

DELHI ELECTRICITY REGULATORY COMMISSION

VINIYAMAK BHAWAN, 'C' BLOCK, SHIVALIK, MALVIYA NAGAR, NEW DELHI-110017.



Petition No. 77/2004

In the matter of:

Petition for approval of Annual Revenue Requirement (ARR) for the Financial Year 2005-06 and determination of Retail Supply Tariffs to be charged by New Delhi Municipal Council (NDMC).

AND

In the matter of :

New Delhi Municipal Council,
Through: **Sh. Keshav Chandra – Secretary,**
Palika Kendra, Sansad Marg,
New Delhi-110001.

Before
Delhi Electricity Regulatory Commission

Coram :

Sh. K. Venugopal, Member & Sh. R. Krishnamoorthy, Member.

Date of Order : 02/11/ 2005

ORDER

The Commission having deliberated on the above petition and also the subsequent filings by the petitioner in the course of above proceedings, and in absence of any responses from the stakeholders on the petition filed by the petitioner and in exercise of power vested under Section 62 of the Electricity Act, 2003, hereby pass this Order signed, dated and issued on 2nd Day of November, 2005. This Order shall remain in force till new Order on the Tariff Application of the petitioner is passed or this Order is amended in accordance with provisions of Electricity Act, 2003.

(K. Venugopal)
Member

(R. Krishnamoorthy)
Member

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1 Background, Procedural History and Description of ARR Filing

1.1 About the Commission

The Delhi Electricity Regulatory Commission (hereinafter referred to as ‘Commission’) was constituted by the Government of National Capital Territory of Delhi (hereinafter referred to as ‘Government’) on March 3, 1999 and it became operational from December 10, 1999.

1.1.1 *Functions of the Commission*

Major functions assigned to the Commission under the Delhi Electricity Reform Act 2000 (hereinafter referred to as ‘DERA’) are as follows:

- to determine the tariff for electricity, wholesale, bulk, grid or retail and for the use of the transmission facilities
- to regulate power purchase, transmission, distribution, sale and supply
- to promote competition, efficiency and economy in the activities of the electricity industry in the National Capital Territory of Delhi
- to aid and advise the Government on power policy
- to collect and publish data and forecasts
- to regulate the assets and properties so as to safeguard public interest
- to issue licenses for transmission, bulk supply, distribution or supply of electricity
- to regulate the working of the licensees
- to adjudicate upon the disputes and differences between licensees

Major functions assigned to the Commission under the Electricity Act, 2003 (hereinafter referred to as ‘EA 2003’) are as follows:

- determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State;
- regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- facilitate intra-state transmission and wheeling of electricity;
- issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person,

and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licence;

- adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;
- levy fee for the purposes of this Act;
- specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;
- specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- fix the trading margin in the intra-State trading of electricity, if considered, necessary; and
- discharge such other functions as may be assigned to it under this Act.

1.1.2 Regulations and Orders issued by the Commission

In its journey from inception till date, the Commission has issued nineteen orders on ARR/Tariff and notified thirteen Regulations as given in Tables 1.1 and 1.2, respectively. The Orders were issued after following the due process and all stakeholders were given an opportunity to present their viewpoints.

Table 1.1: Tariff Orders issued by the Commission

S. No.	Name of the Order	Date of issue
1.	Order on Rationalization of Tariff for Delhi Vidyut Board (DVB)	16-1-2001
2.	Order on ARR for 2001-02 and Tariff Determination Principles for 2002-03 till 2005-06 for Delhi Vidyut Board	23-5-2001
3.	Order on Joint Petition for Determination BST and Opening Losses for DISCOMS	22-2-2002
4.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04) and determination of Retail supply tariffs for BSES – Yamuna Power Limited	26-06-2003
5.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04) and determination of Retail supply tariffs for BSES – Rajdhani Power Limited	26-06-2003
6.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04) and determination of Retail supply tariffs for North Delhi Power Limited	26-06-2003
7.	Order on ARR for July 2003 to March 2004 (9 months and Financial Year 2003-04) and determination of Bulk supply tariffs for Delhi TRANSCO Limited	26-06-2003
8.	Order on ARR for Financial Year 2004-05 and determination of Retail supply tariffs for BSES – Yamuna Power Limited	09-06-2004
9.	Order on ARR for Financial Year 2004-05 and determination of Retail supply tariffs for BSES – Rajdhani Power Limited	09-06-2004

10.	Order on ARR for Financial Year 2004-05 and determination of Retail supply tariffs for North Delhi Power Limited	09-06-2004
11.	Order on ARR for Financial Year 2004-05 and determination of Bulk supply tariffs for Delhi TRANSCO Limited	09-06-2004
12.	Order on ARR for Financial Year 2004-05 and determination of Generation tariffs for Indraprastha Power Generation Company Limited	09-06-2004
13.	Order on ARR for Financial Year 2004-05 and determination of Generation tariffs for Pragati Power Corporation Limited	09-06-2004
14.	Order on ARR for Financial Year 2005-06 and determination of Retail supply tariffs for BSES – Yamuna Power Limited	07-07-2005
15.	Order on ARR for Financial Year 2005-06 and determination of Retail supply tariffs for BSES – Rajdhani Power Limited	07-07-2005
16.	Order on ARR for Financial Year 2005-06 and determination of Retail supply tariffs for North Delhi Power Limited	07-07-2005
17.	Order on ARR for Financial Year 2005-06 and determination of Bulk supply tariffs for Delhi TRANSCO Limited	07-07-2005
18.	Order on ARR for Financial Year 2005-06 and determination of Generation tariffs for Indraprastha Power Generation Company Limited	07-07-2005
19.	Order on ARR for Financial Year 2005-06 and determination of Generation tariffs for Pragati Power Corporation Limited	07-07-2005

Table 1.2: Regulations notified by the Commission

S.No.	Title of Regulations
1.	Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001
2.	Delhi Electricity Regulatory Commission (Management and Development of Human Resources) Regulations, 2001
3.	Delhi Electricity Regulatory Commission (Appointment of Consultants) Regulations, 2001
4.	Delhi Electricity Regulatory Commission (Delegation of Financial Powers) Regulations, 2001
5.	Delhi Electricity Regulatory Commission (Grant of Consent for Captive Power Plants) Regulations, 2002 (Repealed)
6.	Delhi Electricity Regulatory Commission (Performance Standards – Metering & Billing) Regulations, 2002
7.	Delhi Electricity Regulatory Commission (Medical Attendance) Regulations, 2003
8.	Delhi Electricity Regulatory Commission (Redressal of Consumers' Grievances) Regulations, 2003
9.	Delhi Electricity Regulatory Commission (Guidelines for establishment of Forum for redressal of grievances of the consumer and Ombudsman) Regulations, 2003
10.	Delhi Electricity Regulatory Commission (Procedure for filing appeal before the Appellate Tribunal) Regulations, 2005*
11.	Delhi Electricity Regulatory Commission (Treatment of Income from Other Business of Transmission Licensee and Distribution Licensee) Regulations, 2005*
12.	Delhi Electricity Regulatory Commission (Intra- State Trading) Regulations, 2005*
13.	Delhi Electricity Regulatory Commission (Terms and conditions for Open Access) Regulations, 2005*

*Being notified by the Government of NCT of Delhi

Further, in compliance to the provisions of Electricity Act 2003, the Commission has issued the following Draft Regulations for public comments:

Table 1.3: Draft Regulations of the Commission

S.No.	Title of Regulation
1	Delhi Electricity Regulatory Commission (Supply Code and Performance Standard) Regulations, 2005
2	Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2004
3	Delhi Electricity Regulatory Commission (State Advisory Committee) Regulations, 2005
4	Delhi Electricity Regulatory Commission (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2005
5	Delhi Electricity Regulatory Commission (Conduct of Business) Regulations, 2005

The Commission is actively considering the responses received from the public and will finalise the above Regulations in a short period.

1.2 Background

1.2.1 *About the Petitioner*

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. NDMC has the obligations of a Licensee under the Indian Electricity Act 1910 in respect of the New Delhi Area.

Under Section 200 of the New Delhi Municipal Council Act 1994, NDMC has the power 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.

The NDMC has filed a Petition before the Commission under Section 62 of the Electricity Act 2003 (EA 2003) and in accordance with the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001 for the determination of retail supply tariffs to be charged by NDMC to the consumers served by it in the New Delhi area.

1.2.2 *Enactment of Electricity Act 2003*

The Electricity Act 2003 consolidated the laws relating to generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and supply of

electricity to all areas, rationalisation of electricity tariff, ensuring transparent policies regarding subsidies, promotion of efficient and environmentally benign policies, constitution of Central Electricity Authority, Regulatory Commissions and establishment of Appellate Tribunal and for matters connected therewith or incidental thereto.

Procedure envisaged in the EA 2003 for Tariff Order

Section 64 of the EA 2003 specifies the procedure to be followed for issuance of a tariff order. Sub-sections (1) and (3) of this Section of EA 2003 state as follows:

Sub-section (1): *“An application for determination of tariff under section 62 shall be made by a generating company or licensee in such manner and accompanied by such fee, as may be determined by regulations”.*

Subsection (3): *“The Appropriate Commission, shall within one hundred and twenty days from receipt of application under sub-section (1) and after considering all suggestions and objections received from the public:*

(a) issue a tariff order accepting the application with such modifications or such conditions as may be specified in that order:

(b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of this ACT and the rules and regulations made there under of the provisions of any other law for the time being in force:

Provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application.”

