of SLDC for Commissioning/ commercial operation. The capital expenditure incurred for deferred liabilities, residual works etc. within the original scope of scheme may be admitted by the Commission on merits and prudence checks. The Petitioner is advised to ensure timely completion of the works/ schemes as per the schedule stipulated in the proposals submitted to the Commission for approval.

5.119 Based on the above, the Commission has determined the following capitalisation schedule for the investments proposed during the Control Period. The Commission would like to clarify that capitalisation approved below is provisional and is subjected to True-up on the basis of actual capital investment made and the schemes Commissioned by NDMC.

Table 90: Approved CWIP for the Control Period (Rs Cr)

Particular	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening CWIP	22.56	40.80	114.32	87.44	54.91
Additions to CWIP	81.60	228.64	174.88	109.82	120.00
Capitalisation of Investment	63.36	155.12	201.76	142.35	112.50
Closing CWIP	40.80	114.32	87.44	54.91	62.41

Depreciation

Petitioner's Submission

5.120 The Petitioner has submitted that it has charged depreciation on the basis of straight-line method, on the fixed assets in use at the beginning of the year. The depreciation is based on the original cost, estimated life and residual life. Depreciation for the current year and FY 2011-12 is determined by applying FY 2009-10 actual depreciation rate as approved by the Commission on the opening balance of Gross Fixed assets projected for FY 2011-12.

5.121 As per the methodology adopted by the Hon'ble Commission, depreciation has been computed at 3.6% of opening level of GFA. The Table below summarizes the depreciation claimed by the NDMC:

Table 91: Proposed Depreciation for FY 2011-12 (Rs Cr)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening Balance of Fixed Assets	406.51	561.63	763.39	905.74
Addition during the year	155.12	201.76	142.35	70.00
Retirement during the year	0.00	0.00	0.00	0.00
Closing balance of fixed assets	561.63	763.39	905.74	975.74

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Average fixed assets	**484.07**	**662.51**	**834.56**	**940.74**
Rate of Depreciation	3.60%	3.60%	3.60%	3.60%
Depreciation	**17.43**	**23.85**	**30.04**	**33.87**
Accumulated Depreciation (closing)	270.17	294.02	324.07	537.93
Net Block	291.45	469.36	581.67	617.80

Commission's Analysis

5.122 As the asset-wise break up of assets is still not made available to the Commission by the Petitioner, the Commission has considered an average depreciation rate of 3.6% for the Control Period. The Commission may True Up depreciation expenses for the Control Period, once the break up of assets and their classification is provided.

5.123 The Petitioner is hereby directed to submit the break-up of opening block of assets and assets capitalized during the year as per the classification specified in the MYT Regulations, 2007.

5.124 Based on the asset values during the Control Period and the average rate of depreciation considered in the MYT Order, the Commission has approved depreciation as follows.

Table 92: Approved Depreciation for the Control Period (Rs Cr)

Scheme	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening Balance of Fixed Assets	343.14	406.50	561.62	763.38	905.73
Addition during the year	63.36	155.12	201.76	142.35	112.50
Retirement during the year	0.00	0.00	0.00	0.00	0.00
Closing balance of fixed assets	406.50	561.62	763.38	905.73	1018.23
Avg. fixed assets	374.82	484.06	662.50	834.56	961.98
Rate of Depreciation	3.60%	3.60%	3.60%	3.60%	3.60%
Depreciation	**13.49**	**17.43**	**23.85**	**30.04**	**34.63**

Return on Capital Employed

5.125 The Return on Capital Employed (RoCE) for the Petitioner shall be determined as specified in the MYT Regulations. The RoCE can be determined only after determination of the Regulatory Rate Base (RRB) for any particular year, and the Weighted Average Cost of Capital (WACC) for the year.

Regulated Rate Base

Petitioner's Submission

5.126 The Petitioner has estimated its Regulated Rate Base (RRB) for each year of the Control Period based on the formula specified in the MYT Regulations, as shown below.

Table 93: Proposed RRB for the Control Period (Rs Cr.)

