

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 the 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

1.1.2 Issuance of Concept Paper on Tariff and Guidelines for Revenue and Tariff Filing

1.1.2.1 Concept Paper on Tariff

The Commission brought out a Concept Paper on Tariff in September 2000. The Concept Paper provided a historical background of the power sector in Delhi gave the first tariff proposal of Delhi Vidyut Board (hereinafter referred to as 'DVB') and sought suggestions from various stakeholders on the conceptual issues on electricity tariff.

1.1.2.2 Guidelines for Revenue and Tariff Filing

The Commission sent 'Guidelines for Revenue and Tariff Filing' to the Delhi Vidyut Board in October 2000 for submission of their Annual Revenue Requirement and Tariff petitions. It contained about 29 data forms with guidelines to get data from utilities.

1.1.3 Regulations and Orders issued by the Commission

In its journey from inception till date, the Commission has issued seven Tariff Orders and notified nine 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: Orders issued by the Commission

Sr. 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 BSES – New 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

Table 1.2 : Regulations notified by the Commission

Sr. No.	Title of Regulations	Date of Notification
1.	Delhi Electricity Regulatory Commission (Comprehensive Conduct of Business) Regulations, 2001	9-3-2001
2.	Delhi Electricity Regulatory Commission (Management and Development of Human Resources) Regulations, 2001	16-4-2001
3.	Delhi Electricity Regulatory Commission (Appointment of Consultants) Regulations, 2001	6-8-2001
4.	Delhi Electricity Regulatory Commission (Delegation of Financial Powers) Regulations, 2001	6-8-2001
5.	Delhi Electricity Regulatory Commission (Grant of Consent for Captive Power Plants) Regulations, 2002	21-4-2002
6.	Delhi Electricity Regulatory Commission (Performance Standards – Metering & Billing) Regulations, 2002	19-8-2002
7.	Delhi Electricity Regulatory Commission (Medical Attendance) Regulations, 2003	12-3-2003
8.	Delhi Electricity Regulatory Commission (Redressal of Consumers' Grievances) Regulations, 2003	10-6-2003
9.	Delhi Electricity Regulatory Commission (Guidelines for establishment of Forum for redressal of grievances of the consumer and Ombudsman) Regulations, 2003	11-3-2004

Further, in compliance to the provisions of Electricity Act 2003 the Commission has issued on 21st May 2004 the following Draft Regulations for public comments:

S.No.	Name of the regulation
1	Delhi Electricity Regulatory Commission (Conduct of Business) Regulation, 2004.
2	Delhi Electricity Regulatory Commission (Intra-state Electricity Trader) Regulations 2004.
3	Delhi Electricity Regulatory Commission (Treatment of income of Other Businesses of Transmission Licensees and Distribution Licensee) Regulation 2004.
4	Delhi Electricity Regulatory Commission (Procedure for filing appeal before the Appellate Authority) Regulation 2004.
5	Delhi Electricity Regulatory Commission (Terms and conditions for Open Access) Regulation, 2004.

1.1.4 Constitution of Commission Advisory Committee

The Commission has constituted the Commission Advisory Committee, vide notification dated March 27, 2003, to advise the Commission on major questions of policy related to electricity industry in the State and on matters such as quality of supply, continuity and extent of service provided by licensees and compliance by licensees with the conditions and requirements of their licences.

1.2 Background

1.2.1 Transfer Scheme

Pursuant to the provisions of the Act, the Government notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 (hereinafter referred to as 'Transfer Scheme') on November 20, 2001. The Transfer Scheme provided for unbundling of the functions of Delhi Vidyut Board (hereinafter referred to as "DVB") and the transfer of existing transmission assets of DVB to Delhi Transco Limited (formerly known as Delhi Power Supply Company Limited and hereinafter referred to as 'TRANSCO') and the existing distribution assets to three Distribution Companies (hereinafter collectively referred to as 'DISCOMs').

1.2.2 Policy Directions

1.2.2.1 Notification of Policy Directions

In exercise of powers conferred by Section 12 and other applicable provisions of the DERA, the Government issued Policy Directions vide Notification No F.11 (118)/2001-Power/2889 of November 22, 2001 and as amended on May 31, 2002 (hereinafter collectively referred to as "Policy Directions"). A copy of the Policy Directions is attached hereto as Annexure 1.

1.2.2.2 AT&C loss as a measure of efficiency

The Government, through the Policy Directions, indicated its intent to disinvest majority shareholding in the DISCOMs to private investors with the balance 49% remaining with the

Government. The Policy Directions identified the Aggregate Technical & Commercial (AT&C) losses as the measure of efficiency of the Distribution business. It further indicated that a long-term definitive loss reduction in distribution, to be achieved over a five-year period, should be settled upfront through competitive bidding to induce investors. In this regard, the Government invited the investors to submit bids for AT&C losses, which they could reduce each year for the years 2002-03 till 2006-07. However, prior to the submission of bids by investors, the Commission was required to determine the base AT&C loss levels for each DISCOM through an Order, which were to be the opening levels of AT&C losses for the purposes of bidding.

1.2.2.3 Framework for tariff determination

The Policy Directions indicated that the AT&C loss for the purpose of tariff computation by the Commission for each DISCOM in a year shall be the opening AT&C loss and the reduction proposed for the year in the bid submitted by the investor selected by the Government for purchase of 51% equity in the Distribution Company. Further, tariffs are to be determined such that the DISCOMs recover all expenses permitted by the Commission and earn a 16% return on equity.

The Policy Directions envisaged identical retail tariffs for the DISCOMs till the end of 2006-07. An amount of approximately Rs. 3450 Crore was committed by the Government in the Policy Directions, as a loan to be disbursed to the Transmission Company, to bridge the gap between the revenue requirement of the TRANSCO and the bulk supply price that it may receive from the distribution licensees based on the above framework.

1.2.3 Determination of BST and Opening Losses

The Order on opening loss levels, to be issued by the Commission, as discussed in Para 1.2.2.2 was also required to determine the Bulk Supply Tariff (BST) applicable to each of the DISCOMs to apprise the investors of the various cost and revenue elements required in the determination of tariff.

1.2.3.1 Filing of Joint Petition, BST Order and submission of bids

A joint petition was subsequently filed by the TRANSCO and the three DISCOMs on December 21, 2001 for the determination of Bulk Supply Tariff for the period till March 31, 2002 and opening level of AT&C Losses for the DISCOMs. The Commission, after detailed analysis of the Petition and supporting information submitted by the Petitioners and after due consideration of the responses received from the various stakeholders and Policy Directions, issued an Order on Bulk Supply Tariff and Opening Level of AT&C Losses for the three DISCOMs on February 22, 2002.

Thereafter, the investors submitted the bids. After evaluation of the bids, the Government awarded 51% of the equity of the DISCOMs to the chosen private investors.

1.2.4 Effective date of Transfer Scheme

The Transfer Scheme was made effective by the Government from July 1, 2002 onwards and from this date, the Petitioner formally took over the distribution assets of DVB (as defined in the Transfer

Scheme) and became authorized to commence electricity distribution and retail supply business in the specified area as the North North-West Delhi Distribution Company Limited (NNWDDCL) (as defined in the Transfer Scheme).

1.2.5 Revision of Guidelines by the Commission

The Commission, in the meanwhile, revised the existing Guidelines for Revenue & Tariff Filing (Guidelines) to accommodate the Policy Direction framework envisaged by the Government. The revised guidelines were issued by the Commission on August 23, 2002.

The revised guidelines recognised the Sixth Schedule of the Electricity Supply Act, 1948 as amended from time to time, as the framework applicable to the TRANSCO for filing of its Annual Revenue Requirement (ARR). The framework envisaged by the Policy Directions was made applicable to the DISCOMs for ARR filing purposes. The existing data formats were accordingly modified.

These guidelines also required TRANSCO to play a lead role in facilitating a common agreement between the TRANSCO and the DISCOMs in regard to the energy supply-demand position in the State for the current and the ensuing year. This was important to ensure emergence of an overall revenue gap/surplus for all the Companies from the individual filings, based on a common expectation regarding the DISCOM's demand and supply requirement for the period. The co-ordination was also required to be done well in advance of the deadline set for submission of petitions to the Commission.

1.2.6 ARR and Tariff Determination for FY 2002-03 and 2003-04

During the months of November and December 2002, the Transmission Company and three Distribution Companies filed their ARR and Tariff Petitions for the nine months of 2002-03 (July 2002 to March 2003) and for FY 2003-04. The Commission had a series of discussions with the TRANSCO and three DISCOMs wherein the Commission sought additional information, clarifications and justifications on various issues critical for admissibility of the Petitions. Subsequently, the Petitioners submitted the information and justifications. However, considering the series of submissions by the DISCOMs and the passage of time, the Commission directed the DISCOMs to file Consolidated ARR Petitions for the nine-month period of FY 2002-03 and FY 2003-04. The DISCOMs filed the Consolidated Petitions during the first week of March 2003. The Commission admitted the Petition of TRANSCO and the Petitions of DISCOMs for further processing on March 6, 2003.

The Commission brought out a Public Notice on March 7, 2003 indicating the salient features of the Petitions and invited responses from the consumers and other stakeholders on the Petitions. However, the Commission did not receive adequate responses on the Petitions due to the fact that the Petitioners did not file a Tariff Petition and due to low awareness and appreciation of the tariff determination process based on the framework specified by the Government's Policy Directions. Due to the low response on the Petitions, the Commission made a presentation to select stakeholders and briefed them about the unbundling and privatisation process followed by the

Government, the Policy Directions framework, the salient features of the Petitions, and the importance of the ARR Petitions for the tariffs to be approved by the Commission. The Commission sought responses from the participants on the ARR Petitions as well as suggestions on other related areas including tariff rationalization.

The Commission also brought out a public notice on April 11, 2003 and sought further suggestions/responses from the general public on other related areas of concern to the consumers including rationalization of tariff categories/sub-categories, tariff structure amendment, and other charges levied as per provisions of the Tariff Schedule. The Commission received a total of 78 responses from the various stakeholders. The Commission conducted the Public Hearings on the May 12, 13 and 14, 2003 in five different sessions. Subsequently, the Commission held discussions with the Petitioners and obtained the details of actual expenses, revenue and losses for the nine-month period of FY 2002-03 (July 2002 to March 2003).

The Commission, based on the detailed scrutiny of the Petitions and additional information/clarifications submitted by the Petitioners and after following the due public process, issued its Orders on the ARR and Tariff Petitions of TRANSCO and DISCOMs for FY 2002-03 (9 months) and FY 2003-04 on June 26, 2003.

1.2.7 Enactment of Electricity Act 2003

The Electricity Act 2003 (EA 2003), enacted in June 2003 repealed the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. It provides for increased competition in the sector by facilitating open access (permission to use the existing power transfer facilities) for transmission and distribution, power trading, and also allows setting up of captive power plants without any restriction.

The Commission has examined the applicability of DERA and Policy Directions issued by the GNCTD subsequent to the enactment of the EA 2003. The Sections 185 (3) and 185 (2) (e) of the EA 2003 are the relevant Sections dealing with the applicability of the Delhi Electricity Reforms Act 2000 and the Policy Directions issued by the GNCTD under the provisions of DERA.

Section 185 (3) of the EA 2003 states that *"The provisions of the enactments specified in the Schedule, not inconsistent with the Provisions of this Act, shall apply to the States in which such enactments are applicable"*. The Delhi Electricity Reforms Act, 2000 has been listed under this proviso at Sl.No. 7 of the Schedule of EA 2003.

Further, Section 185 (2)(e) of the EA 2003 states that *"all directives issued, before the commencement of this Act, by a State Government under the enactments specified in the Schedule shall continue to apply for the period for which such directives were issued by the State Government"*.

From these two provisions of EA 2003, it can be interpreted that the provisions of DERA 2000 which are not inconsistent with the provisions of EA 2003 shall still be applicable to the State of Delhi and

the Policy Directions issued by the GNCTD under the provisions of DERA shall be applicable till the period of Policy Directions i.e. 2006-07. The Commission, while analysing the Petitions and while issuing this Order has duly considered these provisions of the EA 2003 and has dealt with the matters accordingly.

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 the Companies for FY 2004-05

1.3.1.1 Filing of petitions

The TRANSCO, Indraprastha Power Generation Company Limited (IPGCL) and Pragati Power Corporation Limited (PPCL) filed their Petitions for approval of ARR and determination of Tariffs for FY 2004-05, on December 3, 2003.

The Policy Directions envisage uniform retail tariffs across the DISCOMs and tariffs have to be determined so as to allow the DISCOMs to recover all permissible expenses and return for the year. This implies that the BST for the DISCOMs for a period cannot be determined in isolation for TRANSCO and further, one would have to take cognisance of the ARRs of the DISCOMs for further processing.

The Commission, therefore, directed the DISCOMs to file their respective ARR & Tariff Petitions for FY 2004-05. Thereafter, the Petitioner, North Delhi Power Limited (NDPL) filed its petition for ARR approval and determination of Retail Supply Tariff (RST) for FY 2004-05 on December 17, 2003. The

other two DISCOMS, i.e., BSES Yamuna Power Limited (BYPL) and BSES Rajdhani Power Limited (BRPL) filed their ARR and Tariff Petition for determination of Retail Supply Tariff for FY 2004-05 on December 26, 2003.

The Petitioner, in its Petition, has projected a Revenue Gap of Rs 686 Crore for FY 2004-05 and did not propose any revision in the retail tariff. The Petitioner has requested the Commission to determine its tariff, taking into account the provisions of the Transfer Scheme, the Policy Directions issued by the Government and filings made there under. The Petitioner, in its Petition, has also suggested certain tariff rationalization measures for the consideration of the Commission.

1.3.1.2 Interactions with the Petitioner

The submissions of the filings were 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 petitions. The Petitioner submitted its response on the issues raised through separate submissions on January 16, 2004.

The other Distribution Companies, TRANSCO, IPGCL and PPCL also provided similar information and clarifications on the issues raised in respect of their filings, on various occasions. The Commission admitted the Petitions for further processing on January 16, 2004.

1.3.2 Public Notice and response from stakeholders

1.3.2.1 Publicity given to the Proposal

The Commission brought out a Public Notice on January 17, 2004 indicating the salient features of the Petitions for FY 2004-05, and to invite responses from the consumers and other stakeholders on the Petitions submitted by NDPL, BRPL, BYPL, TRANSCO, IPGCL and PPCL, 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, The Times of India, and The Economic Times in English;
- Punjab Kesri, Navbharat Times, in Hindi; and
- Daily Milap in Urdu.

A copy of the Public Notice in English, Hindi and Urdu is attached as Annexure 2a-1, 2a-2 and 2a-3 respectively.

A detailed copy of the Petition of each Petitioner was also made available for purchase from the respective head-office of the Companies on any working day from January 19, 2004 onwards, between 11 a.m. to 4 p.m. on payment of Rs. 100/-. The Notice specified the deadline of February 17, 2004 for the receipt of responses/objections from the stakeholders. The complete copy of the Petitions was also put up on the website of the Commission, as well as that of the Petitioners.

1.3.2.2 Public notice on Tariff Rationalization measures

The Commission also published a Public Notice requesting public response on the issues related to Tariff Rationalisation. The Public Notice indicated salient features of the suggestions made by the three DISCOMs on Tariff Rationalisation issues and other Tariff Rationalisation measures considered by the Commission. The Notice was published on February 14, 2004 in several dailies like:

- The Economic Times and Indian Express in English
- Jansatta in Hindi.

The Notice specified the deadline of February 27, 2004 for the receipt of responses/objections from the stakeholders. The deadlines for submission of response on the ARR Petitions was also extended from February 17, 2004 to February 27, 2004 vide the same notice. A copy of the Public Notice for extension of time limit and for comments on rationalisation of tariff in English and Hindi is attached as Annexure 2b-1, 2b-2.

1.3.3 Public Hearing

The Commission received 78 objections in all. Some objections were received after the deadline for submission of the responses. The Commission forwarded the objections to the Petitioner for submission of comments to the Commission with a copy to the respondent. A detailed list of the respondents is attached with this Order as Annexure 3a.

The Petitioner filed its responses to the comments/objections of the stakeholders by March 22, 2004. The Commission conducted the Public Hearings on the April 7, 8 and 10, 2004. All the stakeholders who had submitted responses/objections on the ARR Petitions were invited to express their views in the matter. A list of the respondents who participated in the Public Hearing process is attached with this Order as Annexure 3b. The entire proceeding was split across five different sessions catering to distinct groups of stakeholders as given in Table 1.3.

Table 1.3: Dates of Public Hearing

Date	Category
April 7, 2004 (Two Sessions)	Industrial Consumers and Associations
April 8, 2004 (Two Sessions)	Domestic, Co-operative Societies, NGO's and Commercial
April 10, 2004	Government Departments and Utilities

1.3.4 Post admission interactions

1.3.4.1 Discussions during technical sessions and presentation by the Petitioner

After admission of the ARR Petition, the Commission held further technical sessions with the concerned staff of the Petitioner to seek additional information and clarifications. Subsequently, a meeting was held on February 26, 2004 to seek clarifications and additional information such as

details of actual expenses and revenue upto January 2004, details of loan drawal, status of capital expenditure including scheme wise details and note on Voluntary Retirement Scheme (VRS). During the meeting, the Commission directed the Petitioner to submit the information by March 5, 2004. Subsequently, on April 12, 2004 the Commission directed the Petitioner to submit the Provisional Accounts for FY 2003-04 along with actual expenses and revenue for FY 2003-04.

The Commission also held a joint meeting with the top management of TRANSCO and DISCOMs on April 28, 2004. During the meeting, it was agreed that it is essential to adopt an integrated and co-ordinated approach between the TRANSCO and three DISCOMs for a pragmatic Capital Investment Plan. It was also discussed that proper coordination is required between TRANSCO and DISCOMs for energy input and load growth projections. Subsequent to the meeting, the TRANSCO and DISCOMs were directed to submit the Revised Capital Expenditure Plan for FY 2004-05 including means of finance, cost benefit analysis and preparedness to execute these works and the revised energy input projections.

1.3.4.2 Petitioner's responses to queries raised by the Commission

On February 19, 2004, the Petitioner made a presentation to the Commission on the status of the Capital Investments proposed by the Company in its Petition for FY 2004-05. The responses to some of the queries raised during the meeting held on February 26, 2004, were submitted on March 22, 2004 and March 25, 2004. The information submitted by the Petitioners in these submissions pertained to details of Voluntary Retirement Scheme (VRS), Scheme-wise Capital Expenditure break-up, actual expenses, sales, revenue, capital expenditure, loans drawn upto the period of January 2004. Subsequently, on May 12, 2004, the Petitioner submitted the provisional Annual Accounts for FY 2003-04.

1.3.4.3 Visits by the Commission

In addition to the interactions with the Petitioner in the Commission's office, the Commission also undertook visits to the Petitioner's area on February 20, 2004 and April 11, 2004 at some select locations to review the physical progress of the Capital Works and Repairs and Maintenance works.

An Activity Chart giving the details of various activities undertaken during the proceedings is attached as Annexure 4.

1.4 Summary of the petition

The Petitioner has estimated the Annual Revenue Requirement (ARR) for FY 2004-05 at Rs. 1853 Crore. The Petitioner, while estimating the ARR for FY 2004-05, in addition to the revenue gap for FY 2004-05 has also included certain elements of difference in expenses and revenue for FY 2002-03 and FY 2003-04 under the truing up mechanism. The total amount of truing up included in the ARR for FY 2004-05 is of the order of Rs. 370 Crore. A snapshot of the ARR and revenue gap at existing tariffs is provided in the Table 1.4.

Table 1.4 Summary of ARR of the Petitioner

(Rs. Crore)

Item	FY 2004-05
Power Purchase cost at existing BST	859
Expenditure other than Power Purchase Cost	881
Allowable Return	94
Past Arrears payable	30
Annual Revenue Requirement	1864
Less: Non Tariff Income	11
Aggregate Revenue Requirement (ARR)	1853
Less: Estimated Revenue Realisation based on existing Retail Supply Tariff	1167
Revenue Gap at Existing Tariff Including Revenue gap for 2003-04	686

The Petitioner, in its ARR Petition, also suggested a number of tariff rationalization measures. The salient features of some the suggestions made by the Petitioner are summarized below:

- **Merging of Tariff Categories** of Non-domestic, Medium Load High Tension (MLHT), Small Industrial Power (SIP) and Large Industrial Power (LIP) consumer categories, as all these categories are using electricity for business purposes.
- **Introduce kVAh Billing** - Introduce kVAh billing for connections with connected load more than 15 kW, to ensure automatic monetary discipline with regard to maintaining power factor and to make Power Factor Surcharge redundant. Till electronic metering is complete, these consumers may be billed on kVAh basis by applying an average power factor of 0.85.
- **Slab Design (for LIP and SIP)** - Slabs should be designed on the basis of consumption rather than connected load in kW. In case the Maximum Demand Indicator (MDI) indicates more than 100 kW for SIP consumer, assessment should be based on LIP for the past six months and also for the next twelve months.
- **Fixed Charges** – Levy of Fixed Charges on Maximum Demand (MD) as against the prevalent mechanism of levying fixed charges on Sanctioned Load. Pending installation of MDI meters, the load factor proposed by the Petitioner for calculation of MD for computation of Fixed Charges is as follows:
 - Domestic: 96 units/kW/month
 - Industrial: 150 units/kW/month
 - Commercial: 165 units/kW/month

Applicability of MD to be based on average MD assessed in 2 billing cycles and Fixed Charges to be charged accordingly for the next 12 months.

- **Tariff for Single Point Delivery (SPD) Contractor** – Continuation of prevalent commercial arrangement of providing 27% deduction in energy bill as gradual transformation to the Franchisee concept is being worked out.

1.5 Layout of this Order

This Order is organised into 8 Chapters. While the current Chapter gives the information about the Commission, the historical background and summary of the Petition, the second Chapter gives a detailed account of responses from stakeholders, Petitioner's comments and Commission's views on the responses. Chapter 3 discusses the Annual Revenue Requirement. While Chapter 4 focuses on the Tariff Philosophy and Approach to bridge Revenue Gap, Chapter 5 deals with the Tariff Rationalisation Measures. Chapter 6 deals with Tariff Calculations. Chapter 6 also gives a comparison of Power Purchase Cost and Retail Supply Tariff in Delhi with neighbouring States and other States. Chapter 7 reviews the Directives issued to the Petitioner in the Commission's Order dated June 26, 2003 on the ARR and Tariff Petition filed by NDPL for FY 2002-03 and 2003-04 and also lists down the new directives issued in this Order. Chapter 8 gives the revised Tariff Schedule.

2. Response from Stakeholders

The issues relevant to the said Petition have been dealt with in the following paragraphs:

These objections/responses mainly relate to Procedural Issues, Quality of Filing, Privatisation Policy and Reform Process, Policy Directions issued by the Government of NCT of Delhi, AT&C losses, ARR and Revenue Gap, Rationalization of Tariffs, Conditions of Supply, etc. The scope of this Order is limited to covering the issues directly connected with or incidental to the Annual Revenue Requirement of the Licensees and the Tariffs.

2.1 Procedural Issues

2.1.1 Objections

Federation of Group Housing Societies objected to the admission of the ARR Petitions of the Distribution Companies on the ground that if the ARR Petitions are admitted every year for review then DISCOMs would rely more on upward revision of tariff for earning their returns, rather than improving their own systems through rationalization of their workforce, improvement of productivity by better utilization of manpower through training, other cost cutting measures like better inventory control and reduction of indefensible T&D losses.

Mayurdhwaj Residents Welfare Association have argued that since no License has been issued to the Petitioner under the Electricity Act, 2003, the Petition is liable to be rejected.

'Energywatch' have lauded the pro-active efforts of the Commission in ensuring public participation in the entire process of Tariff determination.

2.1.2 Response of the Petitioner

The Petitioner submitted that it has filed the ARR Petition in accordance with the ARR/Tariff Guidelines issued by the Commission. The Petitioner also stated that the tariff for different categories of consumers is determined by the Commission based on the Annual Revenue Requirement of the DISCOMs, TRANSCO and the Generation Companies. The Petitioner has also mentioned that it has been accorded the status of Deemed Licensee under the Electricity Act, 2003 and has subsequently received the License from the Commission.

2.2 Quality of Filing and Additional Information

2.2.1 Objections

Shri Rajan Gupta has submitted that the Petitioner has filed incomplete, non-transparent and non-reliable estimates in the Petition. It has requested the Commission to obtain additional data from the Petitioner. The additional data asked for further scrutiny is as follows:

Copy of Minutes of Meeting and Resolutions of the Board of Directors approving the Annual Revenue Requirements of the Petitioner for FY 2004-05

- Copy of the report of the Commission with regard to actual verification of the details and data of all the Petitioner and the methodology followed by the Commission towards actual verification of the data
- Copy of the Commission's approval for implementing VRS

Shri Rajan Gupta has also asked for additional time to submit responses based on compliance by the Petitioners to the above issues.

India Defence Foundation have stated that the information and data provided by the Generation, Transmission and Distribution Licensees is not adequate to evaluate whether these Licensees are properly discharging their public duties and are alive to their responsibilities. The objector has requested the Commission to consider involving C&AG for the test audit to determine causes and responsibilities for any lapses in the systems of these Licensees. The objector has further requested that the state of affairs during erstwhile DVB days and status of improvement achieved after the privatisation should be shared with the public. It has further suggested that the Commission, before entertaining any claim for increase in Tariff or any projection of loss in revenue, or excessive expenditure, may compare the Business Plan of the Licensees with the projections made in the Business Plan at the time of privatisation.

India Defence Foundation have suggested that the following comparative data should be obtained to evaluate the performance of the Licensees:

- Break up of expenditure per consumer
- Labour and management share of the output of the Utility
- Ratio and magnitude of direct labour to management staff including indirect labour, ratio of labour cost to management cost including advertisements and publicity
- Capital to Output ratio, Output to Investment ratio, Labour to Output ratio, Labour to Capital ratio
- Ratio of expenditure incurred in Indian Rupees to that incurred in foreign currency

Joint Committee of Residents Welfare Associations of Pitampura opined that there is lack of transparency in the accounts. The opinion stemmed out from reasons given by the Petitioners inability to provide data on meter rentals and penal charges, late payment charges, etc.

Mr. Anil Sood, Chetna stated during the public hearing process, that the data provided by the Petitioner conceals more than it reveals and requested the Commission to protect the consumers and direct the Petitioner to provide more information. The specific areas, which are mentioned by the Objector, are as follows:

The Petitioner has not made available the Fixed Asset Register, despite being given sufficient time by the Commission; the Petitioner has not disclosed the details relating to equipment in stores; the

detailed list of assets does not match the specifications; and in many cases assets have been erected only on paper and do not exist on the ground.

Dr. Devendra Kumar during the public hearing mentioned that the Petitioner has not complied with the ARR Formats specified by the Commission while submitting the ARR Petition.

Mayurdhwaj Residents Welfare Association prayed that the Annual Reports of the Petitioner for FY 2002-03 should not be accepted, since the Auditor has noted that the correct information has not been supplied to the Auditors. Moreover, since the audited figures of the DVB Assets prior to privatisation have not been made public, the Commission should not accept the Annual Reports as correct.

2.2.2 Response of the Petitioner

The Petitioner has stated that the detailed Petition has been submitted to the Commission and the Petition has further been refined after various deliberations between the Petitioner and the Commission. The Petitioner has opined that the document is quite exhaustive from the point of view of analysing the revenue requirement of the Petitioner.

The Petitioner has also pointed out that its accounts are audited by reputed audit firms and no adverse remarks have been received from their auditors as regards to the correctness of figures.

The Petitioner has also confirmed that it has submitted the valuation report and the Fixed Asset Register to the Commission.

2.3 Privatisation Policy and Reform Process

2.3.1 Objections

Some respondents have objected to the privatisation model and related parameters adopted by the Government of NCT of Delhi (GNCTD).

Mr. S. K. Aggarwal has stated that the Revenue Gap of Rs. 4,527 Crore includes the Reasonable Return of Rs.368 Crore claimed by Delhi Transco Limited (TRANSCO) and the Distribution Companies. He has requested the Commission to provide an overview of the impact and financial performance of the private Distribution Companies over the past 2 years vis-à-vis the performance of the erstwhile DVB immediately preceding privatisation and highlight the overall impact of privatisation in its final Order. The financial performance of the system needs to be highlighted in terms of expenses incurred by the Companies on various heads, cost of distribution per unit, loss reduction by each Company (as against loss reduction as per bid), improvement in collection efficiency, improvement in power demand -supply scenario, investments made for overall improvement of the T&D networks by the Companies and actual improvements achieved in the various performance indices vis-à-vis indices laid down by the Commission in its Grid Code.

Delhi Power Consumers' Guild has expressed its concerns that power sector reforms in Delhi are failing because they are based on the incorrect philosophy that all losses of the power Utilities are

due to theft of power by consumers. They have further mentioned that their study has revealed that the real cause is not the theft by consumers but subversion of the power supply system by the internal forces themselves or administrative lapses. They have requested for modification of the current reform processes in accordance with the ground realities so that it can serve some useful purpose.

India Defence Foundation expressed its displeasure with the state of affairs post privatisation and stated that the Licensees have not been ensuring any quality of service or guaranteeing efficient usage of resources or undertaking any cost cutting, except in reduction of manpower engaged in operation and maintenance. It has further stated that the Licensees have been supplying interrupted power supply repeatedly and have not yet succeeded in developing properly functioning complaint handling systems and have been imposing heavy financial burdens on the consumer, who have no means of getting any corrective action or relief. In the rejoinder submitted before the Commission, the Foundation highlighted the issue of lack of coordination between DISCOMs and TRANSCO and mentioned that inspite of power availability, less power is being drawn from the grid thus resulting in power cuts. Mr. Arun Kumar Dutta stated that a PIL has been filed on restructuring and privatisation of Power Distribution Function in Delhi and the matter is subjudice with the Hon'ble High Court and hence the ARR Petitions should not be processed till the Hon'ble Court disposes off the matter.

'Energywatch' argued that the Policy Directions of the GNCTD have brought in an unhealthy practice by introducing the AT&C concept which violates the provisions of the ERC Act, 1998, and suggested that the Commission while deciding the Tariffs in accordance with the Policy Directions, should also compute the extra burden required for following the Policy Directions and the GNCTD should be made to pay this amount prior to implementation of the Tariff Order.

2.3.2 Response of the Petitioner

The Petitioner has pointed out that the Policy Directions have been framed after lot of deliberations at the highest level between GNCTD and bidders for the privatisation model and the Policy Directions are binding on both the parties. The Petitioner has further stated that the Delhi model of privatisation is being viewed by many other States as the role model for their privatisation program.

As regards the overall evaluation of performance and impact of privatisation, the Petitioner pointed out that such comparison is not possible, as the DVB's Accounts for the past many years have not been audited. It has also pointed out that the comparison of distribution cost would not serve much purpose as the erstwhile DVB was making insignificant expenditure on repair and maintenance, load growth, system augmentation and reduction in AT&C losses, which was reflected in poor quality of supply, frequent break-downs, etc.

The Petitioner contested the claim that the tariff has been hiked after privatisation by pointing out that there has been a decline in actual average tariff during FY 2003-04 as against the tariff increase projected in the Tariff Order for FY 2003-04.

2.4 Compliance with the Directives of the Commission

2.4.1 Objections

Mr. V. K. Gupta, Municipal Counsellor, MCD has requested the Commission to disapprove the ARR Petitions in absence of the compliance of the Directives issued vide previous Tariff Orders. Mr. Gupta has pointed out that the Commission had directed the Petitioner to discuss and agree with MCD on the mechanism for charging Electricity and Maintenance charges for Streetlights. This directive has not yet been complied with and Mr. Gupta has requested the Commission to forward the matter to an Arbitrator, whose decision should be final and binding.

Mr. Vijay Kumar Gupta, during the public hearing process, requested the Commission that any directions given by the Commission in the last tariff order and not yet complied by the Petitioners should be dealt strongly and the Commission might levy some fines and penalties to enforce compliance with directives. He further added that the ARRs of the companies should not be admitted till they comply with all the directives issued in the last Order.

'Chetna' has pointed out that the Petitioner has not finalised any scheme relating to power consumption by erstwhile DVB employees, as directed by the Commission. They have prayed to the Commission to consider levying penalty on the Petitioner for non-compliance of the above directive.

2.4.2 Response of the Petitioner

The Petitioner has submitted that it has been putting in its best efforts to comply with the directions of the Commission.

The Petitioner has stated that considering the bad condition of Streetlights in Delhi, they cannot be operated at 100% levels. The Petitioner has stated that it has been discussing with MCD for replacement of faulty accessories/equipment but appropriate response has not been received from MCD.

The Petitioner has stated that the subsidised tariff for erstwhile DVB employees is a part of their salary structure and cannot be modified as per the provisions of Tri-partite Agreement. It has also pointed out that the subsidised consumption is restricted to a maximum of 200 units per month and the employees have to pay at the applicable rates for any consumption beyond this limit.

2.5 AT&C Losses

2.5.1 Objections

Several respondents have objected to the high level of AT&C losses, pilferage and theft of energy, etc.

Reserve Bank Staff Co-operative Housing Society Limited has requested the Commission to take steps to stop/minimize the power thefts first and review the demands made by the DISCOMs after a year keeping in view the increase in their revenue as a result of plugging power thefts. Bhartiya

Janta Party, Delhi Pradesh (Industrial Cell) has requested the Commission to prescribe a fixed time schedule to check the theft and make the DISCOMs responsible for adhering to the agreed schedule of reduction of AT&C losses.

Shri Rajan Gupta submitted that the huge revenue gap projected by the Petitioners is indicative that the AT&C losses have increased. Senior Citizens Welfare Association, Delhi Dal Mills Association, and The Federation of Group Housing Societies have submitted that the AT&C losses as indicated by the Petitioner do not indicate any improvement or efforts on the part of the Petitioner to reduce the same. The Senior Citizens Forum has requested the Commission to examine the reported AT&C losses critically rather than allow the Petitioners to maintain the bid levels, which are extremely modest. Mr. V. K. Gupta, Municipal Counsellor, MCD, has argued that the difference in the amount billed and amount realized till it is declared as non recoverable should not be treated as part of the AT&C losses. The Federation of Group Housing Societies has estimated that if T&D losses were restricted to 10%, it would increase revenues by Rs. 1,960 Crore from consumers of Delhi. The objectors have added that the Petitioner is unable to recover its dues or is prevented from doing so at the instance of the Government on political considerations and therefore, there should be no Tariff increase, till the losses are brought down to acceptable levels. Mr. Anil Sood, Chetna argued during the public hearing process that the Petitioner does not have the will to reduce the AT&C losses and prayed to the Commission not to burden the consumer for any AT&C loss in excess of 20%. He also stated that BSES in its ARR document has not made any comments on the status of AT&C losses and steps taken to ensure that losses are reduced to the target levels agreed at the time of privatisation.

Mr. G.M Chopra, during the public hearing, requested that the Commission must direct the Petitioners to make concerted efforts to reduce the AT&C losses. He also suggested that the Petitioners must make efforts to reduce the AT&C losses beyond the targets as envisaged in the transfer scheme.

Mr. Vijay Kumar Gupta, in his submission and during the public hearing process, suggested that consumption of new connections should not be taken while calculating the AT&C losses as their contribution to the overall losses are minimal. He also suggested that the theft bills should not be considered in AT&C losses.

Delhi State Villages Development and Welfare Sangh has submitted that the AT&C loss stated by NDPL for the period from April 2003 to September 2003 has been higher than that of FY 2002-03, which was at 45.35%. The objector has requested the Commission to consider this increase in AT&C loss as a serious lapse on the part of the Petitioner and not pass on such inefficiencies either to the Government or to the consumers.

The Senior Citizens Forum has submitted that the Petitioner should be directed to explain the lack of significant improvement in the level of power losses and the Petitioner should be asked to submit a quarterly progress report to the Commission in this regard.

Northern Railway has suggested in its objection filing as well as during public hearing that the Petitioner should submit a road map for reduction in commercial loss. As a part of the road map, the Petitioner should separately indicate the revenue earned out of such loss reduction and its effect on the average cost of electricity. In addition, the collection efficiency has to be improved to the levels as determined by the Commission. Ms. Neeta Gupta has suggested that the Petitioner should make the concerned area staff accountable for AT&C losses and should take prompt action to reduce the same. Vivekanand Puri Vikas Parishad has stated that the Petitioner has been juggling with the figures and indicating higher AT&C losses only to claim higher subsidy from the Government.

PHD Chamber of Commerce and Industry has requested the Petitioner to endeavour to achieve collection efficiency levels of 97-98% during this year.

PHD Chamber of Commerce and Industry suggested that for computing the AT&C losses, the collection efficiency of the Petitioner against its own billing should be considered and the collection of DVB arrears should not be considered as a part of collection efficiency.

PHD Chamber of Commerce and Industry requested the Commission to obtain complete data regarding payments made by the Government agencies during the past 3 years to ascertain the correct collection efficiency levels for different categories of the consumers, particularly in the case of the Government consumers.

Mr. Vijay K. Gupta suggested that the consumption of DMRC should not be accounted for while considering achievement of AT&C loss reduction target, as DMRC was not in existence at the time of preparation of Transfer Scheme and calculation of opening level of AT&C losses. The objector added that inclusion of DMRC's consumption in AT&C loss computations, would overstate the achievement as DMRC receives most of its supply at 220 kV.

Mr. S. K. Aggarwal submitted that the Petitioner has accounted for various other income and liabilities in arriving at the AT&C losses and has requested the Commission to look into the basis of including these heads in calculating AT&C losses. Mr. Arun Kr. Dutta during the public hearing stated that the Petitioner has not shown the improvement in AT&C losses in relation to the expenses incurred.

Referring to the Petitioner's failure to establish proper interface metering, Mr. Sahni of PHD Chamber of Commerce and Industry and Mr. S. K. Aggarwal feared that all the calculations of energy received and billed indicated in the ARR's might have been done on the basis of committed loss reduction levels as per the accepted bids, and has no relevance to the actual AT&C loss levels. The Commission was urged to work out a time bound programme with the Petitioner to ensure that the metering is complete and AT&C losses are determined accurately on scientific basis at least during FY 2004-05. It has also requested the Commission to appoint a reputed consultancy company to undertake an independent assessment of realistic AT&C losses.

The Senior Citizens Forum further stated that the Petitioner should focus attention on areas with higher loss levels to reduce the overall system losses. All India Plastic Industries Association has suggested that the Petitioner should lay underground cables in theft prone areas to curtail theft, as the higher capital cost would be offset by the resultant additional revenue being generated. It has also suggested that the Petitioner should have an independent system of surprise checks to identify cases of theft and connivance and take corrective action immediately.

Mr. Sunil Kapoor, Patparganj F.I.E. Entrepreneurs Association stated that they have sent a request to the DISCOM stating that a survey may be carried out in their area to estimate the AT&C losses. He further suggested that in case, the losses in their area are lower than the average losses of the DISCOMs, consumers of their area should be charged a tariff less than the tariff charged to consumers in high losses areas.

2.5.2 Response of the Petitioner

The Petitioner has stated that the roadmap for reduction of AT&C losses has already been charted out and is a part of the Policy Directions. The Petitioner has stated that it is required to reduce the AT&C losses to 31% in phases over the next five years, from the high level of above 50% prior to privatisation. It has pointed out that its returns would reduce in case it is unable to achieve this reduction in AT&C losses.

The Petitioner has mentioned that it is making full efforts to reduce the AT&C losses to the maximum possible extent. The Petitioner has stated that it is re-engineering its business processes to ensure improved services to its customers and better control and monitoring. In several cases, departmental action has also been taken against the erring employees. It has additionally sought proactive help from the Residential Welfare Associations, Industrial and other consumer Associations and individual customers towards reduction in losses.

The Petitioner has submitted that the contention of suppressing actual loss reduction to obtain higher subsidy is incorrect as the subsidy is given by the GNCTD to TRANSCO and not to DISCOMs. The Petitioner has clarified that exact calculation of actual AT&C loss is possible. The meters at interface points with TRANSCO and other DISCOMs enables measurement of accurate energy input in the system. The sale of energy is calculated based on the billed energy and the energy realized (collected) is computed based on the revenue collected. Thus, the difference between the total energy input and the energy collected is the AT&C loss in the system.

The Petitioner further submitted that it has taken several innovative measures to curb theft of electricity. The Petitioner has stated that it has started installing energy meters at Distribution Transformers (DT) and started identifying all the consumers on DT wise basis so that losses at each DT can be measured every cycle and accordingly, corrective action can be taken. The Petitioner has also submitted that it has prepared a Guideline on Electrification of unelectrified areas, wherein a complete policy has been charted out for providing new connections in all unelectrified areas with a view to ensuring legitimate supply of electricity and reduce AT&C losses.

The Petitioner has stated that reconciliation of sale of power with revenue realised for the period July 2002-March 2003 is a reconciliation of billed and accrued sales and cash collected. It has further clarified that the books of Accounts are prepared on accrual basis whereas AT&C losses are computed on cash basis and the adjustments to reconcile the two have been made in the instant case.

As regards accounting for DVB Arrears collected in the total units collected, the Petitioner has submitted that the units collected are total units collected irrespective of billing and hence include units collected corresponding to the collection of DVB Arrears.

As regards the suggestion of non-inclusion of consumption for DMRC Bills, the Petitioner has stated that the consumption of all the consumers should be taken into account for the purpose of calculation of AT&C losses and any specific consumer cannot be kept out of the purview for calculation of AT&C losses.

2.6 ARR and Revenue Gap

2.6.1 Objections

The major objection under this head relates to authentication of actual revenue and expenditure, restricting wasteful expenditure of the Companies, detailed examination of the accounts of the Petitioner by the Commission, establishing prudence, etc.

'Energywatch' argued that the Commission should not accept the expenses as mentioned in the audited accounts of the Petitioner, but should determine the ARR and Tariffs on the basis of "properly incurred expenditure", and should be guided by Section 28 of Delhi Electricity Reforms Act, 2000 and Section 29 of ERC Act, 1998, in this regard. Energywatch quoted from the Supreme Court judgement in this regard (SLP Nos. CC 6293/02 & CC 6307/02).

Delhi Transco Limited has pointed out that the Petitioner has included certain expenses in the revised estimates for FY 2003-04, which was disallowed by the Commission earlier.

PHD Chamber of Commerce and Industry, Mr. Vijay K. Gupta have requested the Commission to conduct due diligence of the costs claimed by the Petitioners to ensure strict compliance with the Commission's previous Orders and rework the revenue gap before considering any increase in either BST or RST for FY 2004-05.

Delhi Transco Limited further stated that the request for reduction in Bulk Supply Tariff to meet the revenue gap is against the basic spirit of the Transfer Scheme Rules according to which these Distribution Companies should become financially viable by the end of transition period of FY 2006-07 by way of reducing their AT&C losses, improving performance and collection of revenue to the extent of their Annual Revenue Requirements. Mr. S.P. Gupta, GM (Commercial), Delhi Transco Limited, stated during the public hearing that the capital expenditure requirement shown by the Petitioners is much higher than the projection done by SBI Capital and TCS at the time of restructuring of DVB and privatisation of Distribution Companies.

Mr. S.P. Gupta, GM (Commercial), Delhi Transco, countered the claim of the Petitioner at the public hearing that the domestic consumption in Delhi is increasing and the commercial and industrial consumption is reducing. He further mentioned that, as most of the industries are either shifting to Narela or Mongolpuri area, the overall industrial consumption will not reduce during the ensuing year.

Mr. L. N. Aggarwal has requested the Commission to ensure that the electricity is available to common man at economical rates. The objector has added that the Distribution Companies should not be allowed to make money at the cost of the common man. PHD Chamber of Commerce and Industry has also suggested that the Commission may also consider requesting the Government of Delhi for enhancing the loan assistance suitably so as to obviate any need for upward revision of Bulk Supply Tariff.

Mayapuri Industrial Welfare Association has expressed concern on the increasing revenue gap and has indicated that this is due to increasing inefficiency in the system. Its representative Mr. O.P. Kapoor requested the Commission during public hearing as well as in the objection filed before the Commission to reconsider the 16% guaranteed return when Petitioner is unable to reduce theft of power.

Mr. Ram Kumar sought a clarification on discrepancy in amount of total expenditure shown as Rs. 1,340.07 Crore under Form 1.3 of Vol. I of the Petition and Rs. 1,740 Crore under Public Notice.

2.6.2 Response of the Petitioner

The Petitioner has stated that it has not suggested any tariff hike and has only submitted Annual Revenue Requirement for the kind approval of the Commission, which has to be submitted on an annual basis.

The Petitioner has stated that all the expenses claimed in its ARR are prudent expenses. As regards critical review of the revenue expenditure, the Petitioner has clarified that the break-up of expenses between capital and revenue expenditure has been done as per standard accounting practices and no expenditure of capital nature has been considered as revenue expenditure.

The Petitioner has further stated that prior period expenses have been considered in the ARR only to the extent of Truing-up expenses. The Petitioner has stated that estimated revenue requirement for FY 2003-04, as filed in the ARR Petition for FY 2003-04 and approved by the Commission, was on the basis of estimates prepared in advance. The Petitioner has further stated that the expenses were projected on the basis of the expenses incurred in the initial nine months after privatisation (July-2002 to March-2003), which cannot be considered as a representative benchmark due to the time taken in establishing systems and identifying areas requiring immediate attention. Consequently, based on actual expenditure incurred during the year, the Petitioner has revised its projections. Regarding reduction in BST, the Petitioner pointed out that the BST for FY 2003-04 was fixed by the Commission on the basis of projected revenue realized and ARR and the same needs

to be tried up for actual revenues and expenses. As the RST cannot be retrospectively revised for the FY 2003-04, the same can be adjusted by reduction in the BST.

The Petitioner has further mentioned that the Policy Directions issued by GNCTD envisages uniform retail tariffs across the State till FY 2006-07 and hence the Petitioner has not proposed any category-wise retail tariffs for 2004-05. The Petitioner has attributed the increase in revenue gap to non-materialization of incremental revenue projected by the Commission. The Petitioner further pointed out that the average tariff has reduced by over 4% during FY 2003-04 as against the projection of 10% increase at the time of privatisation.

2.7 Power Purchase Expenses

2.7.1 Objections

PHD Chamber of Commerce and Industry requested the Commission to ensure that the various DISCOMs, NDMC and MES make available their estimated energy requirements to Delhi Transco Limited well in time to enable it to plan procurement of sufficient power to meet the power requirements of Delhi fully.

Mr. S. K. Aggarwal has mentioned that the total energy requirement of the three Distribution Companies has not shown much growth (from 18,320 MU in FY 2003-04 to 18,357 MU in FY 2004-05) while the demand so far has been growing at 9 to 10% every year.

2.7.2 Response of the Petitioner

No specific response has been received from the Petitioner.

2.8 Depreciation charges

2.8.1 Objections

Mr. Vijay K. Gupta, in his objections submitted to the Commission and also during the public hearing process has suggested that depreciation should be excluded from expenditure for the purpose of ARR. He also suggested that depreciation approved in the past Tariff Orders should be disallowed. Alternatively, he suggested that the effect of any change in valuation of the assets after revaluation should be charged at the end of the Reform Period i.e. FY 2006-07 either to the tariff or to the account of the Holding Company.

Mr. S. K. Aggarwal and PHD Chamber of Commerce and Industry have requested the Commission to retain the depreciation rate of 3.75% for the purpose of approval of depreciation expense for FY 2003-04 and FY 2004-05 as against higher rates of depreciation adopted by the Petitioner on the basis of the Ministry of Power notification of March 1994.

Mr. Arun Kr. Dutta, during the public hearing, stated that the Petitioner in its ARR filing has charged depreciation at a rate of 7.25% instead of 3.75%, the rate approved by the Commission in its Order on ARR for FY 2003-04. He requested the Commission to look into this matter and reduce the burden on the consumers.

2.8.2 Response of the Petitioner

The Petitioner has stated that it is claiming depreciation as per the statutory notification of the Ministry of Power, GOI, which are applicable to Distribution Companies for their Tariff determination. It has also pointed out that the Depreciation is an essential component of the ARR, which is required to build internal resources for renewal/replacement of assets.

2.9 Investments

2.9.1 Objections

The majority of objections under this head relate to analyses of proposed investments and checking prudence thereof.

PHD Chamber of Commerce and Industry requested the Commission to examine the details of projected capital expenditure including the sources of funds, the equipment for which the orders have been placed, expected delivery of the equipment and installation thereof, while approving the proposed capital expenditure for the year. It has also requested the Commission to periodically monitor the progress of the project to ensure completion of all the proposed works within the targeted completion dates.

Delhi Transco Limited has pointed out that the petitioners have proposed large investments on land, building, establishment of a new corporate office, IT and communication, vehicles, testing equipment, tools and tackles, automatic meter reading, distribution automation, LT cleaning, meter and metering accessories, etc. It has further stated that the expenditure proposed to be incurred on SCADA, laying of new service lines, electrification of unauthorized colonies, establishment of new grid substations and improvement of 11 kV network seems to be highly inflated taking into consideration the recent trend in market prices and the expenses being incurred by DVB on similar works in the past.

Delhi Transco Limited has requested the Commission to evaluate whether the main objectives should be to incur essentially required expenditure to reduce the AT&C losses in a gradual manner besides improving the quality of supply and whether the consumer should bear upfront the cost of hi-tech projects such as substation automation, IT and Communication facility, etc. before the Distribution Companies become financially viable.

Mr. L. N. Aggarwal raised an apprehension that the Distribution Companies might be replacing the old/faulty transformers, etc. to create large assets for enhancing their Returns and Depreciation expenditure in the Aggregate Revenue Requirement.

Shri Rajan Gupta mentioned that the Petitioners have failed to provide safe feeder pillars and adequate LT ACBs in their sub-stations. Moreover, the Petitioners have also failed to provide copies of the Commission's approval along with the Petitions for all Cap-Ex schemes above Rs 1 Crore, which indicates that the claim of the Petitioner is vague and should be rejected.

Delhi Transco Limited has pointed out that the Distribution Companies have not made provision for payment for the cost of stores made available to them after deducting an amount of Rs. 5 Crore already paid by each of the Distribution Companies. It has quoted Clause 2 (a) of the Shared Facility Agreement in support which states as follows: *"Each of the item of material lying in the centralized stores pertaining to distribution functions shall be divided amongst the three Distribution Companies in equal share with a right to the Distribution Companies to adjust amongst themselves and vary the proportion of the stores based on their mutual agreement. Transco shall bill the DISCOMs for these stores on actual cost."*

2.9.2 Response of the Petitioner

The Petitioner has stated that the renovation of offices is being done in a phased manner as the Petitioner is required to provide a hygienic and clean office atmosphere to the employees so as to make them work effectively and efficiently. It has also pointed out that the major works of renovation have first been carried out in the Consumer Care Centres for the comfort of the consumers.

The Petitioner has stated that the investment on account of SCADA and electrification of unelectrified areas is essential from both social as well as economic points of view. It has mentioned that the GNCTD has also stressed the need for electrification of all such areas and has instructed the DISCOMs to complete the electrification by December 2004. The Petitioner has further mentioned that it is making its best efforts to come up to the expectations of the consumers of Delhi and has already devised a plan for electrification of unelectrified areas. As regards the implementation of SCADA, the Petitioner has stated that it would not only help in improving the quality and reliability of the power supply but will also help in increasing the revenue by reducing down-time of equipment and due to centralised collection and monitoring of data, energy audit, monitoring, etc.

The Petitioner has stated that it has submitted details of capital expenditure schemes to the Commission. The Petitioner has stated that as per the Transfer Scheme, any change in the valuation of stores and spares shall be adjusted in the current liability payable to the Holding Company including the security deposits taken over by the Petitioner over and above Rs 10 Crore in the Opening Balance Sheet. The Petitioner has further stated that the adjustments on this account cannot be included in the ARR.

The Petitioner has clarified that it has submitted the valuation report to the Commission. The Petitioner has pointed out that it can neither sell off nor give on lease, etc. any of the properties. Further, the Petitioner has stated that all the properties can only be utilized for the purpose of distribution of electricity and valuation of properties does not have any significance for Licensee or any other entity.

The Petitioner has clarified that as per the Transfer Scheme, any change in the valuation of Stores and Spares shall be adjusted in the current liability payable to holding company including security

deposit. The amount payable on this account is subject to reconciliation, which is in progress. In any case, any adjustment on this account cannot be provided in the ARR.

2.10 Employee Expenses

2.10.1 Objections

The Senior Citizens Forum has requested the Commission to critically examine whether the claimed revenue expenditure is necessary and to ensure that the Petitioner has undertaken adequate measures to reduce wasteful expenditure, improves productivity of labour and staff. While the objector has recognized that the Petitioner has inherited an inefficient and oversized organization from erstwhile DVB, it has requested the Commission to ensure that the consumers are not made to pay for the failure of the Petitioner to improve productivity and efficiency. Delhi Transco Limited has requested the Commission to scrutinize projected increase in the employees' cost despite considerable reduction of employee's strength through VRS schemes.

