

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

**Petition No. 50/2007**

**In the matter of:**     **ARR Petition for Multi Year Tariff determination (FY 2007-08 to 2010-11).**

**AND**

**In the matter of:**

North Delhi Power Ltd.  
Through: its **CEO**  
Sub-Station Building,  
Hudson Lines, Kingsway Camp,  
Delhi-110009.

**...Petitioner**

**Coram:**

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

Appearance:

1. Sh. Sunil Wadhwa, CEO, NDPL;
2. Sh. Piyush Goyal, NDPL;
3. Sh. Ajay Kapoor, NDPL;
4. Sh. Dhiraj Bengari, NDPL;
5. Sh. Puneet Munjal, AGM (Finance), NDPL;
6. Sh. Arup Ghosh, NDPL.

**ORDER**

(Date of Hearing: 22.10.2007)

(Date of Order: 26.10.2007)

1. The North Delhi Power Ltd. (NDPL) filed the Aggregate Revenue Requirement (ARR) and determination of Multi Year Tariff Petition with the Commission on 29.09.2007. The said Petition (No. 50/2007) is listed for admission.
2. The Commission observed that the said Petition filed by NDPL is incomplete/defective as on some specific issues the Petition is not in accordance with the Regulations under Delhi Electricity Regulatory Commission (Terms & Conditions for Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007. Some of the deviations from Regulations of the Delhi Electricity Regulatory Commission (Terms & Conditions for Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007 are mentioned below:
  - (i) Calculations regarding AT&C Losses, O&M Expenses, etc., are not in accordance with the provisions made in the Delhi Electricity

Regulatory Commission (Terms & Conditions for Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007.

- (ii) NDPL has not taken into consideration the arrears received from Delhi Jal Board while calculating the Actual Base Value for AT&C Loss Level at end of the year 2006-07.
- (iii) The Capital Work In Progress (CWIP) has not been excluded while making calculation for Regulated Rate Base (RRB) as provided in the MYT Regulations, 2007.
- (iv) Allocation statement to apportion costs and revenues to respective business of wheeling and Retail Supply has not been duly approved by the Board of Directors as required under Clause 4.4 of MYT Regulations, 2007.
- (v) The allocation statement specifying the cost of Power Purchase attributable to trading activity of NDPL has not been made as per Clause 5.30 of the MYT Regulations, 2007.
- (vi) Power Purchase Cost has been fixed without taking into consideration the Estimated Revenues through bilateral exchanges.
- (vii) The baselines and performance trajectory for all quality parameters has not been proposed as specified in the Delhi Electricity Supply Code and Performance Standards Regulations, 2007.
- (viii) The tariff proposed for each consumer category, slab wise and voltage wise is not duly supported by a cost of service model allocating the cost of business to each category of the consumer based on voltage wise cost and losses.
- (ix) The AT&C Loss Reduction Target is not only different from that at Clause 4.8 of the Regulations, but also differs from their own target submitted earlier on 25.07.2007 in the context of Capital Investment Plan for F.Y. 2007-11.

3. The Commission heard the representatives of the NDPL at length. Sh. Puneet Munjal (AGM - Finance), appearing on behalf of NDPL, submitted that there has been a conscious deviation in the submissions made by the Licensee on the issues relating to the AT&C Loss Level trajectory and the method of determination of O&M expenses etc. The MYT Regulations specified AT&C Loss Level of 17% at the end of control period. The AT&C Loss Level are required to be fixed on the basis of existing AT&C Losses with a realistic estimation of Incremental Loss Reduction that can be made from the Opening Loss Level. The AT&C Loss Level at the end of F.Y. 2006-07 was 23.7% which included one time revenue realisation of Rs. 71 crore realised from Delhi Jal Board for the past DVB arrears. For fixation of targets for the MYT Control Period, it is imperative that the existing Loss Level be restated without considering the impact of such one time receipts which are not expected to be repeated. Based on the above, AT&C Loss Level at the beginning of MYT Control Period for the purpose of fixation of targets for MYT Control Period shall be recast at 26.28%. Sh. Puneet Munjal submitted the following AT&C Loss Reduction from the recast AT&C Loss level of 26.28% in line with the loss reduction profile recommended by the P. Abraham Task Force:

Description	Incremental Loss Reduction during the Year	Loss Level at the end of Year
Recast Opening Loss Level as on April 1, 2007	-	26.28%
<b>Proposed Reductions during:</b>		
F.Y. 2007-08	2%	24.28%
F.Y. 2008-09	2%	22.28%
F.Y. 2009-10	2%	20.28%
F.Y. 2010-11	1.28%	19.00%

4. Sh. Puneet Munjal further submitted that during this First Control Period under the MYT Regulation, individual elements of O&M expenses need to be monitored. Further, fluctuation in cost occurring from time to time due to impact of wage revision, etc. in case of establishment cost and impact of new initiatives increases, especially in young utilities such as NDPL and need to be factored in. Further, the Establishment Costs should be market linked and not related to CPI/WPI; With regard to A&G costs, while the same can be linked to CPI/WPI for regular activities, new initiatives and extraordinary increases due to deferment of costs in the previous years as well as increased level of activities as measured by increase in no. of consumers, network length and no. of

units of energy handled, needs to be factored while allowing the same. With regard to R&M Expenses, the same may be allowed at 2.5% of opening Gross Block plus 1.5% to 2% on the incremental Capex to take care of preventive maintenance being undertaken.

5. The Commission heard the Petitioner/Licensee with regard to the reasons for deviations from the Delhi Electricity Regulatory Commission (Terms & Conditions for Determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2007 and feels that the reasons given by the Petitioner are not convincing to justify the deviations from the Regulations of 2007. The Regulations have Statutory binding force and the ARR Petition is supposed to be in accordance with the Regulations. In fact, the entire exercise of determination of Multi Year Tariff has to be in accordance with the Regulations of 2007, referred *ibid*. The Commission may consider to grant relaxation only in such matters which are supported by sufficient and convincing reasons, in public interest after following the due process of law. Thus, keeping the above in mind the Commission directs the Petitioner/Licensee (NDPL) for compliance of the following:

- (i) All the calculations regarding AT&C Loss Level, O&M Expenses, RoCE, etc. shall be worked out in accordance with the provisions given in the MYT Regulations, 2007.
- (ii) The Petitioner shall take the actual base value for AT&C Loss Level for the year 2006-07 taking into consideration the arrears of erstwhile DVB of Rs. 71 crore received from Delhi Jal Board.
- (iii) The calculations for Regulated Rate Base (RRB) shall be arrived at using provisions given in the Regulations, 2007 after excluding the capital work in progress.
- (iv) An allocation statement to apportion cost and revenue of respective business shall be duly approved by the Board of Directors of the Licensee as per Clause 4.4 of the Regulations, 2007.
- (v) The Power Purchase Cost shall take into account apart from other parameters, the Estimated Revenues received through bilateral exchanges.

- (vi) To submit for each consumer category, slab wise and voltage wise tariff in accordance with Clause 8.7 of the Regulations, 2007, duly supported by cost of service model, allocating the cost of business to each category of consumer as well as subsidy, if any, being granted by GoNCTD.
  - (vii) The Petitioner/Licensee shall propose the baseline performance trajectory for all quality parameters as specified by Delhi Electricity Supply Code Performance Standard Regulations, 2007.
  - (viii) The Petitioner/Licensee is directed to take up the issue of past period true-up expenses with the Govt. of NCTD. The Petitioner/Licensee is further directed to propose tariff structure for recovery of aforesaid expenses in case GoNCTD is not agreeable to provide these expenses in the form of government support and same needs to be recovered through tariff.
  - (ix) It has been observed that prayer clause of the Petitioner/Licensee is vague. The Commission would like to have specific reference to the prayer and also which orders of Appellate Tribunal, High Court and Supreme Court etc. on which Licensee intends to rely upon. The Licensee is further directed to file a copy each of such Orders on which they have placed reliance.
6. In view of the above discussions the petition for ARR and Multi Year Tariff Determination is admitted. The Petitioner/Licensee shall place on record the requisite information/ details as directed above within seven days of issue of this Order alongwith the draft Public Notice
7. Ordered accordingly.

Sd/-

(K. Venugopal)  
Member

Sd/-

(Berjinder Singh)  
Chairman