Particulars	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Opening Balance of OCFA	343.14					
Opening Balance of Working Capital	8.18					
Opening Balance of Accumulated Depreciation	239.25					
RB (Opening)		112.07	179.21	327.86	527.37	662.76
Δ AB		49.87	137.69	177.91	112.31	36.13
Investments in the Year		63.36	155.12	201.76	142.35	70.00
Depreciation		13.49	17.43	23.85	30.04	33.87
Consumer Contribution		0.00	0.00	0.00	0.00	0.00
Change in WC		17.27	10.96	21.60	23.08	2.90
RB (Closing)	112.07	179.21	327.86	527.37	662.76	701.79
Regulated Rate Base (RRBi)		**154.28**	**259.02**	**438.41**	**606.60**	**683.73**
Equity	0%	0.00	0.00	0.00	0.00	0.00
Debt	100%	343.14	393.01	530.71	708.62	820.92
Rate of return on Equity		16.00%	16.00%	16.00%	16.00%	16.00%
Rate of Return on Debt		11.50%	11.50%	11.50%	11.50%	11.50%
WaCC		11.50%	11.50%	11.50%	11.50%	11.50%
Return on Capital Employed		**17.74**	**29.79**	**50.42**	**69.76**	**78.63**

Commission's Analysis

5.127 The Commission has approved RRB as per the MYT regulations. The Commission has observed that the Petitioner has considered consumer security deposits as consumer contribution and has reduced the same from the capital investment for the Control Period. The summary of RRB approved by the Commission for the Control Period is provided in the table below.

Table 94: Approved RRB for the Control Period (Rs Cr)

	Particulars	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**
A	OCFA	343.14					
B	Opening Balance of Working Capital	8.18					
C	Accumulated Depreciation	239.25					
E	RRB (opening)		112.07	179.20	327.86	509.97	633.28
F = G-H-I-J	**Δ AB**		49.87	137.69	177.91	112.31	77.87
G	Investments capitalized		63.36	155.12	201.76	142.35	112.50
H	Depreciation		13.49	17.43	23.85	30.04	34.63
J	Consumer Contribution		0.00	0.00	0.00	0.00	0.00
K	Change in WC		17.26	10.97	4.20	11.00	26.99
L = E+F+K	RRB (Closing)	112.07	179.20	327.86	509.97	633.28	738.14
M = E+F/2+K	**RRB(i)**		**154.27**	**259.02**	**421.02**	**577.13**	**699.20**

Working Capital Requirement

Petitioner's Submission

5.128 The Petitioner has submitted that Working Capital requirement estimates are done as per the MYT regulations and has considered the following components for calculating its working capital requirements:

(a) Receivables for two months towards tariffs & charges; and

(b) Operation and Maintenance expenses for one month.

(c) Less Power Purchase Expenses for one month

Table 95: Proposed Working Capital for the Control Period (Rs Cr.)

Particulars	FY 2011-12
O&M Expenses	169.68
1/12th of Total O&M Expenses	14.14
Receivables	816.03
Annual revenues from Tariffs and Charges	
Receivables equivalent to 2 months average billing	136.01
Power Purchase expenses	477.90
Less: 1/12th of power purchase expenses	39.82
Less: Consumer Security Deposit	28.99
Total Working Capital	**81.33**

Commission's Analysis

5.129 Based on the approved O&M Expenses, expected receivables and the expected Power purchase cost, the Commission approves the working capital requirement for the Control Period provided in the table below.

Table 96: Approved Working Capital for FY 2011-12 (Rs Cr)

Particulars	FY 2011-12
O&M Expenses	126.64
1/12th of Total O&M Expenses	10.55
Receivables	897.57
Receivables equivalent to 2 months average billing	149.59
Power Purchase expenses	630.65
Less: 1/12th of power purchase expenses	52.55

Particulars	FY 2011-12
Less: Consumer Security Deposits	28.99
Total Working Capital	**78.60**

Means of Finance

Petitioner's Submission

5.130 The Petitioner has submitted that NDMC does not have any debt on its books and proposes no debt financing in future for its capital expenditure plan also. The Petitioner has proposed to finance entire capital expenditure for the Control Period through internal funds from other departments which would be treated as debt and interest would be paid on it. However, the Petitioner while calculating the RoCE has considered normative debt – equity ratio of 70:30.