1.3 Procedural History

1.3.1 ARR & Tariff filing by NDMC for FY 2005-06

1.3.1.1 Filing of petition

The NDMC (the Petitioner) filed a Petition for approval of ARR and determination of Tariffs for FY 2005-06 on December 3, 2004. In its Petition, NDMC highlighted some constraints in making available all the requisite information to the Commission and sought waivers in this regard. The Petitioner submitted that since the entity for supply of electricity in NDMC is considered as a department of NDMC like other departments and is not a separate commercial undertaking, it has not been maintaining separate records/accounts in the same manner as other electricity utilities. As a result, the data/information required by the Commission could not be provided in the formats

specified by the Commission for this purpose. In particular, energy sales to each category of consumers and to different slabs within a consumer category are not maintained. The Petitioner further submitted that it has not been maintaining the record for the assets of the electricity segment separately.

The Petitioner has added that it is attempting to build up the database to meet the requirements of the Commission in the future. It has submitted that it is preparing the assets register for the electricity segment and is also attempting to segregate the data for the earlier period.

The Petitioner has projected a Revenue Gap of Rs. 5200 Lakh for FY 2005-06. It has requested the Commission to approve its revenue requirement for FY 2005-06 and determine its retail supply tariff. The Petitioner has also proposed an increase in the tariffs to be charged to the different categories of consumers.

1.3.1.2 Interactions with the Petitioner

The submission of the filing was followed by a series of interactions, both written and oral, wherein the Commission sought additional information/clarification and justifications on various issues, critical for admissibility of the petition. The Commission held a meeting with the Petitioner on March 16, 2005. Following this, the Petitioner submitted its response on the issues raised by the Commission on March 31, 2005. The Commission held another meeting with the Petitioner on April 12, 2005 to discuss issues related to capital expenditure, R&M expenses, A&G expenses and employee costs. The Commission analysed the submissions made by the Petitioner and admitted the Petition for further processing on April 24, 2005.

1.3.2 Public Notice and response from stakeholders

1.3.2.1 Publicity given to the Proposal

The Commission directed the Petitioner to bring out a Public Notice on April 30, 2005 indicating the salient features of its ARR and Tariff Petition, inviting responses from the consumers and other stakeholders on the Petition.

The Petitioner brought out a Public Notice on May 25, 2005 indicating the salient features of the Petition and invited responses from the consumers and other stakeholders on the same in accordance with the provisions of the Delhi Electricity Regulatory Commission Comprehensive (Conduct of Business) Regulations, 2001. The Public Notice was published in several dailies such as:

- The Hindustan Times and Indian Express in English; and
- Dainik Jagran and Milap in Hindi

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

A detailed copy of the Petition was also made available for purchase from the head-office of Council on any working day from May 25, 2005 onwards, between 11 a.m. and 4 p.m. on payment of Rs. 100/-. The Notice specified the deadline of 9th June, 2005 for the receipt of responses/objections from the stakeholders. The complete copy of the Petition was also posted on the website of the Commission.

1.3.3 Public Hearing

The Commission did not receive any objections on the Petition filed by the Petitioner. However, the Commission conducted a Hearing on July 28, 2005. The Petitioner made a brief presentation on its ARR and tariff petition in this hearing. Following this, the Commission referred to the submissions made by the Petitioner in respect of the ARR and tariff Petition wherein the Petitioner has stated that the additional information desired by the Commission has been filed. The Commission asked the Petitioner to specifically clarify its stand in respect of the jurisdiction of the Commission over the Petitioner's area. It was clarified that the Petitioner fully submits to the jurisdiction of the Commission and that the Petitioner shall be bound by the electricity tariff determined by the Commission for NDMC supply areas.

The Commission also highlighted that though NDMC buys power from Transco, it did not participate in the public hearing held in May 2005 wherein TRANSCO's petition was discussed which dealt with the Bulk Supply Tariff (BST) for NDMC as well.

Further, the Commission, after due deliberation, considered that the Petition of the NDMC would have to be processed in the absence of comments from stakeholders. The Commission added that it would apply all the recognised principles and methods while approving the ARR of the Petitioner and determination of tariffs.

1.3.4 Post hearing interactions

1.3.4.1 Discussions during technical sessions

After hearing of the ARR Petition, the Commission staff held further technical sessions with the concerned staff of the Petitioner on July 28, 2005 and August 11, 2005 for the purpose of seeking additional information and clarifications. The Commission staff sought additional information such as, the means of finance to fund the capital expenditure proposed to be undertaken during FY 2005-06, actual capital expenditure and R&M expenditure undertaken in FY 2004-05, details of loans availed by the Petitioner, interest due and actual interest paid during FY 2004-05, methodology

adopted for arriving at the total value of assets, and clarifications in respect of the rent proposed to be charged on the buildings and land dedicated to electricity supply as well as the allocation of expenses of the Administrative Department and Civil Engineering Department to electricity supply.

The Commission also directed the Petitioner to submit the Provisional Accounts or Un-audited Accounts for FY 2003-04 and FY 2004-05 in the absence of audited accounts for these years. Further, the Commission asked the Petitioner to provide the actual expenditure, category-wise sales, power purchase quantum and costs during FY 2004-05. The Commission also suggested that the Petitioner may re-examine and revise its projections in respect of different components of the ARR as well as for sale of energy for FY 2005-06 keeping in view the actual figures for FY 2004-05.

1.3.4.2 Petitioner's responses to queries raised by the Commission

The responses to some of the queries raised in the letter dated July 28, 2005 were submitted on August 5, 2005. Further, on August 12, 2005, the Petitioner submitted clarifications in respect of queries by the Commission during the technical session held on August 11, 2005.

1.3.4.3 Hearing of the Petition

The Commission held another hearing of the Petitioner on August 18, 2005 and sought clarifications on issues related to the Petitioner's ARR.

1.4 Summary of the Petition

The Petitioner has estimated the Annual Revenue Requirement (ARR) and Revenue Gap for FY 2005-06 at Rs. 53852 Lakh and Rs 5200 Lakh, respectively. A snapshot of the ARR and revenue gap at existing tariffs is provided in the Table 1.4.

Table 1.4: Summary of ARR and Revenue of the Petitioner at existing BST and RST

Item	Unit	FY 2005-06
A. Energy Input	MU	1223.64
B. T&D Loss at the end of the year	%	14.4%
C. Expenditure other than Power Purchase Cost	Rs Lakh	19394
D. Proposed Bulk Supply Tariff by the petitioner	Rs./kVAh	2.70
E. Power Purchase cost at existing BST (AxD)	Rs Lakh	33038
F. Total Expenditure (C+E)	Rs Lakh	52432
G. Allowable Return	Rs Lakh	1794
H. Non Tariff Income	Rs Lakh	374
I. Annual Revenue Requirement (F+G-H=I)	Rs Lakh	53852
J. Estimated Revenue Realisation based on existing Retail Supply Tariff	Rs Lakh	48651
K. Revenue Gap for FY 2005-06 at Existing Tariffs	Rs Lakh	5201

The Petitioner, in its ARR Petition, also proposed an increase in tariff to be charged to its consumers. Table 1.5 provides a comparison of the existing tariff and tariff proposed by the Petitioner.

Table 1.5: Comparison of existing tariff and tariff proposed by the Petitioner

Sr. No.	Category	Existing tariff * (Rs./kWh)	Tariff Proposed by the petitioner* (Rs./kWh)
1.1	Domestic lighting/fan and power on single delivery point	3.20	3.36
1.2	Domestic lighting/fan and power on separate delivery points.		
	a) lighting/fan	2.47	2.72
	b) power	3.59	3.95
2.1	Non domestic –LT		
	a) Single phase (≤ 5 kW)	5.00	5.60
	b) Three phase (> 5 kW)	5.42	6.07
2.2	MLHT Sanctioned load > 100 kW		
a)	Supply on 11 kV	6.06	6.67
b)	i) Supply on LT (400 volts) where supply is given from NDMC sub-station	7.26	7.84
	ii) Where applicant provides built up space for sub-station	6.13	6.80
3	Small Industrial Power (SIP)	4.10	4.55
4	Public Lighting	3.59	3.98
5	Railway Traction		
a)	Supply on 11 kV		
b)	Supply on LT (400 V)		
	Others	3.59	3.98

* Without ED

1.5 Layout of this Order

This Order is organised into four Sections. While the current Section gives the information about the Commission, the historical background and summary of the Petition, Section 2 discusses the Annual Revenue Requirement. Section 3 focuses on the Tariff Philosophy and determination of tariffs for FY 2005-06. Section 4 lists down the directives issued in this Order.

2 Analysis of Annual Revenue Requirement

2.1 Introduction

The Commission has considered various submissions made by the Petitioner over the course of the ARR and tariff determination process and has carefully analysed the different heads of expenditure to project the realistic level of allowable expenditure during FY 2005–06. The Commission had to face several difficulties in this process on account of the fact that NDMC has not been maintaining separate records/accounts for electricity as the entity for supply of electricity in NDMC area is considered as a department of NDMC and is not a separate commercial undertaking.

Due to non-availability of certain critical data, the Commission was not in a position to carry out detailed analysis of various elements of expenses and revenue as the Commission has been doing while processing the ARR and Tariff Petitions of other Utilities. The Commission has discussed the details of critical data gaps under the relevant head of expenditure. Further, the Commission also asked the Petitioner to provide the details of actual expenses and revenue for FY 2004-05. The Petitioner has submitted the actual details of sales, power purchase, capital investment, loan and interest charges for FY 2004-05. The Petitioner has not submitted the details of actual Employee expenses, Administration & General expenses, Repairs & Maintenance expenses, slab-wise sales and revenue, revenue from various components of tariff etc. for FY 2004-05. With these constraints, the Commission has analysed all the components of ARR as discussed in subsequent sections:

2.2 Annual Revenue Requirement

Typically, the Annual Revenue Requirement of the licensee consists of the following major items: -

- a) Expenses: -
 - Power Purchase Cost
 - Employee expenses
 - Administrative and general expenses
 - Repairs and maintenance expenses
 - Interest expenditure
 - Depreciation
- b) Reasonable return
- c) Taxes on Income

d) Non Tariff Income

2.3 Analysis of Sales Projections**2.3.1 Petitioner's submission**

In its Petition, the Petitioner has submitted the total sales for the period FY 1998-99 to FY 2001-02 and category wise sales for FY 2002-03 and FY 2003-04. The Petitioner has further submitted that it has not maintained the historical data on category wise sales during the years prior to FY 2002-03. For FY 2004-05 and FY 2005-06, the Petitioner has used the Compounded Annual Growth Rate (CAGR) methodology to arrive at the total sales on the basis of the total sales for the period FY 1998-99 to FY 2003-04. The Petitioner has estimated category wise sales for FY 2004-05 and FY 2005-06 in proportion to the category wise sales during FY 2002-03.