Vivekanand Puri Vikas Parishad have submitted that the Commission should reject the expense towards Special Voluntary Retirement Scheme (SVRS) indicated in the Petitions, since it would adversely affect the retail tariffs of the consumers. Mr. Vijay K. Gupta has suggested that the amount paid to employees under SVRS scheme should not be allowed under ARR, as benefit of this expense would be available to the Petitioner even beyond the Reform Period i.e. after FY 2006-07. Mr. Arun Kumar Datta has suggested that the SVRS expense should be borne by the Petitioner either from reserves or from his reasonable return. Senior Citizens Welfare Association has also requested the Commission to disallow the expenses related to SVRS. Several objectors during public hearing process, including Mr. Ved Kumar Gupta and Mr. Datta reiterated their concern over the VRS expenses and requested the Commission to disallow these expenses while approving the ARR.

DVB Employees Terminal Benefit Fund 2002 (Pension Trust) has pointed out that the Distribution Companies have not made any provision for the amount payable to the Pension Trust towards the additional liability to the Pension Trust because of SVRS implemented by the Distribution Companies for their employees. The estimate of such additional liabilities, pending detailed actuarial valuation, indicated by the Pension Trust is Rs. 242.98 Crore, Rs. 236.91 Crore, and Rs. 316.56 Crore for NDPL, BYPL and BRPL, respectively. This additional amount would be required for meeting disbursement requirements towards terminal benefits of employees who have opted for SVRS. This additional liability is attributable to separation of employees before their attaining the age of superannuation. The Pension Trust and Delhi Transco Limited have requested the Commission to consider the issue of inclusion of above liabilities in the ARR of the DISCOMs. Subsequently, the Pension Trust has withdrawn their submission.

Mr. Vijay K. Gupta suggested that some of the officers of erstwhile DVB, who were directly involved/associated in the disinvestment/transfer process at high pay and perks, should not be allowed to continue as employees of DISCOMs to maintain the code of conduct.

Northern Railway requested the Commission to disallow recruitment expenses to the Petitioners. Vivekanand Puri Vikas Parishad has pointed out that the new employees are earning very high salaries and perks, while the meter fixing and reading work is being outsourced to private agencies.

Mr. Ram Kumar sought a clarification on discrepancy in employee expense amount shown as Rs. 139.70 Crore on Page 122 of Vol. I of the Petition and Rs. 125.73 Crore on Page 123 of Vol. I of the Petition.

2.10.2 Response of the Petitioner

The Petitioner has stated that it is making substantial efforts to restrict overtime and improve productivity by training, instilling discipline, introducing modern and efficient management practices, reducing duplication of efforts and providing productivity enhancing tools, such as computers, etc.

Further, the Petitioner has added that it has introduced VRS scheme. The Petitioner has submitted that the VRS scheme would bring in benefits to the consumers of Delhi and that similar schemes have been successfully implemented in many other Companies and various Government Departments. The Petitioner has stated that VRS ex-gratia cost amounts to Rs. 95 Crore and the Petitioner has proposed to spread this cost over a number of years ensuring that the consumers do not bear any cost over and above what it would have cost the Petitioner had these employees been retained. The Petitioner has stated that the VRS cost is expected to be spread over the next 2.5 years or so and thereafter, the entire savings would accrue to the Petitioner and its consumers.

The Petitioner has stated that it has made its position clear to the DVB Employees Terminal Benefit Fund that all the terminal benefits over and above the ex-gratia payable to retiring employees are the liability of the Pension Trust for which the Pension Trust needs to have initial corpus. The Petitioner has also mentioned that it has contributed regularly to the Pension Trust for its employees.

2.11 Other Expenses

2.11.1 Objections

Mr. S. K. Aggarwal commended the Commission on the due diligence conducted on various expense heads to ascertain the admissibility of the expenses in the previous Order and requested the Commission to conduct due diligence on similar lines for the expenses claimed by the Petitioner. Further, he requested the Commission to compare the Distribution costs with other Distribution Companies in Mumbai and other places, and to specify the upper limit of these expenses to ensure that the Petitioner is prudent while incurring these expenses. PHD Chamber of Commerce and Industry suggested specifying normative limits for salaries, administration and general expenses, R&M expenses and others to curb the freedom of the Petitioners.

Mr. S. K. Aggarwal requested the Commission to direct the Petitioner to file the variance statements for each expense head indicating the expense as indicated by the Commission, the estimate of

the Petitioner and the reasons for the variations, to enable the Commission to look into the admissibility of the revised expenses.

Mr. Ram Kumar sought a clarification on discrepancy in expenditure other than power purchase amounts shown as Rs. 488.82 Crore under Form 1.3a (Alt) of Vol. I of the Petition and Rs. 881 Crore under Public Notice.

Mr. J.P Gupta, during the public hearing process stated that the Petitioners have projected higher level of expenses only to justify the request for increase in tariffs and to claim further subsidy from the Government. He requested the Commission to look into the admissibility of any such expenses and spare the consumers from any tariff increases due to higher expenses projected by the Petitioner.

2.11.1.1 R&M Expenses

Vivekanand Puri Vikas Parishad stated that the renovation programmes of the Petitioner, primarily in office renovation, should be carried out in a phased manner. Additionally, the objector has pointed out that the movable and immovable properties of the Petitioner have increased manifold, and has requested the Commission to consider this factor while deciding on tariff increases.

Mr. Arun Kumar Datta has suggested that the expense towards replacement of defective/burnt/tampered meters should not be charged through Tariff and should be borne either by the individual consumer or by the Petitioner.

2.11.1.2 A&G Expenses

Northern Railways requested the Commission to disallow expenses relating to brokerage, business promotion, miscellaneous items, etc. as stated by the Petitioners. Vivekanand Puri Vikas Parishad objected to the computerization programme of the Petitioner.

Mr. V. K. Gupta, Municipal Counsellor, MCD claimed that total dues payable by the three Distribution Companies to the MCD amounts to Rs. 844.16 Crore, which have not been indicated in the Petition specifically. The break up of the arrears is as given in Table 2.1 below:

Table 2.1 : The break-up of arrears by distribution companies to MCD

Sub Head	Approximate Amount
Ground rent and Encroachment charges upon Municipal Land	Rs. 259.7 Crore
Arrears of Electricity Taxes (including Rs. 536.92 Crore of dues from erstwhile DVB)	Rs. 552.51 Crore
Arrears of Property Tax (DVB)	Rs. 31.95 Crore
TOTAL	Rs. 844.16 Crore

The Objector requests the Commission to consider the above case and direct the Petitioner to clear the above arrears to the MCD.

Northern Railways suggested that the expense of Rs. 1 Crore towards litigation expenses should be recovered from defaulter consumers rather than through Tariff.

2.11.1.3 Interest on Long Term Loans/Interest on Security Deposit

Mr. Ram Kumar requested the Commission to review the inclusion of interest of Rs. 4.03 Crore on Security Deposit of Rs. 65 Crore as part of the allowed expenses as the actual quantum of Security Deposit in the Opening Balance Sheet is unresolved between the Petitioner and GNCTD.

2.11.1.4 Income Tax and Deferred Tax Liability

PHD Chamber of Commerce and Industry and Mr. S. K. Aggarwal have objected to the Returns being provided on a post tax basis and requested the Commission to review the inclusion of taxes on income and profits and deferred tax liability as allowable expenses.

Mr. Vijay Kumar Gupta, during the public hearing process, requested the Commission that the return provided to the Petitioner should be on pre tax basis and no such expenses on account of tax should be passed on to the consumer.

2.11.2 Response of the Petitioner

The Petitioner has stated that it has provided the break up of other expenses as per the requirement of the Commission. It has further pointed out that the Commission uses its own discretion in allowing overall expenditure under the category Administration & General Expenses.

The Petitioner has also expressed its agreement for stipulating a realistic upper limit or benchmark for other expenses. Further, they have suggested that any extraordinary, specific expenditure, which may be required as a one-time measure, should be allowed.

The Petitioner clarified that it has provided for interest on Security Deposit in accordance with the Section 47 of the Electricity Act, 2003 and the Directions of the Commission.

The Petitioner has stated that the renovation of offices is being done in a phased manner and is required to provide a hygienic and clean office atmosphere to the employees so as to make them work effectively and efficiently. It has also pointed out that the major works of renovation have first been carried out in the Consumer Care Centres for the comfort of the consumers.

As regards the computerisation program, the Petitioner has stated that computerisation of all the functions and processes are necessary for effective control and management to improve services to its consumers.

The Petitioner has stated that the Income Tax is computed based on returns, which are calculated strictly as per the Policy Directions.

The Petitioner has clarified that the Electricity Tax is levied by the MCD and the issue is outside the purview of DISCOMs. As regards the property tax arrears, the Petitioner has clarified that the title of all existing properties of the Petitioner are vested with the GNCTD. The Petitioner has further pointed out that MCD was levying property tax on these properties at institutional rates while the properties were in possession of erstwhile DVB. However, the MCD has been assessing the property tax on commercial rates after take over of operations by the Petitioner. The Petitioner has stated that it has taken up the matter with MCD and MCD has agreed to revise the property tax to the institutional rates. The Petitioner has further mentioned that it would pay the required amount as soon as the representation is decided.

2.12 Truing up

2.12.1 Objections

Shri Rajan Gupta has suggested to the Commission that the truing up should be done on actuals and based on prudence checks, as per the earlier Orders. Since the current Petition is based on the revised estimates and not on actuals for FY 2003-04, the Commission should not allow truing up of these expenses.

2.12.2 Response of the Petitioner

The Petitioner has stated that all truing up of expenses have been supported by facts. The Petitioner (NDPL) has stated that estimated revenue requirement for FY 2003-04, as filed in the ARR Petition for FY 2003-04 and approved by the Commission, was on the basis of the estimates prepared in advance. The Petitioner has further stated that the expenses projected were based on the expenses incurred in the initial nine months after take-over (July-2002 to March-2003) which cannot be considered as a representative bench mark due to the time taken in establishing systems and identifying areas requiring immediate attention. Consequently, based on actual expenditure incurred during the year, the Petitioner has revised its projections. Regarding reduction in BST, the Petitioner has pointed out that the BST for FY 2003-04 was fixed by the Commission on the basis of projected revenue realized and ARR and the same needs to be trued up for actual revenues and expenses. As the BST cannot be retrospectively revised for FY 2003-04, the same can be adjusted by reduction in the BST.

2.13 Return on Equity

2.13.1 Objections

PHD Chamber of Commerce and Industry and Mr. S. K. Aggarwal have requested the Commission to look into the basis of calculating the Return claimed by the Petitioner. PHD Chamber of Commerce & Industry also suggested reduction in rate of return on equity for the DISCOMs to less than 16% on account of reduction in interest rates in the market. It has suggested that the return should be worked out on the basis of "Equity plus free reserves at the beginning of the year" instead of "Equity plus free reserves at the end of the year". Senior Citizens Welfare Association

requested the Commission to reconsider the 16% guaranteed returns provided to the Petitioner, since there are no discernible efficiency improvements shown by the Petitioners.

Energywatch argued that the 16% returns is not sacrosanct and requested the Commission to also consider other factors like, interest of consumers, efficiency, economic use of resources and good performance, which are mentioned in Section 29 of ERC Act, 1998 and Section 28 of Delhi Reforms Act, 2000.

Mayurdhwaj Residents Welfare Association requested the Commission to reduce the ROE to 10% and abolish all other subsidies and grants.

Northern Railways have suggested that the Commission may review the rate of 16% return on equity in view of the general inflation rates of consumable commodities.

Mr. Ram Kumar has sought a clarification on discrepancy in the amount of returns, which is shown as Rs. 50.18 Crore on Page 15 of Vol. I of the Petition and Rs. 4.23 Crore under Form 1.3 of the Petition.

2.13.2 Response of the Petitioner

The Petitioner has clarified that DISCOMs are entitled for 16% ROE as per Policy Directions issued by the GNCTD under DERA 2000, interest on loan is pass through ion ARR and any under achievement in AT&C loss reduction impacts the ROE adversely.

2.14 . Demand Estimation

2.14.1 Objections

PHD Chamber of Commerce and Industry requested the Commission to look into the assumptions of demand growth for FY 2004-05. Delhi Transco Limited requested the Commission to carry out careful scrutiny of the assumptions made by the Distribution Companies regarding sales, consumer mix and realization in respect of various categories of consumers. It has further pointed out specific assumptions, which need detailed scrutiny, as follows:

- Revised estimation of units sold by BRPL and BYPL is considerably less than that considered by the Commission for FY 2003-04.
- NDPL has projected an increase of 14% in the domestic category over the projected sales in FY 2003-04 which is 19% higher than the sales in the previous year FY 2002-03 and has projected proportionately less sale of energy in other higher tariff categories such as industrial and commercial.
- Even though NDPL has lesser number of unauthorized colonies to be electrified in its license area as compared to the other two DISCOMs, it has projected a load growth of 14% in domestic category as compared to 6 to 7% projected by BRPL and BYPL in the domestic category.

- Even though most of the conforming industrial areas, where the industries are being relocated from nonconforming areas, fall under the jurisdiction of NDPL, NDPL has shown a negative growth for the industrial category.
- The load growth projection needs to be scrutinized especially in the context of the large scale electrification of unauthorized colonies proposed by the DISCOMs, installation of new water treatment plants/effluent/sewage treatment plants, Commissioning of new metro rail section and development of new areas by various agencies such as DDA, MCD and DSIDC, etc.
- As regards the projection of quantum of power purchase for FY 2004-05, BYPL and NDPL have shown no growth and BRPL has shown a marginal growth of 0.5%.

2.14.2 Response of the Petitioner

The Petitioner has stated that the 14% increase projected for FY 2004-05 is in line with the 3 year CAGR for Delhi. Similarly, negative growth projected for industrial consumers is in line with the 3 year CAGR of approx. (-) 3% for LIP consumers in Delhi on account of most of the industries being relocated out of Delhi and the expected increase in load of Bawana, which is unlikely to materialize in the near future.

2.15 Treatment of past Arrears Collected

2.15.1 Objections

Mr. Vijay K. Gupta expressed his apprehension over misappropriation of DVB arrears. Mr. Anil Sood of Chetna stated in his representation and during the public hearing that the Petitioner retains 20% of past arrears and does not include them in the ARR. They have objected to this treatment and requested the Commission to include the 20% amount retained by the Petitioner as income in the ARR.

As regards the non-inclusion of DVB arrears as part of revenue, PHD Chamber of Commerce and Industry opined that incentive charges arise because the Petitioner is in the business of distribution and should therefore, be rightly included as a part of Non-Tariff Income for the purpose of determining ARR.

2.15.2 Response of the Petitioner

The Petitioner has pointed out that the Transfer Scheme does not make it obligatory for the Petitioner to collect the past arrears. The Petitioner has further stated that collecting past arrears requires extra efforts and the incentive of 20% is nothing but a collection charge. The Petitioner has reiterated that this collection charge should not be considered as a non-tariff income for tariff determination.

The Petitioner has further pointed out that it is a Public Limited Company and its accounts are subject to audit apart from scrutiny by the Commission, and charges of misappropriation are baseless.

2.16 Tariff Policy and Tariff Structure

2.16.1 Objections

There has been a very encouraging response from the stakeholders conveying suggestions on this aspect. The responses have ranged from suggestions regarding various factors to be considered for revision of tariff, rationalization of various consumer categories, tariff for different type of consumers, tariffs for licensee, creation of new categories/definition of categories etc.

2.16.1.1 Tariff Policy

Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) appreciated the transparency brought about by the Commission in regularization of tariff for Bulk and Retail supply of electricity and restructuring of tariff carried out by the Commission by way of removal of Minimum Charges and Excess Consumption Misuse. Its President, Mr. Ved Prakash Gupta lauded the efforts of the Commission towards the rationalisation of tariff in the Commission's previous Tariff Orders issued on June 26, 2003.

All India Plastic Industries Association requested the Commission to design the Tariffs by laying down certain objective criteria on losses and expenses. The Association also requested the Commission to prepare a comparative picture before granting any increase in the Tariff rates or change in the Tariff structure. It has further requested the Commission to monitor the quality and consistency of power supply on a continuous basis.

Several objectors have strongly objected to any increase in tariffs. Mr. S. N. Ghosh suggested that the tariff revision should not be granted for a period of at least 3 years. Several objectors have requested the Commission to evolve a method to reduce the theft of power, which could lead to reduction in tariff. Dr. R. L. S. Choudhary and Vivekanand Puri Vikas Parishad have emphasized that the theft of power should not be taken as expenditure as it penalizes the honest consumer who ends up paying on behalf of the dishonest consumers. IMD Employees Co-Op Housing Society Limited and Mukhija & Associates have suggested that the consumers should be charged at the actual cost of supplying power and should not be burdened with high level of commercial losses.

As regards the comparison of tariff with neighbouring States to justify the proposed tariff hike, Mr. Vijay K. Gupta pointed out that such comparison is meaningless as none of the compared States receive bulk supply at a rate as low as Delhi, which ranges from Rs. 1.25 per unit to Rs. 1.60 per unit.

Jhilmil Industrialists Association stated that the DISCOMs were constituted with the primary objective of reducing the AT&C loss levels. Therefore, till the AT&C losses are brought down to acceptable levels, there should not be any increase in the Tariffs across categories. Mr. Jain of Naraina Small Industries Welfare Association Phase – I stated that not providing authorised connections to the genuine consumers invites thefts and the DISCOMs should review their connection sanctioning modalities.

All India Plastic Industries Association suggested that a reduction in the Tariff rates would enable higher collections and reduced losses, and cited the example of reduction in Income Tax rate, which has resulted in lower tax evasion and increased revenues for the Central Government.

Mr. Mohinder Pal requested the Commission to reconsider the Tariff rates for Domestic and Farm houses, Non-Domestic single phase and 3-phase (upto 15 kW connection), SSI and LIP (having more than 15 kW connection) and Agriculture, with the objective of reducing the burden on consumers.

2.16.1.2 Cross Subsidy

Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) expressed that the subsidies should be continued for agricultural category. Its President, Mr. Ved Prakash Gupta stated, during public hearing, that the subsidies should also be extended to economically weaker sections of the society. Parivartan has suggested that the cross subsidy for various categories should be removed, and the cross subsidy amount should be borne by GNCTD and not by other consumer categories. Delhi Jal Board has requested that their tariff should not exceed the real cost of supply and should not meet any part of the cross subsidization of any class or category of consumers. Mr. M.G Ramachandran, counsel for Delhi Jal Board clarified during public hearing that they are not requesting for a subsidy but looking for a reasonable tariff which should be reflective of cost of supply. Mr. V.K Goyal suggested that the agricultural tariff should be increased to reduce the cross subsidization.

Northern Railway requested the Commission to ensure that the Petitioner submits details of the embedded costs and the related cross subsidies and also ensure that the subsidies are not charged to the Railways. They have also suggested advance payment of subsidies by the State Government and eventual elimination of cross subsidies.

2.16.1.3 Industrial Tariffs

Bal Kishen Bansal and Jhilmil Small Industries Association have suggested that the power factor should be assessed on the basis of actual kWh, kVAh and kVA readings. Several respondents have objected to the proposal of assessing SIP consumers on LIP basis for past six months and for the next twelve months in the event of MDI showing 100 kW or above and have suggested that such assessment should be restricted to the particular month of MDI recording. Naraina Small Industries Welfare Association Phase-I has further brought out that the proposal of penalty for the next 12 months is not only unreasonable but also ultra vires to the Electricity Act 2003 and should not be accepted. Manufacturers Association DSIDC Industrial Complex has submitted for the Commission's consideration that while deciding the change from SIP to LIP, the average demand load of twelve billing cycles (full year) should be taken into consideration, as some industries are seasonal in nature.

Patparganj F.I.E. Entrepreneurs Association has requested the Commission to introduce an incentive scheme for SIP consumers based on actual T&D loss levels in the region. Its representative, Mr. Sunil Kapoor stated during public hearing that an incentive in the form of 100% increase in the upper limit of Connected Load should be extended to SIP consumers residing in the regions where T&D losses are within the limit. Further, by distributing the incentive to all consumers within the area on proportionate basis, the consumers would help to ensure that there is minimal theft in their area. The Association in their subsequent submission to the Commission supported the suggestion of Petitioner to have single tariff for Non Domestic, MLHT, SIP, LIP, categories in order to rationalize the tariff and eliminate the unnecessary harassment by the DISCOMs.

Mayapuri Industrial Welfare Association pointed out that many SIP consumers have installed machinery close to each other due to acute scarcity of space, and are being treated as LIP by the Petitioners, inspite of having got independent connections. Its representative Mr. O.P. Kapoor requested the Commission in public hearing to clarify the applicability of Tariff Category. Mr. R.S. Gosain representing Continental Device India Limited (CDIL) stated that the tariff for LIP should principally be less than small consumer because the service cost of DISCOM to such large consumer is very less. He stated that the LIP and SIP categories should not be merged. He also endorsed that the tariffs should be MDI based and resetting of MDI should be allowed at periodic intervals.

Mr. R. P. Jain has objected to advance consumption charges of Rs. 1,500/kW for industrial consumption. He requested the Commission to consider levying of advance consumption charges based on 1.5 to 2.0 months consumption instead of 6 months average consumption.

2.16.1.4 Domestic Tariffs

IMD Employees Co-op Housing Society Limited, Mukhija & Associates and Delhi Power Consumers' Guild have suggested that the tariffs for the Domestic category should be substantially lowered and professionals operating from their residences should be also considered under Domestic category for the purpose of levying Tariff.

Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) has requested that the rates for the domestic category should be charged at cost of supply without any profit element.

2.16.1.5 Hospitals

The Indraprastha Apollo Hospitals thanked the Commission for systematic and polite dealing with the public. It also thanked the Petitioner (BRPL) for prompt response and eagerness to resolve the issues. It stated that the quality of supply has improved in Delhi and the power cuts have reduced substantially. The Indraprastha Apollo Hospitals has suggested in their representation as well as at the public hearing before the Commission that hospitals, being important constituents of social infrastructure of NCT of Delhi, should be charged tariffs by creating a separate tariff category and should not be charged under MLHT category. It stated that as the maintenance costs are minimum

and there are no thefts or bad debts on the part of hospitals, its tariff should be linked to the cost of supply and cross subsidization to other categories should not be allowed.

2.16.1.6 Delhi Metro Railway Corporation (DMRC) Railway Traction

DMRC has detailed the various discussions it has had with the Petitioner and the Government of NCT of Delhi and requested the Commission to consider the following suggestions:

- Maintain the Tariff as per earlier Order of the Commission
- Determine the Tariff for use of electricity in the proposed IT Park at concessional level as compared to commercial and business establishments
- Direct the Petitioner to provide Single Point Delivery for establishments and residential colonies as and when required by DMRC

Mr. Vijay K. Gupta suggested that tariff to DMRC for supply at voltages other than 220 kV should be charged at the same rate as that of supply at 220 kV. He has expressed his opinion that current tariff of Rs. 2.30 per unit is on higher side considering the current BST of Rs. 1.20 to Rs. 1.60 per unit. Mr. Arun Kumar Datta suggested that DMRC should be allowed to source power directly from NTPC and NHPC.

'Parivartan' objected to the creation of a special Tariff for DMRC, and argued that if any preferential Tariff is given for DMRC due to socio-political considerations, the difference between the tariff and the cost of supply should be borne by the State Government.

Federation of Rohini CGHS suggested that the DMRC should be supplied power at cost of supply and there should not be cross-subsidy burden on DMRC. Mr. Rajamani suggested that Railways and DMRC tariffs should be linked to cost of supply.

2.16.1.7 Railways

Northern Railways suggested that Railway hospitals should be charged Tariffs under the Domestic Category. Mr. Narottam Das, Northern Railway requested the Commission during public hearing to consider granting specific relief by way of reduction in existing Tariff, exemption from payment of penalty charges on over drawl, applicability of single part Tariff for Railways (similar to that approved by Punjab SERC), and Tariff at par with DMRC since they are serving the same purpose of running EMUs/MEMUs in and around Delhi. Northern Railway has provided a comparison of railway traction tariffs across various States as given in Table 2.2 below:

Table 2.2 : Railway Traction Tariff across various states

Particulars	HVPNL	Delhi	UPPCL	PSEB
Effective from	September 2001	July 2003	June 2003	May 2003

Particulars	HVNL	Delhi	UPPCL	PSEB
M. D. Charges Rs/kVA	60	150	165	Nil
Energy Charges Rs/kWh	3.85 (132 kV) 3.77 (220 kV)	3.75/kVAh	3.45/kVAh	4.47

Northern Railway requested the Commission to consider the following additional suggestions:

- Levy of late payment surcharge only on payments delayed beyond 60 days of receipt of electricity bill.
- Continue exemption from payment of Electricity Duty at 5%.

Mr. Narottam Das, Chief Engineer, Northern Railways, requested to the Commission to fix reasonable tariff for Railways during public hearing. They contended that since, Railways are a public Utility and a bulk consumer, the tariff for Railways should be linked to cost of supply without any cross-subsidisation.

Railways further submitted before the Commission in a rejoinder that any hike in tariff for railways would have a cascading effect on prices of commodities, raw materials and finished products.

2.16.1.8 Co-Operative Group Housing Societies – Single Delivery Point

Mr. Jagan Puri brought out that the Co-operative Group Housing Societies, who receive power at a single point and in turn distribute power to their members, are selling power at self decided rates benefiting the higher consumption category and overcharging the lower consumption category. It has requested the Commission to direct the Societies to charge their members at the same rates, which are applicable to all other domestic consumers living outside the Societies.

Mr. R.N.Gujral representing the Federation of Group Housing Societies submitted that the Tariff for common services like street lighting within the premises of the Societies should be levied at a minimum rate, as these are essentially civic services being performed by the Societies.

Mr. Anil Sood, Chetna in his representation to the Commission and also during the public hearing requested the Commission to review the Tariffs for CGHS and provide additional rebates to the CGHS for facilitating the setting up of the system and reducing the cost of the Petitioner. Ms. Neeta Gupta has suggested that the rebate provided to CGHS consumers should be enhanced to 30%. Delhi Dal Mills Association and Federation of CGHS Dwarka Limited have requested the Commission to consider providing a rebate of the order of 25% to 35% to 11 kV SPD for CGHS. Dr. Suman Kr. Verma representing the Federation of CGHS Dwarka Limited requested the Commission to increase the first slab of Tariff for CGHS from 11.2% to 22.4% of consumption.

2.16.1.9 Others

Delhi Dal Mills Association suggested adopting a new concept of Tariff categorization based on supply voltage, for example, HT 33 kV category, HT 11 kV category and LT 220/440 V category. Mr. Bhupendra requested the Commission to direct the Petitioners to introduce "pre paid" electricity meters, on lines similar to "pre paid" mobile phones.

All India Plastic Industries Association requested the Commission to introduce an element of competition between the Distribution Companies.

Chetna has argued that the Petitioner is not collecting additional security deposit from the posh colonies even though their consumption has gone up by over 2 to 5 times and has requested the Commission to enhance the security deposit and include the additional revenue in the Tariff computations. Mr. Anil Sood requested the Commission that the Petitioners should be directed to collect the additional security deposit. This will reduce some financial burden on the consumers.

2.16.1.10 Merging of Tariff Categories

Delhi Dal Mills Association welcomed the suggestion to merge the four categories, i.e., NDLT, MLHT, SIP and LIP. As regards the proposal to merge tariff categories, Federation of Delhi Small Industries Associations, All India Federation of Plastic Industries and Mayapuri Industrial Welfare Association opined that the Commission should levy the same tariff for all categories of consumers. Continental Device India Limited objected to the proposal of merging LIP category with other categories.

Naraina Industries Association Phase-I & II suggested that there is no need to have different tariff categories based on the paying capacity of the consumers in view of the changing economic and political scenario. Mr. Jain of Naraina Small Industries Welfare Association Phase-I suggested in the public hearing that the number of tariff categories should be reduced. Mr. Kasturi Lal Ajmani suggested that there should be a reclassification of categories and tariffs for consumers, based on their economic status, like poor class, middle class and Aristocrats and non-domestic categories.

National Forum Against Crime & Corruption, New Rohtak Road Manufacturers Association, Manufacturers Association DSIDC Industrial Complex and Mr. V. K. Gupta, Municipal Counsellor, MCD have objected to the proposal of merging non-domestic power consumers with industrial consumers. Wazirpur Industry Association has pointed that merging of categories would burden SIP and non-domestic consumers with the demand charges and higher tariff. IMD Employees Co-Op Housing Society Limited and Mukhija & Associates have brought out that such a move would put the efforts of Honourable Supreme Court to clean the environment of the city in the reverse gear. Instead, it has suggested that the tariff for industries in the conforming industrial areas developed as per Master Plan of Delhi should be lower as compared to industries in non-conforming areas, lal doras, village abadis and agriculture land.

Mr. Vijay K. Gupta and Mr. L. N. Aggarwal have suggested that LIP/SIP slabs should be designed on the basis of consumption and not on the basis of either Connected Load or MDI. Delhi Dal Mills

Association has objected to the suggestion that MDI information should be the basis for deciding LIP/SIP, on the grounds that the power load keeps varying depending on various factors.

Naraina Small Industries Welfare Association Phase-I, New Rohtak Road Manufacturers Association, Bhartiya Janta Party, Delhi Pradesh (Industrial Cell), Manufacturers Association DSIDC Industrial Complex and Friends Colony Industrialist Association have requested the Commission to devise a separate Tariff category for SIP consumers consuming between 100 to 300 kVA with higher Energy Charges as compared to SIP category and zero Demand Charges. The rationale suggested is that the energy consumption level for such SIP consumers does not fully absorb the Demand Charges levied.

Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) expressed its agreement for reduction of number of slabs for domestic category. It's President, Mr. Ved Prakash Gupta opined during public hearing that there should be two domestic consumer slabs of upto 500 units and above 500 units.

Residents Welfare Association, Jan Kalyan Samiti, Federation of Rohini CGHS and Mr. S. N. Ghosh have objected to the suggestion of reducing the number of slabs within a tariff category on the grounds that slabs have been revised twice in the past 2 years. Mr. G. C. Goyal has requested the Commission to maintain the existing 4-slab structure for another 3 to 4 years.

Delhi Dal Mills Association and Ms. Neeta Gupta have requested the Commission to reduce the Tariff gap between domestic and non-domestic/industrial tariffs and also abolish the slabs available to domestic consumers, since these slabs are giving undue benefits to domestic consumers with lower consumption.

2.16.1.11 *Creation of new Categories/Definition of Categories*

Udyog Nagar Factory Owners Association objected to introduction of new categories fearing increase in Tariffs. Their representative, Mr. Kamal Kiran Seth suggested during public hearing that there should be one category of industrial consumers and that SIP/LIP should be done away with to streamline the billing and avoid harassment to consumers. As regards the suggestion of introducing a separate LT Mixed Load Tariff Category, Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) has expressed its opinion that there is no need for any new category and introduction of the same might encourage corruption and theft.

Senior Citizens Welfare Association suggested that concessional tariffs should be charged to senior citizens. Mr. Ved Kumar suggested creation of a separate category of senior citizens for fixing up the tariffs.

Mr. Rajamani representing the National Forum Against Crime & Corruption objected to introducing new Tariff categories for those running commercial businesses from their residence, since earlier DVB rules provide for charging non-domestic rates to such consumers.

Mr. V.K Goyal representing 'Parivartan' in his written submission as well as during public hearing suggested that the Farm Houses in Delhi are used for commercial purposes and should be charged under the non-domestic category. Parivartan and Mr. V. K. Gupta, Municipal Counsellor, MCD have objected to the proposal to create a separate category for mixed commercial and residential load premises, stating that this will affect the consumers who are operating offices in residential areas. Instead, they have suggested that the Petitioner should install two separate meters for commercial and domestic load and bill accordingly.

The Delhi Jal Board requested the Commission to create a separate category for them, since they are a public Utility service agency with social obligations. The Delhi Jal Board has requested the Commission to approve the following specific Tariff related issues:

- Revise the current Tariff for supply of electricity to Delhi Jal Board.
- The connected load should be restricted to the electricity used and should not cover the standby equipment maintained by the Delhi Jal Board.
- The cost of electricity should be based on the real cost of supply.
- Direct the Petitioner to maintain reliable supply of electricity and provide good quality service.

Delhi Jal Board further pointed out that the Petitioner has been supplying electricity from substations, which at many points are constructed on the land made available by Delhi Jal Board at its cost.

2.16.2 Response of the Petitioner

2.16.2.1 Tariff Policy

No specific response received from the Petitioner

2.16.2.2 Cross Subsidy

The Petitioner has stated that it is in agreement with the views of respondents regarding the elimination of cross subsidies among different categories of consumers and supports the idea of single tariff for all consumers. The Petitioner has further pointed out that the Electricity Act 2003 also prescribes the elimination of cross subsidies and all the Regulatory Commissions and Utilities are expected to phase out cross subsidies in a time bound manner.

2.16.2.3 Industrial Tariffs

The Petitioner has clarified that the Consumption Deposit has been calculated to account for 3 months consumption of the consumer after factoring in all the factors of usage such as load factor, working hours, working days per month, etc. The Petitioner has further stated that the assessed consumption based on these factors work out to 15% to 20% of the effective load.

The Petitioner has stated that it is fully geared to carry out the Energy Audit exercise in all the industrial areas; however, it is the prerogative of the Commission to determine incentive structure to the consumers of the area.

2.16.2.4 Domestic Tariffs

No specific response has been received from the Petitioner.

2.16.2.5 Hospitals

The Petitioner has stated that determination of tariff for different categories is the prerogative of the Commission and any change with regard to the tariff structure can only be undertaken by the Commission.

2.16.2.6 Delhi Metro Railway Corporation (DMRC) and Railway Traction

The Petitioner has requested the Commission to determine the tariff of DMRC at voltages other than 220 kV.

The Petitioner has stated that considering the special requirement of DMRC, a separate category of tariff has been defined in Delhi. Any reduction in tariff for this category would tantamount to increase in cross subsidies and would be against the tenets of the Electricity Act, 2003.

As regards the tariff to Railways, the Petitioner has submitted that determining tariffs for different categories is the prerogative of the Commission and any change in the structure of tariff can only be undertaken by the Commission.

As regards the penalty charges on account of over-drawl by Railways, the Petitioner has stated that there is a need for further deliberation on this issue to arrive at a logical arrangement.

2.16.2.7 Railways

No specific response has been received from the Petitioner

2.16.2.8 Co-Operative Group Housing Societies – Single Delivery Point

As regards the suggestion of increasing the rebate to CGHS consumers, the Petitioner has pointed out that the complete network and infrastructure upto the transformer of CGHS is installed and maintained by the Petitioner at its own cost. It is only the LT network and distribution transformers, which are installed and maintained by the CGHS, for which the CGHS gets a discount of 15% on their bill amount. The Petitioner has further stated that it is comparatively economical to manage energy losses in the Co-operative Group Housing Societies as compared to the SPD area. Considering these factors, the Petitioner has opined that the rebate of 15% offered to CGHS is reasonable and should be maintained at the same level. As regards charging of common services for CGHS at a minimum rate, the Petitioner has clarified that these common services are being charged at the highest slab in the Domestic Category. It has submitted that the slab benefit for electricity consumption is already claimed by the domestic consumers against the electricity

connection in their residences and the consumption towards common services is in addition to the consumption made by them in the premises. Hence, the Petitioner has stated that it has been charging these common services at the highest slab in the Domestic Category.

As regards the security deposit, the Petitioner has expressed its agreement with the suggestion to enhance the security deposit to the current level of consumption of the consumer and has mentioned that it has sought the approval of the Commission to implement the same.

2.16.2.9 Merging of Tariff Categories

The Petitioner has expressed its agreement with the view of the stakeholders that the present system of slabs for Domestic Category is an inefficient method and has suggested single tariff for all categories to eliminate this inefficiency.

The Petitioner has stated that it is in agreement with the view regarding the elimination of cross subsidies among different categories of consumers and supports the idea of single tariff for all consumers. The Petitioner has also reiterated its suggestion of single tariff for non-domestic, MLHT, SIP and LIP consumers, which will make slab design for SIP/LIP, etc. redundant. The Petitioner has further stated that it is committed to rationalization of tariff within the regulatory framework determined by the Commission.

2.16.2.10 Others

No specific response has been given by the Petitioner

2.16.2.11 Creation of new Categories/Definition of Categories

The Petitioner has expressed its agreement with the suggestion that the number of categories should not be increased. It has suggested that number of categories should be reduced. As regards the concessional tariff for senior citizens, the Petitioner has opined that differential tariff for senior citizens will tantamount to discrimination amongst consumers and would be against the basic tenets of the Electricity Act, 2003.

2.17 SPD Connections

2.17.1 Objections

Rangpuri Pahari Basti has requested for direct supply from the Petitioner instead of SPD Contractor, to improve available quality of supply

Pooja Electricals, Bajrang Vidyut Company Pvt. Ltd. and Sahyog Power Contractors have highlighted that erstwhile DVB, vide Commercial Agreement dated October 18, 2000, had agreed to pay Commission of 20% of revenue to the SPD Contractor in addition to 27% deduction in energy bill. Since the Agreement is valid for 7 years and binding upon the successor entities of DVB, the Objectors have requested the Commission to make commensurate provision for costs. The

objectors during the public hearing requested the Commission that the matter must be resolved at the earliest because they have invested a lot of capital and time on setting up their infrastructure and the Petitioners are not honouring their commitments as per the contract. Pooja Electricals further submitted that as the contractor is a wholesale bulk trader, the tariff for SPD Contractors should be fixed by the Commission.

Mr. V. K. Gupta, Municipal Counsellor, MCD, suggested that the SPD system for Contractors is leading to pilferage and suggested that the SPD system be handed over to the Co-operative Societies. Mayurdhwaj Residents Welfare Association suggested that the Commission might direct the Petitioner to hand over the local distribution in urban areas to local Co-operatives and NGOs under the SPD scheme.

2.17.2 Response of the Petitioner

The Petitioner has clarified that the Commission of 27% offered to the SPD Contractors is as per the Contract. It has further stated that it is in the process of abolishing SPD contracts and converting them into Franchisee Concept in line with requirements of the Electricity Act 2003.

2.18 SPASHT (Scheme for a set of SIP and/or LIP Consumers) Connections

2.18.1 Objections

Naraina Small Industries Welfare Association Phase-I expressed its support in favour of the of the SPASHT scheme proposed by NDPL. Under the SPASHT scheme, one of the consumers designated as Lead Consumer out of the pool of 3 to 4 consumers, is made responsible for payment on the basis of reading of Master Meter reading less the readings of the other meters installed at the premises of the pool of the consumers. The scheme makes the Lead Consumer responsible for avoiding any unauthorized access to the connection issued under the SPASHT scheme. Mr. Jain of Naraina Small Industries Welfare Association Phase-I further requested during public hearing to adhere to NDPL's SPASHT scheme proposed earlier and not to go ahead with proposed modification under the agreement. It has also requested that the SPASHT scheme should be extended to Co-operative Group Housing Societies.

2.19 Fixed Charges

2.19.1 Objections

In this segment, the suggestions pertained to the rationale for levy of Fixed Charges, the rate and the manner of levy.

Several Respondents have objected to the proposed increase in Fixed Charges. [Mentioned by Mr. Jain, Naraina Small Industries Welfare Association Phase-I, Mr. V.P. Gupta, Bhartiya Janta Party, Delhi Pradesh (Industrial Cell), Jan Kalyan Samiti, Mr. G. C. Goyal, Udyog Nagar Factory Owners Association, Mr. Arun Kumar Datta, Mr. Ved Kumar Gupta, Mr. Bhupendra, Federation of CGHS Dwarka Limited] New Rohtak Road Manufacturers Association, Continental Device India Limited,

Federation of Rohini CGHS, Mr. Kuldeep Chuckoo, President, Friends Colony Industrialist Association, Mr. R.N. Gujral and Parivartan have suggested that the Fixed Charges should be abolished, till the time uninterrupted power supply can be guaranteed. Mr. A.K. Gupta, Friends Colony Industrialist Association, Delhi Dal Mills Association, and several individuals have recommended the abolition of Fixed Charges for SIP and domestic consumers in their representation before the Commission and during the public hearing.

Mr. Vijay K. Gupta and Manufacturers Association DSIDC Industrial Complex have opposed any change in the Fixed Charges on the grounds that it was introduced last time after considering all the aspects in the matter. Reserve Bank Staff Co-operative Housing Society Limited, Mr. L. N. Aggarwal and Mr. S. N. Ghosh have expressed its opinion that the whole concept of recovery of Fixed Charges is ill conceived and its recovery based on the Sanctioned Load is highly unscientific and discriminatory. The objector has requested that the old system of meter rent at Rs. 12 per month should be reintroduced in place of the Fixed Charges. IMD Employees Co-Op Housing Society Limited and Mukhija & Associates have suggested that the Petitioner should take necessary steps to reduce the fixed expenses to lower the break-even point. Federation of Delhi Small Industries Associations, All India Federation of Plastic Industries, Delhi Power Consumers' Guild and Mayapuri Industrial Welfare Association have requested that the Fixed Charges should be reduced to 50% of the existing rates.

Mr. B. N. Ahuja objected to the proposal of levy of Fixed Charges based on Maximum Demand on the grounds that an ordinary consumer would not understand the concept. Naraina Small Industries Welfare Association Phase-I and Ms. Neeta Gupta have supported the proposal of levy of Fixed Charges based on Maximum Demand recorded by the electronic meter instead of the Sanctioned Load. Mr. V.K Goyal suggested introduction of fixed charged based on per capita consumption basis and suggested the example that the 50 units per person per month can be taken as benchmark figure to arrive at the fixed charged per household.

As regards the interim proposal of levy of Fixed Charges based on normative consumption for each category of consumers, Naraina Small Industries Welfare Association Phase-I, Federation of Delhi Small Industries Associations, All India Federation of Plastic Industries and Naraina Industries Association Phase-I and II have suggested that the normative consumption for the Industrial category for the purpose of assessment of Fixed Charges should be fixed at 200 units/kW/month instead of the proposed level of 150 units/kW/month. Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) and Manufacturers Association DSIDC Industrial Complex have pointed out that the assessment of Fixed Charges based on 150 units/kW/month is based on an erroneous assumption of 10 hours working of the industry, which is not universally true.

Mr. B. N. Ahuja pointed out that the interim proposal of levy of Fixed Charges based on normative consumption of 96 units/kW/month for domestic consumers would be a burden on consumers having a load of 5 to 10 kW. Sukhdev Vihar SFS (Pocket 'A') Residents Welfare Association has suggested that Fixed Charges should not be levied on the basis of 30 units per kW per month. The

suggestion is extended based on the assumption that a Domestic Consumer on an average may be using 25% of maximum demand for about 4 hours on daily basis. Levy of Fixed Charges for 12 months on maximum demand basis would penalize domestic consumers for occasional use of the appliances. He further pointed out that percentage utilization of electrical appliances in the domestic category is quite low as compared to that of industrial/commercial consumers and may vary widely from family to family. Mr. Anil Gupta of Friend Colony Industrialist Association mentioned that the fixed charges should not be a part of tariff structure, as the Fixed Charges are not being charged by TRANSCO to DISCOMs.

Railways suggested that Levy of Fixed Charges should be based on recorded MDI instead of Sanctioned Load.

Mr. R.S. Gosain, Continental Device India Limited stated that since the fixed charges are levied on the principle of "readiness of supply", a provision of rebate should be introduced, in case, there is no supply from the DISCOM. Mr. Rajamani suggested that the fixed charges should be levied in conformity with the actual costs.

Mr. V. K. Gupta, Municipal Counsellor, MCD, suggested that the Fixed Charges should not be levied, and has given the example of Haryana, where Fixed Charges are not levied.

2.19.2 Response of the Petitioner

The Petitioner has stated that Fixed Charges are not levied to cover any inefficiency of the DISCOMs but are levied to cover fixed expenses/cost of DISCOMs. The Petitioner has pointed out that the current Fixed Charges are on the lower side as it covers only part of the fixed expenses of the Petitioner. Further, in support of the proposal of increase in Fixed Charges, the Petitioner has cited the example of Uttar Pradesh, where Fixed Charges are between Rs. 50 to Rs. 250 per month (as per the Connected Load) for Domestic consumers as compared to Rs. 10 per kW per month in Delhi.

The Petitioner has submitted that the Fixed Charges are meant for recovering the fixed expenses of the Petitioner, which are directly proportional to the Sanctioned/Connected Load, as the Petitioner is required to establish and maintain infrastructure and network corresponding to the Sanctioned/Connected Load of the consumers even though the Industrial consumer may be using the load for part of the year/month. As regards the suggestion of levy of Fixed Charges based on consumption and load factor, the Petitioner has opined that the suggestion should be implemented, as the Sanctioned Load of large number of consumers in Delhi is not even a fraction of the actual load used by them. The Petitioner has stated that the proposed consumption per kW has been assessed after taking into account the load factor, working hours, working days per month, etc. The Petitioner has further stated that it is the prerogative of the Commission to determine tariff for different categories and any change in tariff structure can only be undertaken by the Commission.

2.20 TOD Tariffs

2.20.1 Objections

Delhi Power Consumers' Guild objected to implementation of Time of Day Tariffs employing 'Time of Day Meter' citing earlier experiences with 'Electronic Meters'. Federation of Rohini CGHS also objected to the introduction of TOD Tariffs since it will add to the complications in the billing system. Dr Devendra Kumar representing the Federation of Rohini CGHS, during the public hearing process reiterated his point that such a mechanism will add to the complexities of the system.

Mr. Kamal Kiran Seth, Udyog Nagar Factory Owners Association, Northern Railways and Mr. Bhupendra have supported the suggestion of introducing TOD Tariffs, as long as the Petitioner is in a position to assure quality of supply, i.e., no fluctuations, proper frequency and availability during peak time. Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) and Continental Device India Limited supported the introduction of 'Time of Day Tariff'. Its representative suggested, during public hearing, that the energy charges for industrial consumers operating for 24 hours daily or only during night time should be much lesser than that applicable for industries running only during day time. This would help in management of the load on the system. Mr. R.S.Gosain of Continental Device India Limited supported TOD tariff during public hearing but raised the issue that the TOD Tariffs should adequately address the provisions of TOD tariff applicability to multiple shift industrial consumers.

2.20.2 Response of the Petitioner

The Petitioner has stated that it is in agreement with the views/suggestions of stakeholders regarding implementation of Time of Day Tariff and has also suggested the same in its Petition. The Petitioner has further stated that Time of Day Tariff would help in distributing the consumer's load requirement, maximum utilization of the infrastructure/network and thereby result in lower expenses and tariff. It has pointed out that Time of Day tariff has been successfully implemented in many parts of the world and has opined that it can be useful in Delhi given the differential between peak load and base load of Delhi.

2.21 Low Power Factor Surcharge and kVAh based Tariff

2.21.1 Objections

As regards the suggestion of making consumers liable for installation of adequate shunt capacitors, Bhartiya Janta Party and Delhi Pradesh (Industrial Cell) have pointed out that levy of a surcharge does not help in maintaining the system. To improve the system, either consumer or the Petitioner should maintain the power factor by installation of shunt capacitors, where the cost of installation could be charged to the consumers. Wazirpur Industry Association, Naraina Small Industries Welfare Association Phase-I, Delhi Dal Mills Association and Mr. Vijay K. Gupta have pointed out that the consumer alone should not be subjected to penalties as Clause 34 of the Conditions of Supply casts a duty on the Petitioner to install shunt capacitors of adequate capacities at the cost of

consumer if consumer fails to install the same. Manufacturers Association DSIDC Industrial Complex has suggested that the power factor should be maintained by the Distribution Companies as they have better infrastructure to have economical, efficient and regular maintenance of capacitors required to maintain power factor. Charges for the same may be charged from the consumer on the basis of load. IMD Employees Co-Op. Housing Society Limited and Mukhija & Associates have expressed the concern that such approval for making consumers liable would amount to giving wide powers to the field staff of the Petitioner to harass the consumer.

Northern Railway suggested that installation of capacitor banks should be made mandatory for industrial/commercial consumers.

Mr. R.K. Khetan, President, Jhilmil Industrialists Association stated in their objection as well as during public hearing mentioned that the consumers are being charged Low Power Factor Surcharge despite installation of shunt capacitors and submission of Test Reports in support of their operation. Federation of CGHS Dwarka Limited requested the Commission to waive the Low Power Factor Surcharge in case of SPD connection for CGHS. Dr. Devendra Kumar, representing the Federation of CGHS Rohini, during the public hearing process stated that low power factor surcharge should not be introduced unless the Petitioners educate the consumers. He also stated that their federation has already installed shunt capacitors and the power factor in their area is well above the desired levels specified by the Commission.

Several respondents have objected to the introduction of kVAh billing for consumers having Connected Load more than 15 kW. IMD Employees Co-Op Housing Society Limited and Mukhija & Associates have opined that no fruitful objective will be achieved till the shunt capacitors of adequate ratings are installed by the Petitioner. Mr. L. N. Aggarwal expressed the fear of increase in electricity bill with the introduction of kVAh billing and requested the Petitioner to educate the consumers about the merits and de-merits of maintaining average power factor of 0.85 before introduction of kVAh billing.

Northern Railways and Udyog Nagar Factory Owners Association have welcomed the move to introduce kVAh billing, but suggested that the introduction should be linked to installation of electronic meters. Delhi Dal Mills Association has stated that since the consumer cannot maintain power factor and can only install shunt capacitors according to the Connected Load, it would be more appropriate to bill consumers on kWh or kVARh basis. Mr. R. P. Jain requested the Commission to consider kVAh billing based on a normative power factor of 0.85 as an interim solution while the meters are being installed.

2.21.2 Response of the Petitioner

The Petitioner has clarified that it has been levying Low Power Factor Surcharge only if it is established by measurements with equipment/meters that the average power factor of the installation is less than the required value and the power factor correction equipment provided is

either non-functional or inadequate. The Petitioner has also stated that this surcharge is being levied in line with the Direction of the Commission specified in the Tariff Order for FY 2003-04.

The Petitioner has reiterated its stand that it is the responsibility of the consumers to install suitably rated capacitors for maintenance of power factor. The Petitioner has pointed out that the consumer may get the proper rating capacitor after consulting either the manufacturer of their machines or their electrical consultant. The Petitioner has mentioned that it would not be able to maintain the infrastructure and human resources required to provide the consultancy in this regard.

The Petitioner has suggested billing based on KVAh reading, which will make the Low Power Factor Surcharge redundant. It has pointed out that such KVAh based billing would also obviate the need for inspection by the officials of the Petitioner, which has been a major cause of discontent among large number of consumers.

It has further suggested initiating an advertising campaign to make the general consumers aware about the benefits of KVAh billing. It has also pointed out that the non-domestic and SIP category consumers are aware about the nuances of KVAh billing and power factor.

2.22 Late Payment Surcharge

2.22.1 Objections

Friends Colony Industrialist Association requested for reduction in the late payment surcharge from 1.5% per month to 1.0% per month. Mr. A.K. Gupta, Secretary stated that the interest on dues after disconnection of supply should be charged after adjusting the advance consumption deposit. Several objectors during the public hearing voiced their concern over the late payment surcharge. They were of the view that the surcharge must be applied to the amount outstanding after adjustment of the consumption deposit made by the consumers. Mr. Suraj Prakash suggested that LPSC should be levied after adjusting the consumer security deposit.

2.22.2 Response of the Petitioner

The Petitioner has clarified that Late Payment Surcharge on dues is being charged till the date of payment of outstanding dues.

2.23 Connected Load

2.23.1 Objections

Several respondents have pointed that the present definition of Connected Load has created havoc amongst the SIP consumers. The Maximum Demand of the SIP consumers with a Sanctioned Load not exceeding 100 kW does not typically exceed 50 to 60 kW. The practice of determination of Connected Load based on physical inspection of ratings of connected load was relevant while there were no facilities to measure the maximum Connected Load. Such practice is outdated and fallacious in the era of electronic meters. With the availability of electronic meters, the Connected Load should now be determined based on recorded Maximum Demand of the electronic meter

during the whole of the billing period. Mr. Ashok Gupta of Udyog Nagar Charitable Trust suggested that definition of connected load should be revisited.

Delhi Dal Mills Association suggested that the definition of Connected Load should not include the load exclusively meant for pollution control i.e. pollution control equipment, effluent treatment plant, sound proofing, etc., on the same principle as that applied for excluding the load exclusively meant for fire fighting purposes. Mr. Jain of Naraina Small Industries Welfare Association Phase – I, expressed concern over the confusion between connected load and sanctioned load as interpreted by the DISCOMs and requested the Commission to look into the matter.

All India Federation of Plastic Industries, Naraina Industries Association Phase-I and II and Federation of Delhi Small Industries Associations have suggested that the definition of SIP consumers should be revised in line with the proposed change in definition of Connected Load, as "The SIP load shall mean the Maximum Demand not exceeding 100 kW as recorded by the electronic meter (MDI) during the whole of the billing period. If the Maximum Demand as recorded by the meter during the whole of the billing period exceeds 100 kW at any time, during the billing period, the consumer shall pay the bill for the said period, with 50% penalty".