Commission's Analysis

5.131 The Commission has observed that the funding of capital works in NDMC is done either through budgetary allocation or through internal funds from various departments. Since there is no equity funding the Commission has considered the funding of capital investment entirely through debt.

Determination of WACC and RoCE

Petitioner's Submission

5.132 The Petitioner has submitted that as it does not have any debt on its books and no debt financing is proposed in future also. Therefore, the Petitioner has proposed to consider a notional loan at 70% of the total capital employed. Hence the D/E ratio taken to calculate WACC is considered as 70:30. The Petitioner has considered the cost of equity at 14% and the cost of debt at 11.50%.The WACC calculated using these figures comes out to be 12.25%.

5.133 The Petitioner has calculated the return on capital employed considering the RRB and the WACC for the respective years. The summary of the WACC and RoCE calculations, submitted by the Petitioner is provided in the table below.

Table 97: Proposed RoCE for FY 2011-12 (Rs Cr)

Particulars	FY 2011-12
RRB_i	689.03
Rate of Return on Equity	16%
Rate of Return on Debt	12%
WACC	12%
RoCE	**79.24**

Commission's Analysis

5.134 The Commission observed that the Petitioner has applied the normative debt-equity ratio of 70:30 on the opening balance of the regulated rate base and the average value of all investments during the Control Period to obtain the closing balance of debt and equity in any year of the Control Period.

5.135 The Commission has however, considered the entire 100% financing of capital investment through debt.

5.136 The Commission has thereby calculated the RoCE for the Control Period based on the WACC derived and the regulated rate base approved for the Control Period, as explained above. The table below summarises the RoCE approved by the Commission for the Control Period.

Table 98: Approved RoCE for the FY 2011-12 (Rs Cr.)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
RRBi	154.27	259.02	421.02	577.13	699.20
Rate of Return on Equity	16.00%	16.00%	16.00%	16.00%	16.00%
Rate of Return on Debt	11.50%	11.50%	11.50%	11.50%	11.50%
WACC	11.50%	11.50%	11.50%	11.50%	11.50%
RoCE	**17.74**	**29.79**	**48.42**	**66.37**	**80.41**

Non Tariff Income

Petitioner's Submission

5.137 The Petitioner has submitted Rs 10.13 Cr as Non Tariff Income (NTI) for FY 2011-12.

5.138 For projecting the non-tariff income for FY 11-12, an increase at 5% p.a. has been considered over the estimated FY 10-11 non-tariff income, as shown in the table below:

Table 99: Proposed Non-Tariff Income for the Control Period (Rs Cr)

Particulars	FY 2010-11	FY 2011-12
Meter Rent	1.45	1.53
MDI	0.90	0.94
Misuse	3.34	3.51
Burnt meter	0.04	0.04
Surcharge	0.43	0.45
New Connection/reconnection fee	0.27	0.29
Recovery of storage charges	0.87	0.91
Recovery of deposit work	0.53	0.56
Collection charges on cess	0.00	0.00
Other Income from lapsed deposits	1.55	1.63

Particulars	FY 2010-11	FY 2011-12
Other Receipts (petty items commercial)	0.26	0.27
Total	**9.65**	**10.13**

Commission's Analysis

5.139 The Commission has analysed the submission made by the Petitioner in detail and approves the NTI for the Control Period as provided in the table below.

Table 100: Approved Non-Tariff Income for FY 2011-12 (Rs Cr)

Particulars	FY 2011-12
Meter Rent	1.53
MDI	0.94
Misuse	3.51
Burnt meter	0.04
Surcharge	0.45
New Connection/reconnection fee	0.29
Recovery of storage charges	0.91
Recovery of deposit work	0.56
Collection charges on cess	0.00
Other Income from lapsed deposits	1.63
Other Receipts (petty items commercial)	0.27
Total	**10.13**

Aggregate Revenue Requirement

Petitioner's Submission

5.140 The table given below provides a summary view of the Aggregate Revenue Requirement (ARR) as proposed by the Petitioner for FY 2011-12.