The estimated category-wise sales for FY 2004-05 and the sales projected by the Petitioner for FY 2005-06 are shown in table 2.1.

Table 2.1: Category wise sales estimated by the Petitioner for FY 2004-05 & FY 2005-06 (MU)

	Category	2002-03	2003-04	2004-05 (Estimated)	2005-06 (Projected)
1.	Domestic				
	a. Single Delivery Point	46.241	49.491	47.71	49.14
	b. Separate Delivery Point	120.966	117.798	124.82	128.56
	c. Domestic Power	26.136	23.657	26.97	27.78
2.	Non domestic				
	a. Single Phase	56.172	53.283	57.96	59.70
	b. Three Phase	148.240	150.423	152.96	157.55
3.	Mixed Load				
	a. Supply at 11 kV (HT)	283.337	285.294	292.35	301.12
	b. Supply on LT where supply is given from NDMC sub-station	6.704	6.842	6.92	7.12
	Supply on LT where applicant provides built up space for sub-station	188.006	190.620	193.99	199.81
4.	Small Industrial Power (SIP)	0.302	0.291	0.31	0.32
5.	Public Lighting	7.479	7.492	7.72	7.95
6.	Others	3.430	3.390	3.54	3.65
	Total	887.013	888.581	915.24	942.70

2.3.2 Commission's Analysis

The Commission obtained the details of actual category-wise sales for FY 2004-05 and discussed the trends in growth in sales over the years and the basis for sales projection for FY 2005-06 with the

Petitioner in the technical validation sessions. The Commission noted substantial variations in category wise sales between FY 2003-04 and FY 2004-05. Further, the actual sales for FY 2004-05 were more than the sales projected by the Petitioner for FY 2005-06 in its Petition. Therefore, the Commission asked the Petitioner to revise the sales projection for FY 2005-06.

The Petitioner attributed the significant increase in sales during FY 2004-05 over that in FY 2003-04 to the weather conditions in Delhi. In respect of FY 2005-06, the Petitioner submitted that the demand in Delhi is erratic and depends upon the weather conditions, and the trend of one year cannot be taken as the basis for revising the sales projections. It has further submitted that it does not project any abnormal growth in sales in FY 2005-06 other than the normal increase in sales. Therefore, it has not revised the sales projection for FY 2005-06.

For FY 2005-06, the Commission has accepted the sales projected by the Petitioner for the domestic category. The Commission has allocated the sales to the sub-categories within the domestic category in proportion to the actual sales recorded for the sub-category during FY 2004-05. In case of the non-domestic and mixed load categories, the Commission noticed large variations in sales during the last three years. In view of this, the Commission has considered it reasonable to assume the growth rate equivalent to average variation in sales during the last two years. The Commission has allocated the sales to the sub categories within the non-domestic and mixed load categories in proportion to the actual sales recorded for the sub-category during FY 2004-05. For the remaining categories, the Commission has accepted the sales projected by the Petitioner.

A summary of the sales estimated by the Petitioner and that considered by the Commission is given in Table 2.2.

Table 2.2: Category wise sales for FY 2005-06 (MU)

		FY 2004-05	FY 2005-06	
	Category	Actual	Petition	Commission
1.	Domestic			
	a. Single Delivery Point	51.7	49.14	54.31
	b. Separate Delivery Point	121.25	128.56	127.37
	c. Domestic Power	22.66	27.78	23.80
	Sub total	195.61	205.48	205.48
2.	Non domestic			
	a. Single Phase	53.42	59.7	54.89
	b. Three Phase	162.08	157.55	166.50
	Sub total	215.51	217.25	221.4
3.	Mixed Load			
	a. Supply at 11 kV (HT)	326.07	301.12	343.3
	b. Supply on LT where supply is given from NDMC sub-station	7.28	7.12	7.7

Table 2.2: Category wise sales for FY 2005-06 (MU)

		FY 2004-05	FY 2005-06	
	Category	Actual	Petition	Commission
	Supply on LT where applicant provides built up space for sub-station	195.61	199.81	205.9
	Sub total	528.96	508.05	556.9
4.	Small Industrial Power (SIP)	0.32	0.32	0.32
5.	Public Lighting	7.51	7.95	7.95
6.	Others	3.68	3.65	3.65
	Total	951.60	942.70	995.66

The total sales projected by the Commission for FY 2005-06 works out to 995.66 MU as against the sales of 942.70 MU as projected by the Petitioner.

2.4 T&D Losses

2.4.1 Petitioner's submission

In its Petition, the Petitioner estimated T&D losses at 14.5% for FY 2004-05 and proposed to reduce losses to 14.4% for FY 2005-06. The Petitioner has based its projections on the trend in T&D loss reduction from FY 1999-00 to FY 2003-04. The estimated T&D loss for FY 2004-05 and the T&D loss projected by the Petitioner for FY 2005-06 is shown in table 2.3.

Table 2.3: T&D losses estimated by the Petitioner for FY 2004-05 & FY 2005-06

For the Financial Year	T&D losses (%)
2002-03	16.19
2003-04	14.55
2004-05 (estimated)	14.50
2005-06 (projected)	14.40

The Petitioner submitted that the break-up of losses into technical and commercial is not available as the same has not been maintained by the Petitioner. The Petitioner has added that commercial losses may account for 0.5% - 1% of total consumption on account of certain defective meters and the commercial loss by way of theft is almost nil.

2.4.2 Commission's Analysis

During the course of technical validation sessions and discussions with the Commission, the Commission directed the Petitioner to submit actual T&D loss for FY 2004-05. In the subsequent submissions, the Petitioner submitted the same at 12.4%. The Petitioner further submitted that for FY 2005-06, T&D loss target may be considered as 12%.

The Commission obtained the actual quantum of power purchase during FY 2004-05. The Commission also obtained copies of the monthly power purchase bills for FY 2004-05 from the Petitioner. On the basis of actual bills, the Commission noted that the actual power purchase for FY 2004-05 worked out to 1079.19 MU. Using the actual quantum of power purchase and actual sales for FY 2004-05, the Commission determined the T&D loss for FY 2004-05 as 11.82%. The same can be seen in table 2.4 of this Section. Considering the actual level of T&D loss during FY 2004-05, the Commission approves a reasonable target of T&D loss of 11.60% for the Petitioner for FY 2005-06.

2.5 Energy requirement

2.5.1 Petitioner's submission

The Petitioner has proposed to meet the entire power requirement for FY 2005-06 by purchase from Delhi Transco Ltd. (TRANSCO). In its Petition, the Petitioner estimated the energy requirement for FY 2004-05 as 1070.45 MU and projected the same as 1101.29 MU for FY 2005-06.

2.5.2 Commission's Analysis

During the technical validation sessions, the Commission asked the Petitioner to submit the actual quantum of power purchased by the Petitioner during FY 2004-05. Along with the actuals for FY 2004-05, the Petitioner submitted the revised energy requirement for FY 2005-06 on the basis of the revised T&D loss proposed by it for FY 2005-06. The revised energy requirement proposed by the Petitioner for FY 2005-06 was 1071.25 MU.

The Commission has worked out the energy requirement of the Petitioner based on the sales and T&D losses approved by the Commission for FY 2005-06. The entire energy requirement shall be met by purchases from TRANSCO. Table 2.4 provides a summary of the energy requirement as submitted by the Petitioner and as approved by the Commission.

Table 2.4: Energy Requirement

	FY 2004-05			FY 2005-06	
	Petition	Revised Estimates	As worked out by Commission	Petition (Revised Projection)	Commission
Sales projection (MU)	915.24	951.60	951.60	942.70	995.66
T&D loss (%)	14.5	12.36	11.82	12	11.60
Energy Required (MU)	1189.39	1085.76	1079.19	1071.25	1126.31

Thus the total energy requirement for FY 2005-06 as projected by the Commission works out to 1126.31 MU as against 1071.25 MU projected by the Petitioner.

2.6 Power purchase cost

2.6.1 Petitioner's submission

The Petitioner submitted that during FY 2004-05, it procured power from TRANSCO by paying the Bulk Supply Tariff (BST) of Rs. 2.57/kVAh based on the Tariff Order issued by the Commission on May 31, 2002. The same BST has been retained by the Commission in the Tariff Order for FY 2004-05. Accordingly, the Petitioner estimated the power purchase cost for FY 2004-05 at Rs. 30567.32 Lakh. For FY 2005-06, the Petitioner has projected the BST at Rs. 2.70 by assuming an increase of 5% over the FY 2004-05 level. Given the energy requirement projected by the Petitioner and the BST of Rs. 2.70/kVAh, the Petitioner projected the cost of power purchase at Rs. 33038.28 Lakh. The Petitioner highlighted that the cost of power purchase includes a meter rent of Rs. 14790 paid to the TRANSCO on a monthly basis.

2.6.2 Commission's Analysis

The Commission would like to point out that in the Order on ARR and determination of BST for TRANSCO for FY 2005-06, the Commission has retained the BST for NDMC at Rs. 2.57/kVAh. Based on the energy requirement approved by the Commission for FY 2005-06, the Commission has approved the cost of power purchase for the Petitioner for FY 2005-06 as Rs. 32164 Lakh.