Udyog Nagar Factory Owners' Association in their rejoinder submitted before the Commission has cited a case of one of their member whose industrial sanctioned load had been clubbed by the DISCOM and put into LIP category after visiting the premises. According to the objection rejoinder, three different concerns were operating in the same premises on different floors under the proprietorship of entrepreneurs not related to each other. However, the DISCOM officials on raiding the premises treated the entire connected load as one industrial consumer and put it under the LIP category as the combined load exceeded the threshold limit of SIP consumer category and penalized the consumer. The Association protested about the handling of case by the DISCOM and stated that such action was unwarranted. They highlighted the problem faced by the industrial units on account of such actions by the DISCOMs.

Northern Railway requested the Commission to consider the following points:

- Consider billing demand as lower of Contract Demand and Sanctioned Load.
- Do not treat extension of feed from one substation to another as load violation in case of non-availability of supply.
- Railways being a moving load have the problem of short spells of increased consumption at some locations, which exceeds sanctioned load. Therefore, the penalties for exceeding the sanctioned load should be reduced for Railways.

2.23.2 Response of the Petitioner

The Petitioner has pointed out that the purpose of Connected Load and Sanctioned Load is entirely different. Sanctioned Load is defined so as to assess the maximum load requirement of

consumer so as to enable the DISCOM to design the Distribution Network accordingly whereas the definition of Connected Load is primarily used for assessment of consumption in cases of Direct Theft/Dishonest Abstraction of Energy (DAE) where the advantage of benefit of doubt (whether spare plugs were being used) is being given to the consumer.

The Petitioner has stated that MDI reading gives the exact load of a consumer, which helps in estimating the total load and design the network accordingly. The Petitioner has stated that the Pollution Control Equipment are used by consumers on a continuous basis as opposed to fire fighting equipment which are to be used only in case of emergencies. Hence, the Petitioner has opined that it is prudent to include pollution control equipment while calculating connected load, whereas, the fire fighting equipment can be excluded.

2.24 Billing for Unauthorized Usage

2.24.1 Objections

Wazirpur Industry Association pointed out that the current practice of raising bills for unauthorized usage of electricity on the basis of 6 months of presumed unauthorized usage and 5 times the applicable tariff rate for the category contravenes Clause 126 of Electricity Act 2003 which specifies 6 months of presumed unauthorized usage and 1.5 times the applicable tariff rate. It has requested the Commission to modify the rate for unauthorized usage of electricity on the basis enunciated in Electricity Act 2003. It has further suggested that such bills should be raised on the basis of the Connected Load only and not on the basis of the higher of the Connected Load or Sanctioned Load.

Mr. Suraj Prakash requested the Commission to clarify the definition of "unauthorized use of electricity" as provided under Section 126 (b) (i) to (iv) and under 2nd Provision of Section 135 of the Electricity Act, 2003.

2.24.2 Response of the Petitioner

The Petitioner clarified that it has been charging the rates as per the norms set by the Commission and the same has been upheld by the Hon'ble High Court in many cases.

The Petitioner has clarified that Section 126 deals with unauthorised use of energy, i.e., misuse cases while Section 135 deals with the cases of Direct Theft/Dishonest Abstraction of Energy.

2.25 Billing

2.25.1 Objections

2.25.1.1 Billing Grievances

Friends Colony Industrialist Association appreciated the Commission's initiative in improving the quality of service. The Senior Citizens Forum drew the attention of the Commission to the chaotic situation prevailing in the billing system of the Petitioner and stated that only the appearance of

the bills has changed. The Senior Citizens Forum, Common Cause, Chetna, Mr. Lohit Ganguly and Reserve Bank Staff Co-operative Housing Society Limited have requested the Commission to take necessary steps to redress continuance of grievances such as the problems of inflated billing, meter reading not being taken at regular intervals, wrong readings being taken, late delivery of bills, computation mistakes in determining energy charges, reporting of arrears after payment, no correlation between amounts of arrears and amounts of earlier bills, etc.

The Senior Citizens Forum further observed that although a new system for issuing bills is being followed by the Petitioner, the system is not being correctly operated and has been creating a lot of problems for the consumers, specially the senior citizens. It has requested the Commission to look into the matter and pass necessary directions to bring relief to consumers from billing errors.

Jhilmil Industrialists Association, Common Cause and Vivekanand Puri Vikas Parishad indicated that the Petitioners have been billing on arbitrary basis and have not been adjusting the electricity bill inspite of repeated reminders and promises. Mukhija & Associates, New Rohtak Road Manufacturers Association and IMD Employees Co-Op Housing Society Limited have expressed concerns over issuance of provisional billing of high amount in the event of replacement of meter. It has requested the Commission to prescribe a penalty to discourage such practices adopted by the Petitioner. New Rohtak Road Manufacturers Association requested the Commission to prescribe a penalty if arrears are reflected in the current bills for two or more times even after the payment of the same. Mr. G. C. Goyal brought to the notice of the Commission that the DISCOMs have been charging enhanced advance consumption deposit even for change in name. Mr. Kapoor, representing, Mayapuri Industrial Welfare Association suggested improvements in the format of the bill so that power factor and other important parameters can be reflected in the bill. Mukhija & Associates in their subsequent submission before the Commission has submitted that a DISCOM be allowed to charge at a fixed rate only in case where the energy charges based on consumption of consumer is less than fixed charges. In case the energy charges are more than the fixed charges, the DISCOM should charge the maximum of fixed charges and the consumption charges.

Mr. Suraj Prakash has suggested that disconnections due to non-payment must be done in accordance with the Electricity Act, 2003 and corresponding regulations should be notified by the Commission.

Mr. Suraj Prakash and Delhi Dal Mills Association have suggested that the billing, collection and complaint handling procedures should be more consumer friendly. All India Plastic Industries Association and Friends Colony Industrialist Association have requested the Commission to direct the Petitioner to address all billing and related consumer grievances within 7 to 10 days of reporting of grievance. 'Chetna' prayed to the Commission to ensure that the Petitioner appoints Zonal Forums for effective handling of consumer grievances.

Dr. Choudhary, Advocate during the public hearing process suggested that the Petitioners may outsource a lot of non-critical services to reduce their expenses. He also suggested that there must be a person deputed at the drop box who stamps on the receipt when the consumer deposits his bill. This will reduce a number of disputes arising out of issues like non-payment, loss of cheques etc. Mr. Kapoor of Mayapuri Industrial Association stated that the bills distributed by the DISCOMs should also indicate maximum demand and power factor.

Mr. Ved Kumar suggested that a logbook might be maintained where the meter reader and consumer signs every time the reading is taken. This will reduce the reading mistakes and hence the issue of wrong billing may be resolved to a larger extent.

2.25.1.2 Monthly billing cycle

Mukhija & Associates, Naraina Small Industries Welfare Association Phase-I, Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) and IMD Employees Co-Op Housing Society Limited indicated its agreement with suggestion of monthly billing cycle provided the dates for issue of bills is fixed and bills are delivered to the consumers well in time. Joint Committee of Residents Welfare Associations of Pitampura requested that the advance consumption deposit should be adjusted according to the consumption pattern based on actual billing cycle.

Federation of Delhi Small Industries Associations, Rattan Park Sudhar Sabha, Mayapuri Industrial Welfare Association, All India Federation of Plastic Industries and several individuals have objected to the proposal of reduction in the billing cycle to one month and have requested the Commission to retain the existing bimonthly billing system. Jan Kalyan Samiti objected to the proposed change in billing cycle on the grounds that it would be very harsh to stand in queue every month for consumers, especially senior citizens and ladies. Mr. Devender Kumar supported the Petitioner's suggestion of billing cycle on monthly basis subject to adjustment of security deposit by the DISCOMs.

2.25.1.3 Self/Spot Billing

Mr. G. P. Garg, Director General of Income Tax (Retd.), suggested a scheme of 'Self/Spot Billing' to prevent undue harassment to the compliant consumers and to focus the Petitioner's resources on dealing with defaulters. This system is based on the principle of voluntary compliance with effective deterrence. The consumer would be required to take his own meter reading, submit the same to the billing counter and pay on the spot. Introduction of this system will make certain meter readers and billing clerks redundant, who could be utilized in a system for effective deterrence. For this system, an incentive equivalent to 15% on bill amount should be offered to the consumers.

2.25.2 Response of the Petitioner

The Petitioner has assured that corrective actions are being taken for metering and billing errors. The billing database, which was inherited from DVB, is being rectified. The Petitioner stated that it is taking utmost precautions in handling complaints which have reduced significantly in number over

the time and also that the complaints are being addressed promptly. The Petitioner has submitted that it has drawn out a process whereby all the consumers can expect to get a bill with correct readings after a gap of one month. The Petitioner has informed that the facility of payment through ECS has been initiated with selected banks. Payment through Internet via Bill Desk and Bill Junction has also started.

The Petitioner assured that there is no deliberate delay in refunding the excessively charged amount and that the adjustment of credit amount was adopted by erstwhile DVB to curb malpractice in refund of money through cheques and the same practice is being continued in this regard.

The Petitioner has stated that 15 days notice is given to the consumers before disconnection. The Petitioner has pointed out that it has also been persuading the consumers to make payment through phone calls, personal visits, etc.

The Petitioner has stated that it would like to continue with bi-monthly billing cycle for Domestic consumers. It was opined that change in billing cycle would not bring any tangible benefits for the consumers of Delhi.

As regards the provisional billing, the Petitioner expressed its difficulty in eliminating provisional billing. It was stated that a large number of households are found locked on the date of meter reading, as all members of family might be working persons. In addition, there are a large number of houses, which are permanently locked, due to which the DISCOMs are forced to send the provisional bills.

As regards the advance consumption deposit for name change, the Petitioner has clarified that the consumption deposit has been charged at the current rates in case of name change on account of property sale, lease, etc. The Petitioner has submitted that it faces the same risk of default as it faces with a new consumer for the case of name change since it does not have any credibility record of the consumers. Further, the Petitioner stated that it needs to replenish the consumption deposit, as it is the only security available.

The Petitioner has expressed its agreement with the view that billing can be done on the basis of self reading by the consumer provided that a representative of DISCOMs shall be given an opportunity to take reading once in six months and verify it with the previous record provided by consumer. The Petitioner has also pointed out that the success of Self Assessment and Spot Billing would require creation of a culture to pay for the electricity consumed.

2.26 Meters and their replacements

2.26.1 Objections

Mr. G. C. Goyal stated that the Petitioner has not yet fully implemented the Performance Standard Regulations as directed by the Commission and there is a persistent problem of faulty/defective meters. Joint Committee of Residents Welfare Associations of Pitampura and Mr. L. N. Aggarwal

have accused the Petitioner of installation of non-standard, non-ISI mark meters, which record higher consumption. Based on the news paper reports, Shri Rajan Gupta has submitted that the new electronic meters were faulty and about 30% of meters were reporting higher consumption.

Naraina Small Industries Welfare Association Phase-I has suggested that the consumer should be permitted to get his meter checked by independent agencies such as BIS, DPCC, Shri Ram Centre and NPL. Such agencies should be pre-approved for meter checking by the Commission and the DISCOMs.

Manufacturers Association DSIDC Industrial Complex and Mr. L. N. Aggarwal have further suggested that in case the installed meters are found faulty, the Distribution Companies must be penalized for installing the faulty meters and the excess money paid by the consumer, if any, should be reimbursed to him with interest.

2.26.2 Response of the Petitioner

The Petitioner has stated all the energy meters have been procured from reputed manufacturers and there is no need for any apprehension regarding 'fast meters'. The Petitioner also stated that the instruments used for checking at site or at laboratory are the best available instruments. There have been stray cases of difference in results at site and at laboratory but the difference has been due to fault in the cabling of the consumers and not because of the fault in the instrument or in the testing process. The Petitioner also clarified that the percentage grace allowed is 25% and 35% for meters with vintage less than 10 years and more than 10 years respectively, as per the Metering and Billing Regulations issued by the Commission.

Further, the Petitioner has mentioned that it is running a Special Call Centre where complaints can be lodged regarding the 'fast meters' and the meters would be checked in the presence of the consumer. The Petitioner has further assured that in case the meter is found faulty, it will be replaced at no cost to the consumer. The Petitioner has stated that none of the meters had been found to be running beyond permissible limits out of 300 complaints received in this regard.

As regards the burnt/stopped meters, the Petitioner has stated that it encourages the consumers to come forward to report such instances. It has also opened special desks for reporting of such instances twice in a year.

2.27 Procedure for getting connection and load sanctioned

2.27.1 Objections

Mayapuri Industrial Welfare Association, All India Federation of Plastic Industries and Federation of Delhi Small Industries Associations have pointed out in their objections as well as during public hearing that the DISCOMs have been making new tenant responsible for non-payment of dues by earlier tenant or occupier and have requested the Commission to direct the Petitioner to discontinue this practice and also clarify applicable provisions.

All India Plastic Industries Association suggested that the requirement of obtaining MCD license by industrial units operating in Non Conforming areas of Delhi should be removed so that the Petitioner can provide new connections to such units.

2.27.2 Response of the Petitioner

The Petitioner has submitted that the DISCOMs would never be able to recover its dues in case of default, if the dues are not attached to the premises. It has also pointed out that no one is deprived of supply of energy by DISCOMs and due diligence goes into granting a connection. It has submitted that if the prospective buyer/hirer of the premises makes sure that all past dues are liquidated, then the interest of both consumers and the DISCOMs remains protected.

The Petitioner has stated that providing industrial connections in non-conforming areas may lead to haphazard industrial growth and pollution problems in the city. It has further requested the Commission to take a suitable decision in this regard. The Petitioner has stated that the new connections are being provided in all types of colonies with different Development Charges based on whether the area is electrified or unelectrified. The Petitioner has clarified that the consumers of unelectrified areas need to pay the Development Charges in line with the Commission's Order on Schedule of Miscellaneous Charges dated June 2, 2003. In case, consumers have already paid some amount of Development Charges, the same will be adjusted against the amount to be paid as per new charges.

The Petitioner has suggested linking of the definition of Premises to the MCD Address so as to avoid malpractice.

2.28 Inspection/Raid of Premises

2.28.1 Objections

Patparganj F.I.E. Entrepreneurs Association has brought to the notice of the Commission that the Enforcement Department team has been conducting raids on consumer premises without prior notice and specific authorization and have been issuing notices/minimum demand bill for SIP/LIP based on arbitrary calculations of Connected Load. Their representative Mr. Sunil Kapoor complained that employees of DISCOMs visit the premises without proper authorisation and while downloading the data they end up damaging the seals of meters leading to problems at the consumer's end.

Patparganj F.I.E. Entrepreneurs Association and Mukhija & Associates have added that while carrying out the inspection for detecting theft, the field staff of the Petitioner may be accompanied by either the office bearers of the society, associations or neighbours.

2.28.2 Response of the Petitioner

The Petitioner has stated that it has been considering MDI reading for determination of load violation as per the Direction of the Commission provided in the Tariff Order for FY 2003-04. It has pointed out that in cases of Direct Theft/Dishonest Abstraction of Energy, units are assessed based

on energy consumption formula provided in the Tariff Order, wherein the calculations are made based on the Connected Load/Declared Connected Load/Sanctioned Load, whichever is higher. In such cases, it becomes imperative to check the premises for Connected Load as no meter can detect such cases.

As regards involving associations of the area during inspection, the Petitioner has stated that it has found it impractical to involve associations/neighbours, as they do not like to act as a witness against their own members/neighbours.

As regards the prior notice by enforcement teams, the Petitioner has submitted that the prior notice for carrying out inspection of the premises with the intention of ascertaining the Dishonest Abstraction of Energy is not possible as it will jeopardize the intent as the consumer will get the time to remove the material evidence used for tampering of meters, etc. from the site, thus rendering the whole exercise meaningless.

2.29 Quality of Service/Supply

2.29.1 Objections

PHD Chamber of Commerce and Industry requested the Commission to look into the performance of the Petitioner on various fronts and issue appropriate directions to improve the technical performance of the Petitioner so that the power supply in Delhi could be improved further. Manufacturers Association DSIDC Industrial Complex requested the Commission to decide on customer service level for maintenance, repair, billing, etc. to be adhered to by the Petitioner.

Joint Committee of Residents Welfare Associations of Pitampura and Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) have pointed out that a drastic fall of voltage during day time has been observed on several occasions compelling the consumers to either run the industries by using generator or stop the production. It has submitted for the Commission's consideration that the Petitioner should be made liable for maintaining the voltage level of electric supply and consumers should be given due compensation for the losses suffered due to low voltage.

2.29.2 Response of the Petitioner

The Petitioner has brought out its difficulty in maintaining the supply voltage. The Petitioner pointed out that the Sanctioned Load of a large number of consumers does not reflect the load actually use by them, thus making it impossible for the Petitioner to design and install the infrastructure and network accordingly. The Petitioner has requested the support of consumers in getting the required load sanctioned so as to enable the Petitioner to serve them better.

The Petitioner has further submitted that it has instituted an elaborate preventive maintenance programme to minimize equipment and system breakdown. It has further submitted that it is implementing large capital investments to meet system augmentation and load growth requirements.

2.30 Other Suggestions

2.30.1 Objections

Mr. V.P. Gupta, Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) suggested that the energy charges should be reduced for higher consumption levels to encourage honest consumers.

Senior Citizens Welfare Association suggested that the Petitioners should provide 16% return on the Deposits made by the Consumers. Mr. Rajamani also recommended that the Petitioners should pay interest on the deposits made by the consumers.

Mr. Arun Kumar Datta suggested that the maintenance of streetlight should be retained with the Petitioner and should not be passed on to MCD. It was suggested that the Commission might request the GNCTD to bear the expenses towards the electrification of Jhuggi Jhopdis, Harijan Bastis and Tubewells or direct the Petitioner to meet the same from its reasonable return.

Bhartiya Janta Party, Delhi Pradesh (Industrial Cell) suggested that the refund of excess charges by the Petitioner should be made by cheque payment rather than by adjustment in electricity bills.

'Chetna' submitted that the website of Petitioners should be updated on a regular periodic basis.

Mr. Bhupendra has suggested that the Tariff should be based only on two factors, Supply Voltage and Time of Day.

2.30.2 Response of the Petitioner

The Petitioner has expressed its agreement with the suggestion of reducing the energy charges for higher consumption levels.

The Petitioner has assured that there is no deliberate delay in refunding the excessively charged amount. It has further clarified that the process of adjustment of credit amount was adopted by erstwhile DVB with a view to curb the malpractice involved in refund of money through cheques and the same mechanism is being continued in this regard.

The Petitioner has expressed its agreement with the stakeholder's view of implementing Voltage linked Tariff.

2.31 Commission's Views

The Commission has taken a note of the various comments/objections made and appreciates the keen participation in the process by the various stakeholders to provide vital feedback to the Commission on various issues.

For instilling confidence in the Utilities as well as to bring about a greater understanding and appreciation of the complexity of the issues involved, the Commission ever since its institution, has made conscious and continuous efforts to bring about transparency in the tariff setting process.

The Commission made a beginning in addressing the challenges brought in by the modifications in the regulatory framework due to Policy Directions through its BST Order dated February 22, 2002. The lack of institutional and policy precedents existing in the country to provide the required guidance and support to effectively tackle the issues at the implementation level in the privatised and multi-year framework was an immediate challenge. At the same time, being the ERC at the National Capital heightened the challenge and demand as the Commission is being looked upon as a model for privatised distribution entities subsequent to restructuring and privatisation for other States to emulate. For setting high standard for others, it was quintessential to target high by considering global standards. The Commission, therefore, signed a MoU with the Public Services Commission of Maryland, USA on February 3, 2002 to tap international expertise available in the sector regulation, and had been interacting with them on various issues.

Further, the Commission also realised that the foundation stone of any meaningful regulation of the Utilities is to have an effective platform for exchange of operational and performance related information with the Utilities throughout the year, rather than the interactions being limited to year-end submission of filings. Accordingly, the Commission required the Utilities to spell out detailed information/reasons for their state of affairs as well as the steps they proposed to undertake for improving the situation over an extended period. The Commission undertook visits for actual verification of the information submitted by the Utilities. The shortcomings in their information systems and processes were conveyed to the utilities while eliciting improved performance. Information availability being the key to quicker processing of the Petitions, the Commission is in the process of developing and installing a Regulatory Information Management System (RIMS). A Consultant for developing the RIMS is being finalised. The RIMS aims at building an MIS with pre-defined information formats, accessible to the Utilities through the Internet for periodic updates. RIMS is expected to help the Utilities and the Commission to come to a common understanding about the level, form and diversity of information to be made available for processing of the ARR Petitions among others. It would also ease the pressure placed on the Utilities in the existing set-up to provide the desired information within a limited period for year-end review of operations.

The Commission is convinced that improvement in service standards should go in tandem with the operational improvement envisaged in the framework established by the Policy Directions over the five-year period beginning FY 2002-03. For this purpose, such standards shall have to be notified

and adequately disseminated amongst the consumers in order to ensure effective compliance. The Commission, with this objective, has notified the following Regulations/Orders:

(i) Performance Standards (Metering & Billing) Regulations dated August 19, 2003. The Regulations outline the procedure for resolution of consumer complaints related to Metering & Billing including:

Procedure for lodging of complaints by the consumer;

Procedure for resolution of the complaint by the Utility;

Time-frame for resolution of complaint by the Utility;

Procedure for dissemination of information regarding the name and contact telephone number of the Utility personnel to be informed in case of delay in the redressal of the complaint;

Periodic status update to the Commission on pending complaints

(ii) Complaint Handling Procedure dated June 3, 2003 details out procedures in respect of all of the aspects mentioned in (i), in regard to power supply failure on various accounts, voltage fluctuations, and outages.

(iii) Schedule of miscellaneous charges for rendering various services to the consumer, not covered as a part of the Tariff Schedule brought out by the Commission in the Tariff Order.

Section 28(7) of the Delhi Electricity Reform Act, 2000 sets out the overall principles for the Commission to determine the tariffs to all categories of consumers defined and differentiated according to the consumer's load factor or power factor, the consumer's total consumption of energy during any specified period, or the time at which supply is required. The Act mandates the Commission to adopt factors which will encourage efficiency, economic use of the resources, good performance, optimum investments and other matters which the Commission considers appropriate keeping in view the salient objects and purposes of the provisions of this Act.

The Commission recognises the impact of good tariff design in promoting efficient consumption. In the Tariff Order of 23.05.01, the Commission had rationalised some of the tariff related issues including the provisions in the Tariff Schedule. The Commission also introduced kVAh billing for high voltage consumers to encourage them to improve their power factor. The Commission in its Tariff Order of June 26, 2003 on the ARR and Tariff Petitions of Transmission Company and three Distribution Companies attempted to rationalise the tariffs and made certain changes in the tariff structure to simplify the structure in response to the representations made by various respondents during the process. Some of the key changes in the tariff structure made by the Commission in its Orders dated June 26, 2003 are as follows:

- Abolition of Meter Rent;
- Abolition of Misuse Charges for all the provisions of misuse including that of the requirement of valid MCD licence and Lal Dora Certificate;

- Merger of Induction Arc Furnace Category with LIP Category;
- Merger of Traffic Light Category with Public Lighting Category;
- Merger of Separate Domestic Lighting and Power Connections;
- Movement of tariff towards a Two-Part Tariff regime with Provision for Fixed Charges in lieu of Minimum Charges and Meter Rent;
- Removal of Concept of Normative Consumption for levy of surcharge;
- Rationalisation of Late Payment Surcharge.

In addition to these changes in the tariff structure, the Commission in its Order dated June 26, 2003 gave several directives to the Petitioners with the objective of rationalising the tariff structure. The directives given by the Commission in relation to tariff rationalisation were:

- Prepare a Base Paper on Time of Day (ToD) metering and submit it to the Commission;
- Maintain data on average power factor, kWh, kVAh and kVARh consumption for the consumers with electronic meters and submit it to the Commission;
- Installation of electronic meters for all the consumers of SIP/NDLT categories, except those upto 10 kW being supplied on single phase;
- Submit a Base Paper on voltage linked tariff;
- Maintain consumption data for domestic category in blocks of 50 units, i.e. 0-50 units. 51-100 units, 101-150 units, etc. and submit it to the Commission.

The Compliance of these directives by the Petitioner has been discussed in Chapter 7 of the Order and the Commission's views on these tariff rationalisation measures have been elaborated in Chapter 5 of the Order.

With this background, the Commission now proceeds to provide its views on the various issues raised by the respondents in the previous Sections.

2.31.1 Procedural Issues

2.31.1.1 Filing of ARR Petitions

The original Petition was filed by the Petitioner on December 17, 2003. The Commission conducted technical sessions with the Petitioner and highlighted the basic data gaps/deficiencies in the Petition, which were required to be rectified before the admission of the Petition. The Petitioner complied with the Commission's directives and submitted the requisite information required for the admission of the Petition on January 13, 2004. The Commission examined the Petition and the subsequent information submitted by the Petitioner and found that the Petition filed (along with additional information) by the Petitioner is in line with the ARR and Tariff Guidelines issued by the Commission. Thereafter, the Commission admitted the Petition for further processing on January 16, 2004.

With regard to issuance of License under the Electricity Act 2003, the Commission would like to clarify that the Petitioner was acting as a Deemed Licensee under the Electricity Act, 2003 and subsequently, the License has been issued to the Petitioner on March 12, 2004.

2.31.2 Quality of Filing and Additional Information

2.31.2.1 Adequacy of information

As regards the adequacy of information, the Commission would like to bring to the notice of the stakeholders that substantial data/information has been submitted by the Companies during the process in order to fill the data gaps in the respective ARR Petitions, even after the admission of the Petitions. The Commission has also obtained the actual cost, revenue and investment related data for FY 2003-04 from the Petitioners.

The Commission is of the opinion that considering the substantial volume of data/information obtained from the Petitioners by the Commission during the processing of the Petitions; it is not feasible to provide a copy of the entire data/information to the Public along with the ARR Petition. Moreover, as specified in the Regulations of the Commission, any stakeholder can see the data by visiting the Commission's office and following due procedure for access to such data.

As regards the suggestion of providing copy of the Report of the Commission on the methodology followed by the Commission towards actual verification of the data, to the objector, the methodology followed by the Commission for scrutinizing each and every element of the ARR has been deliberated in detail in Chapter 3 of the Order.

As mentioned in Chapter 1 of this Order, the Commission's staff also undertook field visits in the Petitioner's license area at some select locations, to review the physical progress of the Capital Works and Repairs and Maintenance Works. Thus, all possible efforts have been made by the Commission to verify the submissions of the Petitioner for FY 2003-04 and to make realistic projections for FY 2004-05.

As regards non-submission of data on meter rentals and late payment charges, the Petitioner has subsequently submitted these details during the process.

2.31.2.2 Time provided to stakeholders for response

The Commission is of the opinion that the time provided to the stakeholders for responding to the Petitions was reasonable, considering that the Public Notice in the newspapers was brought out by the Commission on January 17, 2004 and the last date of submission of objections/comments was further extended from February 17, 2004 to February 27, 2004.

2.31.2.3 Audited accounts and Fixed Asset Register

As regard to submission of audited accounts, the Petitioner has submitted the audited accounts for the previous year FY 2002-03 (July 2002 to March 2003). Further, during the ARR and Tariff process, the Commission also obtained the Provisional Accounts for FY 2003-04 (April 2003 to March 2004).

As regards the Fixed Asset Register, the Petitioner submitted the Fixed Asset Register along with valuation report in the month of June 2003 during the ARR and Tariff Process for FY 2002-03 and FY 2003-04.

2.31.3 Policy Directions and Reform Process

The Policy formulated and Directions issued by the Government in exercise of its powers under section 12 of the Delhi Electricity Reforms Act, 2000 are binding on the Commission. The Commission, therefore, does not have any further views in the matter. Furthermore, this aspect has been discussed and addressed in the Commission's Order on Bulk Supply Tariff and opening level of AT&C losses issued on February 22, 2002.

As regards improvement in the service quality, post restructuring and privatisation, the Commission would like to clarify that it monitors the performance of the Licensees on a regular basis with the objective of improving the quality of service and the Commission has issued several regulations namely Performance Standards (Metering and Billing) Regulations, Complaint Handling Procedure, Schedule of Miscellaneous charges, to provide the consumers with an opportunity to register their views in the matter. It may not be out of place to mention that the Commission has established Grievances Redressal Mechanism on June 10, 2003 to handle the complaints received from the consumers. The Commission has designated three Grievance Redressal Officers (GROs), one for each DISCOM for handling the billing complaints. Till date, the Commission have received 600 complaints from various consumers and most of these complaints have been resolved with the help of GROs.

Further, In accordance with the provisions of Section 42 (5) of the Electricity Act 2003, a Forum is being established soon to address the grievances of the consumers and the consumers should come forward with the metering and billing related issues for redressal of grievances.

Further the Commission will also appoint an Ombudsman to settle the grievances of any consumer who is aggrieved by non-redressal of his grievances by the Forum. The Commission will detail out the time frame and the manner in which these grievances will be addressed.

2.31.4 Compliance with Directives

The Commission would like to inform the respondents that it monitors the Petitioners' compliance with the directives at periodic intervals. The status and details of compliance by the Petitioner on the directives issued vide the Commission's Order dated June 26, 2003 has been elaborated in Chapter 7 of the Order. The Commission in this Order has also issued some new directives, which are also discussed in Chapter 7 of this Order.

2.31.5 AT&C Loss

2.31.5.1 Policy Directions on AT&C loss

The Commission would like to highlight that the Policy Directions required the Commission to determine the opening level of AT&C loss for each DISCOM through an Order, which were to be

the opening levels of AT&C losses for the purposes of bidding. The base levels of losses for each DISCOM was determined by the Commission vide its Order of February 22, 2002. The Policy Directions further indicated that the AT&C loss for the purpose of tariff computation by the Commission for each DISCOM in a year shall be based on the opening AT&C loss and the reductions proposed for the year in the accepted bid of the investor selected by the Government for purchase of 51% equity in the Distribution Company. The year-wise loss reduction trajectory that was agreed between the successful investors and Government, at the time of privatisation, forms a part and parcel of the Policy Directions issued by Government. The Policy Directions also stipulate the mechanism for treatment of under-achievement and over-achievement of loss reduction with respect to the accepted bid levels and minimum levels specified by the Government. The Commission would also like to clarify that the 16% return on equity is subject to the achievement of AT&C loss reduction committed by the Distribution Companies during the year. Any underachievement in relation to the bid level shall be to the account of the Petitioner. The losses for each of the five years beginning FY 2002-03 for tariff determination purposes has, thus, been laid out very clearly in the Policy Directions and are binding on the Commission. The Commission, therefore, does not have any further view in this matter.

2.31.5.2 Actual AT&C loss

The Commission would like to highlight that the Commission in its Order on ARR for FY 2002-03 and FY 2003-04 has considered the actual AT&C loss of the Petitioner and since there was underachievement in the AT&C loss reduction during FY 2002-03, the Commission considered the AT&C loss as per the bid level reduction targets for estimating the ARR for FY 2002-03 and FY 2003-04.

Further, while processing the ARR and Tariff Petition for FY 2004-05, the Commission has obtained the details of actual AT&C loss reduction during FY 2003-04. During FY 2003-04, there is an overachievement in AT&C loss reduction in the case of the Petitioner with respect to the bid level by 0.49%.

2.31.5.3 Pace of AT&C loss reduction

The Commission also agrees with the view of certain respondents that the reduction in losses should be higher during the initial years, since the base level losses are very high. As a matter of fact the Commission in its first Tariff Order issued on May 23, 2001, has made the observation that *"Another important observation as made out from the graphic representation is that the rate of loss reduction is much higher in the initial years ranging between 5 to 6% per annum and the same stands to stabilise after it has reached the saturation limits nearing the acceptable level of technical losses. It is also noted that the rate of loss reduction depends upon the base level of T&D losses prevailing at the time of restructuring"*.

It may be informed that some improvement can be noticed in AT&C loss reduction, as during FY 2002-03, there was under-achievement with respect to Bid level AT&C loss reduction, while in FY

2003-04, the Petitioner has been able to achieve a marginal over-achievement with respect to the Bid level AT&C loss reduction.

Further, it may be highlighted that significant investments under the APDRP scheme, along with other capital investments and R&M expenditure were not envisaged at the time of bidding. This includes other system augmentation and commercial loss reduction measures on account of energy audit activities like metering and billing, consumer coding, feeder and Distribution Transformer (DTR) metering, part outsourcing of metering and billing. Further the Electricity Act 2003 provides for theft control measures which will help in deducting the theft and reduction in losses. The Commission expects that the investments made during FY 2002-03 and FY 2003-04 and the investments proposed during FY 2004-05 alongwith theft control measures will result in substantially higher AT&C loss reduction than the target of 17% to be achieved during the five-year period.

2.31.5.4 Methodology for computing AT&C loss

As regards the suggestion that only the collection efficiency of the Petitioner against its own billing should be considered and that the collection of DVB arrears should not be considered for computing the collection efficiency and the AT&C losses, the Commission would like to clarify that in accordance with the widely accepted definition of collection efficiency, the collection efficiency is defined as "percentage of amount collected during the period to the amount billed during the period", and hence, the collection towards the past arrears in the sector cannot be excluded while computing the collection efficiency. Further, the Commission while determining the opening AT&C loss levels, vide its Order date February 22, 2002, has not excluded the collection from the past arrears. Thus, any change in the methodology adopted to determine the level of AT&C losses would not be appropriate at this stage.

With regard to exclusion of DMRC consumption while computing the AT&C losses, the Commission is of the opinion that any change in sales mix amongst consumer categories including new consumer categories will have some impact on the AT&C losses. However, it will not be feasible to consider the impact of change in sales mix with respect to sales mix at the time of determining opening level of AT&C losses, as the sales mix will undergo change every year making the process a tedious and complicated one.

2.31.6 ARR and Revenue Gap

2.31.6.1 Scrutiny of expenditure and revenue components

The Commission would like to clarify that it has critically examined all the elements of expenditure and revenue, and has not merely gone by the actual expenses as per the audited accounts of the Petitioner. The Commission considered the prudence of expenditure projected by the Utilities, the actual expenditure in FY 2003-04, as well as the committed Government support, while determining the revenue requirement and the category-wise tariffs to meet the revenue requirement. Detailed analysis of all the expenditure and the revenue components for their prudence, and the

methodology of projection adopted by the Commission, has been provided in the relevant sections of Chapters 4 and 5, respectively.

As regards inclusion of certain expenses in the revised estimates for FY 2003-04 by the Petitioner, which were disallowed by the Commission in its Order, the Commission would like to clarify that the expenses disallowed by the Commission such as higher rate of depreciation, deferred tax, etc. have not been considered by the Commission while estimating the revenue gap. All the heads of expenditure and revenue have been critically examined while determining the ARR as discussed in Chapters 3 and 5.

As regards the discrepancy in the amount of total expenditure, which has been shown as Rs. 1340.07 Crore under Form 1.3 of Vol. I of the Petition and Rs. 1740 Crore under Public Notice, it is clarified that the amount of Rs. 1740 Crore includes the loss of FY 2003-04 claimed by the Petitioner to be recovered in the ARR for FY 2004-05.

2.31.6.2 Revenue Gap and Tariff Determination

As regards the concerns raised by the respondents relating to expenses and Revenue Gap estimations/projections of the Petitioner, the Commission has already elaborated on this aspect earlier. The Commission reiterates that the Bulk Supply Tariff (BST) and Retail Supply Tariffs (RST) have been determined in line with the Policy Directions of the Government. The Commission has explored various practical means of bridging the revenue gap, before deciding the extent of revenue gap to be met through increase in tariffs. The Tariff Philosophy adopted by the Commission in the context of Policy Directions has been elaborated in Chapter 4 of the Order.

2.31.7 Power Purchase Expenses

As regards the suggestion of PHD Chamber of Commerce and Industry regarding co-ordination between TRANSCO and DISCOMs for proper planning and estimation of the energy requirement, to enable procurement of adequate power, the Commission would like to clarify that during the ARR process, it arranged a joint meeting with TRANSCO and DISCOMs on April 30, 2004 and directed them to co-ordinate with each other, on aspects related to the Capital Investment Plan and total energy requirement. Subsequently, the TRANSCO after discussions with the DISCOMs submitted the total estimated energy requirement for FY 2004-05, which has been considered by the Commission.

As regards the objection that the total energy requirement of DISCOMs has not shown much growth despite the increase in demand rightly so as the additional energy required to meet the increase in demand is met by reduction in losses and hence no significant increase in energy input has been estimated despite increase in the demand.

2.31.8 Depreciation charges

The Commission has deliberated on this issue in detail in its Orders on ARR and Tariff Determination for FY 2002-03 and FY 2003-04. The Commission has adopted a rational approach in this regard and has allowed depreciation on the basis of the straight-line method of depreciation linked to useful life of the assets, instead of accelerated depreciation rates proposed by the Petitioner. Further, the Commission in its previous Orders has deliberated on the utilisation of amount available through depreciation for meeting the working capital requirement and capital investments in the absence of loan repayments. The extent of depreciation allowed by the Commission and its utilisation has been discussed in detail in Chapter 3 of the Order.

2.31.9 Investments

The Commission has held detailed discussions with the DISCOMs and scrutinized the investments already made as well as the investments proposed to be made by the DISCOMs. The Commission has also conducted sample checks on the investments – starting from the material procurement process to installation of equipment and issue of completion certificates.

Details with respect to scheme-wise investment proposed by the Petitioner, details of actual investments undertaken during FY 2003-04, and the Petitioner's preparedness for executing the works proposed under the capital investments for FY 2004-05 were obtained and the same have been duly taken into account while determining the capital investments for the purpose of determination of the Annual Revenue Requirement (ARR) as mentioned in Chapter 3 of the Order.

The Commission would also like to clarify that the capital investments are not included under revenue expenditure. In the revenue expenses, only the capital expenditure related charges, i.e. interest payable on the loans as well as the depreciation have been considered.

2.31.10 Employee Expenses and Voluntary Retirement Scheme (VRS)

The Commission has examined the employee expenses projected by the Petitioner and the actual employee expenses for FY 2003-04, while estimating the employee expenses for FY 2004-05.

As regards the VRS, the Commission would like to clarify that it has not considered the additional expenses of the Petitioner on account of VRS in the ARR and this expense has been considered such that it is tariff neutral to the consumers. The Commission has accepted the Petitioner's proposal to amortise the additional expenses on account of VRS through the savings in the employees cost in the future years. Therefore, the Commission has not considered the additional expenses of VRS in the ARR. The additional expenses of VRS will be met through savings in employee expenses and this savings will not be considered in ARR till the cumulative savings becomes equivalent to additional VRS expenses including the carrying cost. As estimated by the Commission based on the details of savings in employee costs as provided by the Petitioner, the payback period of VRS expenses works out to 2.8 years. Therefore, the savings in employee costs due to VRS will be considered in the ARR after 2.8 years. The Commission understands that the matter of additional liabilities on account of implementation of VRS is yet to be resolved between

the Trust and the DISCOMs and that the situation is in a state of flux. The Commission would also like to highlight that the payback period of implementation of VSS scheme has been worked out without considering the Trust Liabilities and in case the Trust liabilities are also to be borne by the NDPL, the payback period may extend beyond 2.8 years. Thus the methodology adopted by the Commission is subject to final settlement of the matter of Trust Liabilities between the Trust and the NDPL.

The total employee expenses allowed by the Commission and the treatment of VRS expenses has been discussed in detail in Chapter 3 of the Order.

2.31.11 Other Expenses

The Commission has examined all the components of other expenses projected by the Petitioner and the actual other expenses in FY 2003-04 while approving the other expenses. The details of other expenses have been deliberated in Chapter 3 of the Order.

2.31.12 R&M Expenses

The Commission has analysed all the components of R&M expenses projected by the Petitioner and the actual R&M expenses in FY 2003-04 while approving the R&M expenses. Further, as mentioned in earlier Sections, the Commission staff undertook field visits in Petitioner's license area at some select locations to review the physical progress of the Capital Works and Repairs and Maintenance works. The details of R&M expenses have been discussed in detail in Chapter 3 of the Order.

2.31.13 A&G Expenses

The Commission has examined the A&G expenses projected by the Petitioner and the actual A&G expenses for FY 2003-04 while approving the A&G expenses. The details of A&G expenses have been deliberated upon in Chapter 3 of the Order.

As regards non-inclusion of dues payable by the DISCOMs to MCD in the A&G expenses by the Petitioner, the Commission would like to clarify that this is a matter of dispute between MCD and the DISCOMs and hence this matter is to be resolved amicably between MCD and DISCOMs. However, in any case, such huge quantum of outstanding MCD dues cannot be considered as part of A&G expenses to be allowed in the ARR as this will result in substantial increase in the revenue gap and hence tariff increase.

2.31.14 Interest on Security Deposit

The Commission would like to clarify that as per Section 47(4) of the Electricity Act 2003, the Distribution Licensee has to pay interest equivalent to the bank rate or more, as may be specified by the Commission, on the security deposit made by the consumers. The Commission has taken up the matter separately and propose to finalise the same by way of Performance (Metering and Billing Regulations). The Commission has published draft Performance (Metering and Billing Regulations) for public response.

2.31.15 Truing Up

The Commission has obtained the provisional accounts and the actual expenses, sales and revenue data for FY 2003-04 from the Petitioner, and the truing up for FY 2003-04 has been done based on actual data for FY 2003-04 subject to prudence check by the Commission.

2.31.16 Return on Equity

The Commission would like to inform that the system of ARR and Tariff determination being followed by the Commission gives due weightage to the efficiency of operations and only prudent expenditure is allowed to be recovered through tariffs. The paying capacity of the DISCOMs is determined after considering the prudently incurred expenses as well as the revenue earned through tariffs. The Policy Directions issued by the Government before privatisation of the DISCOMs clearly lays down that the 16% return is applicable on the equity and free reserves of the DISCOM and hence, the question of reduction in rate of return during the tenure of Policy Directions does not arise at all.

As regards provision of return on opening balance of free reserves or closing balance of free reserves invested in the system, the Commission in its Order on ARR for FY 2002-03 and FY 2003-04 has taken a very rational and balanced view and allowed the return on the average of opening balance at the beginning of the year and the closing balance of free reserves at the end of the year to the extent these free reserves have been considered as means of finance to be invested towards capital investment.

2.31.17 Income Tax and Deferred Tax Liability

As regards the Post Tax return allowed to the Petitioners, the Commission would like to clarify that Post Tax Return has been considered in line with the Policy Directions. Clause 13 of the Policy Directions stipulates that the tariffs for the Distribution Licensee shall be fixed in a manner such that, after meeting all expenses that shall be permitted by the Commission, the Distribution Licensees earn at least 16% return on issued and paid up capital and free reserves. The Commission in its last Tariff Order on ARR and Tariff Petitions for FY 2002-03 and FY 2003-04 has allowed the actual income tax liability and not considered the deferred tax liability in the ARR. The Commission has adopted a similar approach in this Order too. The detailed methodology adopted to estimate the income tax, while estimating the ARR, has been discussed in detail in Chapter 3 of the Order.

2.31.18 Sales and Demand Estimation

The Commission has obtained the actual category-wise and slab-wise sales details for FY 2003-04 from the Petitioner and has considered the same. For FY 2004-05, the Commission has projected the category-wise demand based on past trends including actual sales during FY 2003-04. The methodology adopted by the Commission for projecting the category wise demand for FY 2004-05 has been discussed in detail in Chapter 3 of the Order.

2.31.19 Treatment of past Arrears Collected

The Commission would like to clarify that in the Order issued on ARR Petitions for FY 2002-03 and FY 2003-04, the Commission has considered 20% of the past arrears of DVB collected by the Petitioner as income as part of total revenue while estimating the Annual Revenue Requirement. The Commission has adopted the same approach in this Order also. The details of the methodology adopted by the Commission in this regard have been elaborated in Chapter 3 and Chapter 4 of the Order.

2.31.20 Tariff Structure and Tariff Rationalisation Issues

The Commission's views on Tariff Policy and Tariff Structure have been elaborated in Chapter 4 (Tariff Philosophy) and Chapter 5 (Rationalisation of Tariff) of the Order respectively. Chapter 4 deals with the overall tariff philosophy adopted by the Commission including determination of overall sector revenue gap at existing bulk supply and retail supply tariffs, treatment of AT&C losses, measures proposed to bridge the gap including tariff increase, regulatory asset, amortisation of regulatory assets, etc. In Chapter 5, the Commission has discussed in detail the various tariff rationalisation measures suggested by the Petitioner and other two DISCOMs, Commission's Views on the suggested measures and the Commission's views on the suggestions made by stakeholders on tariff rationalisation aspects. The issues discussed in Chapter 4 and Chapter 5 includes the following issues on which the response was received from stakeholders:

- Fixed Charges
- TOD Tariffs
- Low Power Factor Surcharge
- Late Payment Surcharge
- Connected Load
- Billing for Unauthorised usage
- Clubbing of Connections

2.31.21 Metering and Billing

Several respondents during the ARR process have highlighted the billing and collection problems in the system. The Commission is concerned about such billing problems in the system and to rectify such problems the Commission has issued "Performance Standards (Metering and Billing) Regulations" on August 19, 2002. The Commission directs the Petitioner to strictly adhere to the guidelines set in the "Performance Standards (Metering and Billing) Regulations" and improve the billing and collection system. In case there are any lapses on the part of the Petitioner in adhering to these performance standards, then the consumers should come forward and report it to the Commission under the relevant provisions of the Regulations. The Commission has been separately addressing the complaints received from various consumers on billing aspects under the Regulations. The Commission has designated three Grievance Redressal Officers (GROs), one for

each DISCOM for handling the billing complaints. The complaint received from consumers is forwarded by GRO to respective DISCOM for resolution.

Further, In accordance with the provisions of Section 42 (5) of the Electricity Act 2003, a Forum is being established soon to address the grievances of the consumers and the consumers should come forward with the metering and billing related issues for redressal of grievances.

Further the Commission will also appoint an Ombudsman to settle the grievances of any consumer who is aggrieved by non-redressal of his grievances by the Forum. The Commission will detail out the time frame and the manner in which these grievances will be addressed.

The Commission agrees with the views of the respondents that the billing, collection and complaint handling procedures should be more consumer friendly. The Commission appreciates the initiatives taken by the Petitioner in this regard and expects that the Petitioner will further improve its system to make the operations more consumer friendly.

2.31.22 Procedure for getting connection and load sanctioned

These aspects have been covered in the "Performance Standards (Metering and Billing) Regulations". On the specific issue of making new tenants responsible for non-payment of dues by earlier tenants or occupier, the Commission is of the opinion that the existing provisions applicable as per the Regulations are appropriate and does not warrant any modification. However the Commission is in the process of amending its Performance Standards (Metering and Billing Regulations), the draft of which has been published for public response and the stakeholders are expected to respond to the Commission.

As regard to the issue of obtaining MCD license by industrial units operating in Non conforming areas of Delhi for obtaining connections, the Commission in its last Tariff Order dated June 26, 2003 has removed condition of misuse linked to MCD license for the existing connections. However, for new connections MCD license is applicable in line with the Hon'ble Supreme Court ruling.

2.31.23 Inspection/Raid of Premises

The Commission would like to clarify that the procedure of Inspection/Raid of Premises has been covered in the "Performance Standards (Metering and Billing) Regulations". However, subsequent to the Electricity Act 2003, the procedure for inspection/raid of premises shall be governed by Section 126 and Section 135 of the Electricity Act 2003.

2.31.24 Quality of Service/Supply

The Commission in its last Tariff Order has mentioned that with the substantial expenditure towards capital investments and for repairs and maintenance, the Companies will be able to achieve substantial progress in improvement in quality and consumer service.

The Commission has analysed the actual capital expenditure incurred by the Companies in Chapter 4 and has noticed that actual capital investments on various distribution schemes by

Petitioner are slightly lower than the capital expenditure plan approved by the Commission. While Performance Standards have already been notified, the Commission intends to issue Grid Code and Distribution Code as well as a Consumer Charter to ensure minimum quality of supply to consumers.

3. Analysis of Annual Revenue Requirement

3.1 Introduction

Section 28 (5) of the Delhi Electricity Reform Act, 2000 requires a licensee to provide to the Commission, at least 3 months before the ensuing financial year, full details of its calculation of the expected aggregate revenue from charges for that financial year, which the licensee is permitted to recover pursuant to the terms of its license. The Section further stipulates that the licensee shall also furnish such further information as the Commission may reasonably require to assess the licensee's calculations.

Pursuant to the above stipulation, and consequent to restructuring of the DVB in July 2002, the Commission, in August 2002, issued the revised guidelines for methodologies and procedures to be adopted by the TRANSCO and DISCOMs for filing of ARR. As already explained in Chapter 2, according to the Policy Directions issued by the Government of NCT of Delhi, bulk supply tariff for supply of energy from TRANSCO to DISCOMs is required to be determined on the basis of the paying capacity of each DISCOM. The forms contained in the guidelines call for a variety of information/data relating to expenditure, return, various performance parameters, etc.

The Petitioner filed the ARR and Tariff Petition for nine months of FY 2002-03 (July 2002 to March 2003) and FY 2003-04, during November and December 2002, respectively. The Commission after detailed scrutiny of the Petitions and after following due public process, issued the Order on the ARR Petition for FY 2002-03 and FY 2003-04 on June 26, 2003. In this Order, the Commission approved the elements and revenue for FY 2002-03 considering the provisional accounts submitted by the Petitioner. For FY 2003-04, the Commission estimated the various components of ARR. The detailed methodology for estimating each element of ARR has been deliberated in the Order.

The Commission in its Order issued on June 26, 2003 has proposed 'truing up' mechanism, under which the Commission has proposed to take up truing-up of the ARR and revenue figures considered in the Order with the actual ARR and revenue after determining the prudence of each component of ARR and Revenues.

The Petitioner in its Petition for FY 2004-05 has submitted the revised estimates for FY 2003-04 and requested the Commission to true up the ARR and revenue based on the revised estimates. The Petitioner has also requested for the truing up of certain elements of ARR for FY 2002-03.

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 true up the ARR for FY 2003-04 and to project the realistic level of allowable expenditure during FY 2004-05. The process of ARR determination for FY 2004-05 got extended beyond March 31, 2004, and therefore the Commission obtained the details of actual expenses and revenue for FY 2003-04. As the actual details of expenses and revenue for FY 03-04 are available based on provisional

accounts, the Commission has trued up all the elements of ARR based on the actual expenses and income of NDPL after ensuring that the expenses satisfy the test of reasonable prudence. Further, the Commission has also examined the Petitioner's request for truing up of certain elements for FY 2002-03. The expenses to be trued up for FY 2002-03 have been discussed while analysing the relevant head of expenditure for FY 2003-04 and FY 2004-05.

3.2 Annual Revenue Requirement

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

- a) Expenses: -
 - Employee expenses
 - Administrative and general expenses
 - Repairs and maintenance expenses
 - Interest expenditure
 - Depreciation
- b) Return on Equity
- c) Taxes on Income
- d) Non Tariff Income

3.3 Employee Expenses

3.3.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2004-05, provided the revised estimates for FY 2003-04. The Petitioner has estimated gross employee expense of Rs. 126.44 Crore for FY 2003-04, which is higher than the Commission's approval of Rs. 117.82 Crore. The Petitioner has submitted that this increase is mainly due to the following reasons:

- Increase due to provision of "Medical Allowances and Uniform Allowance" applicable to employees as per the staff rules for erstwhile DVB employees.
- Creation of new departments to handle various functions like, billing, collection, training and Business Process Re-engineering.
- Induction of trainees, who will be specially trained to handle the various technical complexities.
- Increase in costs due to expectation that majority of the employees will avail of LTA during the current year.

The Petitioner has estimated a capitalisation of 10% of employee expenses for FY 2003-04.

- For FY 2004-05, the Petitioner has projected gross employee expenses at Rs. 139.70 Crore. The Petitioner has also proposed capitalisation @ 10% of the gross employee cost, thereby resulting in a net employee cost of Rs 125.73 Crore. The employee expenses of FY 2004-05 are about 10.5% higher than the revised estimates for FY 2003-04.

The assumptions made by the Petitioner in projecting expenses for FY 2004-05 on some of the critical components of the employee expenses are outlined below:

- Increase in salary assumed at 3 % p.a. based on planned increments and promotions.
- Increase in DA of about 14.50% over the current year.
- Capitalisation at 10% of the total employee cost.
- Increase in LTA claims.

During the subsequent submissions, the NDPL has submitted that the employee expenses for FY 2004-05 will increase as compared to the expenses projected in their Petition mainly due to following reasons:

- Merger of the Dearness Allowance (DA) to the extent of 50% of Basic with Basic Salary in line with the GNCTD Order, which is applicable to all employees.
- Resultant increase in other allowances such as HRA, etc. which are directly related to basic component due to merger of part of DA with Basic.
- The Petitioner has implemented a Voluntary Separation Scheme (VSS) in FY 2003-04, and proposed to amortise the total VSS expenses over three years, along with holding cost.

3.3.2 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. During the technical sessions, the Commission directed the Petitioner to submit the actual employee expenditure incurred during FY 2003-04. The Commission also directed the Petitioner to submit the details of Voluntary Separation Scheme along with Cost Benefit Analysis.

Accordingly, the Petitioner submitted the details of actual employee expenses for FY 2003-04 and the details of VSS. The total actual employee expenses for FY 2003-04 as submitted by the Petitioner are Rs. 114 Crore including the VSS amortisation expense of Rs 4.32 Crore.