Table 101: Proposed ARR for FY 2011-12 (Rs Cr)

Particulars	FY 2011-12
A. EXPENSES	
Net Power Purchase Expenses (including Transmission and SLDC charges)	477.90
Operation & Maintenance (O&M)	190.49
Employee Cost	130.89
R & M Expenses	45.21
Administration & General Expenses	14.39
Depreciation	33.87
Interest & Finance Charges	0.00
Administrative Deptt. & Civil Engg. Deptt	82.03
RoCE	79.24
A. Total Expenses	863.53
B. Non Tariff Income	10.13
Total Revenue Requirement (A-B)	**853.40**

Commission's Analysis

5.141 The table given below provides a summary view of the Revenue Requirement as approved by the Commission for FY 2011-12. Detailed analysis of each expense head has already been provided in the above sections.

Table 102: Approved ARR for FY 2011-12 (Rs Cr)

Particulars	FY 2011-12
A. EXPENSES	
Cost of power purchase, including T&D losses	493.21
Inter-State Transmission charges	18.68
Intra-state Transmission charges	118.76
Operation & Maintenance (O&M) *	126.64
Depreciation	34.63
Interest & Finance Charges	0.00
Administrative Deptt. & Civil Engg. Deptt	45.37
RoCE	80.41
A. Total Expenses	917.70
B. Non Tariff Income	10.13
C. Employee Expenses Capitalised	10.01
Total Revenue Requirement (A-B)	**897.57**

**Net of efficiency factor @4%*

A6: TARIFF DESIGN

Components of Tariff Design

6.1 The Commission has considered the following components for tariff designing of the DISCOMs.

(a) Cross-subsidization in tariff structure

(b) Consolidated Sector Revenue Gap/(Surplus)

(c) Cost of service

Cross-subsidisation in Tariff Structure

6.2 The Electricity Act, 2003 provides for reduction of cross subsidies by moving the category wise tariffs towards cost of supply. The Commission also recognises the need for reduction of cross subsidy. However, it is equally incumbent on the Commission to keep in mind the historical perspective for the need to continue with cross-subsidy for some time.

6.3 Regarding Cross subsidy, clause 8.3 of the National Tariff Policy states,

"….Direct subsidy is a better way to support the poorer categories of consumers than the mechanism of cross subsidizing the tariff across the board. Subsidies should be targeted effectively and in transparent manner. As a substitute of cross subsidies, the State Government has the option of raising resources through mechanism of electricity duty and giving that subsidy to only needy consumers. This is a better way of targeting subsidies effectively."

6.4 In line with the above provision of the National Tariff Policy, Clause 9.1 of the MYT Regulations states that any consumer desirous of getting subsidized tariff shall approach the State Government and if the request for subsidy is found justified, the State Government may give subsidy to that class of consumers so that these consumers get electricity at concessional tariff.

6.5 At present, there are a number of consumer classes such as some slabs of domestic consumers, Agriculture & Mushroom Cultivation, Government Schools/Colleges, Hospitals, etc. which are being cross subsidized by other consumers. Several stakeholders have raised serious concern over cross subsidization of some categories and argued that after privatization, electricity distribution is purely commercial operation and there is no justification for making some consumers pays for others. If any class of consumers is to be given concessional tariff on socio-economic ground, the State government shall bear the cost on this count as supporting weaker sections of society is the responsibility of the government and this responsibility cannot be thrust upon other sections of consumers.

6.6 The Commission is of the view that in an ideal case electricity tariff for all categories of consumers should be fixed on cost to serve basis. In accordance with the Act and the policies prescribed from time to time, the Commission has made an attempt in this Tariff Order to reduce the prevailing cross-subsidy as detailed in the subsequent sections.

Revenue (Gap)/ Surplus for NDMC

Revenue (Gap)/ Surplus till FY 2009-10

6.7 The Commission has approved the revenue (gap)/surplus for the Petitioner for the past period, FY 2007-08 to FY 2009-10 (as discussed in details in Chapter A3 and A4 of this Order) as summarised in the table below:

Table 103: Net Revenue (Gap)/ Surplus of NDMC for FY 2007-08 to FY 2009-10 (Rs. Cr)