Table 2.5 provides a summary of the power purchase cost as projected by the Petitioner and as approved by the Commission for FY 2005-06.

Table 2.5: Power purchase cost approved by the Commission for FY 2005-06

	FY 2005-06		
	Petition	Revised projection	Commission
Quantum of Power Purchase (MU)	1101.29	1071.25	1126.31
Quantum of Power Purchase (MkVAh)	1224	1190.28	1251
Power Purchase Rate (Rs./kVAh)	2.70	2.70	2.57
Total Meter Rent (Rs. Lakh)	1.77	1.77	1.77
Total Power Purchase Cost (Rs. Lakh)	33038.28	32139.33	32164.00

2.7 Employee Expenses

2.7.1 Petitioner's Submission

In its ARR and Tariff Petition for FY 2005-06, the Petitioner has estimated the gross employee expenses at Rs. 55.86 Cr. for FY 2004-05 and has projected the same at Rs. 60.71 Cr. for FY 2005-06. In estimating the employee costs for FY 2004-05 and for projecting the same for FY 2005-06, the Petitioner has increased each component of employee expenses by applying the CAGR for the period

FY 2000-01 to FY 2003-04. The employee cost for FY 2000-01 to FY 2003-04 and the employee cost estimated by the Petitioner for FY 2004-05 and projected for FY 2005-06 is shown in Table 2.7.

Table 2.6: Employee Cost from FY 2000-01 to FY 2003-04 (Rs. Lakh)

Particulars	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05 (Estimated)	FY 2005-06 (Projected)
Salary & Allowances	3320.57	3280.32	3465.78	4230.27	4,585.61	4,970.80
Contribution to PF	2.17	1.81	2.41	4.40	5.24	6.23
Pension & Terminal Benefits	550.03	598.19	441.80	822.00	908.31	1,003.68
Ex-gratia	63.91	63.26	61.54	67.06	68.13	69.22
Bonus	3.51	3.44	3.23	3.82	3.90	3.97
LTC	7.66	1.18	0.05	9.88	10.55	11.27
Honorarium/OTA	12.92	8.67	3.39	3.40	5.00	6.00
Total	3960.77	3956.87	3978.20	5140.83	5,586.74	6,071.18

In respect of capitalization of employee expenses, the Petitioner has submitted that capitalization of employee cost has not been done so far. It has added that normally certain percentage of employee cost is to be capitalised every year. However, expenses related to construction are not maintained separately in NDMC. It has therefore, proposed to capitalise employee cost at 10% for FY 2004-05 and FY 2005-06.

The net employee cost estimated by the Petitioner for FY 2004-05 and projected for FY 2005-06 is shown in Table 2.7.

Table 2.7: Net Employee Cost estimated for FY 2004-05 and projected for FY 2005-06 (Rs. Lakh)

Particulars	FY 2004-05	FY 2005-06
Employee cost	5586.85	6071.28
Capitalisation @ 10%	558.69	607.13
Net employee cost	5028.16	5464.15

2.7.2 Commission's Analysis

The Commission has analysed the employee expenses proposed by the Petitioner along with the methodology adopted for estimation of the employee expenses. When examining the components of employee expenses, the Commission noted errors in the CAGR computed by NDMC. The Commission worked out the 3-year CAGR for the different components of employee cost and observed that the 3-year CAGR indicated by NDMC does not match with the actual CAGR in case of several components.

During the technical sessions, the Commission directed the Petitioner to submit the actual employee expenditure incurred during FY 2004-05. The Petitioner was not able to submit the same. Further, the

Commission noted that based on trend analysis of expenses the employee expenses were almost at same level for three consecutive years i.e. FY 2000-01 to FY 2002-03. However, the expenses have substantially increased by 29.23% during FY 2003-04. The Commission is of the opinion that the expenses during one particular year might have increased due to some specific reasons applicable for that particular year. Therefore, it may not be correct approach to consider the CAGR for last 3- years for estimating the employee expenses for FY 2005-06.

In the absence of actual employee costs for FY 2004-05, the Commission has adopted the following methodology to project the employee cost for FY 2005-06:

- Salary and allowances – the Commission has taken the actual salary and allowances for FY 2003-04 as the base and considered an escalation of 5% on an annual basis over the same for arriving at the salary and allowances for FY 2005-06.
- Other components - the Commission has projected the other components as a percentage of the salary and allowances on an annual basis in the same proportion as that in FY 2003-04 to arrive at the estimates for FY 2005-06.

Further, the Commission has considered capitalization of employee cost at 10% for FY 2005-06 as proposed by the Petitioner. This has been allowed provisionally in order to have a similar policy for all the licensees. However, capitalisation of employee cost may be linked with capital expenditure in the future years, as it appears to be on higher side as compared with capital expenditure incurred during the year.

Table 2.8 provides a summary of the employee costs as proposed by the Petitioner and as approved by the Commission.

Table 2.8: Employee Expenses for FY 2005-06 (Rs. Lakh)

Particulars	FY 2005-06	
	Petition	Commission
Salary and Allowances	4,970.80	4,663.87
Contribution to PF	6.23	4.85
Pension and Terminal Benefits	1,003.68	906.26
Ex-gratia	69.22	73.93
Bonus	3.97	4.21
LTC	11.27	10.89
Honorarium/OTA	6.00	3.75
Total	6,071.18	5,667.77
Capitalisation @ 10%	607.12	566.78
Net employee cost	5,464.07	5100.99

2.8 Administrative and General Expense (A&G)

2.8.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2005-06, has estimated the A&G expenses at Rs. 72.02 Lakh for FY 2004-05 and has projected the same at Rs. 80.66 Lakh for FY 2005-06. While estimating the A&G expenses for FY 2004-05 and projecting the same for FY 2005-06, the Petitioner has assumed an escalation of 12% over the previous year in line with the CAGR for total A&G expenses for the period FY 2000-01 to FY 2003-04. The A&G expenses for FY 2000-01 to FY 2003-04 as indicated by the Petitioner, is shown in Table 2.9. The CAGR of the total A&G expenses for the period FY 2000-01 to FY 2003-04 is 12%.

Table 2.9: A&G expenses from FY 2000-01 to FY 2003-04 (Rs. Lakh)

Particulars	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Computerization	20.81	2.04	0.21	10.00
Purchase of vehicles		9.26	9.72	1.00
Wireless communication				1.20
Telephone	18.60	20.98	19.77	39.20
Furniture	0.36	0.09	1.52	6.20
Security & others	6.07	16.90	14.02	6.70
Total	45.84	49.27	45.24	64.30

2.8.2 Commission's Analysis

During the technical validation sessions, the Commission had asked the Petitioner to submit actual A&G expenses for FY 2004-05. The Petitioner has not submitted the same. The Commission has examined the A&G expenses proposed by the Petitioner and feels that the A&G expenses projected by the Petitioner are very high. In the absence of actual A&G expenses for FY 2004-05, **the Commission has considered actual A&G expenses for FY 2003-04 as the base and considered an escalation of 4% on an annual basis over the same for arriving at the A&G expenses for FY 2005-06.** The Commission would like to highlight that it has considered an escalation of 4% for determining the A&G expenses for the other Utilities in Delhi while determining the ARR and Tariff for FY 2005-06.

Table 2.10 provides a summary of A&G expenses as proposed by the Petitioner and as approved by the Commission.

Table2.10: Administrative and General Expenses (Rs. Lakh)

Particulars	FY 2004-05	FY 2005-06	
	Petition	Petition	Commission
Total A&G Expense	72.02	80.66	69.55

The Commission directs the Petitioner to take prior approval from the Commission for any increase in A&G expenses during the FY 2005-06 beyond A&G expenses approved before committing/incurred such additional A&G expenses.

2.9 Other Admissible Expenses

2.9.1 Petitioner's Submission

The submissions of the Petitioner on various other admissible expenses for FY 2005-06 are as follows:

- **Rent, Rates & Taxes:** This includes municipal taxes, building rents, property tax, vehicle tax, etc. The Petitioner has submitted that there are no separate buildings for electricity offices and the offices related to the electricity function are accommodated in NDMC buildings. Therefore, it has claimed rent for such accommodation in FY 2004-05 and FY 2005-06.
- **Legal Charges:** The Petitioner has provided for Rs. 25 Lakh towards Legal Charges for FY 2005-06.
- **Audit Fees:** The Petitioner has provided for Rs. 25 Lakh towards Audit fees for FY 2005-06.
- **Fee payable to DERC and consultants:** This includes processing fees payable to the Commission on the ARR and Tariff Petition and consultancy charges.
- **Consumer Forum:** The Petitioner has submitted that it has established a Consumer Forum in accordance with EA 2003 and has estimated expenses for the same at Rs. 100 Lakh for FY 2005-06.
- **Provision for bad and doubtful debts**

The Petitioner has submitted that the sundry debtors for electricity supplied as of June 2004 are Rs. 9601.18 Lakh out of which dues of Rs. 1109.75 Lakh are outstanding for more than 3 years. However, since common bills were issued until recently on account of electricity and water charges and since NDMC has not been maintaining separate records for electricity, these arrears also include arrears pertaining to water charges. The Petitioner has added that since water charges

account for about 5% of the total revenue from electricity and water charges, the arrears outstanding for more than 3 years excluding water charges are about Rs. 1064 Lakh.

The Petitioner has submitted that it has not been maintaining a provision for meeting bad debts. However, in accordance with Para 4.2 of Annexure V of 'The Electricity (Supply) Annual Accounts Rules 1985' which provides for a fixed percentage of dues from consumers to be maintained as a provision for meeting bad debts, the Petitioner has proposed to make a provision of Rs. 52.70 Lakh for FY 2005-06 for this purpose which is about 5% of the arrears.