Before analysing the Employee Expenses for FY 2003-04 and FY 2004-05, the Commission has analysed the details of VSS including total outgo due to this scheme, cost benefit analysis of the scheme, proposed treatment of the outgo and savings out of the scheme.

Voluntary Separation Scheme (VSS) - The Petitioner has submitted that there is an actual cash outflow of Rs. 90.59 Crore towards VSS. NDPL has submitted that they have not claimed the entire amount of VSS cash outflow in the ARR and have taken commercial loans at an interest rate of around 8% with a tenor of 2-3 years, to fund this liability. NDPL has further submitted that it proposes to spread the VSS outgo over a number of years thus ensuring that the consumers do not have to

bear any cost over and above the employee expenses that would have been incurred if these employees had continued. With this, the VSS cost is expected to be spread over the next 2.5 years and thereafter the entire savings of VSS will accrue to NDPL and its consumers. Based on this mechanism of spreading over the VSS Cost, NDPL has requested the Commission to consider the total employee costs, based on original number of employees (viz. Pre VSS) to be allowed in the ARR.

The Commission has assessed following two options of amortisation of cost of VRS:

- Option 1: Amortisation of entire VSS expense within 1 year
- Option 2: Amortisation of VSS expense by spreading it over next 2-3 years through savings in Employee Costs

Before examining these two options, the Commission would like to clarify that the acid test for implementation of any such scheme is that the implementation of scheme has to be tariff neutral to the consumers.

In case of Option 1, if the amortisation of entire VSS expenses is considered as part of ARR in one year, it will lead to substantial increase in ARR and revenue gap and in turn lead to tariff shock to the consumer. Considering this aspect, the Commission in principle agrees with the view of the Petitioner that the entire VSS outgo of Rs. 90.59 Crore cannot be considered in one year ARR and the cost of VSS needs to be spread over the next 2-3 years.

In case of option 2, the amortisation of VSS scheme is to be spread over next 2-3 years. The Commission further opines that the expenditure on VSS, the borrowing cost, and increase in other expenses due to implementation of this scheme, if any, have to be met from the savings in Employee Costs over the future years. With this mechanism, once the cumulative savings on account of reduction in employees are equivalent to the one time VSS outgo after adjusting for the increase in the other expenses, the savings in employee expenses will be available for the purpose of ARR computations and thus in the tariff to the consumers.

The Commission has carried out the cost-benefit analysis of this scheme based on the VSS expenditure and annual savings projected by the Petitioner. With the implementation of this scheme, there will be savings in employee expenses, but there will be an increase in other expenses, for example, outsourcing of meter reading and billing activities, due to reduction in number of employees. These additional expenses on meter reading and billing will be part of A&G expenses. Based on details submitted by the Petitioner, the savings in employee expenses due to implementation of this scheme is estimated to be around Rs. 42 Crore per annum. However, due to outsourcing of meter reading and billing activities, the A&G Expenses will increase by around Rs. 6 Crore per annum. Thus, the net savings per annum due to implementation of this scheme works out to around Rs. 36 Crore. The Commission has worked out the payback period in which the net savings will be equivalent to the VSS Cost along with its cost of borrowing. Considering the one time VSS cost of Rs. 90.59 Crore and net savings of Rs. 36 Crore per annum, the pay back period works

out to around 2.8 years. Thus the savings in employee costs will be passed on to consumers through tariffs after 2.8 years.

During the ARR and Tariff determination process, the DVB Employees Terminal Fund 2002 filed a response on the ARR Petition filed by DISCOMs. In their response they mentioned that the DISCOMs have not consulted the Trust before the declaration of VRS/SVRS and that the Trust had not made any commitment to the DISCOMs to discharge the liabilities arising on these Schemes. The response also mentioned that the Trust has examined the matter in detail and has conveyed to the DISCOMs that the additional burden created by VRS/SVRS for could only be discharged by the Trust on the basis of a suitable compensation for the additional expenditure on this account.

The Trust in their response further mentioned that the NDPL, BRPL and BYPL have not included the liability arising out of VRS/SVRS and have not projected the same in their ARR. According to estimates worked out by the Trust, pending detailed actuarial valuation, the DISCOMs are required to deposit the following amounts to the Trust for enabling disbursement to retiring employees opting for SVRS/VSS.

- NDPL : Rs 242.98 Crore
- BYPL : Rs 236.91 Crore
- BRPL : Rs 316.56 Crore

The Trust submitted that the VRS liability is a legitimate charge on the tariff since it would be a measure designed to improve efficiency and reduce establishment costs over time. The Trust requested the Hon'ble Commission to allow this expenditure of VRS liability as estimated by the Trust while determining the ARR of DISCOMs.

The Commission had invited the Trust to present their views in the matter during the Public Hearing scheduled on April 10, 2004. However, the Trust vide its letter dated April 8, 2004 withdrew their response on the ARR and Tariff Petition and consequently, had not participated in the Public Hearing on the April 10, 2004.

The Commission understands that this matter of additional liabilities on account of implementation of VRS is yet to be resolved between the Trust and the DISCOMs and that the situation is in a state of flux. The Commission would also like to highlight that the payback period of implementation of VSS scheme has been worked out without considering the Trust Liabilities and in case the Trust liabilities are also to be borne by the NDPL, the payback period may extend beyond 2.8 years.

Considering the above two options and the issue of additional liabilities on account of VSS, the Commission has proposed to amortise the VSS expenses over next 2-3 years. Based on this mechanism, the Commission has projected the employee expenses without considering the costs of VSS and savings in employee costs due to VSS. The increase in A&G expense on account of

outsourcing of meter reading and billing expenses has also not been considered by the Commission in the ARR. This method of treatment of VSS outgo and its savings will be beneficial to the consumers, as it maintains the employee costs at prudent levels and will be tariff neutral for around 2.8 years. After around 2.8 years, once the net savings in employee expenses are equivalent to VSS cost along with its holding cost, the substantial reduction in employee expenses will also be passed on to consumers in ARR and tariffs. The above arrangement worked out by the Commission is subject to the final settlement, which may be arrived at between the Discoms and the Trust.

The actual employee expenses for FY 2003-04 as submitted by the Petitioner without considering the VSS outgo and the savings in employee costs due to VSS are Rs. 114 Crore. It is seen that the actual employee expenses of the Petitioner during the FY 2003-04 are almost equivalent to the employee costs approved by the Commission in its Order on ARR for FY 2003-04. Therefore the Commission has considered the actual employee expenses for FY 2003-04. The actual employee expenses capitalised during the year are Rs. 10.97 Crore, and the Commission has considered the same while approving the net employee expenses for FY 2003-04.

For estimating the employee expenses for FY 2004-05, the Commission has projected each component of the employee expenses rather than applying a growth rate on the overall employee expenses of FY 2003-04. The critical assumptions made by the Commission with regard to the projections for FY 2004-05 is stated below:

- Basic Salary: Considered Merger of part of the DA with basic and a growth of 3% on Basic Salary.
- Dearness Allowance: Out of prevailing DA @ 59% of Basic, DA equivalent to 50% of Basic has been merged with Basic. DA of 11% of Basic as per prevalent rates has been considered for FY 2004-05.
- Terminal Benefits - 26% of the Basic+DA.
- Other Allowances: Considered as proportion to the Basic, as these components are linked to the Basic Salary.
- Other components: Other heads such as staff welfare, other allowances, medical reimbursements, and bonus/ex-gratia, considered on proportionate basis based on the actual expenses during FY 2004-05.

Based on the above assumptions, the employee expenses for FY 2004-05 have been approved at Rs. 133.39 Crore as against Rs. 139.70 Crore as proposed by the Petitioner for FY 2004-05. The Commission has considered a capitalization of 10% of gross employee costs.

The Table 3.1 provides a snapshot view of the employee expenses as proposed by NDPL in the Petition and as approved by the Commission.

Table:3.1 Employee Expenses (Rs. Crore)

Particulars	FY 2003-04				FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Salaries	40.33	41.85	38.66	38.66	44.38	59.73
Dearness Allowance	21.69	22.30	20.32	20.32	25.54	7.19
Terminal Benefits	18.24	16.14	10.53	10.53	17.43	11.95
Other Costs	37.56	46.15	44.50	44.50	52.35	54.52
Total	117.82	126.44	114.01	114.01	139.70	133.39
less expenses capitalized	11.78	12.64	10.97	10.97	13.97	13.27
Total	106.04	113.80	103.04	103.04	125.73	119.40

3.4 Administrative and General Expense (A&G)

3.4.1 Petitioner's Submission

The Petitioner in ARR and Tariff Petition for FY 2004-05 submitted that against an approved Administrative and General expense of Rs. 18.30 Crore for FY 2003-04, the revised estimates of A&G expenses for FY 2003-04 are Rs. 19.20 Crore. The Petitioner has submitted that this increase is mainly due to the following reasons:

- Increase in Insurance costs, since the insurance has been increased to cover all equipment and a comprehensive EAR policy has been taken up.
- Inclusion of rent related to new buildings for the Petitioner offices.
- Higher Property Tax based on unilateral increase in the property rates by the Municipal Corporation of Delhi (MCD).

The Petitioner has projected an Administrative and General Expense of Rs. 23.65 Crore for FY 2004-05, which is an increase of 23% in A&G expenses over FY 2003-04 revised estimates. The Petitioner has submitted that higher growth rate in the A&G expense for FY 2004-05 has been considered mainly due to following reasons:

- Increase of 20% in the rents, which are due for renewal in FY 2004-05.
- Increase in the Insurance premium, since the premium for FY 2003-04 was based on insurance cover for part year and the premium will be applicable for full year for FY 2004-05.
- Growth rate of 12% in other expenses.

In addition to the above A&G expense, the Petitioner has claimed Rs 25.69 Crore and Rs 19.06 Crore for FY 2003-04 and FY 2004-05, respectively on account of "loss on retirement of assets" in its subsequent submissions. The Petitioner has submitted that it has replaced and retired assets, which have ceased to be of productive use but having a residual life and value in the books of accounts. For FY 2003-04, the Petitioner has submitted that it has retired assets having a book value of Rs 44.16 Crore and cumulative depreciation of Rs 18.34 Crore. The Petitioner has also indicated that it has recovered Rs 0.13 Crore through insurance, leaving a total loss on retirement of assets at Rs 25.69

Crore for FY 2003-04. On the similar basis, the Petitioner has estimated a loss of Rs 19.06 Crore for FY 2004-05 on retirement of assets with a book value of Rs 40 Crore.

The Petitioner has requested that the Working Capital Interest cost of Rs. 0.24 Crore, and L/C establishment Costs of Rs. 0.11 Crore incurred in 2002-03 totaling to Rs. 0.35 Crore be trued up in the Current Year. The Petitioner has highlighted that it is required to maintain a letter of credit to the extent of 140% of the monthly average of the last three months power purchase invoice as per the terms of the Bulk Supply Agreement. In addition, the Petitioner has overdraft facility from a consortium of banks for Rs. 80 Crore, which is primarily utilised for bridging the mismatch between bulk supply payments to Transco and Receipts. The Petitioner has emphasised that while amounts against depreciation build up gradually through the year, overdraft facilities need to be utilised periodically for meeting mismatches, especially making up-front payments to Transco. The Petitioner has further highlighted that it would not have been able to earn the rebate of Rs. 4.68 Crore in 2002-03 without utilisation of Overdraft facilities.

The Petitioner has submitted that the consumption of electricity by the DISCOM's offices and other establishments had been considered as sale to own offices and added to total revenue collected For FY 2002-03, The Petitioner has submitted that while the Commission has included the revenue on account of self consumption of electricity to the overall cash available with the Petitioner, it has inadvertently omitted the said amount as an expense under A&G expenses, as a result of which a legitimate expense amounting to Rs. 4.5 crore for FY 2002-03 has been disallowed in the computation of the ARR. The Petitioner has requested the Commission to allow this expense towards Truing Up of expenses of FY 2002-03 in the ARR for FY 2003-04.

3.4.2 Commission's Analysis

During the technical validation sessions, the Commission had asked the Petitioner to submit actuals for FY 2003-04. The Petitioner has submitted the actual A&G Expenses for FY 2003-04 as Rs. 17.72 Crore and has stated that in the Annual Report. The Petitioner has also considered Rs. 1.22 Crore towards LC, Legal, Audit and License Fees as part of A&G expenses. Thus the actual A&G expense of the Petitioner is Rs. 18.94 Crore for FY 2003-04.

The Commission considers the actuals of FY 2003-04 as reasonable and accepts the A&G expense at Rs. 18.94 Crore. For FY 2004-05, the Commission has considered an escalation of 5% for some of the categories which works out to around 4% average escalation on A&G expenses. However as the employees have reduced due to implementation of VSS, this will lead to reduction in A&G expenses. Hence the Commission has considered the A&G Expenses for FY 2004-05 at the same level as that of FY 2003-04. As regards the truing up of L/C establishment costs incurred in FY 2002-03, in its Order on Review of ARR and Tariff Order dated November 25, 2003, the Commission has stated that *"if it has caused undue under-recovery of legitimate expenses, the petitioner is at liberty to provide necessary details in support of his claims to the satisfaction of the Commission during the subsequent ARR & Tariff filing..."* The Commission has accordingly reviewed the

supporting claims of L/C establishment costs and cost of overdraft facilities incurred in FY 2002-03 and allowed an expense of Rs. 0.11 Crore for truing up during FY 2003-04 based on actual L/C establishment cost for FY 2002-03 as per the Audited Accounts. The matter of rebate and related expenses is being separately considered by the Commission.

As regards the truing up of expense of self consumption of electricity, in its Order on Review of ARR and Tariff Order dated November 25, 2003, the Commission has stated that *"if it has caused undue under-recovery of legitimate expenses, the petitioner is at liberty to provide necessary details in support of his claims to the satisfaction of the Commission during the subsequent ARR & Tariff filing..."*. The Commission has accordingly reviewed the submissions of the Petitioner and allowed an expense of Rs. 4.5 Crore for truing up during FY 2003-04

As regards the claim of loss on retirement/sale of assets, the Petitioner has indicated that it has inherited large amount of assets, which, though still having a residual life and value in the books of accounts, have ceased to be of productive use. The Petitioner has highlighted that such assets need to be replaced. The Commission till date has not prescribed any guidelines for treatment of loss on retirement/sale of assets as this is the new issue, which has emerged in this ARR Petition. The Commission would like to clarify that before allowing the loss due to retirement of assets prior to completion of useful life, a detailed examination regarding the justification for each and every asset item retired prior to useful life is essential to be carried out. Considering the magnitude of assets that needs potential replacement and its future implications and time lag involved in detailed examination of each asset, the Commission would examine the matter separately after the issue of Tariff Order. For the purpose of ARR computation, the Commission has not considered loss on retirement/sale of assets as an expense and the Commission based on its decision on the aspect after detailed examination will consider the impact during the truing up process.

Table 3.2 provides a summary of A&G expenses as proposed by the Petitioner and as approved by the Commission.

Table:3.2 Administrative and General Expenses (Rs. Crore)

Particulars	FY 2003-04				FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Total A&G Expense	18.30	19.20	18.94	18.94	23.65	18.94
Loss on retirement/sale of assets	0.00	0.00	25.69	0.00	19.06.	0.00
Truing up of interest on working capital and L/C financing costs for FY 2002-03		0.35		0.11		
Truing up of own consumption at work for FY 2002-03		4.50		4.50		

The Commission directs the Petitioner to take a prior approval for any increase in A&G expenses during the FY 2004-05 beyond A&G expenses approved before committing/incurred an expense.

3.5 Capital Investment and Repair & Maintenance Expenses

In its Order on ARR and Tariff for FY 2002-03 and FY 2003-04, the Commission has emphasized upon the substantial improvement required for strengthening the system through combination of capital works and R&M works. The Commission has also elaborated that the substantial R&M works were then essential to meet the need of the hour in short term, but in long term, the system improvement will be achieved through Capital Investments. The Commission also opined that the execution of capital works will result in strengthening the distribution system, which in turn will call for lesser R&M works.

With the initiatives taken over the past 2 years and capital investments of Rs. 336 Crore during past two years (FY 2002-03 and FY 2003-04), some improvements have already been achieved. Further, with the proposed investments of Rs. 290 Crore for FY 2004-05, the Commission expects that the execution of capital works will result in further strengthening the distribution system, and thereby resulting in reduction in R&M expenses. For instance, the frequent transformer failures require more R&M works, but with the augmentation of transformation capacity under various capital works schemes, the rate of transformer failure will fall, thus reducing the overall value of R&M works. The Commission expects that the benefits of the capital investment made during the year FY 2003-04 would have already started flowing. The Commission has analysed the R&M Works and Capital Investments submitted by the Petitioner and the same are discussed in following sections.

3.6 Capital Investments

3.6.1 Petitioner's submission

In its Petition, the NDPL has submitted that it has devised a 5-year investment plan amounting to Rs. 1248 Crore for the period FY 2002-03 to FY 2006-07.

The Petitioner has estimated an investment of Rs. 339.13 Crore for FY 2003-04 against the investment of Rs. 287.39 Crore considered by the Commission in the ARR and Tariff Order dated June 26, 2003 (Tariff Order). The Petitioner has estimated higher investment requirement against Non-APDRP category over the approved figures. The Petitioner has further submitted that the amount of the Deposit Works should be allowed at actual, as the Petitioner does not have an absolute control over such expenditure.

In its Petition, the Petitioner has proposed an investment of Rs. 290.38 Crore during FY 2004-05. The investment proposed comprises Rs. 73 Crore under APDRP schemes, Rs. 134 Crore as New System Improvement works, Rs. 43.38 Crore as Deposit Works and the remaining Rs.40 Crore as non-APDRP works. NDPL has proposed capital investments in the following areas:

- AT&C Loss Reduction - Metering systems, High Voltage Distribution System (HVDS), IT initiatives for collection, shunt capacitors
- System Reliability Improvement - 11 kV switchgear, RMU, control panel, SCADA, HT lines and cables, feed strengthening of grid stations
- Load growth needs - new grid substations, power transformer, deposit works
- Infrastructure facilities - consumer care centres and online cash collection centres, renovation and modernization of district and circle offices

The Petitioner has submitted the scheme-wise details of the proposed investments. The Petitioner has also submitted the quarterly investment plan for the investments proposed during FY 2004-05.

During the Technical Sessions, the Commission directed the Petitioner to submit the status of actual capital expenditure made during FY 2003-04 and the cost benefit analysis of the investment proposed in FY 2004-05. Accordingly, the Petitioner has submitted actual investments for FY 2003-04 supported by the Provisional Accounts and the broad cost-benefit analysis for investments proposed in FY 2004-05.

The Petitioner has projected reduction in AT&C losses from 44.86% in FY 2003-04 to 40.85% in FY 2004-05 and improvement in reliability index from 99.57% in FY 2003-04 to 99.60% in FY 2004-05 as the benefit arising of the proposed investment plan.

During the Technical Session, the Commission arranged a joint meeting between the senior management team of TRANSCO and DISCOMs to emphasise the need of coordinated development towards the investment required for strengthening the entire transmission and distribution network to ensure that the benefits of system improvements are duly available to the end consumers. The Petitioner has accordingly reviewed its expenditure in light of the expenditure incurred during FY 2003-04, the system study carried out by CEA and the plans of the TRANSCO, BRPL and BYPL.

The Petitioner has submitted its revised plan of investments for FY 2004-05. The investments proposed by the Petitioner for FY 2003-04 and FY 2004-05 in the Petition, actual investment carried out by the Petitioner during FY 2003-04 and the revised investment plan for FY 2004-05 has been summarised in the Table 3.3

Table:3.3 Investment (Rs. Crore)

Description	FY 2003-04		FY 2004-05	
	Rev. Est. (Petition)	Actual	Petition	Revised
APDRP Projects	235.00	201.98*	73.00	60.96
New System Augmentation Works	0.00	0.00*	134.00	140.81
Deposit Works	30.88	14.29*	43.38	36.00

Table:3.3 Investment (Rs. Crore)

Description	FY 2003-04		FY 2004-05	
	Rev. Est. (Petition)	Actual	Petition	Revised
Non APDRP Projects	73.25	22.47*	40.00	15.00
Cost of meters, transformers and switchgear included under R&M expenses	0.00	60.66	0.00	50.63
Total Investments	339.13	299.40*	290.38	303.40

* Includes apportioned value of capitalisation of salary and interest of Rs 12.27 Crore

3.6.2 Commission's Analysis

The Commission has analysed the submissions made in the Petition and the subsequent revisions proposed by the Petitioner with respect to the actual investments carried out during FY 2003-04 and the investment plan for FY 2004-05. The Commission has conducted site visits to verify the submissions made by the Petitioner, check the progress of works and status of completion of works during FY 2003-04. The Commission has held detailed discussions with the Petitioner and scrutinised the investments already made as well as the investments proposed to be made.

The actual investments made by the Petitioner during FY 2003-04 is Rs. 226.47 Crore excluding salary and interest capitalisation as against the investment of Rs. 287.37 Crore approved by the Commission in its Order and the revised estimated investments of Rs. 339.13 Crore as submitted by the Petitioner. For FY 2003-04, the Commission has considered the actual investments made during the year.

Further, as explained subsequently, the Commission has considered the cost of new meters, transformers and switchgear installed against defective meters, transformers and switchgear as a part of the capital investment, and not as R&M expenses. Thus, the total investment considered by the Commission for FY 2003-04 is Rs. 287.13 Crore.

Considering the progress of actual investment made during FY 2003-04 against the investment plan approved by the Commission in its Tariff Order and the need of the investment for substantial improvement in Delhi Power System, the Commission approves the entire investment plan proposed by the Petitioner. The Commission expects that the balance portion of the approved APDRP schemes will be completed in FY 2004-05. **The Commission directs the Petitioner to submit the complete Detail Project Report (DPR) along with cost-benefit analysis for schemes more than Rs 2 Crore for obtaining the scheme-wise investment approval from the Commission as per the terms and conditions of the License for Distribution and Retail Supply of Electricity within a month from the date of the issue of this Order. The Commission further directs that the Petitioner should submit a separate Petition for approval of schemes for FY 2005-06, by September 2004.**

The Commission reiterates its direction to the Petitioner to submit the quarterly progress report.

Notwithstanding the above directive, the Commission, in principal, agrees with the schemes suggested by the Central Electricity Authority (CEA) in the Comprehensive Study Report on the Transmission and Sub-transmission System of Delhi. To ensure that there is no delay in implementation of the capital investment, the Petitioner may take up the schemes suggested by CEA as well as those approved under the APDRP schemes before getting an approval of the Commission for implementation. However, the Petitioner should ensure to take post facto approval of the Commission for all such schemes initiated/executed by him.

In line with the recommendation of the CEA, the Commission directs the Petitioner to form a Steering Committee, with one member as Commission's Representative, within 7 days of the date of issue of this Order. The Steering Committee would be responsible for developing an integrated and consolidated implementation plan and monitoring thereof. The Commission directs the petitioner to submit the consolidated plan within 15 days of the date of issue of this Order and submit quarterly monitoring reports thereafter.

The summary of the investments proposed in the Petition and as considered by the Commission for FY 2003-04 and FY 2004-05 is provided in the Table 3.4.

Table:3.4 Capital Investment (Rs. Crore)

Description	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission*	Petition	Commission**
Total Investments	287.37	339.13	287.13	290.38	303.40

* Includes Rs. 226.47 Crore of investment and Rs. 60.66 Crore on account of meters, transformers and switchgear shifted from R&M expenses to capital expenditure

** Includes Rs. 252.77 Crore of investment and Rs. 50.63 Crore on account of cost of meters, transformers and switchgear shifted from R&M expenses to capital expenditure

3.7 Repairs and Maintenance (R&M)

3.7.1 Petitioner's Submission

The Petitioner in its ARR and Tariff Petition for FY 2004-05, submitted that against an approved R&M expense of Rs. 32.16 Crore for FY 2003-04, the revised estimates for FY 2003-04 are Rs. 49.08 Crore. This is primarily due to the following reasons:

- Store Management initiative launched and inventory management introduced.
- Thermo Vision Scanning facility installed for detection & speedy rectification of hot spots in the system.
- Major initiatives initiated to reduce failure of Distribution Transformers, like, Checking of termination and replacement of cable termination wherever required, Load balancing, checking of LT breakers and repairing wherever required and Repair and Maintenance of Cables outsourced to OEM's.

The Petitioner has initiated a major drive for cleaning of the data base, outsourcing of meter readings, downloading of information and analysing the data which shall help the Company in understanding the consumer Demand Curve better, identifying any sudden spike or dip in consumption and plan its system augmentation capacity accordingly apart from improving its Billing & Collection efficiencies, thereby reducing AT&C losses. The Petitioner further submitted that the certain activities such as checking of meters, etc. are being carried out pursuant to the Hon'ble Commission's Guidelines.

The Petitioner has, in its ARR and Tariff Petition for FY 2004-05, projected a Repairs and Maintenance Expense of Rs. 63.86 Crore for FY 2004-05. The Petitioner has projected an increase of 30% in R&M expenses over FY 2003-04 revised estimates. The main reasons for the increase in R&M expense is due to the increased level of energy audit activities, increased repairs of transformers and switchgears, increased maintenance work on Petitioner owned buildings, and increased meter reading expenses. The other heads have been estimated based on nominal growth rates.

3.7.2 Commission's Analysis

During the technical validation sessions, the Commission had asked the Petitioner to submit actuals for FY 2003-04. The Petitioner has submitted the actuals for FY 2003-04 as Rs. 55.26 Crore and has additionally considered an expense of Rs. 34.50 Crore for purchase of meters. The Petitioner has submitted that it has purchased the meters of Rs. 42.72 Crore and adjusted Rs 8.22 Crore of APDRP grant for part financing of the purchase and charged balance Rs. 34.50 Crore as an expense.

The Commission, in its previous Order on ARR for FY 2003-04 dated June 26, 2003 had directed the Petitioner to provide quarter wise details of the R&M activities as under:

"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 Petitioner, in its Petition, has submitted the details of actual R&M works carried out till the end of September 2003, together with the record of items issued from the stores for R&M works. In a subsequent submission dated May 6, 2004, the Petitioner has submitted the list of major materials drawn from the stores for the period from July 2003 to March 2004 along with the quantity. The Petitioner has partially complied with this directive of the Commission and has not submitted the records of the items issued from the Stores for R&M works, actual R&M works carried out and the report on transformer failure rate on quarterly basis to the Commission.

The Commission has examined the details of R&M works carried out during FY 2003-04 in detail. Based on the break-up of actual R&M expenses submitted by the Petitioner, the Commission has noticed that the Petitioner has included replacement of meters, replacement of transformers and switchgears as a part of the R&M expenses.

As regards the meters replaced against defective meters, the Commission is of the opinion that as new meters have been installed, the cost of new meters should be considered in the Capital Investment.

Regarding replacement of transformers and switchgear, the Commission opines that ideally the defective transformers should be replaced with repaired transformers and not with new transformers. As new transformers have been put in use, the cost of these new transformers should be considered as a part of the Capital Investment and not part of R&M works.

Accordingly, the Commission has considered the cost of around Rs. 60.66 Crore towards new meters, transformers and switchgear in the Capital Investments for FY 2004-05 and accordingly reduced the R&M Expense as proposed by NDPL.

In absence of the quarter-wise details of list of materials issued from stores towards R&M works and details of actual R&M works and considering the shifting of certain component of R&M works to Capital Investments, the Commission has restricted the R&M expenses for FY 2003-04 at Rs. 32.16 Crore as approved by the Commission in its previous Tariff Order.

As discussed in previous section on Capital Investments and R&M works, the Commission expects that with the execution of capital works under the various schemes, the extent of R&M works will decrease over a period, thus reducing the R&M expenses. Considering this aspect, the Commission believes that with the investments made in previous two years and the investments proposed during FY 2004-05, the R&M expenses should reduce during FY 2004-05 as compared to R&M expenses during FY 2003-04. Considering this aspect, the Commission for FY 2004-05 has considered the R&M expenses at Rs. 32.16 Crore, at the level of expenses approved for FY 2003-04.

The Commission further 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 directs the Petitioner to clearly demarcate expenditure related to replacement of meters, transformers and switchgears and include the same in capital expenditure in future submissions.

The Commission also directs the Petitioner to take a prior approval for any increase in R&M expense during FY 2004-05 beyond the approved R&M expense before committing/incurred an expense.

Table 3.5 provides a summary of R&M expenses as proposed by the Petitioner and as approved by the Commission.

Table:3.5 Repairs and Maintenance Expenses (Rs. Crore)

Particulars	FY 2003-04	FY 2004-05
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	Order for FY 2003-04	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Total	32.16	49.08	55.26	32.16	63.86	32.16

3.8 Asset Capitalization

3.8.1 Petitioner's Submission

In its Petition, the NDPL has proposed to capitalise around 85% of the investments made during each of FY 2003-04 and FY 2004-05 in the same financial year. The asset capitalisation proposed in the Petition is Rs. 348.38 Crore and Rs. 314.38 Crore during FY 2003-04 and FY 2004-05 respectively.

In the subsequent submissions made by the Petitioner, the actual assets capitalised during FY 2003-04 have been reflected at Rs. 188.09 Crore. The Petitioner has also submitted the revised estimate of asset capitalisation for FY 2004-05 along with its revised investment plan.

3.8.2 Commission's Analysis

The Commission has analysed the asset capitalization proposed in the Petition and the subsequent submissions made by the Petitioner. For FY 2003-04, the Commission has considered actual asset capitalisation as per the Provisional Accounts inclusive of capitalisation of salary and interest expense. Further, the Commission has also considered the capitalisation of new meters, transformers and switchgear (considered by the Commission as a part of capital investment) as these replacements have already been made. The Commission has considered capitalisation to the extent of Rs. 248.75 Crore for FY 2003-04. Actual asset capitalisation pertaining to new investments as a ratio of new investments undertaken during FY 2003-04 works out to 60%.

For FY 2004-05, capitalization has been considered based on the assumption that the Capital Works in Progress (CWIP) carried forward from FY 2003-04 will be fully capitalised during FY 2004-05 and 60% of the new investments proposed during FY 2004-05 will be capitalised during the year. Further, the Commission has also considered the capitalisation of replacement of new meters, transformers and switchgear shifted from R&M expenses during the year. Based on these assumptions, the Commission has considered capitalisation to the extent of Rs 306.45 Crore during FY 2003-04.

The Commission has considered the opening block of fixed assets for FY 2003-04 as per the submissions by the Petitioner as the revised information is based on the Audited Accounts for FY 2002-03.

For FY 2003-04, the Commission has considered the retirement of fixed assets as per the Provisional Accounts submitted by the Petitioner. For FY 2004-05, the Commission has considered the retirement of fixed assets as per the revised projection submitted by the Petitioner. However, the treatment of retirement of assets has to be examined as detailed in earlier Section of the Chapter.

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 3.6.

Table:3.6 Asset Capitalisation (Rs. Crore)

Description	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Opening balance of fixed assets	1216.54	1207.61	1207.62	1549.30	1412.21
Addition during the year	285.84	348.38	248.75	314.38	306.45
Retirement during the year	0.00	6.69	44.16	0.00	40.00
Closing balance of fixed assets	1502.38	1549.30	1412.21	1863.68	1678.66

3.9 Depreciation

3.9.1 Petitioner's submission

The NDPL has proposed depreciation charges in accordance with the depreciation rates specified as per the Ministry of Power Notification 1994 on depreciation norms. The NDPL has highlighted that weighted average depreciation rate works out to 7.22% as per the Audited Accounts of FY 2002-03 of the Petitioner. The Petitioner has considered depreciation expense on the assets capitalised during the year in accordance with the Companies Act, 1956. Accordingly, the depreciation has been charged on the closing balance of the capitalized assets for the year under consideration. The petitioner has submitted the following reasons in support of the methodology proposed:

- Any disallowance of depreciation expense erodes the assured 16% Return on Equity.
- Dividend cannot be declared unless depreciation is provided as per the statutory provisions under the Section 205 of the Companies Act.
- Allowance of depreciation expense in full would enable the Petitioner to build internal accruals for utilization as a source of the capital expenditure financing. Depreciation, being a cost free source of fund, would result in lowering of the average cost of capital for the Petitioner.

The Petitioner has requested that the difference between the amount allowed as depreciation expense in the Commission's Tariff Order dated June 26, 2003 and the actual depreciation provided in the Audited Accounts based on the assets classification in the Fixed Asset Register for the period FY 2002-03, amounting to Rs. 31.43 Crore may kindly be trued up.

Based on these principles, the Petitioner has proposed the depreciation charges at Rs. 87.14 Crore for FY 2003-04 and Rs. 113.84 Crore for FY 2004-05.

In the subsequent submissions made by the Petitioner, the proposed depreciation charges are revised by the Petitioner in line with the actual asset capitalisation achieved in FY 2003-04 and the

revised estimate of asset capitalisation for FY 2004-05 along with its revised investment plan but by adopting the same principles as mentioned above.

Table:3.7 Depreciation (Rs. Crore)

Description	FY 2003-04		FY 2004-05	
	Rev. Est. (Petition)	Actual	Petition	Revised
Depreciation expense	87.14	87.52	113.84	96.33
Truing up of Depreciation expense of FY 2002-03	31.43			

The Petitioner has considered depreciation utilisation of Rs. 28.20 Crore during FY 2003-04 in line with the principles approved by the Commission in the Tariff Order dated June 26, 2003 for financing capital works. The Petitioner has considered balance depreciation towards financing of 11 kV works for which erstwhile DVB had received deposits but the unfinished work has to be completed by the Petitioner. No depreciation has been considered for financing working capital requirements.

3.9.2 Commission's Analysis

The Commission has adequately discussed the issue of depreciation in its Tariff Order dated June 26, 2003 and the Order on Review Petition filed by the NDPL on the ARR Petition dated November 25, 2003 (Review Petition Order). The Commission's view on the concept of depreciation both from an accounting perspective and from a regulatory perspective from its Review Order dated November 25, 2003 has been reproduced below for reference.

"From an accounting perspective, Depreciation is a charge to the Profit and Loss account and represents a measure of the wearing out, consumption or other loss in value of an asset arising from use, efflux of time or obsolescence through technology and market changes. From a regulatory perspective, depreciation is a small amount of the original cost of the capital assets, built into the tariff computation every year with a view to providing the utility a source of funding to repay instalments of debt capital. As the asset is used over its operational life, Depreciation is proportionately charged over the useful life of the asset."

As regards the truing up of depreciation expense for FY 2002-03, the Commission has addressed the issue in its Review Order dated November 25, 2003. The Commission's conclusion on the issue is reproduced here below for the reference:

*"In conclusion, the Commission is of the view that the depreciation expense allowed by the Commission is in accordance with statutory provisions and Policy Directions and Regulatory Practices. Further, allowing adequate and prudent expenses are within the realm of regulation and the same would need to be assessed on a year-to-year basis. Sum and substance, the Commission has taken into account all the submissions of the licensee, duties and obligations of the Commission, and the prevailing practices before reaching the decision. **There is no 'error apparent on the face of record', and therefore, this issue is not admissible for review.**"*

Accordingly, the Commission does not reconsider the issue of truing up of depreciation for FY 2002-03.

3.9.2.1 Asset Block on which depreciation is applicable

As set out in its Tariff Order dated June 26, 2003, the Commission has allowed the depreciation expenditure only on the Gross Fixed Assets at the beginning of the year, in line with the Schedule VI of the Electricity (Supply) Act.

In the BST Order of February 22, 2002, the Commission had directed the DISCOMs and the TRANSCO to submit the details of the GFA and CWIP in the opening balance sheet of DISCOM within one month of the issue of the Order. The Petitioner has submitted the Fixed Assets Register (FAR) on June 6, 2003. The Petitioner has clarified in the Petition that no details have been provided to the Commission, as there was no Opening CWIP transferred to NDPL as on July 1, 2002 in the opening Balance Sheet. The Commission is of the view that the organizations like erstwhile DVB would possibly have some capital work in progress, which would have been transferred to the DISCOMs concerned. Accordingly, the Commission vide its letter dated October 27, 2004 has requested the GNCTD to confirm the stand taken by the DISCOM that there were no capital works in progress on the date of transfer. The Commission, on April 20, 2004, has requested the Government to expedite the matter and provide the comments of the Government on the matter to the Commission urgently. However, the Commission has not received any response from the Government till date.

The FAR submitted by the Petitioner is on the basis of the business valuation, on the basis of which the opening balance sheets of successor entities of DVB were prepared and FAR does not provide the historical cost for various categories of assets. In the absence of details of CWIP and availability of historical cost for various categories of Assets, the Commission has continued to provide the depreciation considering the opening block of gross fixed assets as on July 1, 2002 based on the Transfer Scheme. Accordingly, the Commission has computed the depreciation expense for FY 2003-04 based on the GFA arrived at by considering the GFA as on July 1, 2002 and the assets capitalised during FY 2002-03. For FY 2004-05, the Commission has computed depreciation on the opening GFA as on April 1, 2003, by adding the assets capitalised during FY 2003-04.

3.9.2.2 Depreciation Rate

The Commission has summarised its methodology of depreciating the assets in its Review Order dated November 25, 2003, which has been reproduced below for reference.

"In its Order of June 26, 2003, the Commission adopted the methodology of depreciating the asset upto a cumulative 90% uniformly over the entire useful life of the asset. This will avoid front loading of tariffs while at the same time ensuring necessary cash flow to the licensees over a long period of time."

The Commission had mentioned in its Tariff Order dated June 26, 2003 that *"the depreciation computed at the rate of 3.75% may be higher or lower than the rate based on the actual FAR, and is of the opinion that this can be adjusted against the actual depreciation chargeable, under the truing up mechanism."*

In the absence of details of CWIP and the historical value of various categories of the assets, the Commission has continued to use the depreciation rate at 3.75% for the purposes of the ARR considering the average fair life of the lines and cables network at distribution voltages as 25 years.

The Commission is of the view that as depreciation is a non-cash expenditure and there is no scheduled loan repayment, the reduction in the depreciation expenditure will not affect the Petitioner's operations as all legitimate and prudent expenditure is being considered for the purposes of determination of the ARR. Accordingly, the Commission has continued to use the depreciation rate of 3.75% for the purposes of the ARR.

The Commission has further explained the methodology for allowing a higher depreciation for repayment of loans in its Tariff Order dated June 26, 2003, which has been reproduced below for reference:

"Therefore, regulatory practice may allow utilities to build in a higher depreciation in their tariffs, thereby enabling them to repay loans within a reasonable horizon (that is acceptable to lenders). In case the quantum of loan repayment exceeds the amount under depreciation, the Utilities may be allowed to build a higher depreciation (also known as 'advance against depreciation') into their tariffs, so as to be able to service the loans. Once the loan is repaid, the excess depreciation charged by the Utility is adjusted against the depreciation due in future years, by not allowing depreciation till such time the normal cumulative depreciation matches the actual cumulative depreciation charged."

The Table 3.8 provides a summary of the Depreciation as proposed by the Petitioner and as approved by the Commission for FY 2003-04 and FY 2004-05.

Table:3.8 Depreciation (Rs. Crore)

Description	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Original cost of fixed assets	1216.54	1207.61	1207.62	1549.30	1412.21
Addition during the year	285.84	348.38	248.75	314.38	306.45
Retirement during the year	0.00	6.69	44.16	0.00	40.00
Depreciation charges	45.62	87.14	45.29	113.84	52.96
Truing up of depreciation charges for FY 2002-03	31.43		0.00		

3.9.2.3 Depreciation Utilisation

As there is no loan repayment liability during FY 2003-04 and FY 2004-05 as per the petitioner submission, the Commission has considered utilisation of depreciation for meeting the working capital requirement and funding capital investments in line with the priority of utilisation mentioned in the Table 3.8 in its Tariff Order dated June 26, 2003. The priority order of utilization of depreciation has been summarised below:

- Loan Repayment, if any
- Working Capital Requirement
- Capital Investment

The Working Capital Requirement has been estimated by considering two months R&M expenses and one month cash expenses i.e., salary, A&G and R&M expenses.

The utilisation of depreciation as proposed by the Petitioner and as considered by the Commission is summarised in Table 3.9.

Table:3.9 Utilisation of Depreciation (Rs. Crore)

Description	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
For debt repayment	0.55	0.00	0.00	0.00	0.00
For working capital requirement	16.87	0.00	18.21	0.00	19.57
For capital investment	28.20	28.20	27.08	36.18	33.39
For funding capital works for financing DVB deposit works	0.00	58.94	0.00	77.66	0.00
Total depreciation	45.62	87.14	45.29	113.84	52.96

3.10 Means of Finance

3.10.1 Petitioner's Submission

The NDPL has proposed funding of the capital expenditure through a mix of consumer deposit, APDRP grant, APDRP loan, depreciation, internal accruals and domestic loans in the order of priority. The Petitioner has pointed out that the Commission has considered funding to the extent of only 50% of the total cost of deposit works, thus leaving a gap of balance 50%. The Petitioner has requested the Commission to allow funding of the Deposit Works through the same means as any other investment scheme. For FY 2004-05, NDPL has estimated APDRP grant and loan at Rs. 20.07 Crore each, being the balance 25% of the total eligible funding out of the presently approved APDRP funding of Rs. 160.55 Crore. The Petitioner has pointed out that it has tied up with Infrastructure Development Finance Company Limited (IDFC) and Power Finance Corporation Limited (PFC) for balance 50% of the counter part funding for financing capital schemes covered under the APDRP as well as for meeting non APDRP capital expenditure. The Petitioner has

proposed to plough back entire retained surplus in the business in FY 2003-04 and FY 2004-05 to strengthen the Balance Sheet of the Petitioner and to exemplify its full commitment to the privatisation process in general and the NDPL in particular. The Petitioner has estimated a commercial debt for balance capital expenditure.

In the subsequent submissions, the Petitioner has also pointed out that the disbursement of APDRP loan was not available until December 2003. The Petitioner has pointed out that it has funded capital expenditure through internal resources and has not drawn any loan during the period April to September 2003. Internal resources have subsequently been withdrawn in the fourth quarter of FY 2003-04 by drawing loan from IDFC and PFC. The Petitioner has indicated that they have drawn Rs. 70 Crore and Rs. 30 Crore from IDFC and PFC respectively during FY 2003-04. The Petitioner has pointed out that the interest on APDRP loan would be applicable from the date funds were offered to NDPL i.e. from September 16, 2003 as per the terms and conditions of the Sanction Letter.

For FY 2003-04, in the subsequent submissions, the Petitioner has highlighted that it has netted of Rs. 8.22 Crore of meter expense against APDRP grant and loan each in accordance with the Accounting Standard 12 issued by ICAI. The Petitioner has pointed out that Rs. 5 Crore out of consumer contribution of Rs. 13.02 Crore has been utilised for financing the charged off meters.

For FY 2004-05, in the subsequent submissions, the Petitioner has highlighted that it has netted of Rs. 8.25 Crore of meter expense against APDRP grant and loan each in accordance with the Accounting Standard 12 issued by ICAI. The Petitioner has pointed out that meters amounting to Rs. 4 Crore are expected to be purchased under the Category Deposit Works.

The means of finance for the capital investments suggested in the Petition and the revised means of finance for revised capital investments as submitted by the Petitioner is summarised in the Table 3.10.

Table:3.10 Means of Finance (Rs. Crore)

Source of Funds	FY 2003-04		FY 2004-05	
	Rev. Est. (Petition)	Actual	Petition	Revised
Consumer Contribution	20.00	8.02*	20.00	18.00*
APDRP Grant	60.21	9.69**	20.07	11.82**
APDRP Loan	60.21	9.69**	20.07	11.82**
Depreciation	28.20	31.99	36.18	35.81
Internal Accruals	79.34	79.34	94.45	94.45
Commercial Debt	107.34	100.00	116.31	93.45
Total Funds	355.30	238.74	307.08	265.35

* Out of the Consumer Contribution of Rs. 13.02 Crore and Rs. 22.00 Crore for FY 2003-04 and FY 2004-05 respectively, Rs. 5 Crore and Rs. 4 Crore for FY 2003-04 and FY 2004-05 respectively has been utilised/considered towards purchase of meters.

** Out of the APDRP Grant and Loan of Rs. 17.91 Crore and Rs. 20.05 Crore each for FY 2003-04 and FY 2004-05 respectively, Rs. 8.25 Crore has been utilised/considered towards purchase of meters.

3.10.2 Commission Analysis

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

The Commission has retained the same order of priority of means of finance as adopted in the Tariff Order dated June 26, 2003. The priority of means of finance adopted is as follows:

- Consumer Contribution
- Unutilised Depreciation considering available unutilised depreciation of the previous years
- APDRP Funds available during the year
- Balance Funds required - balance fund requirement is assumed to be met through a mix of debt and equity by applying a normative debt to equity ratio of 70:30

The Commission has considered actual receipt of consumer contribution of Rs. 13.02 Crore and APDRP grant and loan of Rs. 17.91 Crore during FY 2003-04 as per the actual sanction as the Commission has accounted meters under capital expenditure.

In its revised submissions, the Petitioner has considered total drawl of Rs. 35.82 Crore and Rs. 40.14 Crore during FY 2003-04 and FY 2004-05 respectively against the approved APDRP funding of Rs. 160.55 Crore. The Petitioner has further submitted that it has not considered utilisation of balance funds for funding capital expenditure in FY 2004-05, as balance funds are not expected to be released.

The tripartite agreement between the GoI, the GNCTD and the Utilities of Delhi has been executed in March 2003. The Commission is of the view that the balance APDRP funds will be available during FY 2004-05. Therefore, the Commission has considered the balance Rs. 124.74 Crore of APDRP funds as available to finance the capital investments during FY 2004-05. The Commission directs the Petitioner to ensure that the progress of investment scheme should not be affected on account of the delayed receipt or non-availability of APDRP funds. The Commission would consider actual interest expense arising on account of delayed receipt or non-availability of APDRP funds while truing up the expenses for FY 2004-05.

The Commission has considered the internal accrual based on normative Debt:Equity ratio. The Commission has considered funding of investments through internal accruals to the extent of Rs. 67.04 Crore during FY 2003-04 and Rs. 41.68 Crore during FY 2004-05, respectively. In case, the return on equity during the year is less than the requirement of funding through internal accrual based on debt to equity ratio of 70:30, the Commission has considered unutilised internal accruals of FY 2002-03 and FY 2003-04 for funding of capital investments.

Table 3.11 provides a summary of the Means of Finance as proposed by the Petitioner and as approved by the Commission for both the years.

Table:3.11 Means of Finance (Rs. Crore)

Source of Funds	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Consumer Contribution	21.53	20.00	13.02	20.00	22.00
APDRP Grant	61.98	60.21	17.91	20.07	62.37

Table:3.11 Means of Finance (Rs. Crore)

Source of Funds	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
APDRP Loan	61.98	60.21	17.91	20.07	62.37
Depreciation	28.20	28.20	27.08	36.18	33.39
Internal Accruals	31.40	79.34	67.04	94.45	41.68
Commercial Debt	72.36	107.34	156.43	116.31	97.26
Total Funds	278.34	355.30	299.40	307.06	319.08

3.11 Interest Expenditure

3.11.1 Petitioner's Submission

The NDPL has submitted that APRDRP Loan is available at the interest rate of 11.5%. The Petitioner has further informed that as per the terms of Loan Agreement executed with IDFC, the interest rate applicable is the interest rate linked to the Government Securities rate plus a spread, which works out to approximately 9% at present. The Petitioner has indicated that the interest rate on loan from PFC shall be as per PFC's prevailing interest rate at the time of disbursement, which is around 9% at present. The Petitioner has highlighted that the effective interest rate for the counter-part and non APDRP capital expenditure funding is likely to be around 9% per annum. The Petitioner has estimated an interest expense of Rs. 6.16 Crore and Rs. 24.79 Crore for FY 2003-04 and FY 2004-05 respectively. The Petitioner has proposed to capitalise interest of Rs. 3.52 Crore and Rs. 2.71 Crore in FY 2003-04 and FY 2004-05 respectively. Accordingly, The Petitioner has proposed to charge an interest expense of Rs. 2.64 Crore and Rs. 22.08 Crore in the ARR for FY 2003-04 and FY 2004-05 respectively.

Subsequently, the NDPL has submitted the actual interest cost as per the Provisional Accounts, details of actual means of finance for the actual capital expenditure for FY 2003-04 and revised the interest cost for FY 2004-05 in line with the revised means of finance. For FY 2003-04, the Petitioner has incurred an interest expense of Rs. 2.59 Crore, out of which Rs. 1.30 Crore has been capitalised.

The NDPL has submitted that though the Commission has allowed Rs. 0.24 Crore as an interest on long term loan for FY 2002-03, no loan has been drawn during FY 2002-03 and accordingly requested for truing up by reversing the same in FY 2003-04.

In addition to the interest on long term loan, the Petitioner has estimated an interest on security deposit as per the provisions of the Section 47(4) of the Electricity Act, 2004 which states that the distribution licensee shall pay interest equivalent to the bank rate or more, as specified by the concerned State Commission. The Petitioner has mentioned that even though the specified liabilities, including Rs. 10 Crore of Consumer Security Deposit has been passed on in the opening balance sheet, the Petitioner expects the actual liability on account of security deposit in the range of Rs. 55.0 Crore. The Petitioner has estimated an interest in FY 2003-04 at the rate of 6% on Rs. 55 Crore of opening balance and expected receipt of Rs. 10 Crore against security deposit during FY 2003-04. For FY 2004-05, the Petitioner has estimated an interest on security deposit at the

rate of 5.75% on Rs. 65 Crore of opening balance and expected receipt of Rs. 10 Crore against security deposit during FY 2004-05.

The summary of interest charges as submitted in the Petition and actual interest charges for FY 2003-04 and the interest charges for FY 2004-05 as submitted in the petition along with revised interest charges for FY 2004-05 is summarised in Table 3.12.

Table:3.12 Interest Charges (Rs. Crore)

Source of Funds	FY 2003-04		FY 2004-05	
	Rev. Est. (Petition)	Actual	Petition	Revised
Interest charges	6.16	2.59	24.79	17.39
Interest capitalised	3.52	1.30	2.71	1.71
Net interest charged to expenditure	2.64	1.29	22.08	15.68
Interest on security deposit	2.91	0.00	4.03	4.03

3.11.2 Commission's Analysis

The Commission has considered actual interest on long term loan and capitalisation of interest as per the Provisional Accounts for FY 2003-04.

For FY 2004-05, the Commission has assumed the following parameters for computing the interest charges on APDRP Loans and Commercial Borrowings, considered as source of funds for meeting the total fund requirement towards capital investment.

- On APDRP loan, an interest rate of 11.5% has been assumed
- On commercial borrowings, an interest rate of 9% has been assumed considering prevailing long term lending rates.

As elaborated in its Tariff Order dated June 26, 2003, the Commission has considered a notional Debt:Equity ratio of 70:30 and correspondingly the interest expense has been allowed on the notional debt component. Accordingly, the Commission has not considered truing up for FY 2002-03.

The Commission has not considered interest on security deposit for FY 2003-04 as the Provisional Accounts submitted by the Petitioner does not provides for any interest on security deposit. For FY 2004-05, the Commission in principal agrees with payment of interest on security deposit in line with the Electricity Act, 2003. However, the Commission is yet to decide on the rate of interest on security deposit. The Commission would consider this matter separately and expense on this account would be allowed while truing up the expenses.

The summary of interest charges as proposed in the Petition and as considered by the Commission is provided in Table 3.13.

Table:3.13 Interest Charges (Rs. Crore)

Component	FY 2003-04			FY 2004-05	
	Approved	Rev. Est. (Petition)	Commission	Petition	Commission
Interest charges	8.19	6.16	3.87	24.79	24.50
Interest capitalised	0.00	3.52	1.30	2.71	2.41
Net interest charged to expenditure	8.19	2.64	2.57	22.08	22.09
Truing up of interest charge for FY 2002-03		-0.24	0.00		
Interest on security deposit	0.00	2.91	0.00	4.03	0.00

3.12 Arrears to Holding Company

3.12.1 Petitioner's Submission

The Petitioner, in its Petition, has submitted that the Commission in its Tariff Order dated June 26, 2003 has allowed Rs. 35.50 Crore as amount paid to Holding Company, on account of collection of DVB arrears for FY 2002-03 (nine months). However the total amount payable to Holding Company, as per the audited accounts works out to Rs. 36.74 Crore. Accordingly the Petitioner has requested the Commission to consider under recovery of Rs. 1.24 Crore on account of this as truing up expense.

As regards to the treatment of collection charges of 20% of DVB arrears, the Petitioner has submitted that these collection charges should not be considered as a part on Non-Tariff Income in the ARR due to the following reasons:

- As per the provisions of the Section 51 of the Electricity Act 2003, a distribution licensee may engage in any other business for optimum utilisation of its assets
- Collection of DVB arrears at a collection charge of 20% of such arrears is a separate and distinct business of the Company.
- At the time of transfer scheme, it was decided that the distribution companies would not be burdened with the past receivables (except to the extent of Rs. 88 Crore) and these receivables shall belong to the Holding Company. However, if the distribution companies collect any part of the DVB Arrears, they shall refund 80% of the same to the Holding Company and DISCOMs shall be entitled for a Commission of 20% of Arrears collected by them.