Particulars	FY 2007-08	FY 2008-09	FY 2009-10
Opening level of Surplus/(Gap)	113.49	317.42	640.98
Revenue (Gap)/Surplus approved in the True-up Order for FY 2007-08	183.93		
Revenue Requirement for the year		240.50	641.70
Revenue at existing tariffs		519.67	519.76
Surplus/ (Gap) for the year		279.17	(121.94)
Additional Surplus/ (Gap) for the year on account of Hon'ble ATE orders	0.46		
Closing level of (Gap)/Surplus	297.88	596.59	518.07
Carrying Cost for the year @	9.50%	9.50%	9.50%
Carrying Cost	19.54	43.42	55.01
Closing Balance of Net (Gap)/ Surplus	**317.42**	**640.01**	**573.07**

6.8 It can be seen from the above that the accumulated Revenue surplus till FY 2009-10 for NDMC is Rs 573.07 Cr.

Revenue (Gap)/ Surplus for FY 2011-12 at Existing Tariffs

6.9 The Summary of net revenue (gap)/ surplus approved for NDMC at existing tariffs for the current year, FY 2011-12 is shown below:

Table 104: Approved Revenue Gap for FY 2011-12 at existing Tariff (Rs Cr)

Particulars	FY 2011-12
Revenue Requirement for the year	897.57
Revenue available at existing tariffs	619.54
(Gap)/ Surplus for the year	**(278.03)**

Treatment of Revenue (Gap)/Surplus

6.10 The revenue deficit for FY 2011-12 of the Petitioner for FY 2011-12 is R 278.03 Cr, which is 45% of the revenue collection projected at existing tariff. Keeping in view the significant deficit with NDMC and in an attempt to make tariffs cost reflective, the Commission has decided to revise the tariff for all consumer categories in order to enable the Petitioner to, at the least, recover a part of the approved revenue requirement for FY 2011-12.

6.11 In the Tariff Orders issued for BRPL, BYPL and NDPL, the Commission has taken steps towards reduction of cross-subsidy and has attempted to align the tariffs with the cost of supply at various voltage levels. However, the Commission would like to highlight that this Petitioner does not maintain 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.

6.12 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 tariff structure in Delhi contains 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 tariffs 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.

6.13 The Commission has also incentivised the category of consumers availing power at higher voltages since the incidence of loss at a higher voltage is lower as compared to the loss level of consumers connected at lower voltages.

6.14 With respect to Public Lighting, DMRC and Railway Traction, the Commission proposes to same fixed and energy charges as determined in case of BRPL, BYPL and NDPL.

6.15 The Commission has merged NDLT and MLHT categories as Non Domestic category at Low tension (NDLT) and High Tension (NDHT).

Revenue (Gap)/Surplus at Revised Tariffs

6.16 The summary of revenue billed at existing tariffs for NDMC for FY 2011-12 is shown below:

Table 105: Revenue at existing tariffs (Rs. Cr)

Revenue in FY 2011-12	Revenue Billed
Domestic	**75.53**
Single Delivery Point	*31.72*
Separate Delivery Point up to 100 kW	*37.07*
Domestic Power up to 100 kW	*6.74*

Revenue in FY 2011-12	Revenue Billed
Non Domestic	**124.75**
Up to 5 kW	22.09
Between 5 kW to 100 kW	*102.06*
Mixed Load	**399.90**
Supply at 11 kV (HT)	*269.16*
Supply on LT where supply is given from NDMC sub station	*2.47*
Supply on LT where applicant provides built up space for sub station	*128.28*
Small Industrial Power	**0.15**
Public Lighting	**3.17**
Others	**4.04**
DMRC	**12.00**
Total Revenue Billed	**619.54**
Total Revenue Realized @ 100% Collection Efficiency	**619.54**

6.17 After revision of the tariff, the summary of revenue at the tariff approved now is shown below:

Table 106: Revenue at revised tariffs (Rs. Cr)

Revised Revenue in FY 2011-12	Revenue Billed
Domestic	**83.77**
Non Domestic	**579.95**
Supply on Low Tension	278.81
Supply on 11 kV	301.14
Small Industrial Power	**0.16**
Public Lighting	**4.21**
Others	**4.34**
DMRC	**13.65**
Total	**686.07**
Total Revenue Realized @ 100% Collection Efficiency	**686.07**

6.18 After revision of the tariff, the net revenue (gap)/ surplus for NDMC for FY 2011-12 is shown below:

Table 107: Net Revenue (Gap)/ Surplus of NDMC at Revised Tariffs (Rs. Cr)