2.9.2 Commission's Analysis

During the technical validation sessions, the Commission had asked the Petitioner to provide the justification for claiming rent on the accommodation when the assets are owned by NDMC itself, as well as the method of charging rent in case of other service departments of NDMC. The Commission also asked the Petitioner to provide the rent receipts on account of the actual rent paid, if any, by the electricity department during FY 2004-05 and how it is shown in the books of account of NDMC.

The Petitioner clarified that rent is not actually paid by the Electricity Department and arises only when the electricity department is totally separated/restructured. However, it has added that it would be appropriate to compute rent at market rate to arrive at the true cost of electricity supply to the consumers as the electricity function is considered separately from the other functions. The Petitioner has also added that the revenue earned by the Estate Department in NDMC, which looks after the allocation of space/buildings both for official as well as commercial purposes, is used for carrying out capital and maintenance works including those for electricity activities as well as for carrying out other statutory functions of NDMC. In the absence of such revenue, NDMC would have to raise loans from financial institutions for the above mentioned activities. Further, the Petitioner has submitted that rent is not actually paid by the electricity department and is adjusted through the books of accounts.

The Commission does not agree with the Petitioner that it would be appropriate to compute rent at market rate to arrive at the true cost of electricity supply to consumers. The Commission is of the view that there might be some buildings and land, fully occupied by electricity department, which belongs to NDMC. Ideally, the cost of such buildings and land should be included as part of Gross Fixed Assets of the electricity department and the depreciation should be considered on such assets as a part of ARR. The Commission directed the Petitioner during the hearing to submit the details of original cost of Gross Fixed Assets of the land and buildings, fully occupied by the electricity department. The Petitioner has not provided these details to the Commission.

The Commission has also noticed that some of the electricity department offices are located in the NDMC buildings, which are not fully occupied or dedicated for electricity department offices. Some parts of these buildings are being used for NDMC's own offices for various departments and some parts are rented on commercial basis. In case of buildings which are not dedicated for electricity department or which are not fully occupied by electricity department and shared with other departments of NDMC, the rent can be considered in ARR provided the rent from electricity department is reflected in NDMC's overall budget as revenue.

The Petitioner has not provided the details of offices, fully occupied by electricity department and the original cost of such assets and the details of electricity department offices located in NDMC's other buildings. In the absence of such details, the Commission is not in a position to determine the principles for allowing the depreciation on the offices and land, fully occupied by the electricity department and the rent for electricity department offices located in NDMC's other buildings. The Commission, for the purpose of determining ARR for FY 2005-06, has considered lump-sum amount of Rs 1000 Lakh on ad-hoc basis towards depreciation on lands and buildings, fully occupied by electricity department and rent for the electricity department offices located in other buildings. The Commission will finalise the principles towards depreciation and rent on the offices occupied by electricity department during the truing up process at the time of determination of ARR for FY 2006-07, based on the information to be made available by the petitioner.

The Commission directs the Petitioner to submit the following with respect to the electricity department offices and land:

- ***Details of offices and land fully occupied by electricity department in terms of area of land and area of office along with the original cost of these assets***
- ***Details of offices occupied by electricity department in other NDMC buildings. The details shall include the name of office, name of building, total area of building, area occupied by electricity department, area occupied by other NDMC departments, area rented to others along with details of prevailing rent in such buildings.***
- ***Treatment of rent by electricity department in NDMC's books of accounts (Budget Estimates)***

As regards the Consumer forum, the Commission has analysed the expenditure incurred by the other Distribution Companies in Delhi in respect of the establishment and running of consumer forums. The expenses projected by the Petitioner in this regard are significantly higher than that incurred by the other Distribution Companies in Delhi.

In addition to the expenses on account of establishment of the Consumer Forum, the Petitioner has to share the expenditure on account of salary of the Ombudsman and the staff appointed in the Secretariat of Ombudsman along with other incidental expenses of the office of the Ombudsman. In this regard, the Commission had held a meeting with the representatives of the Distribution Licensees in Delhi on March 15, 2005. The mechanism for sharing the above mentioned expenses related to the Ombudsman was discussed and finalized during the said meeting. Thereafter, the Commission, vide its letter dated April 4, 2005, had informed the Petitioner that the share of expenditure attributable to the Petitioner in this regard was Rs. 1,06,099.

In view of the above, the Commission approves a total of Rs. 10 Lakh towards the establishment and running of the Consumer Forum and the expenses related to the Ombudsman.

The Commission approves the other admissible expenses i.e. Legal charges, Audit fees, fees payable to DERC and consultants and Provision for bad and doubtful debts as projected by the Petitioner. Table 2.11 provides a summary of other admissible expenses as proposed by the Petitioner and as approved by the Commission.

Table 2.11: Other Admissible Expenses (Rs. Lakh)

Particulars	FY 2005-06	
	Petition	Commission
Rent Rates and Taxes	3949.15	1000.00
Legal charges	25.00	25.00
Audit fees	25.00	25.00
Fee payable to DERC and consultants	30.00	30.00
Consumer Forum	100.00	10.00
Provision for bad and doubtful debts	52.70	52.70
Total	4181.85	1143.00

2.10 Allocation of expenditure relating to Administrative and Civil Engineering Departments to electricity supply

2.10.1 Petitioner's Submission

The Petitioner has submitted that it has a separate Administrative Department consisting of NDMC Board, finance department, general administration, law department, public relations, staff and labour welfare, vigilance department, chief auditor office, auto workshop, Information and Technology,

Engineer in chief, etc. There is also a separate Civil Engineering Department and the services of this Department are utilised for the civil portion of electrical works. Thus, the services of the Administrative Department and the Civil Engineering Department are common for all the functions carried out by the NDMC and the expenditure pertaining to these Departments is allocated to all the functions.

The Petitioner has further submitted that since the electricity supply department needs to be considered separately as a Distribution Licensee, the expenditure in respect of the Administrative and Civil Engineering Departments needs to be allocated to electricity supply. In the absence of clear cut allocation of expenditure of common Departments, the Petitioner has proposed to allocate 30% of the expenses of these Departments to electricity supply. The Petitioner has used this assumption to determine the expenditure allocated to electricity supply on account of the Administrative and Civil Engineering Departments for FY 2000-01 to FY 2003-04. This has been summarised in Table 2.12 below.

Table 2.12: Allocation of expenditure relating to Administrative and Civil Engineering Departments to electricity supply from FY 2000-01 to FY 2003-04 (Rs. Lakh)

For the Financial Year	Administrative Department	Civil Engineering Department	Total	Allocation to electricity supply @ 30%
2000-01	10508.37	4410.27	14918.64	4475.59
2001-02	11917.11	4085.35	16002.46	4800.74
2002-03	16349.76	4563.99	20913.75	6274.13
2003-04	13949.60	4743.53	18693.13	5607.94

The Petitioner has further submitted that the CAGR of the expenses of the Administrative and Civil Engineering Departments taken together is 8%. It has added that it has projected the total expenditure of these two Departments for FY 2004-05 and FY 2005-06 using 8% escalation and then allocated 30% of the expenses to electricity supply for FY 2004-05 and FY 2005-06. Accordingly, it has estimated the expenses to be allocated to electricity supply on account of the Administrative and Civil Engineering Departments as Rs. 6056.57 Lakh and Rs. 6541.10 Lakh for FY 2004-05 and FY 2005-06, respectively. Table 2.13 provides the computations given by the Petitioner in its Petition in this regard.

Table 2.13: Allocation of expenditure relating to Administrative and Civil Engineering Departments to electricity supply for FY 2004-05 and FY 2005-06 (Rs. Lakh)

For the Financial Year	Total Expenditure for Administrative and Civil Engineering Departments	Allocation to electricity supply @ 30 %
2004-05	20188.58	6056.57
2005-06	21803.67	6541.10

2.10.2 Commission's Analysis

The Commission had asked the Petitioner to provide the basis of considering the allocation of 30% of expenses of the Administrative and Civil Engineering Departments to electricity supply. In its reply, the Petitioner submitted that the allocation of 30% expenditure relating to the Administrative and Civil Engineering Departments was justified in view of the fact that while allocating 30% of the expenditure of these Departments, the Petitioner has not taken into account the various indirect expenses of monetary/commercial value being incurred by the NDMC for the smooth functioning of these Departments.

The Petitioner further submitted that employees working in the electricity department are comparatively better paid as compared to employees of other departments. It added that the expenditure on salary and other benefits to the employees working in the electricity department formed 23.47% of the expenditure on salary and other benefits to the employees working in NDMC.

The Commission was not convinced with the explanation provided by the Petitioner and asked the Petitioner to provide more justification for the allocation of 30% of expenses of the Administrative Department and Civil Engineering Department to electricity supply. The Commission also asked the Petitioner to clarify whether expenses related to civil engineering department are in the nature of capital expenses or revenue expenses.

The Petitioner clarified that the expenses relating to the Civil Engineering Department proposed to be allocated to the Electricity Department are revenue expenses. The Petitioner also submitted the details of electrical works undertaken by the Civil Engineering Departments during FY 2004-05. The Commission has noted that the Civil Engineering Department has carried out works of Rs. 3.09 Lakh. The Commission has also learnt that the Electricity Department pays road restoration charges to the Civil Engineering Department. In view of these factors, the Commission feels that it would not be justified to allocate 30% of the costs of this Department to the Electricity Department. The Commission is of the view that the cost of works carried out by Civil Engineering Department should

be booked to Electricity Department based on the works carried out. These expenses can be either booked as Capital Expenses of Electricity Department or R&M expenses of Electricity Department depending upon the nature of works carried out by Civil Engineering Department. As the exact details of the cost of the works carried out by the Civil Engineering Department for Electricity Department are not available at this stage, the Commission, for the purpose of determination of ARR for FY 2005-06, has considered a Lump sum amount of Rs. 1000 Lakh on provisional basis towards this expenditure. 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.

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.