The Petitioner has submitted that the DISCOMs are not obliged to collect these receivables and the spirit and understanding behind the entire sharing of DVB Arrears was that the DISCOMs should be provided an incentive to collect such Arrears, otherwise the DISCOMs shall have no reason to make extra efforts to collect the same on behalf of Holding Company. The Petitioner further submitted that if the intention of the law makers had been to include the 20% incentive also as part of the ARR and to deny the benefit to the DISCOMs then they would have made it explicit and clear in the Transfer Scheme as had been done in case of sharing of incentives for over achievement in AT&C losses.

The Petitioner further referred to the Commission's Tariff Order dated June 26, 2003 and submitted that it appears that the Commission order also corroborates the view that on realisation, 20% of the past arrears of DVB would be the share of the distribution companies and should not be considered as revenue for meeting the ARR.

The Petitioner has submitted that in view of above reasons, 20% share of DVB Arrears retained by the DISCOMs should not be included in "Non Tariff Income" while working out the ARR and should be treated as a separate business under the provisions of Section 51 of the Electricity Act, 2003. Accordingly, the Petitioner has considered Rs. 9.19 Crore, being 20% of the total DVB arrears collected in the period July-march 2003, as trued up expense in FY 03-04.

The Petitioner in the Petition has submitted the revised estimates of DVB Arrears for FY 2003-04 as Rs. 37.5 Crore against which 80% of it has been considered as payable to Holding Company. For FY 2004-05, the Petitioner has assumed the DVB arrears at the level of revised estimates of FY 2003-04 as Rs. 37.5 Crore.

3.12.2 Commission's Analysis

The Commission has elaborated on the methodology for treatment of DVB Arrears in detail in its Tariff Order dated June 26, 2003 in which the Commission has highlighted that the entire DVB arrears should be ploughed back to the sector and 80% of the past DVB arrears should be passed on to TRANSCO instead of Holding Company.

As regard to treatment of 20% of the past DVB arrears as commission for collecting these arrears, all the three Distribution Companies in their ARR Petition for FY 2002-03 (nine months) and FY 2003-04, have treated 20% of the receivables against these arrears as income for the DISCOM. The Commission, in its Order, has agreed with the Petitioner's submission and considered 20% of receivables against DVB arrears as income as a part of revenue realised while computing the ARR.

The Commission is of the opinion that the entire receivables against past DVB arrears should be passed on to consumers. The Commission does not agree with the view of the Petitioner that collection of arrears should be considered as separate business under the Electricity Act 2003 and the 20% commission against collection of these arrears should be considered as income from separate business. The Commission is of the opinion that collection of arrears cannot be treated as separate business as these specified receivables are the past dues against the power sold by the erstwhile Delhi Vidyut Board (DVB), prior to its restructuring.

In view of the above the Commission does not consider truing up expense for FY 2002-03 on account of considering 20% of DVB arrears to the extent of Rs 9.19 Crore as collection charges to be retained by DISCOMs.

On the matter of ploughing back of 80% of DVB arrears to the Sector by passing these arrears to TRANSCO instead of Holding Company, the Commission has discussed the matter in Chapter 4.

As regards to truing up of DVB arrears payable, there is difference in the actual amount paid to as per the Audited Accounts of FY 2002-03 and the arrears payable during FY 2002-03 considered by the Commission while approving the ARR for FY 2002-03. Therefore, the Commission allows the difference of Rs. 1.24 Crore as truing-up expense to be considered in ARR for FY 2003-04.

During the technical validation session, the Commission has obtained the details of actual DVB arrears collected by the Petitioner during the year. The actual DVB arrears collected during FY 2003-04 are Rs. 39.40 Crore. The Commission has considered 80% of these actual arrears i.e. Rs. 31.52 Crore to be passed on to TRANSCO. For FY 2004-05, the Commission has considered the collection of DVB arrears at the same level as projected by the Petitioner at Rs 37.50 Crore and treated 80% of total arrears equivalent to i.e. Rs. 30 Crore as an expense to be passed on to TRANSCO.

3.13 Return on Equity

3.13.1 Petitioner's Submission

The NDPL has submitted that the Policy Directions stipulate a return of 16% on equity and free reserves invested towards the capital investments. The Petitioner has considered 100% of the Return on Equity earned during the year as free reserves to be invested towards the funding of capital investments. The Petitioner has further considered the Return on Equity on the initial equity and the closing balance of free reserves at the end of the year. The Petitioner has estimated Return on Equity for FY 2003-04 and FY 2004-05 at Rs. 79.34 Crore and Rs. 94.45 Crore respectively.

The Petitioner has requested for truing up of Return on Equity for FY 2002-03 to the extent of Rs. 4.23 Crore based on the suggested mechanism.

3.13.2 Commission's Analysis

The Commission has considered the issue of providing return on the original equity plus closing balance of free reserves at the end of the year in its Tariff Order dated June 26, 2003 and Review Order dated November 25, 2003. As mentioned in the Review Order dated November 25, 2003, the Commission had referred the matter to the GNCTD seeking clarification on interpretation of the methodology to be followed for allowing Return on Equity to the Petitioner, the matter being the interpretation of the Policy Directions.

The reply from the GNCTD dated February 16, 2004 states that the matter has been examined in consultation with the Reform Consultants and the GNCTD agreed with their advice. The extract from the reply quoting the Reforms Consultant's advice is reproduced below.

"Regarding the applicability of returns on additions made during the year, it is evident that such additions normally occur due to infusion of fresh equity or due to generation of surplus during the course of operations in a year, which subsequently get invested as assets in the business. Therefore, on applying the principle stated in Para 2 above, it is clear that the additions made during the year

could at best be considered eligible for the returns only for the period in which they are beneficially deployed in the business, which could either be the entire year or a part thereof."

"However, as the exact timing of such generation and deployment of incremental surplus during a financial year is extremely difficult to ascertain, an approximation is generally resorted to whereby the amount eligible for returns is calculated by taking the average of opening and closing balance for a financial year."

"Examination of a few tariff orders of Central Electricity Regulatory Commission (CERC) reveals that CERC has also been adopting a similar methodology for arriving at the eligible amount for calculating return on equity."

"Under the circumstances, we are inclined to suggest that the return on equity may be permitted on the backdrop of the guiding principle that such returns should be applicable for the period when such amounts have been invested into fixed or any other assets, which have been put to beneficial use for the purpose of electricity distribution. Incidentally, the language of the notification also suggests the same intent. However, as conveyed by the legal advisor, we would like to state that it is ultimately for DERC to decide the extent of free reserves admissible for rate of return."

Based on the clarification received from the GNCTD, the Commission has continued with the methodology of allowing return on equity on initial equity and average of opening and closing free reserves used for funding capital investments. Accordingly, the Commission has not considered truing up of Return on Equity for FY 2003-04.

The Commission has undertaken a detailed analysis of the investments and means of finance proposed by the Petitioner. Details of investments and means of finance considered by the Commission have been provided in earlier sections.

As elaborated in the earlier sections, the Commission has considered funding of investments through internal accruals to the extent of Rs. 67.04 Crore during FY 2003-04 and Rs. 41.68 Crore during FY 2004-05, respectively.

Based on this, the Commission has estimated Return on Equity and Free Reserves at Rs. 64.54 Crore for FY 2003-04 and Rs. 73.24 Crore for FY 2004-05. The extent of Free Reserves considered for funding capital investments and the Return on Equity and Free Reserves proposed in the Petition and considered by the Commission for determining ARR is summarised in Tables 3.14

Table:3.14 Return as estimated by Commission (Rs. Crore)

Component	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Equity Capital	368.00	368.00	368.00	368.00	368.00
Opening Free Reserves	1.88	48.51	1.88	127.85	68.92
Addition during the year	31.40	79.34	67.04	94.45	41.68

Table:3.14 Return as estimated by Commission (Rs. Crore)

Component	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Total Free Reserves	33.28	127.85	68.92	222.30	110.61
Average Reserves	17.58		35.40		89.77
Total Equity & Free Reserves	385.58	495.85	403.40	590.30	457.77
16% Return on Equity & Free Reserves	61.69	79.34	64.54	94.45	73.24
Truing up on Return on Equity & Free Reserves for FY 2002-03		4.23	0.00		

3.14 Contribution to Contingency Reserves

3.14.1 Petitioner's Submission

NDPL has proposed to contribute 0.50% of the original cost of fixed assets as a contingency reserves for FY 2003-04 and FY 2004-05 each. In the subsequent submissions, the Petitioner has submitted that it has contributed Rs. 6.76 Crore as a contingency reserves in FY 2003-04.

The Petitioner has requested for truing up of Rs. 0.13 Crore towards contribution to contingency reserves for FY 2002-03 (9 months) on account of the difference between approved contribution of Rs. 5.91 Crore and actual contribution of Rs. 6.04 Crore as per the Audited Accounts for 2002-03.

3.14.2 Commission's Analysis

The Commission has considered actual contribution to contingency reserves for FY 2003-04 at Rs. 6.76 Crore. The Commission has allowed contribution of 0.5% of original cost of fixed assets as a contingency reserves for FY 2004-05 at Rs 7.06 Crore.

The Commission has allowed truing up of Rs 0.13 Crore towards contribution to contingency reserves for FY 2002-03 considering actual contribution as per the Audited Accounts for FY 2002-03. The following Table 3.15 summarises the Contribution to Contingency Reserves as proposed by the Petitioner and as considered by the Commission for FY 2003-04 and FY 2004-05:

Table: 3.15 Contingency Reserves (Rs. Crore)

Component	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Contribution to Contingency Reserves	5.71	7.66	6.76	9.14	7.06
Truing up on account of Contribution to Contingency Reserves		0.13	0.13		

3.15 Summary of Truing up Expenses

3.15.1 Petitioner's Submission

NDPL has proposed truing up of expenses for FY 2002-03 on following counts:

- Return on Equity
- Deferred Corporate Taxes
- Depreciation
- Expenditure on L/C and Interest Charges and mismatch between payment and receipts
- Interest on Long Term Loans
- Consumption at Work
- Tax on Revenue Gap
- AT&C Losses
- Collection of DVB Arrears
- Appropriation to Contingency Reserves

The Petitioner's submissions for requesting for truing up of cost elements are discussed as part of this Chapter under relevant Sections.

NDPL has proposed a carrying cost equivalent to post tax cost of equity for one year. The Petitioner has highlighted that the Government of India has recognised the concept of carrying cost in its draft policy.

3.15.2 Commission's Analysis

The Commission has considered Petitioner's submissions for truing up of above cost elements for FY 2002-03 and has discussed its view in the relevant Sections of this Chapter.

The Commission has considered carrying cost for truing up of expenses for 1 year at a weighted average cost of funds considering debt:equity ratio of 70:30.

The following Table 3.16 summarises the carrying cost as proposed by the Petitioner and as considered by the Commission for FY 2003-04:

Table:3.16 Truing up of Expense (Rs. Crore)

Component	FY 2003-04	
	Petition	Commission
Return on Equity	4.23	0.00
Deferred Corporate Taxes	23.08	0.00
Interest on Working Capital and L/C financing costs	0.35	0.11
Interest on Long Term Loans	-0.24	0.00
Arrears of depreciation	31.43	0.00
Own Consumption at Work	4.50	4.50
AT&C Computation	21.54	21.54
Tax on Revenue Gap	17.21	0.00
DVB Arrears – Holding Company (80%)	1.24	1.24
Collection Charges of DVB Arrears (20%)	9.19	0.00

Table:3.16 Truing up of Expense (Rs. Crore)

Component	FY 2003-04	
	Petition	Commission
Appropriation to Contingency Reserves	0.13	0.13
Carrying cost for truing up	31.94	3.15
Total Truing up	144.60	30.67

3.16 Taxes on Income

3.16.1 Petitioner's Submission

In the Petition, the NDPL submitted that the taxes on income have been estimated based on the prevalent tax rates and the accounting standards. The NDPL has estimated the income tax by considering the grossed up tax rate of 43.5625% (Minimum Alternate Tax (MAT) + Corporate Tax) on Return on Equity and appropriation to contingency reserves. NDPL has submitted that as appropriation to contingency reserves is an appropriation of profits and not chargeable to the profit and loss account as expenditure, income tax becomes applicable on this appropriation in addition to the Return on Equity (i.e. profit before tax), thus eroding the assured 16% post tax return. The Petitioner has estimated the deferred tax based on the Accounting Standard 22. The Petition has requested the Commission to reconsider its stand on deferred tax considering the statutory requirement for providing deferred tax. The Petitioner has estimated the tax liability at Rs. 67.15 Crore and Rs. 79.96 Crore for FY 2003-04 and FY 2004-05 respectively.

The Petitioner has requested for truing up of Rs. 23.08 Crore on account of the difference between allowed taxes on income for FY 2002-03 in the Tariff Order dated June 25, 2003 and the total tax liability on regulatory profit that the Commission was obliged to provide as per the provisions of the Transfer Scheme and the Policy Directions.

The Petitioner has also requested for allowing grossed up tax liability, amounting to Rs 17.21 as truing up expense for FY 2002-03 on Rs. 22.30 Crore on account of taxes on revenue gap arising of reduction allowed in Bulk Supply Payment for FY 2002-03 through the Tariff Order dated June 26, 2003.

3.16.2 Commission's Analysis

The Commission has detailed the methodology adopted for estimating taxes on income in the Tariff Order dated June 26, 2003 and Review Order dated November 25, 2003. The issue of the deferred tax has been addressed by the Commission in its Review Order dated November 25, 2003 and accordingly the Commission does not reconsider the issue.

The Petitioner has submitted the Provisional Accounts, wherein the actual tax liability in the FY 2003-04 has been considered as Rs. 4.19 Crore. The Commission would like to highlight that the actual tax liability has turned out to be much lower than the tax liability estimated by the Petitioner in the ARR Petition, which was derived by the grossing up method. This has happened because the

difference in depreciation expenses allowed under the Income Tax Act and depreciation as per the books of accounts. The Petitioner is allowed a higher depreciation under the Income Tax Act, which results in lower taxable income and lower income tax. The Commission has hence considered the actual tax liability, as submitted in the Provisional Accounts, in the ARR for FY 2003-04.

As the Commission has allowed actual taxes on income in FY 2003-04, the Commission has not allowed truing up of Rs 23.08 Crore on account of taxes on revenue gap.

For FY 2004-05, the Commission has continued with the same methodology followed by it to estimate the tax on income realistically as described in its Tariff Order dated June 26, 2003. The Return on Equity assured to the Petitioner is the regulatory Profit after Tax. The Profit before Tax has been computed by dividing Profit after Tax by $(1 - \text{Income Tax rate})$. The regulatory depreciation considered by the Commission has then been added to the regulatory PBT, while the estimated income tax depreciation has been deducted from the above sum, to arrive at the PBT in line with the Income Tax Act. As PBT comes out as negative, the Minimum Alternate Tax (MAT) will be applicable on the Profit before Tax (PBT), in accordance with the IT Act. The actual tax liability will be considered by the Commission under the 'truing up' mechanism in case there is a difference between the actual tax liability and the estimated tax liability.

The Commission also recognizes the fact that in the above method of estimating tax liability, there is a possibility that in some years, the tax liability may be higher in the scenario when tax depreciation is lower than the book depreciation.

The Table 3.17 below provides the taxes on income as proposed by the Petitioner and as considered by the Commission for determining the ARR.

Table: 3.17 Taxes on Income and Profits as estimated by Commission (Rs. Crore)

Component	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Taxes on income and profits	7.40	67.15	4.19	79.96	8.71
Truing up of taxes on income and profits		23.08	0.00		
Tax on revenue gap		17.21	0.00		

3.17 Non Tariff Income (NTI)

3.17.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2004-05, submitted that against an approved NTI of Rs. 8.88 Crore for FY 2003-04, the revised estimates for FY 2003-04 is Rs. 7.53 Crore. The Petitioner has not considered any rebate against bulk supply, which is due to a dispute between NDPL and TRANSCO. The Petitioner has estimated commission on collection of Electricity Duty @3% of the total electricity duty.

For FY 2004-05, the Petitioner has projected a Non Tariff Income of Rs. 11.27 Crore. 05. The Petitioner has projected an increase of 50% in Non Tariff Income over FY 2003-04 revised estimates. For estimating the Non Tariff Income for FY 2004-05, the Petitioner has submitted that the increase is mainly due to applicability of bulk supply rebate from TRANSCO and nominal increase in other Non Tariff Income heads.

3.17.2 Commission's Analysis

During the technical sessions, the Commission has obtained the details of the actual Non- Tariff Income for FY 2003-04. The actual non-tariff income for FY 2003-04 is Rs 26.62 Crore. The Petitioner along with the actual Non Tariff Income for FY 2003-04 also submitted the revised estimates of Non Tariff Income of Rs. 20.99 Crore for FY 2004-05.

The Petitioner further submitted that the increase in actual Non Tariff Income over initial estimate of Rs. 7.53 Crore as considered in the Petition is mainly due to Service Line Charges of Rs. 9.48 Crore, which were not included in original Petition, and accounting of actual rebate on bulk supply, and increase in other income such as income from sale of scrap, recovery from other receipts, excess provision written back, etc. In the subsequent submissions, the Petitioner has highlighted that in the event of the Commission disallowing the charging off the meters as a revenue expense, the Service Line Charges, which have been considered as part of the Non Tariff Income shall need to be treated as a capital receipt. For FY 2003-04, the Commission has considered the Non Tariff Income of Rs 20.30 Crore while estimating the ARR after treating the Service Line Charges as an income over a period of 3 years.

For FY 2004-05, the Commission has projected non-tariff income based on the following assumptions:

- Income from compulsory investments estimated on the basis of level of compulsory investments at the end of FY 2003-04.
- Rebate on power purchase for FY 2003-04 considered based on the Petitioner's submissions
- Commission on the collection of the electricity duty based on 3% of the Electricity Duty.
- Service Line Charges have been considered as an income over a period of 3 years.

The Table 3.18 provides a summary of the Non-tariff Income, as proposed by the Petitioner and as approved by the Commission.

Table:3.18 Non Tariff Income (Rs. Crore)

Particulars	FY 2003-04				FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Actual	Commission	Petition	Commission

Table:3.18 Non Tariff Income (Rs. Crore)

Particulars	FY 2003-04				FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Income from investments	0.82	0.16	0.23	0.23	0.47	0.47
Commission on collection of Electricity Duty	1.83	1.53	1.57	1.57	1.56	1.57
Rebate on Power Purchase	6.23	-	3.11	3.11	3.40	3.40
Other Income		5.84	12.23	12.23	5.84	7.20
Service Line Charges			9.48	3.16	8.35	5.94
Total	8.88	7.53	26.62	20.30	11.27	18.58

3.18 Total Expenditure excluding Power Purchase Cost

Table 3.19 provides a summary view of the various expenses as proposed by the Petitioner and as approved by the Commission for FY 2003-04 and FY 2004-05. Detailed analysis of each expense head has already been provided in the above sections.

Table: 3.19 Total expenditure excluding power purchase cost (Rs. Crores)

Component	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Employee expenses	118	126	114	140	133
A&G expenses	18	19	19	24	19
R&M expenses	32	49	32	64	32
Loss on retirement/sale of assets	0	0	0	0	0
Depreciation	46	87	45	114	53
Interest charges	8	6	4	25	24
Past Arrears	52	38	32	38	30
Truing up of expenses for FY 2002-03	0	145	31	0	0
Carrying cost on truing up of FY 2003-04	0	0	0	0	4
Other Admissible expenses	1	13	1	13	9
Total Gross Expenditure	274	483	278	416	304
Less: Expenses capitalized	12	16	12	17	16
Total Net Expenditure	263	467	266	400	288
Contingency Reserves	6	8	7	9	7
Income Tax	7	67	4	80	9
Total Appropriations	13	75	11	89	16
Net Expenses incl. Spl Appropriations	276	542	276	489	304

3.19 Revenue Requirement Excluding Power Purchase Cost.

The Revenue Requirement excluding Power Purchase Cost for FY 2003-04 and FY 2004-05 as proposed by the Petitioner and as approved by the Commission is provided in Table 3.20.

Table:3.20 Revenue Requirement excluding Power Purchase Cost (Rs Crore)

Component	FY 2003-04			FY 2004-05	
	Order for FY 2003-04	Rev. Est. (Petition)	Commission	Petition	Commission
Expenditure (A)	276	542	276	489	304
Return on Equity and Free Reserves (B)	62	79	65	94	73
Non Tariff Income (C)	9	8	20	11	19
ARR excluding Power Purchase Cost (A+B-C)	329	614	321	572	358

4. Tariff Philosophy

4.1 Background

The first Tariff Order issued by the Commission for the erstwhile DVB in 2001 was largely in line with the approach mentioned in the Concept Paper issued by the Commission in September 2000, which followed the provisions of the Electricity (Supply) Act, 1948. Subsequently, the DVB was restructured and unbundled into one Generation Company (GENCO), one Transmission Company (TRANSCO) and three Distribution Companies (DISCOMs). The GNCTD issued Policy Directions on November 22, 2001 in exercise of the powers conferred under Section 12 and other relevant Sections of the Delhi Electricity Reform Act, 2000 (DERA), to facilitate the process of privatisation of the unbundled distribution entities of DVB. The Policy Directions specified that the Distribution Licensees would earn a return of at least 16% on their paid up equity capital and free reserves, based on predetermined efficiency parameters for the five-year period from FY 2002-03 to FY 2006-07. Through the Policy Directions, the Commission was mandated to issue the order before bidding for privatisation on determination of the Bulk Supply Tariff payable by DISCOMs to TRANSCO and the opening level of AT&C losses for the three DISCOMs.

The Commission issued the Order on Bulk Supply Tariff and the Opening Level of AT&C losses, on February 22, 2002. The GNCTD, issued another set of Policy Directions on May 31, 2002 in amendment to the Policy Directions issued on November 22, 2001, specifying (i) the trajectory of AT&C losses to be achieved by the DISCOMs as agreed during the bidding process towards privatisation of DISCOMs (Accepted Bid AT&C loss reduction target) over the five year Policy period, (ii) the loss reduction target specified by GNCTD for bidding process (minimum loss reduction target) (iii) the treatment in tariff in case of underachievement or overachievement in actual AT&C losses with respect to Accepted Bid AT&C loss reduction target and (iv) Minimum AT&C loss reduction target.

Subsequently, the Commission issued the revised "Guidelines for Revenue & Tariff Filing" (Guidelines) on August 23, 2002 to accommodate the framework established by the Policy Directions. The DISCOMs and the TRANSCO filed their ARR Petitions for FY 2002-03 (9 months) and FY 2003-04 during November and December 2002 in accordance with the revised Guidelines. The Commission after a detailed analysis of the Petitions and following due public process issued its Order on these Petitions, on June 26, 2003, in line with the Policy Directions and the tariff philosophy adopted by the Commission.

4.1.1 Elements of Policy Directions

There are four important elements in the Policy Directions issued by the GNCTD, which are relevant from the point of view of tariff philosophy. First, the retail tariffs in the State have to be uniform over the tenure of Policy Directions i.e. FY 2006-07. Second is the determination of a Differential BST

payable to TRANSCO for power purchase by each DISCOM based on the paying capacity of the respective DISCOMs. Third is the aspect of Government Support for bridging gap of TRANSCO and lastly, the concept of AT&C loss and the treatment of over/under achievement in AT&C losses by the DISCOMs. All these aspects of Policy Directions have been explained in detail in the Commission's Orders dated June 26, 2003

The requirement of uniform retail tariff across all the DISCOMs in Delhi implies that the tariff for a particular category of consumer shall be uniform till the end of FY 2006-07, irrespective of geographical location of the consumer within the NCT of Delhi. This requires that the uniform retail tariff for all the DISCOMs have to be determined by considering the ARR of TRANSCO and all DISCOMs simultaneously, after providing a minimum of 16% return for each DISCOM. The determination of Bulk Supply Tariff have to be inter-linked with revenues through the retail tariff and individual parameters including AT&C losses of DISCOMs. Further, the other important aspect of Policy Directions is the support envisaged to be provided by GNCTD to TRANSCO to bridge the revenue gap of the TRANSCO and the Bulk Supply Tariff it receives from the DISCOMs. The provisions of the Policy Directions in this regard are as follows:

"The Government will make available to Transmission Company an amount of upto, approximately, Rs. 3450 Crore during the period 2002-03 to 2006-07 as loan to be repaid by the Transmission Company to the Government in a manner agreed to between the Transmission Company and the Government".

The Policy Directions laid down performance targets/efficiency level to be achieved by the Distribution Companies measured in terms of AT&C loss. Following the principles specified in the Policy Directions, the determination of AT&C loss involves estimation of three parameters, i.e., T&D loss, collection efficiency, and units realised. T&D loss is the difference between the units input to the DISCOM and units billed by the DISCOM, expressed in terms of ratio of energy input to the DISCOM. Collection efficiency is the ratio of the amount collected to the amount billed and units realised is the product of units billed and collection efficiency. AT&C loss is the difference between units input and units realised, expressed as a percentage of units input. In the Commission's Order issued on June 26, 2003, the Commission has explained in detail, the method of determination of AT&C losses. The Commission also discussed in detail, the impact of lag in the collection and billing and analysed sample data collected from the Central East Delhi Electricity Distribution Company (BSES Yamuna Power Limited) to examine whether lag in billing and collection needs to be factored in the AT&C loss computations. The results of the analysis showed that, although the AT&C loss for a particular month might be very high or low, the overall AT&C loss for the year follows a definite trend and has minimal variation. Hence, the Commission concluded that the impact of time lag is minimal and that it may not be necessary to differentiate between the collection efficiency with time lag and without time lag.

4.1.2 Treatment of Over Achievement and Under Achievement of Efficiency Targets

The amendment to the Policy Directions issued by the Government on May 31, 2002, further elaborates the method of treatment of overachievement and underachievement over the period FY 2002-03 to FY 2006-07. The relevant provisions have been reproduced below:

"2. The following shall be the method of computation and treatment of over-achievement and underachievement for the years 2002-03 to 2006-07:

i) In the event the actual AT&C loss of a distribution licensee in any year is better (lower) than the level based on the minimum AT&C loss reduction levels stipulated by the Government for that year the distribution licensee shall be allowed to retain 50% of the additional revenue resulting from such better performance. The balance 50% of additional revenue from such better performance shall be counted for the purpose of tariff fixation.

ii) In the event the actual AT &C loss of a distribution licensee in any year is worse (higher) than the level based on the AT&C loss reduction levels indicated in the Accepted Bid for that year, the entire shortfall in revenue on account of the same shall be borne by the distribution licensee.

iii) In the event the actual AT&C loss of a distribution licensee in any year is worse (higher) than the level based on the minimum AT&C loss reduction levels stipulated by the Government for that year but better (lower) than the level based on AT&C loss reduction levels indicated in the Accepted Bid for that year, the entire additional revenue from such better performance shall be counted for the purpose of tariff fixation.

Provided further that for paras 2(i), 2(ii) and 2(iii) above, for every year, while determining such additional revenue or shortfall in revenue the cumulative net effect of revenue till the end of the relevant year shall be taken, in regard to over-achievement/underachievement and appropriate adjustments shall be made for the net effect."

The Commission has already elaborated upon the treatment of over/under achievement as per the provision of Policy Directions in its Orders on ARR Petitions of DISCOMs for FY 2002-03 and FY 2003-04 issued on June 26 2003.

4.1.3 AT&C Losses for FY 2002-03 and FY 2003-04

The Commission while determining the ARR of DISCOMs for FY 2002-03 had considered the actual AT&C losses and AT&C loss reduction trajectory in Policy Direction framework. During FY 2002-03, two of the DISCOMs (NDPL and BYPL) under-achieved the AT&C loss reduction vis-à-vis their corresponding bid level targets. For these two DISCOMs, the Commission for computing the ARR for FY 2002-03 had considered the AT&C loss for FY 2002-03 considering the bid level AT&C loss reduction target as per the provisions of Policy Directions. The third DISCOM (BRPL) over-achieved the AT&C loss reduction vis-à-vis its bid level target and hence the Commission had considered the

actual AT&C loss while computing the ARR as per the provisions of Policy Directions in case of over-achievement in AT&C loss reduction as compared to bid level target.

For FY 2003-04, the Commission, had considered the closing AT&C loss level of FY 2002-03 determined considering the bid targets as the opening level for FY 2003-04 for two DISCOMs (NDPL and BYPL), due to under-achievement of AT&C loss reduction vis-à-vis the bid level target. For BRPL, the Commission had considered the opening level of AT&C loss for FY 2003-04 as the actual loss level at the end of FY 2002-03 due to company's over-achievement of AT&C loss reduction vis-à-vis the bid level target. This effectively implies that the over achievement in AT&C loss during one particular year had been considered for succeeding years.

Subsequent to the Commission's Order dated June 26, 2003, BRPL filed the Review Petition on the Order on ARR for FY 2002-03 and FY 2003-04 issued by the Commission, in which BRPL in addition to other issues had also raised an issue that as per the Policy Directions the over achievement in AT&C loss reduction during one particular year cannot be considered for determining ARR and Tariffs for succeeding years.

The Commission issued its Order on Review Petition filed by BRPL on November 25, 2003 in which the Commission has detailed out the rationale for considering over achievement in AT&C loss reduction during one particular year for succeeding years. The Commission's views on this issue as detailed out in Order on Review Petition filed by BRPL are as follows:

"The Policy Direction issued by the GNCTD on May 31, 2002 has clarified that the cumulative net effect of revenue has to be considered. However, in the absence of an illustrative example for the sharing mechanism as suggested by the Commission, the Commission had to form its own interpretation of the Policy Directions.

Reduction in AT&C loss level is indicative of improvement in operation performance; therefore, any reduction in the loss level achieved during any particular year gets considered while setting targets for loss level reduction to be attained during subsequent year. Thus, the Commission has adopted the methodology entailing carrying forward of any over-achievement in AT&C loss during any particular year on to the next year for the purpose of tariff determination in the Tariff Order".

However, as this is a matter of interpretation of Policy Directions and this issue will have substantial impact on the future ARR and Tariff Determination process, the Commission felt it appropriate to seek clarifications from GNCTD on the methodology to be followed for treatment of over-achievement in AT&C losses in any particular year for the future.

The Commission requested the GNCTD to provide clarification on the issue of treatment of under/over achievement vis-à-vis AT&C loss targets in the context of the interpretation of Para 2 of the Policy Directions notified on May 31, 2002, vide letter No. F.11 (42)/DERC/2003-04/3719 dated November 5, 2003. In response, the GNCTD, in its letter No. F11 (118)/2001-Power/Partfile/2336

dated December 26, 2003, has given its clarifications on the points raised by the Commission. In addition to explaining the treatment of under/over achievement of AT&C losses, the GNCTD has explained the proviso to Para 2 of the Policy Directions issued on May 31, 2002, on the question of cumulative effect of the AT&C loss achieved by the DISCOMs. The GNCTD in its letter stated that

"The proviso again has no effect on the annual AT & C loss reduction targets, but only related to the determination of additional revenue or shortfall in revenue on account of over-achievement or under-achievement of the loss reduction targets..... The intention of proviso was only to give the DISCOMs the benefit of certain financial adjustments in respect of financial consequences of underachievement or over achievement and has no effect on the AT & C loss reduction targets themselves. Indeed the idea of shifting the targets themselves would be contrary to the whole scheme of policy directives. Again, if the targets themselves were likely to shift upwards on over-achievement, it would not only imply serious disincentive for loss reduction, but might equally have led to demands for a corresponding revision in case of underachievement. It would not, therefore be consistent with the Policy Directions to shift the targets. "

The Government along with the letter providing clarification on this issue also attached the illustrative examples (hypothetical situations) of underachievement and overachievement in different years and how the cumulative net effect ought to be taken into account.

4.2 Treatment of Over/Under Achievement in AT&C Losses

The Commission while estimating the ARR has duly considered the clarification on this issue of treatment of overachievement in a particular year. Accordingly, the Commission has not considered overachievement in a particular year for determining an opening level of AT&C loss for the next year. The Commission has also considered an adjustment of additional revenue due to overachievement in a particular year against a loss in revenue due to underachievement in the previous years.

4.3 Capital Investment Plan

The Commission has analysed in detail the capital investment plan of TRANSCO and each DISCOM while analysing the ARR of respective Company. However, considering the huge capital investments proposed by two DISCOMs (BRPL and BYPL), and their impact on ARR and tariffs, the Commission felt it appropriate to discuss the Investment Plan of TRANSCO and DISCOMs together as a part of tariff philosophy. Accordingly, the Commission in this Section has detailed the Investment Plan proposed by TRANSCO and DISCOMs, the Commission's views on Investment Plans, need for integrated approach between TRANSCO and DISCOM for planned development of the system, impact of investment plan on ARR and proposed treatment for huge investments over and above the normative level of investments to make these investments tariff neutral.

4.3.1 Investment Proposal of the TRANSCO and DISCOMs

4.3.1.1 Investments Proposed in the ARR Petitions

In their ARR Petitions, the TRANSCO and the DISCOMs have proposed investments as given in Table 4.1 below for FY 2004-05 and have also projected the magnitude of investment over the remaining Reform Period (i.e., from FY 2004-05 to FY 2006-07):

Table 4.1: Capital Investment Proposal by TRANSCO & DISCOMs

(Rs. Crore)

Company	FY 2004-05	Indicative Investment Plan over FY 2004-05 to FY 2006-07
BRPL	1177	1402
BYPL	1565	1700
NDPL	307	860
TRANSCO	328	Not Submitted

The DISCOMs have stated that they have proposed investments for FY 2004-05 to cater to the following requirements:

- System development and strengthening of system to meet the growth in load and improve the reliability;
- Reduction in system losses;
- Automation and other improvements to improve customer service;
- Installation of capacitors;
- Energy Auditing;
- Fulfilment of social obligations (such as electrification of JJ colonies);
- Consumer deposit works.

NDPL and TRANSCO have continued with a phased investment approach to meet the system requirements. However, two of the DISCOMs, viz., BRPL and BYPL, have proposed to accelerate the entire process of modernisation and augmentation of the system in FY 2004-05, instead of continuing with the approach of phased investments every year. BRPL and BYPL have opined that a complete revamp and augmentation of the existing system is essential to improve the reliability and quality of supply and to minimise the losses. They have stated that gradual improvements in the system would not be the optimal approach.

4.3.1.2 Impact of the Accelerated Investment on the Annual Revenue Requirement (ARR)

The proposal of accelerated investment as compared to the normative levels of investment would result in higher costs in the initial years due to increase in depreciation, interest, O&M costs and return on equity and free reserves.

The Commission believes that the acid test for accepting these proposals of accelerated investments is that there should be no impact of these investments on ARR for the current year as well as for the future years. In other words, these investments should be tariff neutral.

4.3.1.3 Comparison of the investment proposal

The Commission is concerned about the impact on the tariff to the consumers arising from the substantially high capital investment proposed for FY 2004-05 by two of the DISCOMs by advancing the capital expenditure of future years to FY 2004-05.

The investment proposal of the DISCOMs when compared with the investment requirement projected by the Technical Consultant to the GNCTD at the time of the restructuring of the erstwhile Delhi Vidyut Board (DVB) and privatisation of DISCOMs indicates that the proposal by the DISCOMs is at variance with what was envisaged. The Technical Consultant had envisaged investments as given in Table 4.2 below for the DISCOMs for a period of five years from FY 2002-03 to FY 2006-07:

Table 4.2: Investment envisaged at the time of restructuring

(Rs. Crore)

DISCOM	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Central East (BYPL)	66	75	67	75	75	357
South West (BRPL)	65	74	66	74	74	352
North North West (NDPL)	57	65	58	65	65	310
Total	187	213	191	214	214	1019

Additional investment requirement beyond the level of investment envisaged prior to the restructuring would have a corresponding impact on the ARR and tariff increase beyond the level envisaged earlier.

4.3.2 Study for need of investment in Delhi Power Sector by CEA

To establish the need for investments in the Delhi Power Sector, the Commission has considered the Comprehensive Study Report on the Transmission and Sub-transmission System of Delhi prepared by the Central Electricity Authority (CEA) in March 2004, for the X Plan (upto FY 2006-07). The CEA has assessed the proposed network addition by the TRANSCO, BRPL and BYPL. CEA has identified the capital works that need to be implemented in the X Plan Period. The Report highlights the following findings and recommendations:

- *The TRANSCO should expeditiously complete the ongoing works for strengthening the transmission system in Delhi. The TRANSCO should provide requisite number of bays in their grid substations for supplying power to BRPL and BYPL network.*
- *The new lines and substations planned by BRPL and BYPL are such that all lines and substations are optimally loaded. The sub-transmission works for strengthening/reinforcement of the system in BRPL and BYPL area for meeting power demand during the X Plan period have been identified. CEA has suggested 17 nos. of 66 kV and 13 nos. of 33 kV substations along with new 66 kV and 33 kV lines/cables for meeting the growth in load.*

- CEA has suggested that the 11 kV and 0.4 kV works should be implemented to correspond to the commissioning of the 66 kV and 33 kV substations.
- CEA has recommended that BRPL and BYPL may identify and replace the old switchgears and cables wherever it is necessary.
- CEA has recognised the need to constitute a Standing Committee comprising senior officers of TRANSCO, BRPL and BYPL in order to coordinate and sort out the issues arising during implementation and timely completion of the works as per the target.

The Report has recognised the need for substantial augmentation and investment in the Delhi Power System till FY 2006-07.

CEA in its report has identified the capital investments, which are significantly higher than the investments identified by the Technical Consultants at the time of restructuring which were considered in the Financial Restructuring Plan prepared at the time of restructuring and privatisation. The CEA has carried out this study recently and hence this study reflects the need of the system based on the prevalent network conditions. Hence, the Commission considers the CEA Report as the base while assessing the capital investment plan.

4.3.3 Assessment of past investment performance

While the Commission has to be satisfy itself about the need for the investment, the Commission also has to consider the feasibility of implementing the proposed investments to ensure that the system benefits from the proposed investments and does not get loaded with the cost of delayed/incomplete investments.

Over the past 2 years, the actual track record of the DISCOMs and TRANSCO in implementing investment schemes does not impart confidence in the ability of the DISCOMs and TRANSCO to implement the proposed investments. The Table 4.3 below summarises the investments approved by the Commission in its ARR and Tariff Order dated June 26, 2003 and actual investment achieved by the DISCOMs and TRANSCO for FY 2002-03 and FY 2003-04:

Table 4.3: Investment Implementation Performance

(Rs. Crore)

Petitioner	FY 2002-03		FY 2003-04	
	Order for FY 2003-04	Actual	Order for FY 2003-04	Actual
TRANSCO	43	44	341	85
BRPL	76	31	423	88
BYPL	56	36	336	71
NDPL	165	49	287	226
Total	340	160	1387	470

From the above Table, it is evident that the actual capital expenditure incurred by the TRANSCO, BRPL and BYPL is significantly lower than the capital expenditure approved by the Commission in its

Order for FY 2002-03 and FY 2003-04. The Commission has considered implementation performance while approving investments for FY 2004-05.

4.3.4 Assessment of the proposed investments

The Commission is deeply concerned about the substantial underachievement in the progress of the much needed capital works for the second year in succession, and its consequent impact on AT&C loss reduction, system augmentation, load shedding, reliability and safety of the Delhi Power System. The Commission had a meeting with the Senior Management team of the TRANSCO and DISCOMs on April 28, 2004 to emphasise the need for corrective action so as to ensure that the Reform Process achieves the desired objectives.

During the Technical Sessions, the Commission sought details of cost-benefit analysis for the proposed investments to assess the prudence of the proposed investments. This was sought, separately for each of the schemes, as well as the cumulative savings/benefits arising out of all the proposed schemes including the over-achievement in AT&C loss reduction.

During the Technical Sessions, the Commission directed the Petitioners to explain their preparedness to execute the Capital Expenditure proposed during FY 2004-05, including the orders placed, implementation schedule of major schemes and the source of funding along with supporting documents.

The Commission has also recognised the need for an integrated and co-ordinated approach between the TRANSCO and the three DISCOMs for a pragmatic Capital Expenditure Plan. CEA, in its Report referred earlier, has also stressed upon the co-ordinated development of the system. An integrated and co-ordinated approach amongst TRANSCO and DISCOMs is a must for system augmentation and improvement to ensure that the benefits of system improvement are available to the end consumer. Any unreliable or weak link in the chain would weaken the entire chain and any over-strengthening or redundancy will cause unwarranted burden on tariffs in initial years. Till the system is augmented at transmission level, substantial capital works towards augmenting the system at distribution level will not result in substantial benefits to the consumers. Similarly, investments in transmission system would not yield intended benefits to consumers if adequate investments were not made in the distribution system. It is, therefore, essential that the system improvement should be carried out on a holistic basis. In this regard, the Commission directed the DISCOMs to co-ordinate with TRANSCO and finalise the Capital Investment Plan for FY 2004-05 considering the study carried out by the CEA as the base document.

4.3.5 Revised investment proposal of DISCOMs and TRANSCO for FY 2004-05

In its subsequent submissions, TRANSCO has attributed the delay in implementation of the projects to the lower sanction of funds by GNCTD as compared to the level of proposed investments. The TRANSCO has further submitted that they have obtained the sanction from PFC to undertake investments beyond the funds made available by GNCTD.

BRPL and BYPL have pointed out that they have undertaken and completed a detailed network optimisation study with the help of internationally reputed agencies, viz., ABB and Alstom, for following an integrated approach towards capital investment. They have mentioned that they are geared up for accelerated and timely execution of the projects. During the Technical Sessions, the Commission directed BRPL and BYPL to submit the Report on Network Optimisation Study carried out by ABB and Alstom. However, BRPL and BYPL have submitted a Report on Network Upgradation based on an in-house review and study of the results of the Network Optimisation Study carried out by ABB and Alstom.

In the subsequent submissions, BRPL has indicated that it has proposed an investment of Rs. 312 Crore towards reduction of AT&C loss, out of the total proposed investment of Rs. 1284 Crore. BRPL has estimated the benefit on this account as Rs. 19 Crore in FY 2004-05, Rs. 57 Crore in FY 2005-06, Rs. 82 Crore in FY 2006-07 and Rs. 88 Crore in each subsequent year. BYPL has indicated that it has proposed an investment of Rs. 369 Crore towards reduction of AT&C loss out of the total proposed investment of Rs. 1568 Crore. BYPL has estimated that this investment is likely to yield a benefit of Rs. 23 Crore in FY 2004-05, Rs. 72 Crore in FY 2005-06, Rs. 115 Crore in FY 2006-07 and Rs. 117 Crore in each subsequent year.

BRPL and BYPL have highlighted other benefits accruing from the investment plan in addition to the AT&C loss reduction:

- Increase in reliability and improvement in quality of power coupled with improved safety and environment friendly infrastructure;
- Meeting the growing demand of existing consumers;
- Better customer services, making available information to consumers about services and better utilisation of power supply;
- Long term benefit of reduction of cost of service.

In the subsequent submissions, all the Petitioners have submitted brief information on the status of proposed investments and proposed means of finance.

4.3.6 Ensuring tariff neutrality of the Accelerated Investment Proposal

The Commission has to assess the following to ensure that the accelerated investments are tariff neutral:

- Assess the cost benefit of the schemes and approve the viable schemes;
- Ensure that the planned investments materialise in a timely manner and benefits accrue to the system, by ensuring that the system is not burdened with the cost of delayed/incomplete projects;
- Ensure co-ordination between TRANSCO and DISCOMs so that the entire chain in the system is established and the benefit of the investment reaches the end consumer;

- Assess the impact of the investment on the tariff and approve the investment such that only the needed investments are taken up and it does not result in a tariff shock to the consumer.

The Commission convened a meeting with the Senior Management team of the TRANSCO and DISCOMs on April 28, 2004 to discuss its concern on the impact of investments on the tariff to the consumer and to find a solution to make the investments tariff neutral.

In the subsequent submissions, BRPL and BYPL have estimated that the higher costs due to the accelerated investment as against phased investment would be recovered through a higher reduction in AT&C losses over and above the committed levels. They have further pointed out that accelerating the investment would result in significant early improvement in reliability and quality of supply. They have further proposed that the differential higher expenditure on account of accelerated investment as compared to the normative expenditure be carried forward as a regulatory asset in case the realisation of financial benefits in the initial years is not sufficient to offset the entire estimated higher expenditure, as there could be a time lag between incurring of expenditure and resultant improvement. They have proposed that the regulatory asset on the books can then be amortised over a period of time, through increase in tariffs based on the normative investment levels only. They have suggested that the normative expenditure in subsequent years should be based on notional investment that would have been allowed had the Licensees not made the front-ended investment.

The Commission has assessed the implications of the proposed investments in Delhi's Power Sector. For assessing the need of the investments, the Commission has considered the Comprehensive Study Report on Transmission and Sub-transmission System prepared by CEA and the submission of BRPL and BYPL based on in-house review and study of the results of the Network Optimisation Study carried out by ABB and Alstom. Based on the Report prepared by CEA, the Commission recognises the need for substantial investment in Delhi's Power Sector. The Commission believes that the capital expenditure is essential for salvation of Delhi's Power Sector.

For assessing the need, prudence and viability of the investments, the Commission had directed the Licensees to submit additional information to which the Licensees have only partly complied with. The Commission would also like to highlight that the approval of the schemes has to be undertaken separately from the ARR and Tariff Determination process, as it requires significant time and resources of the Commission to analyse the same. **The Commission directs the Petitioner to submit the complete DPR along with cost-benefit analysis for schemes more than Rs. 2 Crore for obtaining the scheme-wise investment approval from the Commission as per the terms and conditions of the License for Transmission and Bulk Supply and Distribution and Retail Supply of Electricity respectively within a month from the date of the issue of this Order. The Commission further directs that the Petitioners should submit a separate Petition for approval of schemes for FY 2005-06, by September 2004.**

To ensure that the investments are synchronised, the Commission has initiated an interaction between the TRANSCO and DISCOMs for co-ordinated development. As mentioned in Chapter 3, **In line with the recommendation of the CEA, the Commission directs the Petitioner to form a Steering Committee, with one member as Commission's Representative, within 7 days of the date of issue of this Order. The Steering Committee would be responsible for developing an integrated and consolidated implementation plan and monitoring thereof. The Commission directs the TRANSCO and DISCOMs to submit the consolidated plan within 15 days of the date of issue of this Order and submit quarterly monitoring reports thereafter.**

Considering the present status of preparedness of the proposed investment and need for integrating the implementation plan, the Commission is of the opinion that it is not prudent to allow the full investments proposed by TRANSCO and DISCOMs. Hence, the Commission has approved the investment plan at the normative level. If the DISCOMs are able to implement the investment beyond the approved normative level during FY 2004-05, then the differential cost arising out of such investments subject to a check on their prudence, to the extent they are compensated by the associated financial benefits, would be allowed during the truing up. Any additional cost arising of such investments subject to prudence check beyond the limit of associated financial benefits may be considered, as a regulatory asset, as has been suggested by BRPL and BYPL. Such regulatory assets may be amortised through future financial benefits arising out of such investments.

4.4 'Truing up' Mechanism

In the Order issued by the Commission in June 26, 2003 on the ARR Petitions filed by TRANSCO and DISCOMs, the Commission had relied on the information available at that point of time and also projected the sales, expenses and revenues while determining the Annual Revenue Requirement for FY 2003-04. The Commission recognised 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. The Commission had detailed its 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. In the said Order, 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. Further, the Commission clarified that while approving such expenses/revenues to be recovered in the future years, the holding costs of the same would also be allowed. The Commission is of the view that the holding costs should be limited to the rate approved for working capital borrowings, as these requirements should be financed out of short-term funds.

During the process of ARR for FY 2004-05, the audited accounts for FY 2003-04 for two out of the three DISCOMs, viz., BRPL and BYPL, have been submitted to the Commission and the provisional accounts have been submitted in the case of NDPL. The Commission has, therefore, decided to

true up the ARR for FY 2003-04 based on the actual expenses and revenue for FY 2003-04 and consider the difference between the actual expenses and revenue in FY 2003-04 vis-à-vis the approved levels, if any, subject to prudence, in the ARR for FY 2004-05. According to the Commission's estimates, the total expense to be carried over to FY 2004-05 after truing up for FY 2003-04 is Rs. 142 Crore for the sector.

4.5 Treatment of DVB Arrears

According to the provisions of the Transfer Scheme, the amount of DVB arrears realised by the DISCOM shall be shared between the Holding Company and DISCOM in the ratio of 80:20. The Commission in its previous Tariff Order dated June 26, 2003 has deliberated on this issue and the Commission's views on this issue as mentioned in Tariff Order dated June 26, 2003 are as follows:

"In the Transfer Scheme, notified by the Government of NCT of Delhi on 20th November 2001, the following has been stated:

"All the receivables from sale of power to consumers of the erstwhile Board other than to the extent specifically included in Schedules D, E and F shall be to the account of Holding Company. The DISCOMs will be authorised to realise the receivables of the Holding Company in their respective area of supply. Upon realisation of such receivables of the Holding Company the same shall be shared between the Holding Company and the DISCOMs in the ratio 80:20".

These specified receivables are the past dues against the power sold by the erstwhile Delhi Vidyut Board (DVB), prior to its restructuring. These receivables have been passed on to the distribution companies and are reflected in their balance sheets, as assets. According to the terms of the Transfer Scheme, the Holding Company is to receive 80% of the receivables while the balance 20% would be retained by the distribution companies. In the ARR Petitions filed by the three distribution companies, while 20% of the receivables have been accounted as non-tariff income, the remaining 80% is treated, as expense, and passed on to the Holding Company. This would, of course, increase the revenue gap, which would, in turn, imply that tariffs would have to be raised.

It is the considered view of the Commission that the 80% of the receivables, which is going to the Holding Company, should, in fact, go to Delhi Transco Ltd., to be ploughed back into the sector. This would be the most logical course of action since at the time of the calculation of the Bulk Supply Tariff in February, 2002, the entire receivables was taken into account as an income being generated within the sector. It is to be borne in mind that, as mentioned above, in case 80% of the receivables is repatriated to the Holding Company, the consumers of Delhi would have to incur the burden by way of an enhanced tariff shock. In this context, the Commission also notes that in determination of AT&C losses, no distinction is made between the amounts realised against current billing and amounts realised against the past receivables. The Commission is of the view that it could not possibly have been the intention of the GNCTD, while drafting the Transfer Scheme that the expense is passed on to the consumers. It would, indeed, be ironical if the consumers of Delhi

were to bear the burden of the receivables, estimated at close to Rs. 200 Crore during financial year 2002-03 (09 months) and financial year 2003-04, in the post privatisation period. **In view of the above, the Commission asks the GNCTD to revisit this matter and issue an appropriate amendment to the Transfer Scheme. In so far as the present Petitions are concerned, the Commission has considered 80% of the collected arrears remaining within the sector while determining the annual revenue requirements."**

The GNCTD has reviewed the matter and issued a clarification through letter No.F.11(99)/2001-Power/531 dated March 31, 2004 that the original Transfer Scheme would remain as it is and the receivables against DVB arrears would be shared between the Holding Company and the DISCOMs in the ratio of 80:20 respectively.

The Commission feels that it would be equitable and fair if the revenue realised on account of recovery of arrears remain in the sector and as recommended in the Tariff Order dated June 26, 2003, are passed on to the Delhi Transco Limited, instead of the Holding Company. Accordingly, the Commission vide its letter dated April 25, 2004 had again requested the Government to reconsider the matter in the interest of consumers of Delhi as under.

- "On the issue of past receivables, known as "arrears", it may be stated that the Order issued by the Commission in February, 2002, the "arrears" were treated as a part of the revenue stream while determining the opening levels of AT&C losses and BST. This, in other words, meant no outflow of the revenue outside the sector.
- In case, the revenue stream is treated as an expense stream as has been envisaged in the transfer scheme, it would alter the conclusion arrived at earlier. In the instant case, the opening AT&C losses and the BST would get a completely different dimension, while the AT&C losses and the BST would get a completely different dimension, while the AT&C loss levels would go up, the BST will come down.
- As a result of higher opening AT&C losses and lower BST as brought out above, the loan assistance of Rs. 3450 Crore to Transco shall also go up considerably.
- The entire past "arrears" were a part of the revenue stream in the pre-restructuring era. As a part of the transfer scheme, the receivables are envisaged to be shared between the Holding Company and the DISCOMs in the ratio of 80:20 respectively. In the revenue stream, the 80% share of Holding Company becomes an expense. It would thus be discriminatory in regard to treatment of past "arrears".

In terms of details:

- An amount of Rs. 210 Crore has been estimated as receivables during the year 2003-03 and 2003-04. After accounting for the same to remain within the sector by way of outflow to Transco (and not Holding Company), the remaining revenue gap of s. 87 Crore required an overall increase of tariff by 5.6%. Obviously the tariff would have been far far

higher had the "expense" of Rs. 210 Crore was also to be provided for by way of tariff increase.

- There are estimates which suggest that the total "arrears" of the erstwhile DVB could well be around Rs. 2000 Crore. Going by the transfer scheme, this would lead to a heavy burden on the consumers of Delhi.
- It shall be ironical if the collection of past "arrears" from the defaulters (during DVB time) is to be shared by the other law-abiding consumers by way of increased tariff for no fault of theirs.