Particulars	FY 2011-12
Revenue Requirement for the year	897.57
Revenue available at revised tariffs	686.07
(Gap)/ Surplus for the year	**(211.50)**

Tariff Structure

	Category	Fixed Charges[1]	Energy Charges
1	**Domestic**		
	0-100 units	10 Rs/kW/month	200 Paisa/kWh
	101-200 units	10 Rs/kW/month	270 Paisa/kWh
	201-400 units	10 Rs/kW/month	360 Paisa /kWh
	Above 400units	10 Rs/kW/month	435 Paisa /kWh
2	**Non Domestic**		
2.1	**Non- Domestic (Low Tension) (NDLT) upto 100 kW/108 kVA**		
a)	Up to < 5 kW	10 Rs/kW/month	530 Paisa /kWh
b)	More than 5 kW and less than and upto 100 kW/108 kVA	10 Rs/kW/month	610 Paisa /kWh
c)	More than 100 kW/108 kVA		
I	Where supply is given from NDMC sub station	150 Rs/kVA/month	570 Paisa /kVAh
II	Where applicant provides built up space for sub station	135 Rs/kVA/month	530 Paisa /kVAh
2.2	**Non- Domestic High Tension (NDHT) Supply at 11 kV**		
	More than 100 kW/108 kVA	125 Rs/kVA/month	510 Paisa /kVAh[2]
3	**Small Industrial Power[3]**	10 Rs/kW/month	490 Paisa /kVAh
4	**Public Lighting**		560 Paisa /kWh
	Street Lighting[4]		560 Paisa/kWh
	Signals and Blinkers		560 Paisa/kWh
5	**Railway Traction[5] (Supply at 33 kV and 66 kV)**	150 Rs/kVA/month[6]	450 Paisa/kVAh
6	**DMRC (220kV/ 66kV)**	100 Rs/kVA/month	380 Paisa/kVAh
7	**Temporary Supply**		
7.1	**For a total period of**		
A.	Less than 16 Days	50% of the relevant category	Higher by 30% (Temporary Surcharge) of the relevant category
B.	More than or equal to 16 days	Same as that of relevant category	Higher by 30% (Temporary Surcharge) of the relevant category
7.2	For religious functions of traditional and established characters and cultural activities	Same as Domestic Category	Same as Domestic Category without Temporary Surcharge
7.3	For Major Construction projects	Same as that of relevant category	Higher by 30% (Temporary Surcharge) of the relevant category

Notes on superscripts:

1 For all categories other than Domestic, Fixed charges are to be levied on sanctioned load or MDI reading, whoever 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 plus energy charges for such billing cycle only.

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

3 For industrial consumers having valid NDMC factory license.

4 Maintenance Charges on street lights would be additional to the specified tariff @ Rs. 84/light point/month and material cost at the rate Rs 19/point/month as per the Commission's order dated 22 September 2009 till further amended by the Commission. These charges will be payable to the DISCOM only if maintenance services are provided by the DISCOM.

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 charge is also applicable to be calculated as Rs 1260 x (2.97 A+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 levy of demand violation charges.

Electricity taxes and other levies

6.19 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

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

Payments

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

6.22 The Commission directs the Petitioner, that in case the bill for consumption of electricity is more than Rs. 4000, payment for the bill shall only be accepted by the Petitioner by means of an Account Payee cheque/DD. However, visually challenged consumers shall be allowed to make payment of electricity bills for any amount through cash.

Billing in kVAh

6.23 Wherever the fixed or energy charges are specified in Paisa per kVAh, for the purpose of billing the kVAh as read from the meter in the relevant billing cycle shall be used.

Interpretation/ clarification

6.24 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.

A7: DIRECTIVES

7.1 Distribution licensee is directed to post the monthly zone/district wise AT&C Loss data giving break-up of energy input, energy billed and revenue realization on its website within fifteen days from the end of the month.

7.2 Distribution licensee is directed to reduce AT&C losses by at least 10% in respect of those zones/districts which are currently having losses in excess of 40% within one year i.e. by August, 2012. These targets shall have to be met by Distribution licensee irrespective of the overall AT&C loss achievement targets specified in this order. Failure to do so will invite penalties.