With respect to allocation of the Administrative Department expenses, the Commission is of the 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 are to be shared by all the departments of NDMC. The Commission proposes to allocate the expenses of administrative department to electricity department in proportion to number of employees in Electricity Department to total number of employees of NDMC excluding Administrative Department. With this approach, the Administrative Department expenses to be allocated to Electricity Department works out to 19%.

As regards to the total expenses of Administrative and Civil Engineering departments, the Commission during the technical discussions asked the Petitioner to submit the actual expenses of these departments for FY 2004-05. However, the Petitioner has not submitted these details.

The Commission further observed that the total expenses of Administrative Department have reduced in FY 2003-04 as compared to FY 2002-03 and asked the Petitioner to submit the reasons for the same. The Petitioner submitted that in FY 2002-03 there was a revision of pay scales and arrear payments were accounted in FY 2002-03. In FY 2003-04, the expenses covered the normal increased payments of salary and allowances to the employees.

In the absence of actual expenses for FY 2004-05, the Commission has considered the actual expenses of these departments in FY 2003-04 as base expenses and considered an escalation of 5% per annum over the same for arriving at the total expenses of these departments for FY 2005-06. Thus, while 19% of total administrative department expenses have been considered to be allocated to

electricity department, an amount of Rs.1000 Lakh has been considered for FY 2005-06 provisionally towards the allocation of expenses of Civil Department.

The summary of Administrative and Civil Engineering Department expenses allocated to electricity department as submitted in the Petition and as considered by the Commission for FY 2005-06 is given in Table 2.14 below:

Table 2.14 : Administration and Civil Engineering Department Expenses allocated to Electricity Department(Rs. Lakh)

Particulars	FY 2005-06	
	Petition	Commission
Administrative Department	4881	2922
Civil Engineering Department	1660	1000
Total	6541	3922

2.11 Repairs and Maintenance (R&M)

2.11.1 Petitioner's Submission

The actual R&M expenses incurred by the Petitioner from FY 2000-01 to FY 2003-04, as submitted by the Petitioner in the ARR and Tariff Petition for FY 2005-06, is shown in Table 2.15

Table 2.15: R&M Expenses FY 2000-01 to FY 2003-04 (Rs. Lakh)

For the Financial Year	R&M expenses
2000-01	953.09
2001-02	969.21
2002-03	1256.97
2003-04	1282.75

The Petitioner has estimated R&M expenses of Rs. 1436.68 Lakh for FY 2004-05 and projected the R&M expenses of Rs. 1609.08 Lakh for FY 2005-06 by estimating an increase of 12% in R&M expenses over FY 2003-04. The Petitioner submitted that the main reasons for the increase in R&M expense is that the network in the Petitioner's area is very old and necessitates higher provisions towards R&M expenses.

2.11.2 Commission's Analysis

During the technical validation sessions, the Commission had asked the Petitioner to submit actuals for FY 2004-05. The Petitioner submitted that the R&M expenses as per the revised budgetary estimates for FY 2004-05 is Rs. 1604.80 Lakh. The Commission had also asked the Petitioner to

submit the revised projections for R&M expenditure proposed to be undertaken during FY 2005-06. Consequently, the Petitioner has projected the R&M expenses for FY 2005-06 at Rs. 1682.30 Lakh.

The Commission is in agreement with the Petitioner that the network in the Petitioner's area is very old and necessitates higher provisions towards R&M expenses. However, the Commission does not accept the Petitioner's projection of an increase in R&M expenses during FY 2005-06 by 12%. For projecting the R&M expenses for FY 2005-06, the Commission has considered the actual R&M expenses for FY 2003-04 as the base and considered an escalation of 4% on an annual basis over the same for arriving at the R&M expenses for FY 2005-06.

Table 2.16 provides a summary of R&M expenses as proposed by the Petitioner and as approved by the Commission.

Table 2.16: Repairs and Maintenance Expenses (Rs. Lakh)

Particulars	FY 2004-05		FY 2005-06	
	Petition	RE	Petition	Commission
Total	1436.68	1604.80	1609.08	1387.42

The Commission directs the Petitioner to maintain a separate record of the items issued from the Stores for R&M works, and submit the same to the Commission along with the details of the actual R&M Works carried out at the end of each quarter. The Report on transformer failure rate should also be submitted on a quarterly basis along with the above data on the R&M items issued. The Commission also directs the Petitioner to take prior approval for any increase in R&M expense during FY 2005-06 beyond the approved R&M expense before committing/incurred an expense.

2.12 Capital Investments

2.12.1 Petitioner's submission

In its Petition, the Petitioner estimated an investment of Rs. 2277 Lakh for FY 2004-05. The investments estimated by the Petitioner for FY 2004-05 in the Petition and the actual investment carried out by the Petitioner during FY 2004-05 is summarised in the Table 2.17.

Table 2.17: Capital investment during FY 2004-05 (Rs. Lakh)

Description	Petition	Actual
66 kV and 33 kV works	1159	218.25
11 kV switching	198	99.00
11 kV substation	124	70.30
Augmentation of plant and equipment	55	23.50
HT interconnections	74	30.00
Augmentation of LT system	66	37.00

Table 2.17: Capital investment during FY 2004-05 (Rs. Lakh)

Description	Petition	Actual
Miscellaneous works	601	70.07
Total	2277	548.12

For FY 2005-06, the Petitioner had proposed capital investment programme of Rs. 4500 Lakh. This programme included replacement of meters costing Rs. 2000 Lakh. Later, the Petitioner revised the capital investment proposed for FY 2005-06 to Rs. 1919 Lakh.

2.12.2 Commission's Analysis

The Commission has analysed the submissions made in the Petition and subsequent revisions with respect to the actual investments carried out during FY 2004-05 and the investment plan for FY 2005-06.

For FY 2005-06, the Commission has considered the revised investment of Rs 1919 Lakh as proposed by the Petitioner.

The summary of the investments as proposed in the Petition and as considered by the Commission for FY 2004-05 and FY 2005-06 is provided in the Table 2.18.

Table:2.18 Capital Investment (Rs. Lakh)

Description	FY 2004-05		FY 2005-06	
	Petition	Actual	Revised Petition	Commission
Total Investments	2277	548	1919	1919

2.13 Fixed Assets and Asset Capitalization

2.13.1 Petitioner's Submission

The Petitioner with regard to original cost of fixed assets has mentioned that NDMC has not been maintaining the record for the assets of the electricity separately which is now being attempted and will take about 2 years to build up such data. The Petitioner further mentioned that it has collected the data of fixed assets from various units and submitted the same in the Petition.

In its Petition, the Petitioner has proposed to capitalise 75% of the investments made during each of FY 2004-05 and FY 2005-06 in the same financial year. The asset capitalisation proposed in the Petition is Rs. 1700 Lakh and Rs. 2500 Lakh during FY 2004-05 and FY 2005-06, respectively. The Commission asked the Petitioner to submit the details of actual assets capitalised during FY 2004-05. The Petitioner however has not submitted these details.

The Petitioner has not considered any retirement of assets during FY 2004-05 and FY 2005-06.

2.13.2 Commission's Analysis

During the technical discussions, the Commission asked the Petitioner to submit the write-up on methodology adopted for arriving at total value of assets for Electricity Department. The salient features of details provided by the Petitioner are as follows:

- Asset Value as on 31st March 2004 has been arrived at based on book value of material and erection as per the information obtained from all the divisions
- The land and buildings belong to NDMC and therefore not allocated to electricity department
- The original value of assets includes the value of assets taken over from DVB and the investments made by NDMC since 1989.
- Asset Register is being maintained by the concerned divisions of electricity. Assets valuation is being done on the basis of the cost of its acquisition and other elements to be capitalised as per the norms

The Commission has considered the value of Gross Fixed Assets at the end of March 2004 as provided by the Petitioner.

The Commission has analysed the asset capitalization proposed in the Petition and the subsequent submissions made by the Petitioner.

For FY 2005-06, the Commission has considered the asset capitalisation based on the assumption that the Capital Works in Progress (CWIP) carried forward from FY 2004-05 will be fully capitalised during FY 2005-06 and 50% of the new investments proposed during FY 2005-06 will be capitalised during the year. This is in line with the practice followed by the Commission for the other Utilities in Delhi. Based on these assumptions, the Commission has considered capitalisation to the extent of Rs. 1517 Lakh during FY 2005-06.

The summary of the asset capitalisation and closing balance of original fixed assets at the end of the Financial Year as proposed in the Petition and as considered by the Commission are summarised in the Table 2.19.

Table 2.19: Asset Capitalisation (Rs. Lakh)

Description	FY 2004-05		FY 2005-06	
	Petition	Actual	Petition	Commission
Opening balance of fixed assets	30881	30881	32581	31155

Table 2.19: Asset Capitalisation (Rs. Lakh)

Description	FY 2004-05		FY 2005-06	
	Petition	Actual	Petition	Commission
Addition during the year	1700	274	2500	1517
Closing balance of fixed assets	32581	31155	35081	32672

2.14 Depreciation

2.14.1 Petitioner's submission

The Petitioner has proposed depreciation charges in accordance with the CERC guidelines which state that depreciation shall be computed on the historical cost of the assets based on straight line method over the useful life of the asset. The Petitioner has submitted that for computing the correct depreciation, the assets value wise classification is required. However, the same is not available with the Petitioner. Pending the preparation of assets, asset wise classification, the Petitioner has proposed the average rate of depreciation for distribution assets @3.6% for computing depreciation for FY 2004-05.

Based on these principles, the Petitioner has proposed the depreciation charges at Rs. 1111.70 Lakh for FY 2004-05 and Rs. 1172.90 Lakh for FY 2005-06.

2.14.2 Commission's Analysis

2.14.2.1 Asset Block on which depreciation is applicable

The Commission has considered the average of opening and closing balance of fixed assets for estimating the depreciation during the year.