Considering the above aspects, the Commission strongly feels that it would only be equitable and fair if the revenue realised remain in the sector and as recommended in the Tariff Order of 26th of June 2003, are passed on to the Delhi Transco Limited, instead of the Holding Company. The Commission would, therefore, again make an earnest request to the Government to reconsider the matter in the interest of the consumers of Delhi who otherwise will have to bear an unwarranted huge tariff shock."

The GNCTD further replied on June 4, 2004 mentioning that the Government has reviewed the matter and the original Transfer Scheme would remain as it is and the receivables against DVB arrears would be shared between the Holding Company and the DISCOMs in the ratio of 80:20 respectively.

As discussed in earlier Sections, the Commission is of the opinion that it will not be fair at all to pass on the burden of past receivables of the sector to consumers of Delhi as also this will warrant huge tariff shock to consumers. The 80% of total receivables for three years i.e. FY 2002-03, FY 2003-04 and FY 2004-05 works out to around Rs. 300 Crore. In case these receivables are to be passed on to Holding Company instead of TRANSCO as envisaged in Commission's Order dated June 26, 2003, these receivables along with carrying cost on arrears of FY 2002-03 and FY 2003-04 has to be considered as expense in ARR, which will increase the Revenue Gap by around Rs. 330 Crore. To bridge this additional sector revenue gap of Rs. 330 Crore, the tariff increase required will be around 9%. It is not ending here and in fact more and more past arrears will be collected by DISCOMs in future years and if these arrears will go out of the sector, this will lead to increase in tariffs in future. Considering these aspects, the Commission vide its letter dated June 7, 2004 has again approached the Government so as to protect the consumers of Delhi from unwarranted tariff hike. Accordingly, the Commission while estimating the ARR and Revenue Gap has considered 80% of the collected arrears remaining within the sector as revenue to TRANSCO.

4.6 Sector Revenue Gap at Existing Tariffs with Government Support

The total sector revenue gap estimated by the Commission for FY 2004-05 is Rs. 1072 Crore including the revenue gap for FY 2003-04 due to true up of expenses and revenue. The details of

the revenue gap as estimated by the Petitioners for FY 2003-04 (truing up) and FY 2004-05 and the revenue gap as approved by the Commission is provided in Table 4.4 below:

Table 4.4: Proposed and Approved Revenue Gap for FY 2003-04 and FY 2004-05 (Rs Crore)

	2003-04		2004-05		Total (for 2 years)	
	Petition	Commission	Petition	Commission	Petition	Commission
NDPL	370	29	316	(-)5	685	24
BRPL	232	10	328	16	560	26
BYPL	102	48	235	20	336	68
DTL	641	55	2305	1589	2946	1644
Total	1345	142	3183	1620	4528	1762
Govt Support*			690	690	690	690
Transco Rev Gap after Supp		60	1615	899	2256	954
Net Revenue Gap	1345	142	2493	930	3838	1072

* Govt Support for FY 2003-04 considered while estimating the ARR and Revenue Gap of TRANSCO

The figures for FY 2003-04 have been arrived at after considering the actual expenses and revenues of the TRANSCO and DISCOMs in comparison with the approved level of expenses and revenues for FY 2003-04. The total sector revenue gap for FY 2004-05, including the carried forward amount of Rs. 142 Crore pertaining to FY 2003-04 due to truing up, is Rs. 1762 Crore. Considering the revenue at existing tariff, the gap for FY 2004-05 is estimated to be about 48% of the revenue of all the DISCOMs.

As mentioned above, while issuing the Policy Directions, the GNCTD has committed to provide Rs. 3450 Crore during the period FY 2002-03 to FY 2006-07 as a loan to TRANSCO, which is to be used to bridge the gap between its revenue requirement and the bulk supply price that it receives from the Distribution Licensees. The Table 4.5 below shows the committed level of Government support for the period FY 2002-03 to FY 2006-07, as given in the Financial Restructuring Plan approved by the GNCTD.

Table 4.5: Committed GNCTD Support

(Rs. Crore)

Year	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Total
GNCTD Support	1364	1260	690	138	0	3452 (say 3450)

The Commission while in its Order on ARR for FY 2002-03 and FY 2003-04 has taken into consideration the Government Support available to TRANSCO for respective years while estimating the sector revenue gap and for setting the tariffs for FY 2003-04. For FY 2004-05, the extent of Government support available to TRANSCO to bridge the revenue gap is Rs. 690 Crore. Considering

this, the net revenue gap for FY 2004-05 to be passed on to the consumers is Rs. 1072 Crore. This works out to around 30% of the total revenue from existing tariffs for FY 2004-05.

4.7 Measures to Bridge the Revenue Gap

Considering the quantum of revenue gap the Commission has explored various options to bridge the revenue gap and the options examined by the Commission are discussed in following Sections:

Option I: Increase in Retail Supply Tariffs:

The increase in the revenue requirement determined after prudent regulatory process has to be met through increase in tariffs, as the user charges need to reflect the cost of operations. However, considering the quantum of revenue gap, substantial increase in tariff in the range of around 30% would be necessary, if the entire revenue gap has to be met through revision in tariffs, which would result in a severe tariff shock to consumers.

Option II: Efficiency Improvements

The other option is to assess the expected efficiency improvements and its financial benefits to bridge the revenue gap to certain extent.

Option III : Creation of Regulatory Asset:

This involves deferring the recovery of the revenue gap and staggering it over a longer period, through creation of a Regulatory Asset, to avoid tariff shock to the consumers in the current year.

The details of the above Options and the Commission's approach are detailed in subsequent paragraphs.

4.7.1 Option I: Increase in Retail Tariff

In principle, the Commission is of the view that this Option has to be resorted to only as a final measure after exhausting all other practically available measures. The Commission is of the opinion that the burden on the consumers should be minimised to the extent possible and licensees should operate at efficient levels to bridge the revenue gap. As discussed in earlier Sections, the total sector revenue gap for FY 2004-05 as estimated by the Commission after considering the Government support of Rs. 690 Crore, works out to Rs. 1072 Crore.

At the time of restructuring and privatisation, the GNCTD had initially committed a support of Rs. 2600 Crore for the period of five years FY 2002-03 to FY 2006-07. Accordingly, while issuing the Bulk Supply Tariff Order in February 2002, the Commission considered the Government support to the extent of Rs. 2600 Crore. The Commission in its BST Order with regard to quantum of Government Support to bridge the revenue gap had mentioned as follows:

"The Commission has taken note of the position of the Govt. of NCT of Delhi regarding the issue envisaging turnaround of the Distribution Companies and the viability of the Transmission Company well within five years, enabling TRANSCO to meet the loan liability and at the same time resulting

no tariff shocks to the consumers. The Commission is not aware of the assumptions made by the Government to arrive at Rs. 2600 Crore in terms of loss reduction trajectory envisaged and the level of tariff increases. However, the accumulated revenue gap for TRANSCO could be higher or lower than the amount estimated by the Government depending upon the level and structure of future retail tariffs and the committed loss reductions. At this point, the Commission opines that any shortfall in the revenue gap, if any, of TRANSCO during the term of five years over and above Rs. 2600 Crore would have to be bridged in the form of Government support, sector efficiency improvements, any other suitable mechanism or a combination of all of the above, to be decided by the Commission at the appropriate stage."

Subsequently, the Government enhanced the support during the five year period from Rs. 2600 Crore to Rs. 3450 Crore based on assumptions about key parameters which were not provided to the Commission at the time of issuance of amendment to the Policy Directions.

Subsequently, the GNCTD provided the copy of Financial Restructuring Plan prepared at the time of privatisation upon a specific request from the Commission during the processing of the ARR and Tariff Petitions for FY 2002-03 and FY 2003-04.

It may be noted that the Financial Restructuring Plan prepared by GNCTD at the time of privatisation, has assumed an average tariff increases for the period FY 2002-03 to FY 2006-07 as given in the Table 4.6 below:

Table 4.6: Tariff Increases Projected in the Financial Restructuring Plan

(%)

Year	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07
Projected Tariff Increase	10%	10%	10%	5%	3%

The Commission would like to highlight that the tariff increase projected in the Financial Restructuring Plan and the estimated Government Support were based on broad assumptions for the period FY 2002-03 to FY 2006-07 with respect to increase in sales, consumption mix, loss reduction trajectory, capital investment programme, operational expenses, etc.

The Commission while determining the ARR on year-to-year basis has to consider the actual revenue and expenses, operational parameters and loss reduction of the previous and current year and estimate of the ARR parameters based on the recent trends for the ensuing year. Based on the estimation of ARR for the Transmission Company and Distribution Companies for FY 2002-03 and FY 2003-04, the Commission estimated the Sector Revenue Gap of Rs. 87 Crore for the two years after considering the Government Support of Rs. 1364 Crore and Rs. 1260 Crore for FY 2002-03 and FY 2003-04, respectively. To bridge this estimated revenue gap of Rs. 87 Crore and to compensate for the loss in revenue due to the rationalisation measures undertaken, the Commission increased the tariff by 5.01% for FY 2003-04. Thus, against the 20% average tariff increase assumed in the Financial Restructuring Plan for FY 2002-03 and FY 2003-04, the increase in

tariffs required to bridge the revenue gap based on actual assessment for FY 2002-03 and estimations for FY 2003-04 was only about 5%.

As discussed earlier, the Government Support during FY 2004-05 has reduced to Rs. 690 Crore as compared to the amount of Rs. 1260 Crore during FY 2003-04. The reduction in Government Support during FY 2004-05 coupled with other factors as discussed in earlier Sections has resulted in substantial revenue gap at the existing bulk and retail supply tariffs during FY 2004-05, estimated at Rs. 1072 Crore. The tariff increase required to meet the entire gap in FY 2004-05 would be around 30%, which is very high and would result in a severe tariff shock to the consumers. However, the Commission is of the opinion that it is not prudent to increase the tariffs of subsidised categories beyond a certain reasonable level. Further, the Commission is of the opinion that the matter of increase in tariff cannot be considered in isolation and the increase in tariff has to be in tandem with the improvement in quality and reliability of supply and the improvements in the system. The situation in Delhi's Power System has not improved substantially and the consumers of Delhi are still facing the problems of power cuts and interruptions particularly during peak summer and peak winter. The reason for load shedding and interruptions in Delhi is not due to non-availability of power - in fact at transmission level adequate power is available to meet the demand of Delhi. The foremost reason for power cuts and supply of unreliable power in State is the poor condition of distribution network. Two out of three DISCOMs viz. BRPL and BYPL have not improved the system and the actual capital investments on various distribution schemes have been much lower than the capital expenditure plan approved by the Commission. The problems have increased as the load on the system has increased in comparison to the previous year and in absence of adequate capital investments, the old system has been overloaded, due to which the deterioration rate of the existing assets has increased. Because of these reasons the quality of supply has not improved and the interruptions have not been reduced substantially. Apart from the quality of supply, the consumers have been also facing enormous metering and billing problems.

The Commission is of the view that at this stage when the quality of supply has not improved to any great extent and the consumers are facing enormous metering and billing problems, it will not be fair inflict a sharp increase the tariffs on them. Considering all the aspects, the Commission has decided to peg the average tariff increase for FY 2004-05 at 10% resulting in an increase in revenue collected of about Rs. 376 Crore.

The Commission would also like to highlight that the category of consumers worst hit are the domestic consumers with respect to quality of supply. This is the category most affected by the improper distribution network as it receives power at 400 volts and the power cuts are more frequently imposed on domestic consumers and interruptions in power supply to domestic consumers are much higher as compared to other categories. Further, the instances of metering and billing problems are also substantially higher in the domestic category as compared to other categories.

The Electricity Act 2003 provides for reduction of cross subsidies by migrating the category wise tariffs towards the cost of supply, and the Commission would also like to comply with this requirement of the Act. However, the domestic consumers have been historically paying subsidised tariffs and any major shift to remove the cross subsidy at this stage when the quality of supply has not improved and consumers are facing metering and billing problems, will steeply hit the domestic consumers. This aspect (reduction of cross subsidy) shall inherently be addressed to a great extent when the loss levels reach acceptable limits and the revenue requirements on this account shall not call for tariff increase (rather they would come down). Considering these aspects, the Commission has pegged the tariff increase of domestic category to the average tariff increase of 10%. The Commission will attempt to reduce the cross subsidy by moving domestic tariffs towards the cost of supply once the efficiency of operation and quality of supply has improved and metering and billing problems are minimised.

The estimated increase in revenue on account of the tariff revision approved by the Commission is Rs. 376 Crore out of the total unbridged revenue gap of Rs. 1072 Crore. For bridging the balance revenue gap of Rs. 696 Crore, the Commission has explored other options such as efficiency improvements and creation of Regulatory Asset.

4.7.2 Option II: Efficiency Improvements

The Commission has also explored the option of bridging the revenue gap through efficiency improvements. The Commission strongly feels that during the ensuing year FY 2004-05, there is a good chance for substantial overachievement in reducing AT&C losses and the improvement in efficiencies in terms of over achievement in AT&C loss reduction can bridge the estimated revenue gap to some extent. However, as elaborated in earlier Sections, in accordance with the Policy Directions, the Commission is bound to consider Accepted Bid Level AT&C loss reduction target while determining the ARR and setting the tariffs for the ensuing year 2004-05. Therefore, for the said purposes, it is not appropriate to consider efficiency improvements during the ensuing year in terms of over achievement in AT&C loss reduction for bridging the revenue gap.

4.7.2.1 Importance of over achievement of Efficiency Gains

The Commission wishes to highlight the importance of efficiency gains in achieving the goals set out in the reform process. This requires improvements in the functioning of the licensee to over - achieve the performance targets set out in the Policy Directions. The investments made towards system improvement as a part of APDRP including the metering programme and improvements in billing and collection have resulted in some improvement. The significant investments planned under the APDRP scheme, along with other capital and R&M investments approved for FY 2003-04 and FY 2004-05, were not envisaged at the time of bidding. These include system augmentation and commercial loss reduction measures on account of energy audit activities like metering and billing, consumer coding, feeder and Distribution Transformer (DTR) metering, and part outsourcing of metering and billing proposed during the two years. The Commission, therefore, expects that the

higher investments during the initial years should lead to a far more aggressive AT&C loss reduction trajectory as compared to the committed loss reduction trajectory.

Based on the submissions by the DISCOMs, the actual AT&C losses reduction achieved by all three DISCOMs in FY 2003-04 was higher than the bid levels for FY 2003-04. Thus the trend of over achievement in AT&C loss reduction target has commenced from FY 2003-04, even when the investments made by two DISCOMs were substantially lower than the investment plan approved by the Commission in its Order of June 26, 2003. While appreciating the efforts put in by the licensees, the Commission expects that this tempo will be continued with added vigour in the coming years and the licensees will strive to surpass the efficiency targets set out in the GNCTD's Policy Directions. The extent of investments proposed by DISCOMs has been discussed in earlier Section. Considering the achievement made in FY 2003-04 and the proposed investment programme, the Commission is optimistic in this regard, and is of the opinion that there will be substantial over achievement in reduction in AT&C loss levels over the bid and minimum levels. A one-percentage point reduction in AT&C losses in the Delhi power sector is expected to result in additional surplus of Rs. 90 Crore in the system at the current level of sales and tariffs. The AT&C loss reduction targets as per the Accepted Bids and Minimum Bid levels stipulated in GNCTD's Policy Directions for FY 2004-05 is about 4% and 4.5 % respectively for the sector.

As per the Policy Directions, the revenues on account of over achievement and under achievement has to be shared between consumers in the form of tariff reduction and DISCOMs based on cumulative underachievement and overachievement in lines with the principles of Policy Directions. Considering the cumulative AT&C loss reduction target for two years FY 2002-03 and FY 2003-04, two DISCOMs i.e. NDPL and BRPL have already over-achieved the AT&C loss reduction and hence the benefit of overachievement in future years will be available in the form of lower ARR from FY 2004-05 onwards. However, in case of BYPL, over achievement in FY 2003-04 does not completely compensate BYPL for under achievement of FY 2002-03. Hence, the over achievement in AT&C loss reduction in future years in BYPL has to first set off against the cumulative under achievement till the end of FY 2003-04. Once the revenue from over achievement is set off against the cumulative underachievement till FY 2003-04, the benefits of over achievement in BYPL will also start flowing in the ARR. By following the mechanism of treatment of overachievement of AT&C loss targets as per the Policy Directions, over achievement of 0.5% in FY 2004-05 will lead to a reduction of around Rs. 30 Crore of revenue requirement of the Sector, as this portion is completely passed on to the consumers. In case the overachievement is higher than 0.5%, the incentive will be shared between the consumers and the licensees, which will again effectively lead to a reduction in ARR of the licensees. However, in the case of years 2005-06 and 2006-07, as the bid level loss reduction targets are higher than the minimum loss reduction target, the entire benefit of over achievement will be shared between the consumers and the licensees. For example 1% improvement in the loss levels over the bid level, will generate additional revenue of Rs. 90 Crore per annum, estimated at current level of tariff and sales. This additional revenue will be shared equally between the

consumers and licensee (i.e. Rs. 45 Crore each). This feature highly incentivises the licensees to over achieve and exceed the loss reduction targets.

The Commission further opines that for the success of reform and restructuring and to achieve the viability of the Sector by FY 2006-07, it is essential to exceed the AT&C loss reduction targets as compared to minimum AT&C loss reduction targets stipulated in the Policy Directions.

4.7.3 Option III: Creation of a Regulatory Asset

Need for Regulatory Asset

As discussed in previous Section, the total consolidated revenue gap of all the utilities (TRANSCO and DISCOMs) during FY 2004-05 as estimated by the Commission works out to Rs. 1762 Crore which is 48% of revenue at existing tariffs. The committed support from the GNCTD for FY 2004-05 is Rs. 690 Crore. After considering this Government support, the net revenue gap of the utilities works out to Rs. 1072 Crore. As mentioned earlier, if the entire net revenue gap is to be bridged by increase in tariffs, the average tariff increase required would be to the extent of 30%.

Concept of Regulatory Asset:

Creation of a Regulatory Asset is a mechanism to carry forward a portion of the revenue requirement for a particular year that has not been included while designing the tariffs for that year. The amount equivalent to the Regulatory Assets is thus effectively removed from the revenue requirement for the year in question. Such a situation generally arises when the projected revenues are significantly lower than the revenue requirement and it is not feasible to recover the entire amount either through increase in tariffs or through other means such as Government subsidy during that year. In such situations, the Regulator may choose to create a Regulatory Asset equivalent to the uncovered expenses and allow the licensee to amortise the same over a period of time. The Regulatory Asset mechanism is resorted to mainly to avoid tariff shocks to the consumers in a given year, while at the same time allowing the utility to recover the costs in a reasonable manner so as to protect its interests as well as those of the consumers.

Generally, Regulatory Assets are amortised over a reasonably long period of time, say 3-7 years, so as to even out the sudden increase in tariff. It is also common that over the period of amortisation, financing cost of the outstanding Regulatory Asset and the funds required to retire the Regulatory Asset through amortisation is allowed by the Regulators. In such cases, the Revenue Requirement for the future years would include the amount towards amortisation of the Regulatory Assets as well as the carrying cost of the Regulatory Assets. This allows spreading the impact of tariff increases over a period of time and thereby mitigates the possibility of a rapid and upward pressure on tariffs.

In view of the circumstances in the Delhi Power sector as explained in the above Sections, the Commission feels it is imperative to resort to the mechanism of Regulatory Assets in the interest of

viability of the sector and also to ensure that the consumers are not subjected to an unusually high tariff increase after the last tariff increase effected in July 2003.

4.7.3.1 Estimated Regulatory Assets

Out of the total revenue gap, the revenue gap to be bridged from the increase in tariff as approved by the Commission works out to Rs. 376 Crore. The balance revenue gap of Rs. 696 Crore is proposed to be treated as a Regulatory Asset to be amortised in future years through various measures.

The Commission would like to highlight the fact that the total revenue gap estimated for FY 2004-05 is based on information submitted by the Petitioners and certain assumptions based on past trends. However, the actual revenue gap for the year might vary based on the actual performance during the year. Hence, the quantum of uncovered/excess Revenue Gap that will be permitted under truing up mechanism after prudence check, and the Regulatory Assets will also undergo a change after the truing up process for FY 2004-05.

4.7.3.2 Proposed Amortisation Mechanism for the Regulatory Asset

The Commission proposes to amortise the Regulatory Asset through a combination of several measures such as through the efficiency gains i.e. over-achievement in AT&C losses, and inclusion of certain component of Regulatory Asset in future years' ARR, (when the revenue gap for that particular year is not substantial) and any other appropriate measure..

The Commission while amortising the Regulatory Asset will also consider the carrying cost of the Regulatory Asset. The period of amortisation of the Regulatory Asset and the amount to be amortised each year is contingent upon several factors such as Revenue Gap approved by the Commission for the particular year including the ensuing year, actual AT&C loss reduction during the year, etc. The Commission is of the opinion that it would be ideal to amortise this Regulatory Asset fully amortises within the Policy Direction Period i.e. by FY 2006-07. At this stage, it is difficult to define the quantum of amortisation in future years. However, in principle, while deciding the quantum of Regulatory Asset to be amortised, the Commission will consider the following:

- Actual AT&C loss reduction achieved by the DISCOMs
- AT&C loss reduction proposed by the DISCOMs.
- Actual Revenue Gap/Surplus for the previous year, if any, after Truing up
- Estimate of Revenue Gap for the sector during the ensuing year

4.8 Apportionment of Regulatory Asset between the Utilities

The total sector revenue gap estimated by the Commission for FY 2003-04 and FY 2004-05 is Rs. 1072 Crore at the existing retail supply tariff and bulk supply tariff. As highlighted in the Table 4.4, out of total revenue gap of Rs. 1072 Core, the Commission has estimated the revenue gap of DISCOMs at Rs. 118 Crore and that of TRANSCO at Rs. 954 Crore.

However, it is important to note that the distribution of revenue gap between DISCOMs and TRANSCO is primarily attributable to methodology of determination of the Bulk Supply Tariff specified in the Policy Directions (based on paying capacity of the DISCOM after considering all the prudent expenses and 16% Return on Equity). The Policy Direction requires that the determination of Bulk Supply Tariff be inter-linked with the retail tariff and efficiency parameters of DISCOMs so as to support the uniform retail tariff across all the DISCOMs. The Bulk Supply Tariff currently being paid by the DISCOMs is substantially lower than the average cost of supply of TRANSCO. Under this mechanism, the revenue gap for TRANSCO would appear higher than that of DISCOMs as TRANSCO does not receive full cost of supply. Due to this mechanism of computing Bulk Supply Tariff, the TRANSCO and DISCOMs are inter-woven and work in coordination for the benefit of the sector. For example, any overachievement would improve the paying capacity of DISCOM and in turn could help in increasing Bulk Supply Tariff and thereby revenues of TRANSCO. Hence, it will not be appropriate to consider the revenue gap of each of the utility in isolation while designing strategies to bridge the gaps.

As discussed in earlier Sections an average tariff hike of 10% bridges the revenue gap by Rs. 376 Crore out of the total revenue gap of Rs. 1072 Crore. The Commission proposes to consider the remaining revenue gap of Rs. 696 Crore as a Regulatory Asset. Further the Commission has proposed to amortise the Regulatory Asset through a combination of (a) efficiency gains i.e. overachievement in AT&C loss reduction targets; (b) inclusion of certain component of Regulatory Asset in future years ARR for determination of tariff when the revenue gap for that particular year is not substantial; and (c) any other measure the Commission may feel appropriate. Considering these amortisation measures, the Regulatory Asset needs to be apportioned amongst TRANSCO and DISCOMs keeping in mind the scope for efficiency improvements and potential of increase in revenue on account of tariff increase during the remaining tenure of the Policy Direction period.

As the revenue of TRANSCO is linked to the paying capacity of each of the DISCOMs, which in turn is linked to the efficiency improvement and level of retail tariff, it stands to reason to apportion a substantial portion of the Regulatory Asset to the DISCOMs.

However, the Regulatory Asset should also be apportioned to TRANSCO to the extent that there is scope for it to be amortised through tariff increase and efficiency improvement. During the year FY 2003-04, TRANSCO's revenue gap is attributable not only to recovery of revenue lower than its cost of supply but also to the loss arising from the not so efficient operations under the ABT regime. In FY 2003-04, the TRANSCO has under-recovered about Rs. 92 Crore on account of under drawal considering an average UI charge and average cost of purchase. An efficient scheduling of power purchase is desirable on the part of TRANSCO to reduce the overall costs of its operation. Considering the potential and scope for efficiency improvement and tariff increase in future years for TRANSCO, the Commission has apportioned Rs. 100 Crore of the gap as a Regulatory Asset to TRANSCO.

The balance gap of Rs. 596 Crore is proposed as a Regulatory Asset to be apportioned amongst the DISCOMs. An ideal approach would be to apportion the Regulatory Asset considering realistic assessment of efficiency improvements and revenue increase potential factoring in the tariff increase and sales increase for each of the DISCOMs. However as a realistic assessment is not possible at this stage, the Commission is constrained to apportion the Regulatory Asset based on a parameter, which reflects the potential of amortisation of the Regulatory Asset in each DISCOM.

While there are no set precedents for the basis of apportionment, the Commission has evaluated several options considering their linkages to the proposed amortisation mechanism. Following are the parameters considered and their relevance to the amortisation mechanism:

- **Revenue of each of the DISCOM:** Revenue, is an indicator of the scale of the business operations of a utility and, reflects any increase in tariff in full and any reduction in AT&C loss (to the extent the AT&C loss reduction reflects in collections). However, revenue is not representative of operational efficiency improvements other than reduction in commercial loss and increase in collection efficiency.
- **Energy purchase by the DISCOM:** Energy purchase reflects any reduction in AT&C loss to the extent it translates to a decrease in quantum of energy requirement. This is subject to demand for energy not dropping in the period. However, this parameter reflects neither an increase in tariff nor an improvement in other operational efficiency.
- **Power purchase cost of the DISCOM:** Power purchase costs is a function of energy purchased by the DISCOM. Additionally, as power purchase cost is determined by the paying capacity of the DISCOM, it reflects an increase in revenue and improvement in operational efficiency. However, the power purchase cost for the past financial year does not represent the potential of future efficiency improvements.
- **Revenue gap of the DISCOM:** Revenue gap of each of the DISCOMs for FY 2003-04 is representative of the extent of requirement of truing up on account of difference between estimated revenues and costs and actual revenues and costs. Retail and Bulk Supply Tariff are determined to meet the revenue gap of each of the DISCOMs. Hence, revenue gap cannot be utilised as a base parameter for apportionment of the Regulatory Asset.

None of the parameters considered above fully represents the desired apportionment mechanism. While deciding on the basis, it would also be pertinent to look at the ratio of apportionment, if a particular parameter were chosen as a basis of apportionment. The Table 4.7 captures the proportion of apportionment of the Regulatory asset to the various DISCOMs for each of the parameters as the basis of apportionment:

Table 4.7: Options for Apportionment of the Regulatory Asset:

Sr No.	Description	BRPL	BYPL	NDPL	Total
1	Revenue for FY 2003-04 (Rs. Crore)	1614	835	1163	3614
2	Energy Input for FY 2003-04 (MU)	8096	5192	5552	18840
3	Power Purchase Cost for FY 2003-04 (Rs. Crore)	1276	660	871	2807
4	Apportionment ratio based on Revenue (%)	45%	23%	32%	100%
5	Apportionment ratio based on Energy Input (%)	43%	28%	29%	100%
6	Apportionment ratio based on Power Purchase Cost (%)	45%	24%	31%	100%

As may be observed from the above Table, under all the three options there is not a much variation in the proportions. Based on above the Commission believes that Revenue, being reflective of scale of operations, is the best proxy available for apportionment of the Regulatory Asset.

The Commission apportions Rs. 696 Crore as Regulatory Asset in proportion to Revenue of each of the DISCOM. The following Table 4.8 details the apportionment of the Regulatory Asset:

Table 4.8: Options for Apportionment of the Regulatory Asset:

Sr. No.	Company	Regulatory Asset Apportionment Ratio amongst DISCOM (%)	Regulatory Asset Apportionment Ratio amongst all players (%)	Regulatory Asset (Rs. Crore)
1	BRPL	44.7%	38.3%	267
2	BYPL	23.1%	19.8%	138
3	NDPL	32.2%	27.6%	192
4	Subtotal DISCOMs	100%	85.6%	596
5	TRANSCO		14.4%	100
6	Total		100%	696

5. Rationalisation of Tariff

As elaborated in earlier Sections, as per the Policy Directions, the retail tariff across the State has to be uniform till the tenure of Policy Directions i.e. upto FY 2006-07. Therefore, the Commission feels appropriate to discuss the tariff rationalisation suggestions proposed by all the three DISCOMs (NDPL, BRPL and BYPL) and other stakeholders in this Chapter.

5.1 NDPL's Suggestions

NDPL, while suggesting measures for rationalisation of tariff has mentioned that the NDPL is making the tariff rationalisation recommendations not with the objective of earning any extra revenue but for making the commercial process simpler and consumer friendly. NDPL has requested the Commission to revise the tariff such that it is revenue neutral for the NDPL. NDPL has suggested that a mid-term review of the rationalisation measures would be necessary to assess the revenue neutrality. The rationalisation measures proposed by NDPL have been summarised below:

5.1.1 Merging of Non-Domestic, MLHT, SIP and LIP Consumers

NDPL has suggested the merger of some of the existing categories viz., Non-Domestic (NDLT), MLHT, SIP and LIP consumers, to reduce the number of categories and to curb malpractices and litigation. In view of the provisions of the DERA which provide for differential tariff based on the purpose for which electricity is being used, the NDPL has pointed that there is no rationale for charging differential tariff to these categories, as these consumers use electricity for the same purpose i.e. business purposes.

5.1.2 kVAh based Tariff

NDPL has proposed kVAh billing for categories such as Non-Domestic, MLHT, SIP and LIP consumers having sanctioned load more than 15 kW as this will ensure automatic monetary discipline with regard to maintaining power factor and in such case Power Factor surcharge will become redundant. NDPL has further suggested that in the case of consumers having electro-mechanical meters, billing can be allowed on kWh basis until such time the meters are replaced by electronic meters. NDPL has also proposed an alternative that such consumers may be billed on kVAh basis by applying an average power factor of 0.85, till such time as the electronic meters are installed.

5.1.3 Slab-wise Tariff for LIP and SIP

NDPL has proposed slab-wise Tariff for LIP and SIP on the basis of number of electrical units consumed rather than the sanctioned load in kW. For the purposes of levying Fixed Charges, NDPL has proposed to use MDI information from the electronic meters. NDPL has also suggested that if the Commission, for any specific reason, decides to continue with LIP and SIP categories, the MDI information should be specified as the basis for deciding LIP/SIP categorisation. Further, NDPL has

proposed that in case the MDI shows load of 100 kW or above for a SIP consumer, he should be assessed on LIP basis for the past six months and for the next twelve months, provided in the next twelve months, the MDI remains below 100 kW.

5.1.4 Fixed charges linked to MDI

NDPL has stated that excess consumption in proportion to the normative consumption based on the sanctioned load is rampant across all categories of consumers leading to loss of revenue for the Utility and submitted that MDI compatible meters are being installed for large consumers. MDI however is only a measure of current operational maximum demand. This MDI is bound to change as per business requirement and therefore the network capacity has to be built with a margin of about 25% for future expansion. NDPL has requested the Commission to factor this point while determining the fixed costs based on MDI. Pending installation of MDI meters, NDPL has proposed the load factor for the purpose of computation of Maximum Demand for levy of Fixed Charges as given in Table 5.1 below:

Table 5.1: Load factor for the purpose of computation of Maximum Demand for levy of Fixed Charges

Consumer Category	Load
Domestic	96 units/kW/month
Industrial	150 units/kW/month (till Electro-Magnetic Meters continue, else MDI would prevail)
Commercial	165 units/kW/month (till Electro-Magnetic Meters continue, else MDI would prevail)

Further, NDPL has suggested that the applicability of maximum demand charges should be calculated based on the average maximum demand assessed in two billing cycles during the past one year (kWh consumption converted to kW as above) and accordingly fixed charge should be levied for the next twelve months.

5.1.5 Tariff for Agriculture for load above 10 kW

NDPL has pointed out that the existing Tariff Schedule does not mention the Agriculture Tariff for requirements above 10 kW. NDPL has recommended that for load requirements of above 10 kW, normal tariff as applicable for Non-Domestic Tariff shall be made applicable.

5.1.6 Tariff for Single Point Delivery (SPD) Contractor

NDPL has submitted that while DISCOMs and the Commission are reviewing the existing system of SPD Contractor in view of the Electricity Act 2003 and working out means for gradual transformation to Franchisee concept, in the meantime, the NDPL has requested the Commission

to endorse the prevailing commercial agreement, allowing 27% deduction in energy bill of the SPD Contractor, which was the practice followed by the erstwhile DVB.

5.2 BRPL's and BYPL's Suggestions

5.2.1 Fixed Charges

BRPL and BYPL have stated that the Fixed Charge component of the two-part Tariff fixed by the Commission for all consumer categories should be increased. They mentioned that almost 30% of its total expenses are fixed in nature and at present only 23% of the fixed costs are recovered through the levy of Fixed Charges, which translates to only 6.9% of the total expenses. BRPL and BYPL has given a comparison of Fixed Charges in neighbouring areas such as Gurgaon, Ghaziabad, Noida, Jaipur, and Chandigarh to show that the Fixed Charges are the lowest in comparison with the neighbouring utilities. BRPL and BYPL have submitted that the Fixed Charges should be revised upwards to the levels existing in that of neighbouring areas.

5.2.2 Separate LT Mixed Load Tariff Category

BRPL and BYPL has stated that although separate meters are provided for mixed loads with residential and commercial load, the consumption recorded in the commercial meters is far lower than that recorded by the residential meters. In such situations, it is suspected that consumers are loading most of their appliances on the residential meter and the utility is unable to determine the actual usage and levy charges accordingly. Hence, they have suggested a separate tariff category for mixed commercial and residential loads and have proposed a tariff, which is an average of the highest domestic slab and the tariff applicable to the commercial tariff.

5.2.3 Monthly Billing

BRPL and BYPL has proposed monthly billing system for all consumers starting from FY 2004-05 and have stated that the details of the process of migration of the consumers currently being billed on bi-monthly basis are being worked out.

5.2.4 Tariff for Delhi Metro Rail Corporation

In the last Tariff Order, the Commission had created a special Tariff Category for Delhi Metro Rail Corporation (DMRC) stating that it was "a new consumer at 220 kV and with differentiating nature of services and operations" and specified special Tariff of 230 paise per kVAh. BRPL and BYPL have submitted that in Section 8.6 (Other Terms and Conditions of Tariff) of the Tariff Order, under the Character of Service of DMRC category, the specification reads as "AC 50Hz, 3 ϕ , 220/66/33/11 kV". BRPL and BYPL have mentioned that since the special Tariff is applicable only to consumers at 220 kV, the character of service available to it should be "AC 50Hz, 3 ϕ , 220 kV" and for all other voltage levels, the tariff applicable to similarly placed consumers should apply.

5.2.5 Maintenance of Streetlights

Regarding the maintenance of the Street Lights, the BRPL and BYPL have referred to the earlier proposal submitted to the Commission and have stated that the current level of maintenance charges are grossly inadequate and do not even cover the direct expenses. Further, the BRPL and BYPL have emphasised that the current arrangements are only for sustaining the system and should not be extended beyond FY 2003-04.

5.2.6 Low Power Factor Surcharge

BRPL and BYPL have stated that as per clause 4.9.2.14 of the Commission's Order issued on June 26, 2003, it is DISCOM's responsibility to provide the specification of capacitor equipment and installation at consumer's premises in case the consumer fails to install the same. The BRPL and BYPL have requested the Commission to specify the provisions relating to the applicability of Low Power Factor surcharge so that the consumer may be held liable for not providing adequate installation of shunt capacitors for maintenance of the required power factor. BRPL and BYPL requested the Commission to modify the provisions relating to the application of low power factor surcharge.

Several objectors have suggested that the power factor surcharge should only be levied based on actual kWh and kVAh readings.

5.3 Commission's Views

Several objectors have appreciated the tariff rationalisation measures taken up by the Commission in the previous Tariff Orders. The Commission believes that tariff rationalisation, as of now, is a dynamic process and it is essential that the same is attempted based on the experience gained over the period of time. The Commission has carefully examined the issues raised by the objectors and noted the different suggestions given by the objectors. While determining the tariff, the Commission has attempted to balance the interests of the licensees and the consumers. The Commission in the following Sections have discussed its views on various tariff rationalisation issues suggested by DISCOMs (NDPL, BRPL and BYPL) and the issues raised by stakeholders.

Commission's views on suggestions made by NDPL

5.3.1 Merging of Non-Domestic, MLHT, SIP and LIP Consumers

NDPL has suggested rationalisation of the consumer categories and the tariffs by merging some of the existing categories, viz., Non-Domestic, MLHT, SIP, and LIP, thereby reducing the number of tariff categories. However, as per the existing category-wise tariffs, the difference in the tariff applicable for these categories is substantial. The Commission is of the view that immediate merger of these categories would result in substantial increase in the tariff for some categories or substantial reduction in tariff for the others. The Commission is of the view that the tariff rationalisation process

should not lead to tariff shock for some of the consumers. Further, LIP consumers have provided space in their premises for installation of transformers and need to be treated differently. Besides, merger of the above categories may have many practical implementation issues. The Commission has, therefore attempted to reduce the difference in the tariff between NDLT and MLHT and between SIP and LIP categories and has not merged these categories.

5.3.2 kVAh based Tariff

The NDPL has requested the Commission to introduce kVAh billing for Non-Domestic and Industrial consumers with connected load more than 15 kW. In general, the objectors have welcomed the introduction of kVAh tariff.

The Commission introduced kVAh billing for LIP/MLHT vide its Order issued on January 1, 2001. In the Order issued on June 26, 2003, the Commission had directed the NDPL to maintain data on the average power factor, kWh, kVAh and kVARh consumption for consumers having electronic meters.

The Commission intends to gradually expand the coverage of consumers under kVAh billing as kVAh based tariff takes care of power factor of the consumer and encourage efficient use of electricity. Further, higher power factor eventually helps the system by lesser loading and reduction in losses.

The Commission has specified the tariff for the SIP category on kWh as well as kVAh basis. However, kVAh billing shall be applicable only to the consumers for whom the electronic meters are installed. Till electronic meters are installed the kWh-based tariff only shall be applicable.

5.3.3 Slab-wise Tariff for LIP and SIP

The NDPL has also proposed to introduce the slab system for LIP and SIP consumers so that consumers with higher consumption would have to pay lower tariffs. The Commission finds no merit in the NDPL's argument for introduction of the slab system for LIP and SIP category based on the consumption due to following reasons :

- It encourages higher consumption by these categories due to lower tariff while the additional power purchase cost on this account will be substantially higher than the average power purchase cost.
- The concept is in contradiction to the philosophy of energy conservation
- This concept is just opposite to slab system existing in domestic category.

On the issue of levying Demand Charges based on LIP tariff for SIP consumers with sanctioned load exceeding 100 kW, the Commission is of the view that the Demand Charges based on LIP tariff for SIP consumers shall be applicable only in case MDI meter reading is more than 100 kW for consumers in the SIP category. In case of MDI meter reading is more than 100kW for consumers in the SIP category, the assessment shall be based on LIP tariff for the next 6 months, provided MDI reading for the next 6 months remains below 100 kW. For this purpose, the NDPL shall reset the MDI meters for every billing cycle.

5.3.4 Fixed charges linked to MDI

Several objectors have also objected to the NDPL's proposal to introduce Fixed Charges for domestic category based on 96 units/kW/month. In general, several Objectors are of the view that Fixed Charges should be introduced based on MDI.

The Commission has already directed the NDPL to install electronic meters for Non-Domestic and Industrial consumers with load of more than 10 kW. Further, the Commission has also specified the MDI based tariff for SIP/NDLT consumers, which will be applicable for consumers with electronic meters. The suggestion made by NDPL of levying fixed charges based on assumed load factor is more or less similar to normative consumption concept. The normative consumption concept was abolished by the Commission in its Order dated June 26, 2003 due to several reasons as discussed in that Order. Therefore, the present system of levying Fixed Charges based on sanctioned load and MDI should continue.

5.3.5 Tariff for Agricultural load above 10 kW

The Commission does not agree with the NDPL that the existing provisions of the Tariff Order do not specify the tariff for agricultural load above 10 kW. In the Tariff Order issued on June 26, 2003, the Commission has addressed this issue. As per the existing tariff provisions, the load permitted for agricultural activities under agriculture tariff is 10 kW. For load above 10 kW and for purposes other than agriculture, the consumer may take a separate connection, which may be treated under relevant tariff category of use. If the load is more than 10 kW and is used for agriculture purpose only, the consumer may get the load divided and take supply through two meters, but the agriculture tariff shall be available for only one meter and upto a load of 10 kW. The other connection will be treated as non-domestic. In all such cases where two meters have been installed, electronic meters with MDI shall be installed for 10 kW agricultural connections. In case MDI reading exceeds 10 kW, Licensee may take action as per Section 126 of the Electricity Act 2003.

5.3.6 Tariff for Single Point Delivery (SPD) Contractor

The Commission has received a separate Petition regarding the SPD Contractors and is examining this issue separately. Till the franchisee mechanism is developed and implemented for supply of power to SPD Contractors, the existing system shall continue to be in force.

Commission's views on the Suggestions by BRPL and BYPL

5.3.7 Fixed Charges

The BRPL and BYPL have suggested that the Fixed Charges should be increased to recover the fixed cost and have requested the Commission to increase the Fixed Charges to levels prevalent in the neighbouring States. Many objectors have argued that Fixed Charges should be abolished till uninterrupted supply is provided by the Licensee. Some of the objectors have stated that the Fixed Charges should not be increased from the present level as the Commission has determined the Fixed Charges considering all aspects.

The Commission in its previous Tariff Order dated June 26, 2003 has introduced Fixed Charges for most of the categories to recover certain component of the fixed costs and has mentioned that the Commission would like to move the tariffs linked to cost of supply. The Commission agrees that with the existing tariff structure, the recovery from fixed charges is very nominal as compared to the fixed costs of the Licensees. The Commission has attempted to increase the recovery of fixed costs of the utility from the Fixed Charges while determining the tariffs. The Commission is of the opinion that the recovery from Fixed Charges has to be increased in a gradual manner to minimise the billing impact to the consumers. Further, the Commission is of the view that the entire fixed cost should not be recovered through Fixed Charges as in such cases, there will be no incentive for the utility to provide electricity supply to the consumers as their entire fixed costs are recovered from Fixed Charges. Considering this aspect, the recovery from Fixed Charges has to be increased gradually up to reasonable proportion of the fixed costs.

5.3.8 Separate LT Mixed Loads category

BRPL and BYPL have proposed the introduction of a separate tariff category for mixed commercial and residential loads and suggested a tariff, which is the average of the rate applicable to the highest slab in domestic category and the commercial tariff. The BRPL and BYPL have also pointed out that a similar tariff category exists for the bulk supply segment such as Mixed Load High Tension (MLHT). The Commission is of the view that the issue raised is addressed adequately in the present system. At present, separate meters are being provided for domestic and commercial load in the case of consumers having mixed load and there is no need to have separate tariffs for mixed load. The Commission is of the view that introduction of a new category is against the principle of tariff rationalisation of moving the tariffs for all the categories towards cost of supply.

5.3.9 Monthly Billing

The BRPL and BYPL have also proposed the introduction of monthly billing cycle to all consumers commencing from FY 2004-05. Many objectors have stated that the present system should

continue and monthly billing should only be implemented after ensuring that bills are delivered in time.

The Commission has noted that there are enormous billing problems in the system, that the Commission has received in the past and it continues to receive a number of billing complaints from the consumers. The Commission is of the view that the monthly billing system will further escalate the billing problems rather than reducing it. Therefore, the Commission is not in favour of introducing monthly billing system. **The Commission directs the BRPL and BYPL to take necessary action to reduce the billing problems in the present system.**

5.3.10 Separate Tariff for Delhi Metro Rail Corporation

BRPL and BYPL have submitted that DMRC has requested the Commission to maintain the tariff as per earlier Orders. DMRC has also requested the Commission to direct the NDPL to provide single point delivery for establishments and residential colonies as and when required by DMRC. The Commission has determined the tariff applicable to DMRC for supply at 66 kV, the details of which have been discussed in Chapter 6 of this Order.

5.3.11 Maintenance of Streetlights

The BRPL and BYPL have requested the Commission to enhance the charges for maintenance of streetlights. The Commission has dealt with this issue separately and has issued the Order on charges for maintenance of streetlights on March 16, 2004 which arrangement is being continued as discussed in Chapter 6.

5.3.12 Low Power Factor Surcharge

BRPL and BYPL have requested the Commission to modify the provisions of low power factor surcharge to make the consumer liable for installing adequate shunt capacitors. The Commission has examined the issue and agrees with the DISCOM's suggestion that the responsibility of installing adequate shunt capacitor for maintaining the power factor lies with the consumer. However, the DISCOMs should advise the consumer to bring his power factor within specified limits and also suggest measures including specifications of shunt capacitors if such advice is sought for.

The Commission in its Tariff Order dated June 26, 2003 has mentioned that the LPF penalty should be levied only when it is established by measurements with equipment/meters that the average power factor of the installation is less than the required value and the power factor correction equipment provided is either non-functional or inadequate.

The Commission, therefore, does not propose any change in the mechanism of levying LPF surcharge and LPF surcharge shall be only levied when it is established by measurements with equipment/meters that the average power factor of the installation is less than 0.85.

5.4 Commission's View on other tariff rationalization issues raised by the Objectors

In addition to above issues, the objectors in their written submissions as well as during the public hearings raised several issues related to Tariff Rationalisation, which are discussed in Chapter 2 of the Order. The Commission's views on such issues are discussed in following Sections.

5.4.1 Reduction of Slabs for Domestic Category

Several objectors have argued that the number of slabs for the domestic category should be reduced, as the present structure gives undue benefit to the consumers having low consumption. Some objectors have suggested that the number of consumption slabs should be reduced to two, while some consumers have suggested abolition of all slabs.

NDPL has submitted that it agrees with the suggestion that the present system of slab tariffs for domestic category is inefficient and hence the slabs should be eliminated. The Commission has considered the views of the objectors and the NDPL, and has decided to reduce the number of slabs. However, considering the overall tariff philosophy that the consumers should not be subjected to tariff shock, the Commission has initiated the process of gradual cross-subsidy reduction in previous Orders, and has continued the process in this Order also. Hence, it is not feasible to abolish the slab system in the domestic category. Further, by analysing the consumption data in blocks of 50 units submitted by the DISCOMs, the Commission is of the opinion that a complete restructuring of existing slabs will lead to substantial tariff shock to consumers having average consumption within lower slab and on the other hand will prove to be beneficial for the consumers having average consumption in the higher slabs. The average consumption of domestic consumers is around 200 units per month. In the existing slab system, most of the consumers are paying tariffs for first two slabs depending upon the consumption. Thus, merging of first two slabs will not lead to substantial increase for most of the consumers. Therefore, the Commission has merged the first two slabs and created a single slab for consumption from 0-200 units. Thus, the three slabs applicable for domestic category will be as follows:

- Consumption between 0-200 units per month
- Consumption between 201-400 units per month
- Consumption above 401 units per month

5.4.2 Enhancing the Limit for SIP from 100 kW to 150 kW

Some stakeholders have requested the Commission to raise the limit for classification under SIP category from 100 kW to 150 kW/250 kW. The Commission has already expressed its view that it wishes to gradually move the tariffs towards cost of supply. The Commission is of the view that there are specific reasons for maintaining the limit for classification under SIP category at the existing level of 100 kW. The economic principle requires that consumers be differentiated based on the cost of serving them. Since the cost of serving a consumer depends upon, *inter-alia*, the voltage at

which supply is taken by the consumer, the Commission feels that differentiating consumers based on load alone is not correct. Prima facie, the consumers should be classified on the basis of the voltage of supply. Besides, there has to be differentiation between SIP and LIP consumers as LIP consumers provide space for transformers and hence qualify for the differential treatment. Hence, the Commission is of the view that the present system of limiting the load for classification of SIP consumers upto 100 kW should continue. **Further, the Commission also directs the Petitioner to submit a Base Paper on this issue to the Commission, within 3 months from the date of issue of this Order.**

5.4.3 Separate Category for Hospitals

As per the existing tariff schedule, the Government Hospitals are charged the tariffs applicable to Domestic Category and the Private Hospitals/Nursing Homes are charged the tariffs applicable to Non-Domestic Category. The Commission would like to continue with the existing mechanism, as the Private Hospitals are primarily commercial establishments.

5.4.4 Tariff for CGHS

The Commission received a few representations from Cooperative Group Housing Societies (CGHS) in connection with the provision of Single Point Delivery (SPD) connections. In one such representation received from Federation of Cooperative Group Housing Societies, Dwarka, the Federation has contended that SPD connections can still be provided under the Electricity Act 2003, though BRPL and BYPL have discontinued giving SPD connections to the CGHS. On this issue, a meeting was convened in the Commission's office on February 7, 2004 with the members of the Federation and the CEO of BRPL and BYPL. Sections 5 and 13 of the Electricity Act, 2003 related to SPD connections, were discussed in the meeting and it was agreed that it would be in public interest to devise some means to mitigate consumers' interests, especially, keeping in view that the Electricity Act, 2003, itself visualised problems of transition. The Commission, vide its letter dated February 20, 2004 directed the licensees to undertake the following course of action:

- All societies who have applied for Single Point Delivery connection on or before December 31, 2003 and paid the requisite fee by that date would be provided with such a connection
- The societies would give an affidavit that they would abide by all instructions which may be issued by the Government/Commission on this issue in the days to come keeping in view the provisions of the Electricity Act, 2003
- The Commission will make a reference to the Central Government on this subject seeking its views on the scope and interpretation of Section 13 of the Electricity Act, 2003 read with Section 5.

The Commission referred the matter to the Ministry of Power, Government of India vide its letter dated February 20, 2004 and requested the Government to convey its views to the Commission on the matter of "provision of SPD connections to CGHS".

The views of the Government on this issue are still awaited. The Commission has decided to take an appropriate view in the matter after the receipt of the Government's response.

5.4.5 Security Deposit

The Commission would examine this issue separately.

5.4.6 Tariff for Delhi Jal Board

As regards to creation of separate category for Delhi Jal Board, the Commission is of the view that the introduction of a new category needs an in-depth study with respect to its impact on the revenue stream for which data is not available during the current tariff filing. Thus the same categorisation continues in the current Order.

5.4.7 Concessional Tariff for Senior Citizens

The Commission is of the opinion that it is not practical to have a separate category with lower tariffs for senior citizens, considering the difficulties in implementation and ensuring that the connection is being used by senior citizens only.

5.4.8 Definition of Connected Load and Sanctioned Load

The Commission had first decided on the definition of connected/sanctioned load, after detailed analysis and with the involvement of stakeholders in the public process, in its *Order on Rationalisation of Tariff for Delhi Vidyut Board* dated 16.01.01. During the proceedings on the petition for ARR of DVB for 2001-02, the Commission again sought responses from the stakeholders and the definition of connected/sanctioned load was accordingly modified slightly.

Some of the stakeholders have now suggested taking MDI reading as the connected load for consumers having electronic meters installed.

The Commission feels that for the reasons given by the stakeholders, the definition of connected load does not need a change. As such, the existing definition of connected load shall continue to be applicable.

The Commission has, however, tried to rationalise/restrict the application and use of the definition of connected load by ways such as change of category from SIP to LIP shall be based on MDI reading instead of connected load. The definition of connected load is therefore required to be used only in cases of assessment of energy.

However, the Commission has modified the definition of Sanctioned Load as follows:

"Sanctioned Load shall mean the load in kW/HP (kilowatt/Horse Power) for which the licensee has agreed to supply from time to time subject to the governing terms and conditions."