7.3 All data required for True-up (including kWh & kVAh for the consumers billed on kVAh basis) shall be maintained & shall not be deleted from the data base prior to issuance of order for True-up for that period by the Commission.

7.4 The Commission directs the Distribution licensee to get the Form 2.1(a) audited by the Statutory auditors on a quarterly basis. The auditor certificate in this regards shall be filed in the Commission within fifteen days from the end of the quarter.

7.5 The Commission directs the Distribution licensee to show power station wise power purchase quantum and cost along with break up under various heads in its audited accounts.

7.6 The Distribution Licensee shall continue to comply with guidelines for procurement of short-term power purchase issued by the Commission. The Distribution licensee is further directed to take necessary steps to restrict the cost of power procured through short term contracts at Rs.5 per kwh. Further in case of short term power purchase at a rate higher than the above ceiling rate (of Rs.5 per kwh), the impact of such purchase on total short term power purchase shall not exceed 10 paise /kWh during the financial year. The Commission shall approve the short term power purchase as above subject to any major exceptions/circumstances as may be brought to the notice of the Commission with full justification within 24 hours.

7.7 Distribution licensee shall be responsible for making timely payment of bills/dues to central & state generating stations and transmission utilities. The Commission shall not allow surcharge as a pass through in the ARR, if paid by the Distribution licensee on account of delayed payments.

7.8 The Commission has already directed that the Distribution licensee shall complete the GIS mapping of all the divisions by end of September, 2011 and submit the data to Delhi State Spatial Data Infrastructure Projects (DSSDIP). The Distribution licensee shall upload the same on its website division-wise by 15th October, 2011. Further, Distribution licensees shall prepare the “Asset Register” and submit to the Commission by 31st December, 2011. Any slippage in this regard will result in no further approvals being given to capital investment proposals till this task is completed.

7.9 Distribution Licensee is hereby directed to meter electricity consumption in its offices, grid sub-stations, consumer care centers etc. within 2 months.

7.10 The Commission directs the Distribution Licensee to conduct a Safety Audit and ensure proper fencing of distribution sub-station, grounding of the fencing as per Code of Practice for Earthing and proper Locking arrangements for the fencing.

7.11 The Distribution licensee shall formulate a protocol regarding the procedure to be followed for meter sealing/de-sealing within one month of the issue of this Tariff Order and submit the same to the Commission for approval.

7.12 The Distribution Licensee shall submit a Protocol for testing of meter within one month of the issue of this Tariff Order.

7.13 The Distribution licensee shall issue bilingual bills to all the consumers commencing not later than 2 months of the date of issue of this Tariff Order.

7.14 With respect to AT&C losses, the Commission directs the Petitioner for the following:

(a) Submit Form 2.1(a) on monthly basis along with billing database to the Commission within the first week of the following month.

(b) Submit category wise revenue collection on monthly basis along with the supporting documents within the first week of the following month.

(c) Include Form 2.1(a) in the quarterly and annual Balance sheet.

(d) Include the category wise / slab wise consumer details i.e. no of consumer, connected load, sales, power factor, revenue from fixed charges, revenue from demand charges in the quarterly and annual balance sheet.

(e) Include source wise power purchase and sale details i.e. Quantum in MU and Rs Cr in the quarterly and annual balance sheet.

(f) Submit monthly report to the Commission giving details of on monthly category wise Consumer addition and their detail within the first week of the following month.

(g) Submit monthly report to the Commission giving details of on no. of connection disconnected / reconnected and their detail within the first week of the following month.

(h) Submit monthly report to the Commission on bill correction / JE entries within the first week of the following month.

7.15 Submit monthly report to the Commission on change of consumer category for consumer within the first week of the following month.

7.16 NDMC shall show cause within 45 days from the date of issue of this order as to why proceedings under section 142 of the Electricity Act, 2003 should not be initiated:

(a) For its failure to comply with the directions of the Commission in its first Tariff Order of NDMC for FY 2005-06 regarding Maintenance of Accounts as per Municipal Accounting.

(b) For its failure to submit sales and revenue data from the electricity business in the prescribed format {(Form 2.1(a)} on monthly, quarterly & yearly basis.