2.14.2.2 Depreciation Rate

The Commission has decided to consider depreciation based on straight line method over the useful life of the asset and at the rates prescribed in Appendix II to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 for various asset classes. In the absence of break-up of value of fixed assets based on asset classification wise, the Commission has considered the average depreciation rate of 3.6% as proposed by the Petitioner.

The Petitioner is hereby directed to submit the break-up of opening block of assets and assets capitalised during the year as per the classification specified in the Appendix II to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 while submitting the Petition for FY 2006-07. Any difference in depreciation arising out of the above calculation of depreciation and actual classification of assets as per the said Appendix II and

corresponding rates shall be trued up at the time of ARR and tariff determination for next Financial Year.

2.14.2.3 Summary of Depreciation Expense

The Table 2.20 provides a summary of the Depreciation as proposed by the Petitioner and as approved by the Commission for FY 2005-06.

Table 2.20: Depreciation (Rs. Lakh)

Description	FY 2005-06	
	Petition	Commission
Depreciation charges	1173	1149

2.15 Means of Finance

2.15.1 Petitioner's Submission

In its Petition, the Petitioner proposed the funding of the entire capital expenditure through loan from the GNCTD. In the subsequent submissions, the Petitioner has submitted that NDMC has discontinued borrowing from the GNCTD and there is no provision of borrowings from GNCTD during FY 2005-06. The Petitioner further submitted that the entire capital expenditure proposed for FY 2005-06 would be financed through internal resources.

The means of finance for the capital investments suggested in the Petition, the actual means of finance for FY 2004-05 and the revised means of finance proposed by Petitioner for FY 2005-06 is summarised in the Table 2.21.

Table 2.21: Means of Finance (Rs. Lakh)

Source of Funds	FY 2004-05		FY 2005-06	
	Petition	Actual	Petition	Revised
Borrowing from GNCTD			4500	
Internal Accruals	2277	548		1919
Total Funds	2277	548	4500	1919

2.15.2 Commission Analysis

The Commission has analysed in detail the Means of Finance proposed by the Petitioner in its Petition and the subsequent submissions.

In the absence of any loan outstanding for repayment, the Commission has considered the un-utilised depreciation as a source of funding for the capital investment. In the clarifications submitted later the petitioner has indicated no borrowing from the Govt. of NCT of Delhi. The Commission has thus considered a mix of un-utilised depreciation and internal accruals as means of finance for funding the

investment, which includes capitalisation of employee cost to the extent of Rs. 566.78 Lakh as indicated in table 2.22 below:

Table 2.22: Means of Finance (Rs. Lakh)

Description	FY 2005-06	
	Petition	Commission
Un-utilised Depreciation	-	1149
Internal Accruals	1919	1337
Total	1919	2486

2.16 Interest Expenditure

2.16.1 Petitioner's Submission

The Petitioner submitted that the opening balance of loan in FY 2004-05 was Rs. 2144.13 Lakh. The Petitioner also submitted that the interest to be paid during FY 2004-05 was estimated at Rs. 148.49 Lakh. For FY 2005-06, the Petitioner projected an interest expenditure of Rs. 270 Lakh on account of the loan of Rs. 4500 Lakh from GNCTD to fund capital expenditure. In the subsequent submissions, the Petitioner has submitted that NDMC has discontinued borrowing from the GNCTD and there is no provision of borrowings from GNCTD during FY 2005-06. Therefore, no interest expenditure is envisaged for FY 2005-06.

2.16.2 Commission's Analysis

The Commission asked the Petitioner to provide the actual interest paid during FY 2004-05. The Petitioner submitted that the actual interest due and actual interest paid during FY 2004-05 was Rs. 144.87 Lakh. The Petitioner added that the opening balance of loan of Rs. 2144.13 Lakh in FY 2004-05 was repaid during FY 2004-05 and that no balance is outstanding as on April 1, 2005.

As discussed above, the Commission has considered the funding of the capital investment by considering un-utilised depreciation and internal accruals. Therefore no interest expenditure is considered for FY 2005-06.

2.17 Return

2.17.1 Petitioner's Submission

The Petitioner has estimated the return on Capital Base applicable to distribution Licensees in accordance with the Sixth Schedule of the erstwhile Electricity (Supply) Act 1948. The Petitioner has

estimated various elements of Capital Base and has considered a return of 16% on Net Capital Base and 0.5% on outstanding loans.

2.17.2 *Commission's Analysis*

The Commission has considered various elements of Capital Base as estimated by the Petitioner. With the enactment of Electricity Act, 2003, the Electricity Supply Act and its Sixth Schedule are no longer applicable. The Commission in its Order on ARR and tariff determination for other distribution Licensees (three DISCOMs created as part of unbundling of erstwhile DVB) has allowed the return on equity @ 16% in line with the Policy Directions. As the Policy Directions do not specifically provide for returns to be considered for other distribution licensees, the Commission has decided to continue with the methodology of estimating the Capital Base and Reasonable Return. The Commission has considered the return @16% of capital base for NDMC.

The Capital Base and Return as estimated by the Petitioner and as considered by the Commission is given in the Table 2.23 :

Table 2.23 : Capital Base and Reasonable Return (Rs. Lakh)

Particulars	FY 2005-06	
	Petition	Commission
Capital Base		
A. Positive Elements		
Original Cost of Assets	32581	31155
Works in Progress	577	274
Working Capital	1240	757
Sub-total A	34398	32186
B. Negative Elements		
Accumulated Depreciation	21568	22716
Outstanding Loan	0	0
Security Deposit	1620	1620
Sub-total B	23188	24336
Net Capital Base (A-B)	11210	7850
Reasonable Return		
16% on Capital Base	1794	1256
0.5% on outstanding loans	0	0
Total Return	1794	1256

2.18 Contribution to Contingency Reserves

2.18.1 Petitioner's Submission

The Petitioner has proposed to contribute 0.50% of the original cost of fixed assets as a contingency reserve for FY 2005-06 in line with para IV of the Sixth Schedule of Electricity (Supply) Act 1948. The Petitioner has computed contingency reserve requirement of Rs. 175.40 Lakh given the original cost of fixed assets of Rs. 35080.58 Lakh.

2.18.2 Commission's Analysis

The Commission would like to bring to the notice of the Petitioner that the creation of contingency reserve was mandated in the Sixth Schedule to the Electricity (Supply) Act, 1948 as was in force before the repeal of the said Act by the EA 2003. The EA 2003, however, does not provide for the creation of contingency reserve. Therefore, in accordance with the EA 2003, the Commission does not feel the necessity to provide for this reserve. The Commission therefore is not approving any expenses with respect to contingency reserve for FY 2005-06.

Table 2.25 summarises the Contribution to Contingency Reserves as proposed by the Petitioner and as considered by the Commission for FY 2005-06:

Table 2.24: Contingency Reserves (Rs. Lakh)

Component	FY 2005-06	
	Petition	Commission
Contribution to Contingency Reserves	175.40	0.00

2.19 Non Tariff Income (NTI)

2.19.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2005-06, has estimated NTI of Rs. 369.35 Lakh for FY 2004-05 and proposed NTI of Rs. 374.50 Lakh for FY 2005-06. The Petitioner has also submitted the NTI for the period FY 2000-01 to FY 2003-04.

2.19.2 Commission's Analysis

During the technical sessions, the Commission asked the Petitioner to provide the actual Non- Tariff Income for FY 2004-05. However, the Petitioner was not able to submit the same. In the absence of actual figures for FY 2004-05 and following an analysis of the non-tariff income for the past years, the Commission has accepted the projections made by the Petitioner for non tariff income for FY 2005-06. The Table 2.26 provides a summary of the Non-tariff Income, as proposed by the Petitioner and as approved by the Commission.

Table 2.25: Non Tariff Income (Rs. Lakh)

Particulars	FY 2004-05	FY 2005-06	
	Petition	Petition	Commission
Meter rent	120.00	120.00	120.00
Service connection fees	18.00	20.00	20.00
Recovery of departmental charges	100.00	100.00	100.00
Recovery of storage charges	27.00	27.00	27.00
Other receipts	49.35	50.00	50.00
Surcharge for late payment	55.00	57.50	57.50
Total	369.35	374.50	374.50

2.20 Total Expenditure

Table 2.27 provides a summary of various expenses proposed by the Petitioner and approved by the Commission for FY 2005-06. Detailed analysis of each expense head has already been provided in the above sections.

Table 2.27 : Total expenditure (Rs. Lakh)

Component	FY 2005-06	
	Petition	Commission
Power Purchase	33038	32164
Employee cost	5464	5101
A&G Expenses	81	70
R&M Expenses	1609	1387
Depreciation	1173	1149
Interest and Finance Charges	170	0
Depreciation on Buildings and Rent	3949	1000
Other Admissible Expenses	233	143
Total-Electricity Department	45717	41014
Admn. & Civil Engg. Dept. Exp	6541	3922
Contingency Reserve	175	0
Total Expenses	52433	44936

2.21 Aggregate Revenue Requirement

The Aggregate Revenue Requirement FY 2005-06 as proposed by the Petitioner and as approved by the Commission is provided in Table 2.28.

Table 2.28 : Revenue Requirement (Rs Lakh)

Component	FY 2005-06	
	Petition	Commission
Expenditure (A)	52433	44936
Return (B)	1794	1256
Non Tariff Income (C)	375	375
ARR (A+B-C)	53852	45817

3 Revenue Gap and Tariff Philosophy

3.1 Introduction

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

3.2 Revenue gap at existing tariff

3.2.1 *Revenue from existing tariff*

Revenue from existing tariff is required to be estimated to assess whether the annual revenue requirement is met with the existing tariff at the approved sales. If a revenue gap exists, the same needs to be bridged by means such as tariff increase, support from the Government by way of loan, grant, subsidy, etc. or by creation of a Regulatory Asset.