5.4.9 Billing for unauthorized usage:

The Commission has modified the provisions of the use of electrical load for category of use other than sanctioned in line with the provisions of the Section 126 of the Electricity Act 2003. The inspection of any place or premises for assessing the unauthorized usage shall be done in accordance with the provisions of the Section 126 of the Electricity Act 2003. The modified provisions for billing for use of electrical load for category of use other than sanctioned category shall be as follows:

- i) Use of electrical load for category of use other than that for which it was sanctioned shall be considered as violation of the provisions of Schedule, e.g.:*
 - a) Domestic connections used for non-domestic or industrial purposes*
 - b) Non-domestic connection used for industrial purposes.*
 - c) Agriculture connection used for domestic, non-domestic, industrial or farmhouse, etc.*
 - d) Industrial connection used for non-domestic purposes*
- ii) In the above case, total consumption shall be treated as consumption under category of use and the consumer shall be billed at a rate equivalent to one-and-half times the tariff applicable for the relevant category of use.*
- iii) The application of Tariff category mentioned above would have retrospective effect for the past three (3) months for Domestic and Agricultural categories and for past (6) months for all other categories reckoned back from the date of detection unless evidence to the contrary is produced by the consumer.*
- iv) Licensee shall change the category in his records as per actual usage and issue notice to the consumer for completion of commercial formalities such as additional security deposit.*
- iv) Application of such Tariff shall be continued in the subsequent bills. However, where consumer pays the requisite Inspection Fee with a request for change of such tariff to that of use of the connection as per the sanctioned category, to the satisfaction of the licensee, the category of tariff shall suitably be changed after verification, from the date of consumer's request.*

5.4.10 Fixed charges for Domestic category

The Commission had explained the importance of two-part Tariff and the reasons for introduction of Fixed Charges for domestic category in the previous Order. While doing so, the Commission abolished the Minimum Charges, as it may lead to under-recovery of Fixed Charge, in cases where the consumption exceeds certain minimum levels, as only energy charges will be levied in such cases. The rationale for levying Fixed Charges is to recover a part of the fixed cost of the utility

through Fixed Charges, so that at least a part of the fixed cost is recovered, even if there is no consumption by the consumer. In view of the objections/suggestions received in this regard, the Commission has again explored the various options for levying Fixed Charges for domestic consumers. The Commission has considered options such as Fixed Charges per connection, Fixed Charges linked to Consumption, Fixed Charges linked to sanctioned load in kW, etc. When a consumer is connected to the system, the utility has to provide/allocate certain capacity of the distribution system to serve the consumer. Ideally, the Fixed Charges levied on the consumer should reflect the cost of such capacity requirements of the consumer after considering the fixed cost of such system and diversity of load in the system.

The Commission is of the opinion that the best method of levying Fixed Charges for domestic consumers is on the basis of the sanctioned load, as other options do not representatively reflect the cost of providing the capacity requirements of the consumer. After analysing all the options of levying Fixed Charges to Domestic Consumers, the Commission has modified the methodology for levy of Fixed Charges. The Commission has introduced a slab system based on sanctioned load for levy of Fixed Charges. The Fixed Charges will be on per month basis based on the sanctioned load as per the following slabs:

- Slab 1 : 0-2 kW
- Slab 2: 2-5 kW
- Slab 3 : Above 5 kW

The Commission directs the Petitioner to maintain the data for sanctioned load in slabs of 0-2 kW, 2-5 kW and 5 kW and above. The Commission also directs the Petitioner to maintain the data regarding the number of consumers, total sanctioned load and energy consumption in each of the above slabs.

5.4.11 Railway Tariff

Northern Railways has requested the Commission to fix a reasonable tariff for the Railways. It has been stated that considering the fact that Railways are a Public Utility as well as being bulk consumers, the tariff applicable to Railways should reflect the cost of supply without any cross subsidy.

The Commission is of the opinion that there should be separate category for Railway Traction. In line with the same practices prevailing in most of the other States. The Commission has formed a separate category comprising Railway Traction.

5.4.12 Time of Day Tariff

In the previous Orders, the Commission has favoured the introduction of Time of Day (ToD) tariff. Several objectors have also supported introduction of ToD tariffs. NDPL has stated that the introduction of ToD tariff would help in distributing the consumer's load requirement and enable optimum utilisation of the infrastructure/network, which would result in lower expenses and hence, tariff applicable to consumers. NDPL has further submitted that several States have introduced ToD tariffs successfully.

However, some stakeholders have objected to the introduction of ToD tariff fearing that it will add to the complexities in the system. As maintained in the previous Order issued in June 2003, the Commission is of the opinion that introduction of ToD Tariff is essential to flatten the load curve, as it will encourage off-peak hour consumption. The Commission is of the view that there is no reason to believe that the implementation of ToD Tariffs would lead to harassment and the billing would become more complex. To begin with, the Commission is of the view that ToD tariffs can be introduced for the LIP and MLHT categories, where ToD meters have already been installed. The DISCOMs have submitted a Base Paper in compliance with the directions of the Commission, in this regard. However, before introducing the TOD tariff, the Commission would like to critically examine the following aspects:

- Practical problems in implementing TOD tariffs
- Consumption Pattern
- Benefit to the system in terms of flattening of load curve
- Assessment of Revenue Impact and Billing Impact
- The time slots of hours for which differential tariff is to be given
- Tariff differential for these slots

As the detailed analysis is required to be carried out on above aspects, which also requires additional data from the licensees, the Commission has decided to take up this matter separately after the issuance of this Order.

5.4.13 Late Payment Surcharge

Many stakeholders have contested the high rates of late payment surcharge (LPSC) being levied, particularly when interest rates have drastically come down and are expected to go down further in future. Many objectors have requested for reduction in the late payment surcharge from 1.5% per month to 1.0% of the energy bills. Some of the objectors have stated that the late payment surcharge should be charged on the amount outstanding after adjustment of the security deposit made by the consumers.

The Commission is of the view that the payments of dues for electricity already consumed by the consumer must be prompt and within the due date. The Commission is of the view that the purpose of late payment surcharge is to act as a deterrent to consumers who delay payment of their bills. Hence, the Commission has decided to retain the Late Payment Surcharge at the existing rate of 1.5% per month. The Commission would like to add that the revenue collected on account of this surcharge is reflected as part of Non Tariff Income in the ARR and hence the DISCOMs does not gain additional revenue from Late Payment Surcharge.

5.4.14 Clubbing of Connections

Several SIP consumers have raised the issue of clubbing of load and considering them as one LIP consumer, which has a higher tariff.

The Commission is of the opinion that if separate connections have been taken in distinct portions of a building under different entities, then the load should not be clubbed together for classification under SIP or LIP, unless it can be proved that the connections for one portion is used to supply other portion(s) or the connections are used in a unified premises.

6. Revenue Gap and Tariff Design

6.1 Introduction

Subsequent to the unbundling of Delhi Vidyut Board into six successor entities through the Transfer Scheme, issuance of Policy Directions by the Government and the privatisation of the distribution business of erstwhile DVB effective from July 1, 2002, the process for determination of tariff for the Companies and its approval by the Commission differs somewhat from the conventional methodology being followed prior to restructuring and privatisation in Delhi and methodology followed in other States. Conventionally, a utility files its ARR and the tariff proposal based on the revenue gap/surplus between the proposed Annual Revenue Requirement (ARR) for a period and the projected revenues at existing tariff of the utility for the period. The tariffs are proposed by the utility so as to bridge the projected revenue gap at existing tariffs and so that the Revenue Requirement is recovered from the various categories of consumers.

The present framework including the Policy Directions require, *inter-alia*, that the retail tariff for the three distribution licensees shall be identical till the end of FY 2006-07, i.e., consumers of a particular category shall pay the same retail tariff irrespective of their geographical locations. The DISCOMs have relied on the above framework to submit only their respective ARR proposals, leaving the tariff determination to the Commission. As discussed in the Chapter 4 on Tariff Philosophy, the privatisation package envisages turnaround of the distribution business well within five years, based upon certain assumptions in terms of AT&C loss reduction trajectory, tariff increases, investments etc. and a Government support of approximately Rs. 3450 Crore to TRANSCO (to bridge the revenue gap between its revenue requirement and the bulk supply price which it may receive from the distribution licensee based on their paying capacity).

As discussed in earlier Chapters, the total sector revenue gap for FY 2004-05 as estimated by the Commission after considering the Government support of Rs. 690 Crore, works out to Rs. 1072 Crore and the Commission has explored various options such as tariff increase and creation of Regulatory Asset for bridging the sector revenue gap.

As regard to the extent of tariff increase for bridging the revenue gap, the summary of Commission's views as deliberated in Chapter 4 on Tariff Philosophy are as follows:

The Commission at the time of BST Order was not aware of the key assumptions made towards estimating the Government Support. The Commission in the BST Order dated February 22, 2002 with regard to quantum of Government Support has mentioned that "the Commission is *not aware of the assumptions made by the Government to arrive at Rs. 2600 Crore in terms of loss reduction trajectory envisaged and the level of tariff increases. However, the accumulated revenue gap for*

TRANSCO could be higher or lower than the amount estimated by the Government depending upon the level and structure of future retail tariffs and the committed loss reductions. At this point, the Commission opines that any shortfall in the revenue gap, if any, of TRANSCO during the term of five years over and above Rs. 2600 crore would have to be bridged in the form of Government support, sector efficiency improvements, any other suitable mechanism or a combination of all of the above, to be decided by the Commission at the appropriate stage."

Subsequently, the GNCTD provided the copy of Financial Restructuring Plan prepared at the time of privatisation. In the Financial Restructuring Plan the average tariff increase projected was 10% per annum for FY 2002-03, FY 2003-04 and FY 2004-05 respectively. The Commission would like to highlight that the tariff increase projected in the Financial Restructuring Plan and the estimated Government Support were based on broad assumptions and the Commission while determining the ARR on year to year basis has to consider the actual revenue and expenses, operational parameters and loss reduction of the previous and current year and estimate of the ARR parameters based on the recent trends for the ensuing year. Based on the estimation of ARR for the Transmission Company and Distribution Companies for FY 2002-03 and FY 2003-04, the Commission estimated the Sector Revenue Gap of Rs. 87 Crore and increased the tariff by around 5% to meet the revenue gap and to compensate for the loss in revenue due to the rationalisation measures undertaken.

The estimated revenue gap in FY 2004-05, after accounting for GNCTD support is Rs. 1072 Crore. The tariff increase required to meet the entire gap would be around 30%, which is very high and would result in a severe tariff shock to the consumers. Therefore, the Commission has decided that it is not prudent to increase the tariffs beyond a certain reasonable level. Further, the Commission is of the opinion that the matter of increase in tariff cannot be considered in isolation and the increase in tariff has to be in tandem with the improvement in quality and reliability of supply and the improvements in the system. The situation in Delhi Power System has not improved substantially and the consumers of Delhi are still facing the problems of power cuts and interruptions particularly during peak summer and peak winter. Two out of three DISCOMs viz. BRPL and BYPL have not improved the system substantially and the actual capital investments on various distribution schemes have been much lower than the capital expenditure plan approved by the Commission. Apart from quality of supply, the consumers are also facing enormous metering and billing problems.

The Commission is of the view that at this stage when the quality of supply has not improved substantially and the consumers are facing enormous metering and billing problems, it will not be fair to substantially increase the tariffs. At the same time, in order to sustain the Sector and in the larger interest of consumer, it is inevitable to avoid tariff increase. Considering all the aspects discussed above, the Commission has decided to peg the average tariff increase to 10%, which was the increase envisaged for FY 2004-05 in the Financial Restructuring Plan. Considering an average tariff hike of 10%, the revenue gap to be bridged from the tariff increase approved by the

Commission works out to Rs. 376 Crore out of the total revenue gap of Rs. 1072 Crore. The balance revenue gap of Rs. 696 Crore has been proposed to be treated as a Regulatory Asset to be amortised in future years through a combination of various measures as deliberated in detail in Chapter 4. The approved retail tariffs, as discussed in this Chapter, have been computed so as to recover Rs. 376 Crore of gap from various categories. The Commission expects that with the capital expenditure and R&M works approved, prevalent energy auditing measures, improvement in metering, billing & collection procedures proposed by the Petitioner, the actual achievement in AT&C loss reduction by the Companies shall be far higher than the bid levels, easing the upward pressure on retail tariffs in future. Other efficiency measures undertaken by the Companies such as implementation of Voluntary Retirement Scheme may also show benefits in terms of lower revenue requirement in a longer term. The Commission, therefore, is of the view that with this approach, the interests of all the consumer categories have been taken care of.

6.2 Inputs for Tariff Design

Following are the major inputs having bearing on tariff designing and the same are briefly discussed:

Cost of service

Cross-subsidisation in tariff structure

Consumer-mix and demand forecast

AT&C losses

6.2.1 Cost of service

In assigning the revenue requirement, a suitable allocation of revenue requirement is made to various sectors of services, viz. generation cost, transmission cost and the distribution cost. The relative burden of constituent consumer categories is assessed and on the basis of cost imposed on the system, it is decided as to how much share is due to which category of consumers. Although, it shall be equitable to have the embedded cost in designing the tariff for different consumer categories as briefly explained above, it calls for a detailed database of allocated costs. Such allocations in the determination of embedded cost is done on the basis of following factors:

Voltage of supply;

Power factor;

Load factor;

Time of use of electricity;

Quantity of electricity consumed, etc.

To facilitate the determination of embedded costs, the Commission had directed the Companies to compile data in prescribed formats. However, the Companies have not been able to furnish the

requisite information. The Commission, therefore, has decided to continue with the average cost of service as a guiding principle for FY 2004-05.

6.2.2 Cross-subsidisation in tariff structure

The Act provides for reduction of cross subsidies by moving the category wise tariffs towards cost of supply, and the Commission also recognises the need for elimination of cross subsidisation. However, it is equally incumbent on the Commission to keep in mind the historical perspective for the need to continue with cross-subsidy for some time. It must be noted that substantial burden is being borne by the Government during the transition phase from FY 2002-03 to FY 2004-05.

The Commission would also like to highlight that the category of consumers worst hit are the domestic consumers with respect to quality of supply. This is the category most affected by the improper distribution network as it receives power at 400 volts and there are complaints that the power cuts are more frequently imposed on domestic consumers and interruptions in power supply to domestic consumers are much higher as compared to other categories. Further, the instances of metering and billing problems are also substantially higher in domestic category as compared to other categories. However, the domestic consumers are historically paying subsidised tariffs and any major shift to remove the cross subsidies at this stage when the quality of supply to domestic consumers has not improved and consumers are facing metering and billing problems, will hit the domestic consumers. Considering these aspects, the Commission has pegged the tariff increase of domestic category to the average tariff increase of 10%. The Commission will attempt to reduce the cross subsidy by moving domestic tariffs towards cost of supply once the efficient operating levels are reached, quality of supply has improved and metering and billing problems are minimised.

6.2.3 Consumer-mix and demand forecast

Petitioner's submission

For FY 2003-04, the Petitioner, in its Petition, had estimated the category wise sales considering the actual sales during the 6-month period from April 2003 to September 2003 and estimating the sales for balance 6 months on the assumption that the inherent category wise growth or decline in the first 6 months is carried forward at the same rate in the subsequent months.

For FY 2004-05, the Petitioner has considered growth rates of 14%, 4% and -2% for domestic, non-domestic and industrial categories, respectively. The Petitioner has considered growth rate of 50% on its sale to DMRC based on specific request of load enhancement. No growth, however, has been considered for other categories.

Commission's Analysis

The Commission obtained the details of actual category-wise sales for FY 2003-04 and has considered the same for determining the revenues from sales for this period.

For FY 2004-05, the Commission has forecast the category-wise demand for consumers of all the DISCOMs considering past trend of growth rates and the actual sales during FY 2003-04. This has been done by considering year-on-year variations in category-wise sales, and the compounded annual growth rate (CAGR) of sales to various consumer categories. This total demand forecast for all the DISCOMs has then been allocated to each DISCOM in proportion to its share in the total actual sales for each category in FY 2003-04.

The Petitioner has projected a decline of 2% in the industrial consumption; the Commission is, however, of the view that industrial consumption will increase on account of development of new industrial areas such as Bawana and relocation of industries to such areas.

The sales to DMRC, proposed by the Petitioner, has been accepted by the Commission.

A summary of the sales submitted by the Petitioner and that considered by the Commission is given in Table 6.1.

Table:6.1 Summary of category-wise sales (in MU) for FY 2003-04 and FY 2004-05

Category	FY 2003-04				FY 2004-05	
	Order	Petition	Actual	Commission	Petition	Commission
Domestic	1452	1575	1504	1504	1788	1640
Non-Domestic	614	558	642	642	578	716
Industrial	884	836	858	858	818	747
Public Lighting	38	44	48	48	44	47
Agriculture	25	18	29	29	18	31
Railway Traction	26	37	45	45	37	48
DMRC	26	12	14	14	18	18
Others		53	56	56	55	73
Total	3065	3132	3196	3196	3356	3319

6.2.4 AT&C Losses

The concept of AT&C loss and its implications on determination of tariff, treatment of over achievement and under achievement has been discussed in detail in Chapter 4 on Tariff Philosophy.

Petitioner's submission

In accordance with the Order of the Commission on Review of ARR and Tariff Petition dated November 25, 2003 (Review Order), the Petitioner has requested the Commission to review its methodology for computation of the AT&C loss. The Petitioner has submitted that the AT&C loss calculated for the period July 2002-March 2003 based on the principles laid down in the Policy Directions works out to 47.79%, and the methodology adopted by the Commission for computation of the AT&C loss deviates from the Policy Directions. The Policy Directions stipulate the computation of AT&C loss based on collection efficiency to be determined by actual billing (in units and rupees) and realisation (in units and rupees). The Commission has used a higher amount of total sales (in rupees accrued) instead of the amount actually billed during the period, but considered only the

units actually billed. The Petitioner submitted that the amount used in the denominator for computation of collection efficiency was artificially inflated by Rs. 22.08 Crore. As a consequence:

Collection efficiency has been understated at 94.71% as against an actual level of 97.18%

Units realised was understated by 53 MU

AT&C losses have thus been overstated by 1.33 percentage points, (49.12% instead of 47.79%)

The Petitioner has requested the Commission to revise the AT&C loss achievement for the nine months period ending March 31, 2003 and allow the excess amount to be realised of Rs. 21.54 Crore as truing up expenditure. The Petitioner has substantiated its claim for recomputation of AT&C losses for FY 2002-03 with detailed component wise break up of Amount Billed in the period July 2002 to March 2003, detailed component wise break up of Amount Billed as indicated by the Petitioner in the Provisional Accounts of FY 2002-03 (9 months) and reconciliation statement reconciling the amount billed as submitted in revised Form 2.1a of the Petition of FY 2002-03 and the Provisional Accounts of FY 2002-03.

The Petitioner has submitted that the actual AT&C losses at the time of commencing operations were higher than the opening loss level determined by the Commission in its Order dated 22.02.02. The Petitioner has highlighted that it has striven hard to overcome the baggage of higher opening loss levels in comparison to the stipulated opening levels. In its Petition, the Petitioner has considered the AT&C loss at the committed level for FY 2003-04 and FY 2004-05.

During the Technical Sessions, the Commission has directed the Petitioner to submit actual AT&C loss for FY 2003-04. In the subsequent submissions, the Petitioner has submitted that it has over achieved the AT&C loss target and the actual AT&C loss for FY 2003-04 is 44.86%. The Petitioner has also furnished the reconciliation of cash realised with books of accounts in support of the computation of AT&C loss. The Petitioner has further requested the Commission to allow adjustment of previous losses to the extent of Rs. 3.11 Crore in accordance with the provisions of the Transfer Scheme, Policy Directions and clarification on the sharing of overachievement along with illustrations issued by the GNCTD through letter no. F.11(118)/2001-Power/183 dated May 29, 2002.

Commission's Analysis

The Commission has reviewed the claim of allowing Rs. 21.54 Crore as truing up expenditure by revising the AT&C loss computation for the period from July 2002 to March 2003. While review of the same during Review Order dated November 25, 2003, the Commission had mentioned following:

"The Commission has determined the AT&C losses for the period July 2002 to March 2003 in accordance with the provisions of Policy Directions and by adopting the same methodology as adopted for determining the opening AT&C losses in the Bulk Supply Tariff Order dated February 22, 2002. While computing the AT&C losses, the Commission has considered all the documents submitted by the Petitioner during the tariff process. The details of revenue billed

and amount collected used for computing collection efficiency and hence AT&C losses have been considered based on following documents submitted by the Petitioner:

- Provisional Accounts for the period July 2002 to March 2003 and the computation of AT&C losses based on reconciliation of Sale of Power with Revenue realised;
- Detailed break up of actual units billed and components of revenue billed for the period July 2002 to March 2003 submitted by the Petitioner as per the prescribed format (Form 2.1 a).

The Commission had noticed discrepancy in the amount of revenue billed for the period in the two documents submitted by the Petitioner. The amount of revenue billed mentioned in Form 2.1(a) submitted by the Petitioner is Rs. 845 crore. However, in the Provisional Accounts and in the reconciliation statement, the revenue billed is shown as Rs. 867 crore. During the tariff process and several technical sessions conducted by the Commission, the Petitioner has not submitted any reconciliation for the deviation in the actual revenue billed as stated in the format and as considered in the Provisional Accounts. As adequate details were not provided by the Petitioner, including reconciliation of revenue billed indicated in different documents, the Commission has computed the AT&C losses using its judgment.

During the hearing conducted for admission of the Review Petition, the Petitioner submitted that the amount shown in the Provisional Accounts includes provisional billing also, and therefore the units billed would also have to be proportionately increased to compute the level of AT&C losses accurately. This aspect was not brought to the notice of the Commission earlier.

The mechanism of determining the AT&C Loss is subject to submission and scrutiny of final accounts. Therefore, the petitioner is at liberty to substantiate his claim along with the subsequent ARR & Tariff filing by providing, inter alia, the following information".

The Commission does not agree with the contention of the Petitioner that the methodology adopted by the Commission for computing AT&C losses for FY 2002-03 deviates from the Policy Directions. The AT&C loss at the end of the year was computed based on the Provisional accounts and Sales and Revenue Statement submitted during the ARR process for FY 2003-04. The Petitioner has submitted the details for computation of AT&C losses along with reconciliation statement for revenue submitted under Form 2.1 (Revenue Details) and the audited accounts for FY 2003-04. The Commission analysed the details submitted by the Petitioner and accepted the truing up of Rs. 21.54 Crore of amount realised for FY 2002-03 by revising the AT&C loss computation for the period from July 2002 to March 2003.

The Commission obtained the details of actual AT&C loss for FY 2003-04, which stood at 44.86% and was lower than the committed level of 45.35%. The treatment of over achievement/under achievement of AT&C loss target has been dealt in the Chapter 4 on Tariff Philosophy. In line with the Policy Directions and the clarification issued by the GNCTD on treatment of over achievement

and under achievement of AT&C loss reduction as compared to bid level, the Commission has considered the actual AT&C loss of 44.86% for FY 2003-04 and allowed the Petitioner the recoupment of loss of Rs. 3.11 Crore on account of under achievement of AT&C loss target for FY 2002-03.

The Commission has considered the committed AT&C loss of 40.85% for FY 2004-05. Summary of the Petitioner's submission and approval by the Commission is given in Table 6.2

Table:6.2 AT&C loss for FY 2002-03 (9 months).

Description	FY 2002-03 (9 months)		
	Order	Actual	Commission
Energy Input (MU)	3928	3927.80	3927.80
Units Billed (MU)	2110	2110.06	2110.06
Units Realised (MU)	1998	2050.57	2050.57
AT&C Loss (MU)	2058	1877.33	1877.33
AT&C Loss (%)	49.12%	47.79%	47.79%

Table 6.3 AT&C loss for FY 2003-04 and FY 2004-05

Description	FY 2003-04				FY 2004-05	
	Order	Petition	Actual	Commission	Petition	Commission
Energy Input (MU)	5452	5452	5552	5552	5452	5392
Units Billed (MU)	3065	3133	3196	3196	3356	3319
Units Realised (MU)	2979	2980	3061	3061	3225	3189
AT&C Loss (MU)	2473	2478	2490	2491	2227	2202
AT&C Loss (%)	45.35%	45.35%	44.86%	44.86%	40.85%	40.85%

6.3 Revenue gap at existing tariff

6.3.1 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, creation of a Regulatory Asset, etc. The Commission has obtained the details of actual revenues, billed and collected, during FY 2003-04. The Commission has considered the actual collection and reduced the amount of RS 3.11 Crore equivalent to over-achievement in FY 2003-04 for recouping the losses due to underachievement in FY 2002-03.

For FY 2004-05, the Commission has computed the revenue at the existing tariff from the estimated sales figures (Table 6.3) and from other charges such as load violation charges, etc., which have been related to the actual revenue available from these charges for FY 2003-04. The revenue from maintenance of streetlights has been considered as non-tariff income.

The revenues estimated by the Petitioner and those considered by the Commission are given in Table 6.4.

Table:6.4 Revenues collected (Rs. Crores)

Particulars	FY 2003-04			FY 2004-05	
	Petition	Actual	Commission	Petition	Commission
Revenue Collection	1095	1160	1160	1115	1213

6.3.2 Power Purchase Cost of the Petitioner at existing BST

Table 6.5 provides the Power Purchase cost as proposed by the Petitioner and as considered by the Commission at the existing Bulk Supply Tariff.

Table:6.5 Power purchase cost at existing BST

Description	FY 2003-04			FY 2004-05	
	Petition	Actual	Commission	Petition	Commission
Energy Input (MU)	5452	5552	5552	5452	5392
Power Purchase Cost* at existing BST (Rs. Crore)	851	869	869	859	849

*At 152.49 paise/unit for the period Apr-Jun 2003 and at 157.54 paise/unit thereafter.

6.3.3 Revenue gap of the petitioner

The revenue gap at existing retail supply tariffs and existing bulk supply tariff has been computed as given in Table 6.6.

The Revenue Gap for FY 2003-04 and FY 2004-05 has been estimated by the Commission as Rs. 29.03 Crore and Rs. (-) 4.92 Crore, respectively.

Table:6.6 Revenue gap at existing tariffs (Rs. Crore)

Description	FY 2003-04		FY 2004-05	
	Petition	Commission	Petition	Commission
Expenses (A)*	542	276	489	304
Return (B)*	79	65	94	73
Non-Tariff Income (C)*	8	20	11	19
Revenue Requirement (A+B-C) excl. Power Purchase Cost	614	321	572	358
Revenue realised at existing Tariffs	1095	1160	1115	1213
Power Purchase cost at existing BST	851	868	859	849
Revenue Gap	370	29	316	(-)5

*Refer Table 3.20

6.3.4 Contribution of additional revenues by revision of retail tariff

The Commission has determined the retail tariff keeping in view the overall sector revenue gap.

6.4 Previous revision of Tariff

The previous revision of retail supply tariff took place in 2003, when the Commission issued the Tariff Order for NDPL on June 26, 2003 and the revised tariff was made applicable from July 4, 2003. .

6.5 Tariff Design

As discussed in the earlier sections, the total consolidated net revenue gap of all the Utilities (TRANSCO and DISCOMs) after factoring in the Government support of Rs. 690 Crore during FY 2004-05 works out to Rs. 1072 Crore. If the entire net revenue gap is to be bridged by increase in tariffs, the average tariff increase required would be to the extent of 30%. As deliberated in earlier sections, the Commission has decided to peg the average tariff increase to 10%. The balance revenue gap at the sector level has been treated as a Regulatory Asset to be amortised through a combination of several measures, such as efficiency gains, tariff increase in future year, and other factors which the Commission may feel appropriate while amortising the Regulatory Asset. The Commission has apportioned the Regulatory Asset amongst TRANSCO and DISCOMs based on the methodology explained in the Chapter 4 on Tariff Philosophy. The Bulk Supply Tariff has been revised considering revenue from revised tariff and creation of Regulatory Asset for NDPL.

While modifying the existing retail tariff, the Commission has considered the average tariff increase of 10% and the billing impact on the consumers.

6.6 Domestic Tariff

6.6.1 Consumer profile

Domestic tariff is applicable for the lighting/fan and power consumption of residential consumers, hostels of recognised/aided educational institutions and staircase lighting in residential flats, compound lighting, Government Hospitals lifts and water pumps or drinking water supply and fire fighting equipment, etc. in Cooperative Group Housing Societies (CGHS), bonafide domestic use in farm houses, etc. Domestic consumers account for approximately 57% of the total billed units and contribute around 40% of the total revenue.

The Commission has designed the tariff structure for domestic consumers keeping in view the following factors:

6.6.2 Limiting the Tariff Shock

The Commission would like to highlight that every consumer is a domestic consumer first (he gets up as a domestic consumer and goes to bed as a domestic consumer) and then falls into any other category i.e. non domestic, industrial, etc and hence this is very important consumer category whose concerns need to be addressed in appropriate manner.

As already mentioned the Commission would also like to highlight that the domestic consumers are the worst hit consumers with respect to quality of supply. This is the category most affected by the

improper distribution network as it receives power at 400 volts and the power cuts are more frequently imposed on domestic consumers and interruptions in power supply to domestic consumers are much higher as compared to other categories. Further, the instances of metering and billing problems are also substantially higher in domestic category as compared to other categories. Therefore, at this stage when the quality of supply to domestic consumers has not improved and consumers are facing enormous metering and billing problems, the increase in tariff more than the average tariff increase will hit the domestic consumers. Considering these aspects, the Commission has pegged the tariff increase of domestic category to the average tariff increase of 10%.

6.6.3 Two part tariff

The Commission in its last Tariff Order dated June 26, 2003 introduced two part tariff for domestic consumers, i.e., fixed charges and energy charges and abolished minimum charges and meter rent. The fixed charge in two-part tariff represents the fixed component of charges, which is independent of consumption level and depends on the fixed cost incurred by the Utility in supplying electricity. The Commission has received several suggestions on the levy of fixed charges from the Petitioners as well as respondents. The suggestions made by various stakeholders on this issue and the Commission's views on this issue have been elaborated in the Chapter 5 on Tariff Rationalisation.

The Commission has explored the following options for levy of fixed charges to domestic consumers:

Per connection per month

Per kW of Sanctioned Load per month (Existing Mechanism)

Fixed Charges linked to consumption

Slab system based on sanctioned load

After analysis of the various options and considering the views expressed by the stakeholders and in continuation of the effort to rationalise the tariff structure, the Commission has modified the methodology for levy of fixed charges. The Commission introduces a slab system based on sanctioned load for levy of fixed charges. At this stage, as the information related to the number of consumers in each slab of sanctioned load is not available, the Commission is not in a position to assess the revenue impact of this mechanism. For the purpose of estimating revenue at proposed tariff, the Commission has estimated revenue as per the existing mechanism of Rs. 10/kW/month. Any over/under recovery in revenue on this account will be duly considered in the truing up process.

6.6.4 Reduction in the number of consumption slabs

The Commission has received suggestions as regards reduction/modification in the number of consumption slabs in the domestic category during last year's tariff process as well as the current

process. The Commission, in its last Tariff Order issued on June 26, 2003, had expressed the need to reduce the number of slabs by merging slabs. However, the Commission was of the view that the slabs have to be created such that the billing impact is minimised. The Commission had directed the Petitioner to *"maintain consumption data for the domestic category in blocks of 50 units, i.e. 0-50 units, 51-100 units, 101-150 units, etc. and submit it to the Commission alongwith the next ARR and Tariff Petition to enable the Commission to re-design slabs depending on the consumption pattern"*.

The DISCOMs in their ARR and Tariff Petitions for FY 2004-05 have submitted the consumption data in blocks of 50 units. During the technical validation sessions, the Commission obtained the consumption data for the full financial year 2003-04. Based on analysis of consumption data in blocks of 50 units, the Commission is of the opinion that a complete restructuring of existing slabs will lead to substantial tariff shock to consumers having average consumption within lower slab and on the other hand will prove to be beneficial for the consumers having average consumption in the higher slabs. The average consumption of domestic consumers is around 200 units per month. In the existing slab system, most of the consumers are paying tariffs for first two slabs depending upon the consumption. Thus, merging of first two slabs will not lead to substantial increase for most of the consumers. Therefore, the Commission has merged the first two slabs and created a single slab for consumption from 0-200 units. Thus, the three slabs applicable for domestic category will be as follows:

Consumption between 0-200 units per month

Consumption between 201-400 units per month

Consumption above 401 units per month

6.6.5 J J Clusters

The Commission has separately dealt with the tariff for J J Clusters while processing the Petition filed by DISCOMs in the matter of "Waiver of Development Charges for JJ Clusters" and issued the Order on March 26, 2004. In this Order, the Commission has approved the tariff for J J Clusters and has mentioned that in addition to the cost borne by the consumer for the infrastructure, for the energy consumed, every consumer will pay Rs. 175.00 per month. The Commission considering the fact that these consumers belong to economically weaker sections of the society has decided not to increase the tariff and has retained the tariff at Rs. 175.00 per month. The Commission believes that this will result in several benefits to the system such as these consumers will become part of network which will avoid unpredictable overloading of system. This will also increase the revenue substantially which otherwise would have to be borne by other consumers.

6.6.6 Domestic lighting/fan & power on 11 kV single delivery point for CGHS and other similar Group Housing Complexes

The Commission has considered an average consumption level of 450 units per month in line with the philosophy adopted earlier. The Commission finds that the above formulation arrives at a

multiplication factor of 3.034 [i.e. $(44.41 \times 2.20 + 44.41 \times 3.60 + 11.2 \times 4.10)/100$], which is in fact the weighted average tariff under different slabs for 450 units of consumption as per the revised slabs and tariff. The Commission, therefore, is of the view that such a complex calculation methodology for billing is not necessary and a much simpler course of action would be to resort to billing by multiplying the total energy consumption with the single per unit charge of Rs. 3.034/kWh. A rebate of 15% shall be available on the energy charges, as the sub-distribution expenses including capital investment, metering, billing and collection are to the account of the CGHS. Thus the effective per unit charge applicable for CGHS consumers works out to Rs. 2.58/kWh. The fixed charges as applicable to Domestic Light, Fan and Power consumers will be applicable to CGHS consumers also.

6.6.7 Domestic Lighting/Fan and power connections in unelectrified left out Pockets and Villages

The Commission in its last tariff Order dated June 26, 2003 had directed the Petitioner to install the meters for all the connections in the electrified areas. The Petitioner has confirmed that all connections in electrified areas have been metered. In such case, the tariff on the basis of plot size is applicable only to Domestic connections in unelectrified left out pockets and villages. The Commission has assigned energy consumption levels to different categories. Accordingly, it has been presumed that the consumption level of consumers occupying plots of size 0-50, 51-100, 101-150, and 151-200 square yards would be 100, 150, 200 and 250 units respectively. The lump sum rates payable in each month have been determined by applying the domestic category rates to these consumption levels.

Although the Commission has approved new rates of tariff for this category, Commission expects that the meters will be installed on connections in unelectrified left out pockets and villages once these areas are electrified under the proposed Capital Expenditure Plan. When all such consumers have been metered, this category would be abolished.

6.6.8 Approved Tariff

The existing tariff and the approved tariff for domestic category are indicated in Table 6.7.

Table:6.7 Existing and Proposed Tariffs for Domestic Category

Sub-category	Existing Tariff			Approved Tariff			
Sub-category	Fixed Charges (Rs./kW/month)	Units/month	Energy Charges (p/u)	Load (kW)	Fixed Charges (Rs./month)	Units/month	Energy Charges (p/u)
JJ Cluster			Rs./month Rs. 175				Rs./month Rs. 175
Domestic Lighting/Fan and Power (Single Delivery Point and Separate Delivery Points/Meters)	10	0-100 101-200 201-400 Above 400	175 235 325 385	Up to 2 2-5 Above 5	20 50 10/kW	0-200 201-400 Above 400	220 360 410

Sub-category	Existing Tariff			Approved Tariff			
Sub-category	Fixed Charges (Rs./kW/month)	Units/month	Energy Charges (p/u)	Load (kW)	Fixed Charges (Rs./month)	Units/month	Energy Charges (p/u)
Domestic Lighting /Fan and Power on 11 kV single delivery point for CGHS and other similar group housing complexes	10	First 22.2% Next 22.2% Next 44.4% Next 11.2%	175 235 325 385		10/kW/month	For entire consumption	257.8 (303.3 with 15% rebate)
Domestic Lighting/Fan and Power Connections in Unelectrified Left Out Pockets and Villages Plot sizes: i) up to 50 Sq. yds. ii) between 51-100 Sq. yds. iii) between 101-150 Sq. yds. iv) between 151-200 Sq. yds. v) more than 200 Sq. yds. only through installation of meters by DVB	-	-	Rs./month Rs. 175 Rs. 295 Rs. 410 Rs. 575 Same as 1.2		-	-	Rs./Month Rs. 240 Rs. 350 Rs. 460 Rs. 640 Same as 1.2

The Commission has protected the interests of economically weaker sections by not increasing the tariff of JJ clusters. The tariffs for domestic category have been increased in such a manner that at the average domestic consumption of 200 units per month, the impact of increase in billing is only 7.5%. The overall increase in billing impact for domestic category has been contained within 10%. Further, the Commission has attempted to reduce the intra class cross subsidy within the domestic tariff.

6.7 Non-Domestic Tariff

Non-domestic category of consumers comprises two sub-categories, viz., Non-domestic Low Tension (NDLT) with load upto 100 kW and Mixed Load High Tension (MLHT) with load more than 100 kW.

6.7.1 Non-Domestic Low Tension (NDLT)

Consumer profile

This category covers LT non-domestic consumers having connected load upto 100 kW (other than the industrial load) for lighting, fan & heating/cooling power appliances. This category also includes, but is not limited to, schools/colleges, hospitals, railways (other than traction), hotels & restaurants, cinemas, banks, shops, poultry farms, horticulture, etc. This category consumes approximately 14.13% of the total billed units.

The tariffs for non-domestic consumers have been revised considering the following:

Disparity between Three Phase & Single Phase Consumers

In the previous Order, the Commission had noted that there is no rationale for having differential energy charges for single phase and three phase consumers. Therefore, the Commission initiated the process of reducing the difference in tariffs for three-phase and single-phase consumers as elimination of this difference would have had a big impact on the single-phase consumers. In this Order, the Commission has merged these two sub-categories. In order to avoid billing impact to small consumers under this category the Commission has modified the tariff structure based on load i.e. upto 10 kW and between 10 kW to 100 kW. The tariff for first category with load upto 10 kW has been kept lower than the tariff for second category with load between 10 kW to 100 kW.

The Commission, in its last Tariff Order dated June 26, 2003, directed the Petitioners to replace all meters for consumers with sanctioned load of more than 10 kW with electronic meters by March 31, 2004. The Petitioner has informed that they have changed all CT meters for 15 kW and above consumers. Meters for 10 kW to 15 kW are being changed in a phased manner. **The Commission directs the Petitioner to change install electronic meters for all the consumers with sanctioned load of more than 10 kW by September 30, 2004. The Commission also directs the Petitioner to submit the Billing Demand and kVAh consumption data to the Commission for these consumers during the next ARR Filing.**

Non-domestic connections at 11 kV single delivery point for commercial complexes, etc.

The energy charges for 11 kV single delivery point commercial complexes will be the same as that applicable for NDLT consumers between 10 kW to 100 kW, with a 15% rebate on energy charges.

6.7.2 Mixed Load High Tension (MLHT)

Consumer Profile

This category includes non-domestic consumers having load above 100 kW for lighting, fan, heating/cooling power appliances in domestic/non-domestic establishment, pumping loads of Delhi Jal Board/DDA/MCD, etc. They consume approximately 9.31% of the total billed units.

Difference between tariff applicable for MLHT consumers taking supply at 11 kV and those taking supply at 400 V

The MLHT consumers availing LT supply are required to pay a higher demand charge as compared to MLHT consumers availing supply at 11 kV. The higher the voltage of supply, lower the system losses and hence the consumption by MLHT consumers at LT voltages has to be discouraged. The Commission believes that with gradual movement towards voltage linked tariff, irrespective of load of the consumer, the tariff for consumption at higher voltages will be lower than that for low voltages, which will discourage consumers to opt for LT connections particularly for loads higher than 100 kW.

For supply at 33/66 kV, consumers will get a rebate of 2.5% on the energy charges for 11 kV supply and a rebate of 4% for supply at 220 kV. The demand charge shall continue at the existing level.

6.7.3 Approved Tariff for Non Domestic Category

The existing tariffs and the revised tariffs for non-domestic category have been presented in the Table 6.8

Table:6.8 Existing and Approved Tariffs for Non Domestic Category

Sub-category	Existing Tariff			Approved Tariff		
	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/month)	Energy Charges (p/u)	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/ month)	Energy Charges (p/u)
Non-Domestic (Low Tension)-NDLT-I						
a) load upto 10 kW	20	-	475	35	-	520
b) Between 10 kW and 100 kW	20	-	515	35	-	545
Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	20	-	500 (with 15% rebate)	35		463
Mixed Load (High Tension)-MLHT			(paise/kVAh)			(paise/kVAh)
a) Supply on 11 kV	-	150	425	-	150	470*
b) Supply on LT (400 Volts)		200	500		200	540

6.8 Industrial Tariff

Industrial category of consumers consist of two sub-categories, viz., Small Industrial Power (SIP) with load upto 100 kW and Large Industrial Power (LIP) with load more than 100 kW.

6.8.1 Small Industrial Power (SIP)

Consumer profile

This category consists of industrial consumers with load up to 100 kW including lighting, heating and cooling load. Their consumption is 13.3% of the total billed units.

KVAh based tariff for SIP Consumers

For SIP consumers, the Commission has specified the tariff for the SIP category on kWh as well as kVAh basis. However, kVAh billing shall be applicable only to the consumers for whom the electronic meters are installed. Till electronic meters are installed the kWh based tariff only shall be applicable.

SIP connections at 11 kV single delivery point for group of SIP consumers

The SIP group consumers availing supply at 11 kV at single delivery point will have a rebate of 15% on energy consumption charges, as compared to SIP tariffs

6.8.2 Large Industrial Power (LIP)

Consumer profile

This category includes large industrial consumers having load above 100 KW including lighting load. This category accounts for 3% of the total billed units.

Difference between tariff applicable for LIP consumers taking supply at 11 kV and those taking supply at 400 V

LIP consumers availing LT supply are required to pay a higher demand charge, as compared to LIP consumers availing supply at 11 kV. The higher the voltage of supply, lower the system losses and hence the consumption by LIP consumers at LT voltages has to be discouraged. The Commission believes that with gradual movement towards voltage linked tariff, irrespective of load of the consumer, the tariff for consumption at higher voltages will be lower than that for low voltages, which will discourage consumers to opt for LT connections particularly for loads higher than 100 kW.

For supply at 33/66 kV, consumers will get a rebate of 2.5% on the energy charges applicable for supply at 11 kV and a rebate of 4% for supply at 220 kV. The demand charge shall continue at the existing level.

6.8.3 Approved Tariff

The existing and approved charges for industrial consumers have been presented in Table 6.9.

Table:6.9 Existing and Approved Tariffs for Industrial Category

Sub-category	Existing Tariff			Approved Tariff		
	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/month)	Energy Charges (p/u)	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/ month)	Energy Charges (p/u)
Small Industrial Power – SIP	20	-	445	35	-	485 paise/kWh or 424 * paise/kVAh
Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	20	-	445 (with 15% rebate)	35		412 paise/kWh or 350* paise/kVAh
Large Industrial Power LIP a) Supply on 11 kV b) Supply on LT (400 Volts)	-	150 200	(paise/ kVAh) 375 450	-	150 200	(paise/ kVAh) 410 480

* where kVAh meters have been provided

6.9 Agriculture and Mushroom Cultivation Tariff

6.9.1 Consumer profile

Agriculture connections are available for tube wells for irrigation, threshers and kutties cutting in conjunction with pumping load for irrigation purpose for load up to 10 kW and lighting load for bonafide use in 'Kothra'. The percentage share of agricultural consumption is only around 0.5% of the total billed units.

6.9.2 Approved Tariff

The Commission has not increased the fixed charges for this category and the energy charges have been increased in such a manner that the overall tariff increase is around 10%. The existing and approved charges for agriculture consumers and mushroom cultivation consumers have been presented in Table 6.10

Table:6.10 Agriculture and Mushroom Cultivation Tariff

	Existing Tariff		Approved Tariff	
	Fixed Charges (Rs./kW/ month)	Energy Charges (p/u)	Fixed Charges (Rs./kW/ month)	Energy Charges (p/u)
Agriculture	10	110	10	125
Mushroom Cultivation	20	250	20	275

6.10 Public Lighting

6.10.1 Consumer profile

Tariff for this category is applicable to all street lighting consumers including MCD, DDA, PWD/CPWD, Slums, DSIDC and certain civilian pockets of MES. The share of MCD, however is dominating as 97% of all street lights in the city are owned by the MCD. Public Lighting consumption is about 1.08% of the total billed units.

6.10.2 Approved Tariff

The Commission in its previous Tariff Orders has set the tariff for public lighting equivalent to energy charge of the highest slab in the domestic category and the same was fixed at 385 paise/unit in its Order issued on June 26, 2003. In regard to the maintenance charges, since no consensus could be reached with respect to scope of work amongst the DISCOMs and MCD, the earlier maintenance charge at Rs. 60/point/month was continued. The issue was deliberated in detail and the Commission eventually issued an Order on 16.3.2004. The Order aimed at triggering performance through a system of incentive/disincentive, which has been built in based on the performance on the ground. The Commission has determined that the maintenance charge would be Rs. 73.00 per point per month. The maintenance charge would include replacement of incandescent bulbs of 40 to 100 watts and other general conditions as specified in the Order of the Commission issued on 26.6.2003 would apply. The energy charge was to be calculated on the

basis of actual performance and was fixed at Rs. 3.85 per unit as indicated in the Tariff Order issued on 26.6.2003. The operating portion of the Order is reproduced below :

- "In order to make an assessment of the number of points which are functioning, the MCD and the DISCOM concerned may have a joint inspection which could be carried out once in a month. The inspection would be done on a sample basis and the size of a sample would be two zones, which would be picked up randomly. The zones selected would be from different circles. Light points found defective in one inspection shall be inspected again during the next inspection alongwith the fresh zones which would be monitored. No zone shall be monitored twice consecutively.
- The MCD and the DISCOMS may also involve a third party for the inspections. The choice of the third party would be mutually decided between the MCD and the DISCOMS.
- The dates for inspection would be fixed well in advance and the inspection should be completed by the third week of the month concerned.
- The Commission would like to evolve a system whereby good performance is rewarded. Similarly, poor performance also needs to be discouraged and therefore, the Commission directs that full maintenance charges may be paid for 90% performance. Performance higher than 90% shall earn an incentive for the DISCOMS according to the following table 6.10A :

TABLE 6.10A

Performance level achieved	Incentive	Example
Between 90-95%	1% for each percentage in over achievement from target of 90%	Actual Performance 93% Incentive 93-90 = 3%
Between 95-97%	1.5% for each percentage in over achievement from target of 95%	Actual Performance 97% Incentive = 5 + 3 = 8%
Above 97%	2.0% for each percentage in over achievement from target of 97%	Actual Performance 99% Incentive = 8 + 4 = 12%

Performance less than 90% shall attract disincentive for the DISCOMS according to the following table 6.10B below :

Table 6.10B

Performance level achieved	Disincentive	Example
Between 80-90%	1% for each percentage in shortfall to achieve target of 90%	Actual Performance 83% Disincentive 90-83 = 7%
Between 70-80%	1.5% for each percentage in shortfall to achieve target of 80%	Actual Performance 77% Disincentive = 10+4.5 = 14.5%
Below 70%	2% for each percentage in shortfall to achieve target of 70%	Actual Performance 60% Disincentive = 25 + 20 = 45%

- The incentive or disincentive would not be a pass through in the calculation of the Annual Revenue Requirement and the payment would be made by the 15th day of the following month.
- The maintenance charge will be Rs. 73 per point per month. The maintenance charge has been arrived at on the basis of the technical discussions held in the Commission on 1.11.2003. Maintenance charges would include replacement of incandescent bulbs of 40 to 100 Watts and other general conditions, as specified in the Order of the Commission issued on 26.06.2003, would apply.
- Energy charges would be calculated on the basis of actual performance. The tariff fixed for energy charge is Rs. 3.85 per unit as per the Tariff Order issued on 26.06.2003. The quantum of energy consumed by each point per month would be calculated on normative basis in accordance with the existing practice.
- Energy charge in respect of lamps identified in the previous inspection found to be malfunctioning when inspected in the subsequent inspection, would not be payable by the MCD.
- An allowance of 0.5% of energy consumed per month would be given for testing/ maintenance of streetlights during the day time.
- The rates fixed for maintenance charge and also for energy charge would be with effect from 4.09.2003 till such time the new tariff orders for 2004-05 become applicable.

- For the period beginning from the 4th of September 2003 till the end of February 2004, payment of maintenance and energy charge would be determined on the basis of the average figures arrived at in the various joint inspections that have been carried out in the months of December 2003/January 2004. These inspections have been carried out in different zones at different periods of time and in the absence of any other figures for this period, the Commission is of the view that this would be the best approximation.
- The MCD in association with the DISCOMS would set up a committee to ensure transparency in purchase of spares.
- The payment of Electricity Duty would be on the basis of the pattern of consumption for the corresponding month in the previous year. The MCD and the DISCOMS would reconcile the actual consumption figures for each quarter by the 15th day of the following month.
- All public lights would be formally handed over to the DISCOMS within 15 days of this Order.
- The rates for public lighting, determined in this Order, would also be valid for public lights belonging to the PWD and the DDA."

Historically, the task of public lighting had been taken over by the DISCOMs as a legacy of the erstwhile DVB. All the three DISCOMs have, of late, been complaining that the maintenance charges, which are being paid by the MCD, are insufficient to meet the actual costs incurred. The DISCOMs, therefore, have expressed unwillingness to carry on this function and have suggested that the MCD may find some other agency to do this job. The MCD on the other hand have maintained that they would like to limit the cost incurred towards public lighting to the proceeds of the electricity tax, which go to the MCD and simultaneously, develop a public lighting system, similar to the Mumbai pattern. There is thus no meeting ground in the stand taken by the DISCOMs and the MCD and consequently, this matter has been languishing for some time. Thus for the year 2004-05, the Commission proposes to continue with the maintenance charges as per the Order issued on 16.3.2004 pending resolution of the issues separately. As regard to energy charges, continuing with the earlier principle, the Commission has approved the tariff for Public Lighting category equivalent to energy charge of the highest slab in the domestic category.

The existing and approved tariffs for public lighting and signals/blinkers are given in Table 6.11.

Table:6.11 Tariff for Public Lighting

Sub-category	Existing Tariff		Approved Tariff	
	Maintenance Charges (Rs./light point/month)	Energy Charges (p/u)	Maintenance Charges (Rs./light point/month)	Energy Charges (p/u)
Public Lighting	60	385	73	410
Signals & blinkers	-	385	-	410

It may be noted that Fixed Charges are not applicable on Public Lighting Category and hence the effective tariff of Public Lighting category is lower than the total tariff of highest slab of domestic category.

6.11 Railway Traction

6.11.1 Consumer profile

The consumption of Railway Traction is around 1% of the total billed units.

6.11.2 Capacity Blockage Charges

The Petitioner is supplying power for Railway traction through one phase while the other two phases remain unutilised/blocked. The levy of capacity blockage charges shall continue in accordance with the mutually agreed formula followed in the past. The capacity blockage charge is applicable to consumers drawing power at 33/66 kV on single phase @ Rs. 25000.00 per month upto contract/maximum demand of 5 MVA. For contract/maximum demand of above 5 MVA, the capacity blockage charge is determined according to the formula: Rs. 1260 x (2.97A+5), where 'A' is the contract demand or maximum demand in MVA, whichever is higher.

6.11.3 Separate Category for Railway Traction

In the previous Tariff Order issued by the Commission on June 26, 2003, the Commission has merged the Railway Traction category with LIP Category. However, after going through the Railways' submissions, the Commission is of the opinion that there should be separate category for Railway Traction. Moreover, the same practice is prevailing in most of the other States. The Commission has formed a separate category comprising Railway Traction and set the tariffs at levels slightly lower than the LIP Category. Going by the plea of the said consumer, the Commission kept the tariff applicable to the Railways at the existing tariff levels.

6.11.4 Approved Tariff

The existing and approved tariffs for Railway Traction are given in Table 6.12.

Table:6.12 Tariff for Railway Traction

	Existing Tariff		Approved Tariff	
	Demand Charges (Rs./kVA/month)	Energy Charges (paise/kVAh)	Demand Charges (Rs./kVA/month)	Energy Charges (paise/kVAh)
Railway Traction	150	375	150	375

6.12 Delhi Metro Rail Corporation Ltd. (DMRC)

6.12.1 DMRC's submission

DMRC has submitted that it is engaged in the activity of providing Mass Rapid Transit System for Delhi and is a public utility and social sector project having many social benefits, which would be bestowed upon a section of commuting public, majority of whom belong to the economically weaker sections of society. In connection with the above activities, DMRC requires electricity to run metro trains, for ancillary activities, for operational requirements, for supply to commercial, domestic and other establishments inside the metro stations and for real estate to be developed outside the metro stations.

DMRC has submitted that unlike other consumers, all infrastructure and facilities after the point of interconnection with TRANSCO/DISCOM system are established, maintained and operated by DMRC at its own cost and the TRANSCO/DISCOM does not incur any additional expense for supply

to DMRC. As such, the tariff for DMRC should be single part, based on number of units consumed and the two-part tariff has no application to the nature of consumption by DMRC.

DMRC has requested the Commission to consider the following suggestions with respect to tariffs for DMRC:

Maintain the same Tariff for supply at 220 kV as well as 66 kV, as per earlier Order of the Commission
Determine the Tariff for use of electricity in the proposed IT Park at concessional level as compared to commercial and business establishments

6.12.2 Commission's view

In its previous Tariff Order dated June 26, 2003 the Commission treated DMRC as a separate category of consumers and has determined the tariff for DMRC on the basis of actual cost of supply by TRANSCO to DMRC with a nominal component of overheads of the DISCOM. The Commission has adopted the same methodology for determining the tariff for DMRC for supply at 220 kV.