The Commission has obtained the details of category-wise actual sales and revenue for FY 2004-05. For FY 2005-06, the Commission has computed the revenue at the existing tariff from the estimated category-wise sales. For projecting the revenue at existing tariffs, the Commission has considered the actual category-wise average tariff of FY 2004-05.

The total revenue from sale of power as estimated by the Petitioner and as projected by the Commission for FY 2005-06 is given in Table 3.1 below:

Table 3.1 Revenue of the Petitioner (Rs Lakh)

Particulars	FY 2005-06	
	Petition	Commission
Revenue from sale of power	48651	48048

3.2.2 *Revenue Gap/(Surplus)*

Considering the Annual Revenue Requirement as estimated in Section 2 of the Order and the revenue at existing tariffs, revenue gap/(surplus) as projected by the Petitioner and as estimated by the Commission for FY 2005-06 is given in table 3.2 below:

Table 3.2: Revenue gap/(surplus) at existing tariffs (Rs. Lakh)

Description	FY 2005-06	
	Petition	Commission
Total Expenses (A)*	52433	44936
Return (B)*	1794	1256
Non Tariff Income (C)*	375	375
Revenue Requirement (A+B-C)	53852	45817
Revenue at existing Tariffs	48651	48048
Revenue Gap	5201	-2230

Note: (-) indicates surplus

**Refer Table 2.27*

3.3 Previous revision of Tariff

The Petitioner has submitted that it had a practice of adopting the tariffs charged by the erstwhile DVB to its consumers. Hence, the last revision of retail supply tariff of the Petitioner took place in 2001, when the tariffs for the erstwhile DVB were last revised. Thereafter, the DVB was unbundled and the distribution of electricity was handed over to the three private companies in July 2002. Though, the tariff of the three distribution companies created as part of unbundling of erstwhile DVB has been revised by the Commission, the tariff of NDMC has not been revised. This is the first time the NDMC has filed a Petition for determination of Annual Revenue Requirement and determination of tariffs.

3.4 Truing up

While analysing the ARR Petitions filed by the Utility, the Commission has to rely on the information available at that point of time and also project the sales, expenses and revenues while determining the Annual Revenue Requirement. The Commission recognises the fact that at the end of the year, the actual sales, expenses and revenues can be different vis-à-vis the projections made by the Commission in its Order. In its Orders on the ARR and Tariff Petitions of the TRANSCO and other Distribution Utilities in Delhi, the Commission has expressed the view that the licensees have to be compensated to the extent of variations, which are beyond their control, subject to prudence of the expenses, to ensure their financial viability. Therefore, the Commission instituted a process of 'Truing up' at the end of the year, based on the actual expenses/revenues, considering the prudence of such variations over the approved levels. The practice of truing up shall also be followed in case of the Petitioner.

Truing up for any year will be taken up during the ARR and Tariff determination process of the ensuing year based on revised estimates or provisional accounts which will take into account the impact of major variations in each component of expenses and revenues. Further, to account for small variations arising out of difference in audited accounts with revised estimates or provisional accounts, the truing up will be taken in the year after the ensuing year. In no circumstances, the truing up for any year will be considered after two years, i.e., the year after the ensuing year. This principle has been elaborated with example as follows:

The first truing up of expenses and revenue for FY 2005-06 based on revised estimates or provisional accounts will be taken up during the ARR and Tariff determination process of FY 2006-07 and the second truing up of expenses and revenue for FY 2005-06 based on audited accounts will be taken up during the ARR and Tariff determination process of FY 2007-08 subject to prudence check of various expenditure.

3.5 Tariff design

3.5.1 Petitioner's submission

In its Petition, the Petitioner has projected a revenue gap of Rs. 5200 Lakh in FY 2005-06 at the existing tariffs charged by the Petitioner. To bridge this revenue gap, the Petitioner has proposed to revise the tariffs charged to various categories of consumers. The Petitioner has proposed an overall increase in tariffs by 10.70%. The existing tariffs, tariffs proposed to be charged to the various categories of consumers and the extent of increase is summarized in Table 3.3.

Table 3.3: Tariff increase proposed by the Petitioner

S. No.	Category	Existing tariff* (Rs./kWh)	Proposed tariff* (Rs./kWh)	% increase
1.1	Domestic lighting/fan and power	3.20	3.36	5.00%
1.2	Domestic lighting/fan and power on separate delivery points. meters			
	a) lighting/fan	2.47	2.72	10.00%
	b) power	3.59	3.95	10.00%
2.1	Non domestic –LT			
	a) Single phase (≤ 5 kW)	5.00	5.60	12.00%
	b) Three phase (> 5 kW)	5.42	6.07	12.00%
2.2	MLHT Sanctioned load > 100 kW			
a)	Supply on 11 kV	6.06	6.67	10.00%
b)	i) Supply on LT (400 volts) where supply is given from NDMC sub-station	7.26	7.84	8.00%
	ii) Where applicant provides built up space for sub-station	6.13	6.80	11.00%

S. No.	Category	Existing tariff* (Rs./kWh)	Proposed tariff* (Rs./kWh)	% increase
3	Small Industrial Power (SIP)	4.10	4.55	11.00%
4	Public Lighting	3.59	3.98	11.00%
5	Railway Traction			
a)	Supply on 11 kV			
b)	Supply on LT (400 V)			
6	Others	3.59	3.98	11.00%

* Without ED

3.5.2 Commission's Analysis

The Commission has determined the revenue requirement of the Petitioner after following the prudent regulatory process. Table 3.2 shows that on the basis of the revenue requirement approved by the Commission, the revenue at the existing tariffs would result in surplus revenue of Rs. 2230 Lakh during FY 2005-06. Therefore, there is no merit in increasing the existing tariffs. In fact, in view of the surplus revenue earned by the Petitioner, the tariffs charged by the Petitioner needs to be reduced as against the increase in tariffs proposed by the Petitioner.

For the purpose of tariff rationalisation, the Commission had asked the Petitioner to provide category wise and slab wise information on number of consumers, sales and revenue realised for FY 2003-04 and FY 2004-05. While the Petitioner has provided the information for the different categories of consumers, the Petitioner has not been able to provide the information for the different slabs under each consumer category. The Petitioner has provided the details of total revenue from various categories of consumers and has not provided the break up of revenue from fixed and energy charges separately. In the absence of slab-wise information pertaining to sales and revenue and the break up of revenue from fixed and energy charges, the Commission is not in a position to assess the extent of revenue from the different slabs of consumers in a particular category on account of reduction in tariffs. Therefore, the Commission is constrained in undertaking any tariff rationalisation measures at this stage.

In view of the above data gaps and limitations, the Commission has retained tariffs to be charged by the Petitioner in FY 2005-06 at the existing tariff levels.

The Commission directs the Petitioner to maintain the slab wise/sub-category wise information pertaining to sales, number of consumers and revenue and break up of revenue from fixed and energy charge and submit the same along with the ARR and Tariff Petition for FY 2006-07.

3.6 Creation of Regulatory Reserve

In view of the surplus that would be earned by the Petitioner at existing tariffs, the Commission considers it appropriate to create a Regulatory Reserve for the Petitioner. Surplus revenue of the Petitioner, i.e., the revenue over and above the revenue requirement of the Petitioner as approved by the Commission, shall be treated as a part of this reserve. The Regulatory Reserve shall be adjusted at the end of year based on truing up of expenses and revenue for FY 2005-06. The Regulatory Reserve created shall be used in future years to offset increases in the revenue requirement of the Petitioner thereby, eliminating the need to increase tariffs to that extent.

4 Directives

The Commission has issued certain directives to the Petitioner in this Order, which have been detailed in the respective sections, and have been listed below for easy reference:

4.1. A&G Expenses (Section 2.8)

The Commission directs the Petitioner to take prior approval from the Commission for any increase in A&G expenses during the FY 2005-06 beyond A&G expenses approved before committing/incurred such additional A&G expenses.

4.2. Details of Electricity Department Offices and Land (Section 2.9)

The Commission directs the Petitioner to submit the following with respect to the electricity department offices and land:

- Details of offices and land, fully occupied by electricity department in terms of area of land and area of office along with the original cost of these assets
- Details of offices occupied by electricity department in other NDMC buildings. The details shall include the name of office, name of building, total area of building, area occupied by electricity department, area occupied by other NDMC departments, area rented to others along with details of prevailing rent in such buildings.
- Treatment of rent by electricity department in NDMC's books of accounts (Budget Estimates)

4.3. Details of Works carried out by Civil Engineering Department (Section 2.10)

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.

4.4. R&M Expenses (Section 2.11)

The Commission directs the Petitioner to maintain a separate record of the items issued from the Stores for R&M works, and submit the same to the Commission along with the details of the actual R&M Works carried out at the end of each quarter. The Report on transformer failure rate should also be submitted on a quarterly basis along with the above data on the R&M items issued. The Commission also directs the Petitioner to take prior approval from the Commission for any increase in R&M expense during FY 2005-06 beyond the approved R&M expense before committing/incurred any additional R&M expense.

4.5. Break-up of Assets (Section 2.14)

The Petitioner is hereby directed to submit the break-up of opening block of assets and assets capitalised during the year as per the classification specified in the Appendix II to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 while submitting the Petition for FY 2006-07.

4.6. Slab-wise Information on Sales and Revenue (Section 3.5)

The Commission directs the Petitioner to maintain the slab wise/sub-category information pertaining to connected/sanctioned load, number of consumers, sales & revenue and break up of revenue from fixed and energy charge and submit the same along with the ARR and Tariff Petition for FY 2006-07.

4.7. Capital Expenditure (Section 2.12)

The Commission directs the Petitioner to submit capex plan for FY 2006-07 within one month of the date of issue of this order and submit quarterly monitoring reports for progress of capital works, against the capex plan approved for FY 2005-06.