The Commission in its last Tariff Order has determined the tariff for DMRC for supply at 220 kV based on average cost of supply of TRANSCO. The cost of supply of TRANSCO for supply at 220 kV and 66 KV will be different, however in absence of details regarding fixed cost and loss levels at different voltages, the cost of supply at voltage levels cannot be determined. Therefore, the Commission while setting the tariff for DMRC has considered the average cost of supply of TRANSCO for supply at 220 kV as well as at 66kV. On the estimated the average cost of supply of TRANSCO a nominal component of overheads of the DISCOM have been added to establish tariff for DMRC.

As regards to determination of concessional tariffs for the proposed IT Park, the Commission does not agree with the respondent and is of the opinion that IT Parks being business establishments, the non-domestic tariff should be applicable to IT Parks.

6.12.3 Tariff for DMRC

In view of the above, the Commission approves a tariff of 230 paise/kVAh for DMRC for supply at 220 kV and 66kV.

6.12.4 Tariff for commercial and other establishments being supplied by DMRC

The Commission had addressed this issue through an Order dated May 5, 2004 as follows:

"The quantum of energy used for a particular purpose is to be paid for in accordance with the rates determined in the Tariff Order. The Commission directed the NDPL and DMRC to finalise the modalities of raising bills for commercial establishments through mutual agreement and in case, the parties are unable to reach any agreement, they shall furnish complete details in form of written submissions to the Commission within 10 days of issue of this Order".

Subsequently, the Commission received a letter from NDPL on May 17, 2004, addressed to DMRC indicating the provisions for metering and billing for commercial establishments being supplied

power by DMRC and the Late Payment Surcharge (LPSC). The DMRC vide its letter dated May 18, 2004 addressed to NDPL with a copy to the Commission accepted the provisions for metering and billing commercial establishments as indicated in NDPL's letter. The agreed provisions between the NDPL and DMRC regarding metering and billing of commercial establishments being supplied by DMRC are as follows:

- Commercial Establishments (i) NDLT-II tariff shall be applicable with supply at 11 kV with 15% rebate, (ii) if supply is at 66/220 kV, the applicable rebate will be 2.5% /4% on 11 kV rates, (iii) readings shall be treated as submissions by DMRC on monthly basis along with their initial date of energisation. The meter accuracy and readings shall be verified by representative of NDPL wherever required.
- 220kV ISBT Connection (i) DMRC shall make payments through main meter reading for the past period as well as for the regular monthly consumptions, (ii) The reason for difference in main meter and check meter readings shall be communicated after getting meter tested by TRANSCO/NDPL in presence of DMRC representatives.

As regard to Later Payment Surcharge, the NDPL has proposed that the LPSC is payable as approved by the Commission. However, DMRC has not agreed to this and mentioned that if so insisted by NDPL, this issue could be referred to Principal Secretary (Power)/GNCTD for a decision as suggested by the Commission.

As the parties seem to have reached to an agreement on the tariff issue for commercial establishments and have not approached the Commission as per the Order dated May, 5 2004, the Commission treats the tariff issue resolved between the parties. The discounts as agreed between the parties on NDLT II Tariff shall be applicable based on the revised tariff schedule in this Order. As regard to LPSC, the DMRC may refer the matter to the State Government.

6.13 Temporary Supply

The Commission in its previous Tariff Order dated June 26, 2003 had rationalised the tariffs applicable for consumers availing temporary supply. The Commission does not propose any change in the existing tariff mechanism for temporary supply. The demand charges shall be 50% (instead of 100%) of the demand charges applicable to the relevant category in case of temporary connections for a total period less than 16 days. The energy charges for temporary connections shall be 130% of the respective category's tariffs.

6.14 Treatment of Revenue Gap

6.14.1 Revenue Gap for FY 2003-04 (truing up)

As given in Table 6.6, the revenue gap of the Petitioner for FY 2003-04 works out to Rs. 29 Crore, which is due to the truing up of actual revenue and expenses with respect to the revenue and expenses estimated in the previous Tariff Order dated June 26, 2004. The revenue gap of the

Petitioner for FY 2004-05 works out to Rs. (-)5 Crore, which implies that the Petitioners estimated revenues at existing tariffs are in higher than the Petitioner's estimated revenue requirement for the year. The total revenue gap for the two years 2003-04 and 2004-05 works out to Rs. 24 Crore.

6.14.2 Total Revenue from Approved Tariffs for FY 2004-05

Table 6.13 summarises the revenue billed from the existing and approved tariffs (excluding electricity duty).

Table :6.13 Revenue Billed from Existing and Approved Tariff for FY 2004-05

(Rs Crores)

Category	Revenue from existing tariff	Revenue from Approved Tariff
Domestic	433	472
Non-domestic	405	443
Industrial	353	392
Agriculture	3.68	4.14
Railways	24	24
Public Lighting	18	19
DMRC	5	5
Others	16	26
Streetlight maintenance	7	8
Total	1265	1393

The estimated total revenue realised in FY 2004-05 after considering the collection efficiency from existing and revised tariffs works out to Rs1213 Crore and Rs. 1336 Crore, respectively.

The approved tariffs are appended to this Order as the Tariff Schedule for FY 2004-05.

6.14.3 Regulatory Asset

As discussed in detail in Chapter 4, in order to bridge the overall sector revenue gap of Rs. 1072 Crore, the Commission has proposed to create a regulatory asset of Rs. 696 Crore, out of which the Regulatory Asset to be created for NDPL based on the methodology discussed in Chapter 4 is estimated at Rs. 192 Crore.

6.14.4 Approved Bulk Supply Tariff

With the approved level of revenues, regulatory asset and considering the ARR excluding power purchase cost and revenue gap for FY 2003-04, the paying capacity of the Petitioner works out to Rs. 1141 Crore.

The units purchased by the Petitioner from TRANSCO have been estimated at 5392 MU. The approved BST of the Petitioner thus comes to 211.56 paise/kWh.

6.15 Power Purchase Costs and Retail Supply Tariffs across States

6.15.1 Introduction

Generation and Power Purchase Expenditure is the single largest expense of any Electricity Supply Utility. In Delhi, power purchase cost comprises approximately 95% of the total estimated revenue requirement of Delhi Transco Limited. Power purchase cost is a function of not only generation within the State and power imported from outside the State, but also of the generation and power purchase mix. Hence, in comparing tariffs across States, one needs to appreciate the variance in tariffs on account of the sources from where the power is procured. In the following section, the Commission has compared the tariffs across various neighbouring States and some progressive States like Maharashtra and Andhra Pradesh in the context of their generation mix and the sources of power.

6.15.2 Sources of Power

Delhi Transco Limited sources most of its energy requirements from sources outside the State. A comparison of energy available from the sources within the State and the energy purchased from other sources mainly Central Generating Stations (CGS) is presented in the Table 6.14.

Table 6.14 Energy Input Mix

Source	Delhi	Punjab	Rajasthan	Uttar Pradesh	Maharashtra	Andhra Pradesh
Own Generation	17%	59%	40%	51%	74%	51%
Power Purchase from other sources	83%	41%	60%	49%	26%	49%

Generation within the State

The average cost of energy available from the sources within the State varies across the States and is a function of hydro-thermal mix, vintage of the stations, proximity to the fuel source, etc.

In Delhi, generation from own sources accounts for only about 17% of the total energy requirements. The generation capacity in the State comprises primarily of coal and gas based stations, with no hydro capacity. Most of the generating stations located in Delhi are of old vintage, small size, and consequently have higher Heat Rates. Owing to these factors, the cost of generation of power from these stations is higher in comparison to generation costs of other States. The neighbouring States like Punjab, Rajasthan, etc. not only have substantial hydro generating capacity, but also possess significant shares in the large inter-State hydro complexes.

Punjab meets about 49% of its total power requirement through generation from own sources, out of which around 19% is from hydro generation. In addition, Punjab gets about 10% of its total power purchases from BBMB hydro power stations. Rajasthan meets about 40% of its total power requirement through generation from own sources, of which around 3.5% is from hydro generation. In addition, Rajasthan gets about 14.5% of its total power purchases from hydro stations such as Bhakra, Dehar, Pong and Chambal complex. Uttar Pradesh meets 51% of its total energy requirement through own sources, in which hydro generation accounts for about 4% of the total generation of the State. Maharashtra meets 74% of its demand through its own resources and purchases only 26% of its requirement from central power stations and other sources. Andhra Pradesh meets 51% of the demand from its own sources, in which hydro generation accounts for about 28% of total generation in the state. Due to the above reasons, the average cost of generation from own sources in Delhi is relatively higher as compared to that of neighbouring States and some of the other progressive States.

6.16 Power Purchase from Central Generating Stations – A Comparison

The average cost of power purchase from the Central Generating Stations varies across the States and is a function of each State's share in various Central Generating Stations. The Table 6.15 provides a snapshot view of the shares of various states in the Central Generating Stations.

Table 6.15: State share in CGS

Source	Delhi	Punjab	Rajasthan	Uttar Pradesh
Singrauli	11.25%	10.00%	19.50%	37.68%
Rihand	13.75%	11.00%	14.00%	32.57%
Unchahar-I	6.90%	8.57%	6.19%	59.52%
Unchahar-II	14.94%	14.28%	13.55%	30.69%
Anta	14.26%	11.69%	24.32%	21.75%
Auriya	13.46%	12.52%	12.32%	32.06%
Dadri (G)	12.73%	15.90%	11.41%	29.60%
Dadri (T)	90.00%	0.00%	0.00%	10.00%
NAPP	14.31%	11.59%	14.37%	31.30%
RAPS-B#3	15.00%	0.00%	85.00%	0.00%
RAPS-B#4	35.00%	0.00%	20.00%	0.00%
Bairasiul	11.10%	46.67%	0.00%	0.00%
Salal	11.62%	26.60%	2.95%	6.95%
Tanakpur	12.81%	17.93%	11.53%	22.64%
Chamera	7.90%	10.20%	19.60%	20.27%
Uri	11.04%	13.75%	8.96%	20.06%

As evident from the table, Delhi has the highest allocation in NCTPP Dadri Thermal Power Station. Among other thermal plants, the cost of energy generated by Dadri is the costliest. Most of the sources of power purchase by Delhi are high cost sources, with Delhi purchasing approximately 47% of its energy from NTPC. Delhi also purchases energy from BTPS (around 25% of the energy requirement of Delhi), which being an old load centre power station has high fuel costs.

In addition to higher allocation in the high cost thermal stations, Delhi's share in the Central Sector Hydro Stations is much lower than the shares of most neighbouring States. Power purchase from

NHPC comprises only 4% of Delhi's energy requirement. It can be seen that the share of Punjab in hydro power stations of Bairasul, Salal, Tanakpur, Chamera and Uri far exceeds that of Delhi.

Further, Delhi also has a higher share in nuclear-based generating Stations as compared to some neighbouring States. Punjab, for example, has no share in the relatively costly Nuclear Power Station viz., RAPS-B#3 and RAPS-B#4, while Delhi purchases 2.5% of its energy requirement from NPC.

On account of the above reasons, the average power purchase cost of Delhi is among the highest not only in the Northern Region but also when compared to Maharashtra and Andhra Pradesh. A comparison of the average costs of power purchase is provided in Table 6.16.

Table 6.16: Average cost of power (paise/kWh)

Source	Delhi	Punjab (FY-2002-03)	Rajasthan (FY 2001-02)	Uttar Pradesh (FY 2002-03)	Maharashtra (FY 2004-05)	Andhra Pradesh (FY 2004-05)
Sources within the state	190	96**	212	145	88.50	150
Central sector and other sources	205	174	199	181	193	1.98
Average cost of power purchase	203	126	202	164	116	1.76

** Only Variable Costs

Incidentally, it has been observed that despite the fact that the peak load in Delhi normally coincides with the peak in the northern grid, load shedding in some of the neighbouring States is more than that in Delhi. This is because TRANSCO has tied up with various sources including bilateral arrangements with other States. This has improved the reliability of power supply in Delhi but at an additional cost. Delhi's power system, however, requires strengthening of the transmission, sub-transmission and distribution system as the existing system may not be capable of absorbing more than 3600-3700 MW owing to transmission / sub-transmission constraints.

6.16.1 Comparison of Retail Tariffs

Despite high costs of power purchase due to the drawal from costly sources both within the State and from the Central Sector and due to higher costs of increased reliability by excess scheduling, the retail tariffs in Delhi for various consumer categories continue to be among the lowest amongst the neighbouring States and when compared to Maharashtra and Andhra Pradesh. The comparison of retail tariffs for Delhi as approved by the Commission with the retail tariffs prevalent in the neighbouring States and other states like Maharashtra and Andhra Pradesh is provided in Table 6.17.

Table 6.17: Retail Tariffs prevalent in Neighbouring and other Progressing States

Category	Delhi (FY 2003-04)	Haryana Tariff order of FY 02)	Uttar Pradesh (Tariff order for FY 04)	Rajasthan* (Tariff Order for FY 02)	Punjab (Tariff Order for FY 04)	Maharashtra (effective from January 1, 2002)	Andhra Pradesh (FY 2004- 05)
Domestic							
<i>Energy charge (paise/kWh)</i>							
0-40 units	220	263	190	170	206	125 (0-30 units) 290 (31-100 units)	145 (0-50 units)
41-50 units	220	363					
51-100 units	220		275	275			280
101-200 units	220				344		305
201-300 units	360						475
301-400 units	360	428	320		364	400 (above 300 units)	550 (above 300 units)
above 400 units	410						
<i>Fixed charge (per month)</i>	Rs. 10/ kW	Nil	Rs. 50 per connection per month (< 1kW connected load)	Rs 50 per connection upto 50 units and Rs 75 per connection for above 50 units	Nil	Rs 20 per connection (0-30 units)	
			Rs.100 per connection per month (connected load between 1 kW and 4 kW)			Rs 40 (above 30 units, single phase),	
			Rs. 250 per connection per month (for connected load > 4 kW)			Rs 100 (above 30 units , three phase).	
						Additional fixed charge of Rs 100 per 10 kW or part thereof above 10 kW	

Minimum Charge		Rs. 60 (upto 1 kW), Rs 40 for every additional kW		Rs 65 (95) in rural (urban) area upto 50 units and Rs 90 (120) in rural (urban) area above 50 units	Rs 30 per kW per month		Single phase – Rs. 25/month upto 250W and Rs. 50/month above 250 W Three phase – Rs. 150/month
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Category	Delhi (FY 2003-04)	Haryana Tariff order of FY 02)	Uttar Pradesh (Tariff order for FY 04)	Rajasthan* (Tariff Order for FY 02)	Punjab (Tariff Order for FY 04)	Maharashtra (effective from January 1, 2002)	Andhra Pradesh (FY 2004-05)
Non Domestic / Commercial							
<i>Energy charge (paise/kWh)</i>							
0-100 units	520 1-ph 545 3-ph (upto 100 kW) 470/ kVAh (HT above 100 kW) 540/ kVAh (LT above 100 kW)	419	400	450	417	240 (additional 50 per unit as regulatory charge)	395 (0-50 units) 625 (above 50 units)
above 100 units	Same as above			490		315 (101-200 units) & 410 (above 200 units) (additional 50 per unit as regulatory charge)	
<i>Fixed charge (per month)</i>	Rs. 35/ kW (upto 100 kW) Rs. 150/ kVA (HT above 100 kW) Rs. 200/ kVA (LT above 100 kW)	Nil	Rs. 80 / kW	Rs 80 (120) per connection upto (above) 100 units for load upto 5 kW		Rs 100 per connection (single phase)	
				Rs 40 /kW for load above 5 kW		Rs 150 per connection (three phase)	
				Rs. 60/kVA of Billing Demand for HT Supply		Additional fixed charge of Rs 150 per 10	

						kW or part thereof above 10 kW	
Minimum Charge		Rs. 120 (upto 1 kW), Rs. 100 for every additional kW or part thereof	Rs. 260 / kW / month	Rs. 140 / service (Rs. 200 / service) in rural (urban) areas for consumers with SCL upto 5 kW and consumption upto 100 units, Rs. 180 / service (Rs. 240 / service) in urban (rural) areas for consumers with SCL upto 5 kW and consumption above 100 units	Rs. 110 per kW per month		Single phase - Rs 65 per month Three phase – Rs. 200/month
				Rs. 180 / kW for consumers with SCL above 5 kW			

Category	Delhi (FY 2003-04)	Haryana Tariff order of FY 02)	Uttar Pradesh (Tariff order for FY 04)	Rajasthan* (Tariff Order for FY 02)	Punjab (Tariff Order for FY 04)	Maharashtra (effective from January 1, 2002)	Andhra Pradesh (FY 2004-05)
Agriculture							
Metered (Energy Charge, paise/kWh)	125			90 (General Category), 165 (Nursery), 165 (Wells in urban areas & 24 hour supply feeder), 275 (Farm House)	57 paise per unit or Rs 60/BHP/Month (with subsidy), 200 paise / kWh or Rs. 205 / BHP / Month (without subsidy)		
0-100		65	60 (rural), 200 (urban)			110	20 (0-2500units per annum), 50 (above 2500 units per annum)
101-150		53					
151-200		46					

> 200		38					
Irr tubewells, augmentation on canals & lift irrigation		400					
Fixed charge	10	Nil	Rs 10 (20) per BHP per month in rural (urban) areas	Rs. 45 per month		Rs 15 per HP per month	
Minimum charge		Rs. 540, Rs. 410, Rs. 335 and Rs. 218/BHP/year (at various depth levels), Rs. 150/BHP/month (for direct irrigation tube wells, augmentation on canal and lift irrigation	Rs. 50 (120) per BHP per month for rural (urban) areas	Rs. 200/HP/month (Upto 3 HP for wells in rural areas and Rs. 50/HP/month for each subsequent HP), Rs. 450/HP/month (upto 3 HP for Nursery and urban areas and 24 hr. supply), Rs. 700/HP/month (upto 3 HP for farm houses and Rs. 220 for each subsequent HP)			
Unmetered (Energy Charge)				Rs. 85/HP/month (General Category and Special General Category), Rs. 175/HP/Month (Wells in urban areas and 24 hour supply feeder)			
Fixed Charge		Rs. 104/BHP/month (upto 100 BHP), Rs. 75/BHP/month (for next 50 BHP), Rs. 60/BHP/month (for next	Rs. 60/BHP/month (< 5 kW), Rs. 70/BHP/month (> 5 kW) (Additional Charge of Rs.	Rs. 15 per month		Rs. 180 /HP/month for category 1 circles and Rs 150 per HP/month for category 2 circles	DPAP areas - Rs 225/HP/Year (upto 3 HP), Rs 375/HP/Year (3-5 HP), Rs

		50 BHP) and Rs. 48/BHP/month (above 200 BHP)	20/connection/month for two lamps of 60 Watts each)				475/HP/Year (5-10 HP) , Rs 575/HP/Year (above 10 HP Other Areas - 275/HP/Year (upto 3 HP), Rs 425/HP/Year (3-5 HP) , Rs 525/HP/Year (5-10 HP) , Rs 625/HP/Year (above 10 HP
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Category	Delhi (FY 2003-04)	Haryana Tariff order of FY 02)	Uttar Pradesh (Tariff order for FY 04)	Rajasthan* (Tariff Order for FY 02)	Punjab (Tariff Order for FY 04)	Maharashtra (effective from January 1, 2002)	Andhra Pradesh (FY 2004- 05)
Industrial							
<i>Energy charge (paise/kWh)</i>							
Small Industrial	485 (Up to 100 kW)	428 (LT Industry defined as upto 70 kW)	370 (without TVM, and with TVM but no supply during restricted hours), 405 (with TVM and supply during restricted hours)	344	315	230 (0-1000 units), 250 (more than 1000 units), (additional 50 per unit as regulatory charge)	375 (upto 75 HP)
Medium Industrial				372	357		
<i>Fixed Charge</i>							
Small	Rs. 35/ kW	Nil	Rs. 60/BHP or part thereof/month (without TVM)	Rs 30 per HP	Nil	Rs. 60 per HP per month (for 50% of Sanctioned Load) optional MD based tariff, irrespective of CD at Rs. 220/KVA/month	Rs 37/HP/month of contracted load OR Rs 100/KVA/ month of contracte

						onth	d demand
Medium			Rs. 80/kVA of BD/month (with TVM))	Rs 45 per HP of SCL or Rs 75 per kVA of BD			
Minimum Charge							
Small		Rs. 120 per kW (for Connected Load upto 20 kW), Rs. 150 per kW (for Connected Load above 20 kW)	Rs. 3360/BHP or part thereof/year (without TVM)	Rs. 140/HP/Month	Rs. 90/kW/month		
Medium			Rs. 4740/kVA or part thereof/year (with TVM but no supply during restricted hours)	Rs. 150/HP/Month (for consumers with SCL between 25-150 HP or MD upto 50 kVA)	Rs. 120 / kW / month		
			Rs. 5100/kVA or part thereof/year (with TVM and supply during restricted hours)	Rs 260/kVA of BD per month for consumers having contract demand (MD exceeding 50 kVA)			
Large Industry							
Energy Charge (paise/kWh)	410/ kVAh (HT) 480/ kVAh (LT)	409	350/kVAh	401	366	210 (additional 50 per unit as regulatory charge)	350
Demand / Fixed charge (per month)	150/ kVA (HT) 200/ kVA (LT)		Rs. 180/kVA	Rs. 90/kVA of billing demand		Rs. 330/kVA/month	Rs 195/KVA/ month
Minimum Charge		Rs. 250 per KVA (of contract demand (Ht Industrial, steel furnaces, Rolling Mills)	Rs 5100/KW/Year	Rs. 440 per KVA of BD per month. Rs. 700 per KVA of BD per month (for Arc furnaces), Rs. 520 per KVA of BD per month	Rs 120/KW/month		50 units/KVA of billing demand per month. Guaranteed energy off take at 85% LF on CMD or

				(for others)			recorded demand whichever is higher. Energy falling short of 85% LF will be deemed as deemed consumption.
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7. Directives

7.1 Introduction

The power sector in Delhi has undergone through a transformation in the last two years. Consequent to the unbundling of the erstwhile DVB and the reform of the power sector of Delhi during 2002, the distribution business of Delhi is being managed by the three private Distribution Companies (DISCOMs) and the transmission function is being undertaken by Delhi Transco Limited (TRANSCO).

The Commission issues directives to the Utilities in the State with the specific objective of attaining the operational efficiency and streamlining the flow of information, which would be beneficial for the Sector both in short and long term. In order to evaluate the progress made by the Petitioner towards the achievement of the directives issued by the Commission, it is imperative to understand the rationale behind issuance of the directives. The Commission has been constituted under the Delhi Electricity Reform Act, 2000 (DERA), and Section 11(1)(d) of the DERA mandates the Commission to promote competition, efficiency and economy in the activities of the electricity industry. Similarly, Section 11(1)(m) of DERA mandates the Commission to regulate the working of the licensees in the National Capital Territory of Delhi, and to promote their working in an efficient, economical and equitable manner. Further, Section 61 of the Electricity Act, 2003 mentions that the Commission shall be guided by the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments in specifying the terms and conditions of determination of tariff. Thus, the thrust of the directives issued by the Commission is to create an enabling environment so that the Utilities are able to provide good quality of electricity supply to the consumers of Delhi at optimum costs.

7.2 Directives in the Bulk Supply Tariff Order dated February 22, 2002

The Commission issued the Bulk Supply Tariff Order (BST Order) in February 2002. The Commission issued certain directives through the BST Order, which were meant for the unbundled entities in the sector. The directives given in the BST Order were discussed in detail in the Commission's Order dated June 26, 2003. While reviewing the compliance against the directives given in the BST Order, the Commission directed the Petitioner to comply with one of the directive issued (Preparation of Fixed Asset Register) in the BST Order within one month from the date of the Order. The progress achieved by the Petitioner towards this directive is discussed below.

7.2.1 Preparation of Fixed Asset Register

The Commission, in its BST Order, had directed the Petitioners to finalise by June 30, 2002, the Fixed Asset Registers (FAR) separately for the successor entities. The Commission had also directed the Petitioner to provide the break-up of Gross Fixed Assets (GFA) and Capital Work in Progress (CWIP)

in the Opening Balance Sheet of the DISCOM by June 30, 2002. While noting down the performance achieved by the Petitioner against this directive, the Commission, in its Order on ARR and Tariff Petition dated June 26, 2003, observed that *the Petitioner is yet to submit the details of the GFA and CWIP in the opening balance sheet of DISCOM.*

The Petitioner had submitted the FAR to the Commission on June 6, 2003. FAR has been prepared by valuing all the Fixed Assets by apportioning the business value arrived at the time of privatising the Distribution Company (NDPL). The Commission asked for the clarification about non-submission of details of the CWIP along with FAR. The Petitioner, in its letter dated October 13, 2003, has clarified that it has not submitted any details of CWIP as no CWIP has been transferred to the Petitioner as on July 1, 2002 as per the Opening Balance Sheet under the Transfer Scheme notified by the GNCTD. The Petitioner has highlighted that the Fixed Assets Valuation Report submitted to the Commission clearly brings out the fact that the entire Opening Gross/Net Block has been capitalised. Petitioner has further mentioned that audited Balance Sheet of the Petitioner has also reflected CWIP as Nil.

The Commission is of the view that the organizations like erstwhile DVB would possibly have some Capital Work In Progress, which would have been transferred to the DISCOMs concerned. Accordingly, the Commission vide its letter dated October 27, 2003 has requested the GNCTD to confirm the stand taken by the DISCOM that there were no capital works in progress on the date of transfer. The Commission, on April 20, 2004, has again requested the Government to expedite the matter and provide the comments of the Government to the Commission urgently. However, the Commission has not received any response from the Government till date.

7.3 Directives in the Order on ARR and Tariff Petition dated June 26, 2003

The Commission, considering the changed circumstances due to restructuring and privatisation, had issued new directives to the Petitioner, in its Order on ARR and Tariff Petition dated June 26, 2003 (ARR and Tariff Order). The progress achieved by the Petitioner towards the directives issued in Order dated June 26, 2003 is discussed below.

7.3.1 Development Charges and Deposit Works

The Commission had requested the GNCTD to resolve the issue of execution of deposit works within a period of two months from the date of issue of ARR and Tariff Order dated June 26, 2003, in consultation with the TRANSCO, DISCOMs and the developing agencies such as DSIDC, DDA etc. The Commission stressed the need of a forward path to execute these works while addressing issues like details of deposit works to be executed, works to be executed by TRANSCO and each DISCOM and the funding arrangements.

As regards the works to be executed by TRANSCO and each DISCOM, the GNCTD has clarified the following vide their letter dated July 9, 2003:

- 1) *Non-capital works below 33 KV level shall be the responsibility of DISCOMs irrespective of whether these works are in progress/nearing completion and for these works the Holding Company shall not be called upon to contribute any amounts to the DISCOMs even if DVB had received any advances on account of these works.*
- 2) *Since, Transco is primarily responsible for the network of 220 KV and above, it should not be further involved in the works of 66/33 KV, which is primarily the responsibility of Discoms. Therefore, any deposits made by the agencies to DVB for non-capital works of 66/33 KV category should be returned by the Holding Company to the agencies concerned after deducting amount on account of progress made in the works by DVB before unbundling. However, before returning any deposits to agencies they may be consulted whether the pending works need to be completed. If so, the deposits would be transferred to the Discoms concerned.*

The Petitioner has submitted that it has reached an agreement with DSIDC for 11 kV works for Bawana Industrial Complex, whereby DSIDC shall contribute towards 50% of the deposit works to be taken at 11 kV voltage works. The Petitioner has submitted that DSIDC is not agreeable to contribute towards the deposit works to be taken up at 33//66 kV. As regards the deposits received prior to privatisation by erstwhile DVB from DDA, MCD and others, the GNCTD has issued a letter clarifying the matter through their letter dated July 16, 2003. An extract from the letter is reproduced below for reference:

"It is therefore clear that according to the Transfer Scheme, the Discoms have to bear the full cost of all deposit works below the 11 KV level notwithstanding that any deposits made with DVB for such works remained unutilised at the time of unbundling. It would be the expectation of Discoms that the costs incurred by them in discharging their obligations under the Transfer Scheme would be included in their Annual Revenue Requirements. The Commission may like to re-examine the matter in this light."

The Petitioner has requested the Commission to allow such expenditure incurred by the Petitioner, in lieu of Deposit Work amount already received by erstwhile DVB but not remitted to the Petitioner, as capital expenditure in the ARR of the Petitioner. The Petitioner has further submitted that it has been proceeding with these works and has been furnishing the details of spending through its quarterly submissions since the deposit works cannot be put on hold.

NDPL has also filed two petitions before the Commission on March 9, 2004 and April 1, 2004 seeking directions for completion of 66/11 kV works at DSIDC-Narela Industrial Area and DSIDC-Bawana Industrial Area respectively. The Commission is taking up these petitions separately.

As mentioned in its Order on review of ARR and Tariff Order dated November 25, 2003, the Commission is of the opinion that this issue is not directly related to the ARR and Tariff Process and needs to be dealt separately.

7.3.2 SPD Connections

The Commission had directed the Petitioner to settle modalities of working of the system for supplying power to Single Point Delivery connections under applicable legal provisions and to apprise the Commission of the same within 6 months time from the date of issue of the ARR and Tariff Order dated June 26, 2003.

The Petitioner has stated that it has finalised a Franchisee Agreement to be executed with SPD contractors in accordance with the provisions of the Electricity Act 2003. The Petitioner has also highlighted the salient features of the Franchisee Agreement. However, the Petitioner has not indicated any time frame for the implementation of the proposed Franchisee Agreements. The matter is being separately dealt by the Commission.

7.3.3 Performance Standards (Metering and Billing Regulations)

The Commission had directed the DISCOMs to strictly adhere to the guidelines set in the 'Performance Standards (Metering and Billing) Regulations 2002.

The Petitioner has submitted that it has been scrupulously following and implementing the aforesaid Metering Regulations and submitting the periodic reports to the Commission in this regard.

However, during the ARR process, several respondents have raised the metering and billing problems. Further, the Commission also receives complaints regarding metering and billing on regular basis. For redressal of complaints related to metering and billing, the Commission has designated three Grievances Redressal Officers (GROs), one for each DISCOM.

7.3.4 Investments

While accepting the proposed APDRP investment plan at Rs. 234.9 Crore, the Commission had directed the Petitioner to ensure that the investments proposed under APDRP schemes for FY 2003-04 are completed to avail the benefits of the scheme and submit the quarterly progress report to the Commission. The Commission had also directed the Petitioner to obtain the Commission's approval for all the capital investment schemes.

In its Petition, the Petitioner has submitted that it has been implementing the proposed APDRP schemes vigorously and shall complete the same within the stipulated time frame. In the subsequent submissions, the Petitioner has indicated that they have implemented around Rs 200 Crore of works under the APDRP scheme as against the target of Rs 235 Crore. The Petitioner has further mentioned that it has been submitting quarterly progress reports on the investments to the Commission. The Petitioner has submitted that they have been intimating the Commission about all the capital investment schemes for approval.

Further, the Petitioner has requested that the Commission should approve all deposit works carried out by the Petitioner as the same are to be carried out at the request of consumers and the Petitioner is statutorily obliged to carry out the same.

The Petitioner has informed the Commission regarding the non-disbursal/adjustment of APDRP funds by DPCL (Holding Company). The Petitioner has highlighted that Rs 35.82 Crore has been disbursed by the Government against an anticipated amount of Rs 123.96 Crore under APDRP funding. The Petitioner has pointed out that it has been making alternate funding arrangement to

prevent any slippage of targets as directed by the Commission and has requested that the Commission should allow the costs of bridging the deficit in APDRP funding.

Considering a delay in receipt of funds under APDRP scheme, the Commission has considered cost of alternate funding arrangement made by the Petitioner under truing up of expenses for FY 2003-04. The treatment of alternate funding arrangement has been discussed in the Chapter 3.

The Commission has also considered actual capital expenditure towards deposit works under truing up of expenses for FY 2003-04.

Though the Petitioner has mentioned under the Petition that it has been intimating the Commission about all the capital investment schemes for approval, the Commission would like to clarify that the Petitioner has not obtained the scheme wise approval of the Capital Investment Plan prior to implementation.

(Ref. Section 3.6.2) The Commission directs the Petitioner to submit the complete DPR along with cost-benefit analysis for schemes more than Rs. 2 Crore and obtain the scheme-wise investment approval from the Commission as per the clause 10 of the License for Distribution and Retail Supply of Electricity. For the schemes proposed during FY 2004-05 the scheme wise details should be submitted for approval within a month from the date of the issue of this Order. The Commission further directs that the Petitioner should submit the details of schemes proposed for FY 2005-06 for the approval of the Commission, by September 2004. The Commission reiterates its direction to the Petitioner to submit the quarterly progress report.

(Ref. Section 3.10.2) The Commission directs the Petitioner to ensure that the progress of investment scheme should not be affected on account of the delayed receipt or non-availability of APDRP funds. The Commission would consider actual interest expense arising on account of delayed receipt or non-availability of APDRP funds through truing up of expenses for FY 2004-05.

7.3.5 R&M Works

The Commission had directed 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.

The Petitioner, in its Petition, has submitted the details of actual R&M works carried out till the end of September 2003, together with the record of items issued from the stores for R&M works. In a subsequent submission dated May 6, 2004, the Petitioner has submitted the list of major materials drawn from the stores for the period from July 2003 to March 2004 along with the quantity.

(Ref. Section 3.7.1) The Commission further 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.

7.3.5.1 Arrears to the Holding Company

The Commission has requested the GNCTD to review the treatment of DVB arrears to the Holding Company and issue an appropriate amendment as the matter was pertaining to the Transfer Scheme.

The GNCTD has reviewed the matter and issued a clarification through letter No.F.11(99)/2001-Power/531 dated March 31, 2004 that the original transfer scheme would remain as it is and the receivables against DVB arrears would be shared between the Holding Company and the DISCOMs in the ratio of 80:20 respectively.

The Commission feels that it would be equitable and fair if the revenue realised on account of recovery of arrears remain in the sector and as recommended in the Tariff Order dated June 26, 2003, are passed on to the Delhi Transco Limited, instead of the Holding Company. Accordingly, the Commission has requested to the Government through letter dated May 25, 2004 to reconsider the matter in the interest of consumers of Delhi who otherwise will have to bear an unwarranted huge tariff shock.

As discussed in earlier sections, the Commission is of the opinion that it will not be fair at all to pass on the burden of past receivables of the sector to consumers of Delhi and this will warrant in huge tariff shock to consumers. The 80% of total receivables for three years i.e. FY 2002-03, FY 2003-04 and FY 2004-05 works out to around Rs. 300 Crore. In case these receivables are to be passed on to Holding Company instead of TRANSCO as envisaged in Commission's Order dated June 26, 2003, these receivables along with carrying cost on arrears of FY 2002-03 and FY 2003-04 has to be considered as expense in ARR, which will increase the Revenue Gap by around Rs. 330 Crore to be bridged by tariff increase. To bridge this additional sector revenue gap of Rs. 330 Crore, the tariff increase required will be around 9%. Considering these aspects, the Commission vide its letter dated June 7, 2004 has again written to the Government for requisite action in the matter to protect the consumers of Delhi from unwarranted tariff hike. Accordingly, the Commission while estimating the ARR and Revenue Gap has considered 80% of the collected arrears remaining within the sector as Revenue to TRANSCO.

7.3.6 District-wise AT&C Losses

The Commission had directed the Petitioner to provide meters at the periphery of each district within three months from the date of issue of ARR and Tariff order dated June 26, 2003 and to start compiling the corresponding district-wise information on a month-to-month basis to be submitted along-with the ARR and Tariff Petition for FY 2004-05.

The Petitioner had submitted the status of meter installation and mentioned that installation of all 525 meters on 11 kV feeders is likely to be completed by December 31, 2003. The Petitioner has

submitted that it would be in a position to submit actual district wise AT&C losses once the CMRI based meter reading is commenced on these feeders by January 2004.

However, the Commission has not received any submission on actual district wise AT&C loss. The Commission directs the Petitioner to submit district wise information on AT&C loss at the end of a quarter commencing from June 2004.

7.3.7 Base paper on Voltage Linked Tariff

The Commission had indicated its wish to gradually move towards voltage-linked tariff and had directed the Petitioner to submit a base paper on voltage-linked tariff by October 31, 2003. The Petitioner was also directed to maintain and submit information/data in the formats specified by the Commission for arriving at voltage-linked tariff for each of the consumer categories along with the ARR and Tariff Petition for FY 2004-05.

The Petitioner has submitted that the process of developing voltage level wise cost accounting records is in progress. The Petitioner has further informed the Commission that a consultant has been appointed for segregation of assets at different voltage levels and for developing an appropriate methodology for appropriating various common expenses of service departments to various cost heads in a manner that is equitable and reasonable and can be applied consistently. The Petitioner further informed that it has undertaken a consumer indexing i.e. identification of each consumer with a particular HT feeder/distribution transformer, which is likely to be completed by December 2003. The Petitioner has submitted that it would develop a base paper on Voltage linked tariff on the basis of the report prepared by the consultant for submission to the Commission. The Petitioner has requested the Commission to extend the date of submission of base paper to December 31, 2003.

However, the base paper, information and data for arriving at voltage-linked tariffs have not been submitted by the Petitioner till date. The Commission is disappointed with a delay in preparation of base paper on voltage-linked tariff as it would affect determination of voltage-wise cost of supply. The Commission directs the Petitioner to submit the base paper on voltage-linked tariffs within two months of the date of issue of this Order. The Commission further directs the Petitioner to maintain and submit information/data in the formats specified by the Commission for arriving at voltage-linked tariff for each of the consumer categories along with the ARR and Tariff Petition for FY 2005-06.

7.3.8 Information on Cost of Supply in prescribed formats

The Commission had indicated its intent to move towards the cost of supply in future and directed the Petitioner to compile data in the prescribed formats with suitable modifications, if required, so that the information on fixed cost of service can be correctly determined and present the same with the ARR and Tariff Petition for FY 2004-05.

The Petitioner has submitted that this matter is linked with preparation of base paper on voltage-linked tariff and the data would be submitted along with the base paper.

The Commission directs the Petitioner to submit the information on Cost of Supply in prescribed formats along with the ARR and Tariff Petition for FY 2005-06.

7.3.9 Database of Consumers having electronic meters

The Commission had directed the Petitioner to start developing the database for the consumers, for whom electronic meters have been/are being provided by taking data logs each time the reading is done, and submit a report on the analysis of such database with the ARR and Tariff Petition for FY 2004-05.

The Petitioner, in its Petition for FY 2004-05, has submitted that the reading, analysis and report generation of all the relevant data for all LIP consumers has been outsourced and the compiled details would be submitted on a monthly basis during the course of hearing.

However, the Petitioner has not submitted the details during the hearing. The Commission directs the Petitioner to start submitting a report on the analysis of such database on a monthly basis along with the ARR and Tariff Petition for FY 2005-06.

7.3.10 Installation of Meters

The Commission had directed the Petitioner to complete installation of electronic meters for all the consumers, except those upto 10 kW being supplied on single phase, of SIP/NDLT categories by March 31, 2004 so that kVAh (or kWh and kVARh) system of billing energy could be appropriately considered for introduction during tariff determination for FY 2004-05. The Commission had asked the Petitioner not to replace the electronic meters provided by the erstwhile DVB unless there are compelling reasons to do so.

In its Petition, the Petitioner has submitted that all LIP consumers with a load of 100 kW and above have been installed with electronic meters. The Petitioner has replaced 5000 meters for consumers having load of more than 15 kW and upto 99 kW and having CT meters and has been planning to replace balance 43,000 meters by March 31, 2004. The Petitioner has further submitted that it has replaced all meters of SIP consumers with load more than 10kW and NDLT consumers with a load of more than 15 kW. It has further stated that for NDLT consumers with load between 11-15 kW, it proposes to use single-phase meters, as these are 3-4 times cheaper than 3 phase meters and would also help in curtailment of theft. As these meters will not have the capability of measuring kVAh readings, the Petitioner has requested the Commission to consider implementing kWh billing for NDLT consumers with load above 15 kW.

The Petitioner has partly complied with the directive and the work is under progress to complete the installation for NDLT category for loads between 10-15 kW. The Petitioner has also submitted periodic status report regarding installation of meters. The Commission directs the Petitioner to complete installation of electronic meters for all the consumers, except those upto 10 kW being

supplied on single phase, of SIP/NDLT categories by September 2004 and submit the status report on installation of meters at the end of each quarter till the Petitioner completes the installation of such meters. The Commission directs the Petitioner to change/install electronic meters for all the consumers with sanctioned load of more than 10 kW by September 30, 2004. The Commission also directs the Petitioner to submit the Billing Demand and kVAh consumption data to the Commission for these consumers during the next ARR Filing. (6.7.1.2)

7.3.11 Installation of meters for domestic consumers paying flat rates on plot size basis

The Commission had directed the Petitioner to install meters for all domestic consumers paying flat rates on plot size basis by October 31, 2003, so that they may be billed on applicable tariff rates thereafter.

The Petitioner has not submitted information on the compliance of this directive. The Commission directs the Petitioner to submit the status of meter installation for this sub category within 1 month of the date of issue of this Order. The Commission reiterates its directive to install meters for all such consumers within 3 months of the date of issue of this Order.

7.3.12 Data on kVAh, kWh & kVARh

The Commission had directed the Petitioner to maintain data on average power factor, kWh, kVAh and kVARh consumption for consumers already having electronic meters installed and for others as soon as electronic meter gets installed and present the same to the Commission with ARR and Tariff Petition for FY 2004-05.

The Petitioner has submitted that the data for power factor, kWh, kVAh and MDI is being recorded for LIP consumers currently and the exercise for recording of above-mentioned parameters shall commence for balance consumers from January 1, 2004. The Petitioner has submitted that it has outsourced meter reading and data analysis to M/S Secure Meters Limited in November 2003 and it shall submit the analysis and reports on a monthly basis during the course of hearing.

The details, however, have not been submitted by the Petitioner during the hearing. The Commission directs the Petitioner to start submitting report on data on average power factor, kWh, kVAh and kVARh consumption on monthly basis commencing from June 2004.

7.3.13 Base Paper on Time of Day (ToD) Metering

The Commission had directed the Petitioner to maintain a time-differentiated data for consumers with ToD metering facility and prepare a base paper on ToD metering covering all the issues including inferences from the data, and submit it to the Commission by October 31, 2003.

In its Petition, the Petitioner had requested the Commission to extend the time limit for submission of Base Paper on Time of Day Metering till January 31, 2004. In the subsequent submissions, the Petitioner had complied with the directions of the Commission and has submitted the paper.

The Commission is of the opinion that the matter of implementation of TOD tariff has to be examined in detail considering the practical aspects of implementing TOD tariff, benefits of TOD tariff including potential of shift in demand considering the system load curve, revenue impact of TOD tariffs, etc. The Commission proposes to take up this issue of implementation of TOD tariffs separately.

7.3.14 Consumption by employees of erstwhile DVB

On the issue of consumption of power by employees of erstwhile DVB, the Commission had directed the Petitioner to evolve a mechanism for payments and accounting either at inter-company or at individual employee level and submit a report on the same by October 31, 2003.

The Petitioner had sought an extension for submission of mechanism for payments and accounting of consumption by erstwhile DVB employees and the Commission had granted the extension till February 29, 2004.

However, the Petitioner has not submitted the mechanism for payments and accounting of power consumption by employees of erstwhile DVB before the Commission till date. The Commission directs the Petitioner to submit the mechanism for payments and accounting within 1 month of the date of issue of this Order.

7.3.15 Slab wise Consumption Data

The Commission had directed the Petitioner to maintain consumption data for the domestic category in blocks of 50 units, i.e. 0-50 units, 51-100 units, 101-150 units, etc. and submit it to the Commission along with the ARR and Tariff Petition for FY 2004-05 to enable the Commission to re-design slabs depending on the consumption pattern.

In its Petition, the Petitioner has submitted that it has commenced maintaining consumption data for the domestic category in blocks of 50 units from July 2003 onwards and the extraction of data for the period from April to June 2003 is under process and the consolidated data in slabs of 50 units for domestic consumer category shall be furnished in the requisite format by December 31, 2003. In the subsequent submissions, the Petitioner has submitted this data and complied with the directive.

7.3.16 Maintenance of Streetlights

The Commission directed MCD to jointly work out a clear-cut proposal with DISCOMs, giving the details of scope of works and maintenance charges, and submit it to the Commission within the next two months from the date of the ARR and Tariff order dated June 26, 2003.

In its Petition, the Petitioner has submitted that the MCD has submitted its proposal regarding finalisation of maintenance/replacement charges of Streetlights and the Petitioner has submitted its response on MCD's proposal to the Commission. The Petitioner has requested the Commission, amongst others, to consider the actual expenses in maintaining streetlights while finalising the rates for maintenance of streetlights.

The Commission has separately dealt with the proposal and has issued the Order on levy of maintenance charges for streetlights on March 16, 2003.

7.4 Penalty for non compliance

The Commission has discussed the status of the compliance of the directives issued to the Petitioner in the above sections. In fact many of these directives, if not complied with, would have serious financial implications, the burden of which will ultimately fall on consumers. Some areas of non-compliance, e.g. investment in infrastructure, will have an impact on the quality of supply as well. Non-compliance could also result in the inability of the licensee in meeting the universal service obligation as stipulated under EA 2003. Further, if Metering and Billing Regulations are not complied with strictly, it results in consumer complaints related to metering and billing and the redressal of which results in unwarranted waste of time. Further, any delay in compliance/non-compliance would also hamper promotion of efficiency and economy in the electricity industry.

The Commission has noted with concern the partial compliance of most of its directives in spite of repeated reminders. In case of non-compliance of directives in future by the Petitioner, the Commission will be compelled to levy penalties. Further, the Commission may also resort to other suitable penal actions as stipulated under the Act and License Conditions.

7.5 List of New Directives

In addition to the directives issued earlier, which have been discussed in the above sections, some of which are yet to be complied by the Petitioner, the Commission has also issued certain new directives, which have been detailed in the respective sections, and have been listed below for easy reference:

7.5.1.1 Treatment of replacement of meters, transformers and switchgears

The Commission directs the Petitioner to clearly demarcate expenditure related to replacement of meters, transformers and switchgears and include the same in capital expenditure in future submissions and not as a part of the R&M expenses.

7.5.1.2 Monitoring of investments

(Ref. Section 3.6.2) In line with the recommendation of the CEA, the Commission directs the Petitioner to form a Steering Committee, with one member as Commission's Representative, within 7 days of the date of issue of this Order. The Steering Committee would be responsible for developing an integrated and consolidated implementation plan and monitoring thereof. The Commission directs the Petitioner to submit the consolidated plan within 15 days of the date of issue of this Order and submit quarterly monitoring reports thereafter.

7.5.1.3 A&G Expenses

(Ref. Section 3.4.2) The Commission also directs the Petitioner to take a prior approval for any increase in A&G expense during FY 2004-05 beyond the approved R&M expense before committing/incurred an expense.

7.5.1.4 R&M Expenses

(Ref. Section 3.7.2) The Commission also directs the Petitioner to take a prior approval for any increase in R&M expense during FY 2004-05 beyond the approved R&M expense before committing/incurred an expense.

7.5.1.5 Slab Load for Domestic Consumers

The Commission directs the Petitioner to maintain the data for sanctioned load in slabs of 0-2 kW, 2-5 kW and 5 kW and above. The Commission also directs the Petitioner to maintain the data regarding the number of consumers, total sanctioned load and energy consumption in each of the above slabs.

7.5.1.6 Enhancing the Limit for SIP from 100 kW to 150 kW (5.4.2).

(Ref. Section 5.4.2) Some stakeholders have requested the Commission to raise the limit for classification under SIP category from 100 kW to 150 kW/250 kW. The Commission also directs the Petitioner to submit a Base Paper on this issue to the Commission, within 3 months from the date of issue of this Order.

8. Tariff Schedule for the Year 2004-05

8.1 Definitions

Act shall mean the Delhi Electricity Reform Act, 2000.

Electricity Act shall mean the Electricity Act, 2003.

Commission shall mean Delhi Electricity Regulatory Commission.

Licensee or License Holder shall have the same meaning as provided under clause (f) of subsection (1) of section 2 of the Act, its predecessor and successor entity(ies).

Rules shall mean Indian Electricity Rules, 1956.

Regulations shall mean the Regulations framed by the Commission.

Order(s) shall mean the Tariff Order(s) issued by the Commission from time to time.

Schedule shall mean this Tariff Schedule.

Consumer shall mean any person who is supplied with energy by licensee and includes any person whose premises are for the time being connected for the purpose of receiving energy with the works of the licensee.

Premises shall mean land or building or part thereof in respect of which separate meter or metering arrangements have been made by the licensee for supply of electricity.

Domestic Premises means premises for bonafide residential purposes.

Industrial Premises shall mean premises, including the precincts thereof, in any part of which an industrial activity is carried on.

Non-Domestic Premises shall mean all premises other than domestic, industrial or agricultural premises unless otherwise stated.

Billing Cycle shall mean the period for which the bill is raised.

Connected load shall mean the sum of the rated capacities of all energy consuming apparatus duly wired and connected to the power supply system of licensee including portable apparatus in the consumer's premises. Further, connected load shall be calculated after allowing a tolerance of 5%.

The connected load shall not include the load of spare plug sockets, stand by or spare energy consuming apparatus installed authorisedly, through change over switch, which cannot be operated simultaneously and load exclusively meant for fire fighting purposes. The equipment which is under installation and not connected electrically, equipment stored in warehouse/showrooms either as spare or for sale is not to be considered as "connected load". Either heating or cooling use of these apparatus/loads shall be taken into account as per

prevailing season (i.e. 1st April to 30th September for cooling use and 1st October to 31st March for heating use).

Connected load shall be used only for the purpose of assessment in case of direct theft or dishonest abstraction of energy or unauthorized use of energy.

Sanctioned Load shall mean the load in kW/HP (kilo Watt/Horse Power) for which the licensee has agreed to supply from time to time subject to the governing terms and conditions.

Change-over switch: The consumer shall be allowed the installation of change-over switch with the prior intimation in writing to the licensee, subject to the condition that the details of such energy consuming apparatus connected through change-over switch shall be specifically mentioned in the Test Report submitted by the consumer and verified as such at the time of release of load or any time thereafter. The higher of the capacities of these two energy consuming apparatus shall be taken into account while computing the connected load.

Contract Demand shall mean:

(a) The demand in kVA (kilo Volt Ampere) as provided in the agreement, for which the licensee makes specific commitment to supply from time to time subject to the governing terms and conditions. In any case, it shall not be less than 60% of the sanctioned load.

or ;

(b) Higher of the sanctioned/declared connected load, wherever contract demand has not been provided in the agreement.

Maximum Demand shall be taken as the reading indicated by maximum demand indicator in kW or kVA whichever is applicable.

Billing Demand shall mean highest of the following

- i) The contract demand,
- ii) The maximum demand indicated by the meter during the billing cycle.

Demand Charges shall mean the amount chargeable for the billing cycle based upon the billing demand in kVA.

Fixed Charges shall mean the amount chargeable for the billing cycle based upon sanctioned load.

Energy Charges shall mean the charges for energy actually taken by the consumer in kWh (kilo Watt Hour) or kVAh (kilo Volt Ampere Hour), wherever applicable, in any billing cycle. This is in addition to demand/fixed charges, wherever applicable.

Two Part Tariff: The two-part tariff, where applicable, shall comprise of the demand/fixed charges, as the case may be, plus energy charges payable together for the billing cycle.

Average Power Factor: The average power factor shall be taken as the ratio of the kWh to the kVAh (kilo Volt Ampere Hour) supplied during the period.

Continuous Industries: The industries, which have been considered as continuous for grant of exemption from peak load hours restrictions.

Words or expressions occurring in this Schedule and not defined herein but defined in the Act /Electricity Act/Rules/Regulations/Orders shall bear the same meaning as in the Act/ Electricity Act/ Rules/ Regulations/ Orders.

8.2 Violation of provisions of Schedule

8.2.1 Change of category from Non-Domestic Low Tension/Small Industrial Power (NDLT/SIP) to Mixed Load High Tension/Large Industrial Power (MLHT/LIP) due to unauthorised load

8.2.1.1 Levy/withdrawal of bulk supply tariff

The cases of change of category from NDLT /SIP to MLHT/LIP due to unauthorised load shall be dealt with as under:

i) In case Maximum Demand as indicated by Maximum Demand Indicator (MDI) of NDLT/SIP connection is found to be more than 100 kW, the bulk tariff (MLHT/LIP) under relevant category on LT (400 V) shall be charged for six months after the load is brought within SIP/NDLT limit .

8.2.2 Use of electrical load for category of use other than sanctioned category

i) Use of electrical load for category of use other than that for which it was sanctioned shall be considered as violation of the provisions of Schedule, e.g.:

- a) Domestic connections used for non-domestic or industrial purposes
- b) Non-domestic connection used for industrial purposes.
- c) Agriculture connection used for domestic, non-domestic, industrial or farmhouse etc.
- d) Industrial connection used for non-domestic purposes

ii) In the above case, total consumption shall be treated as consumption under category of use and the consumer shall be billed at a penal rate equivalent to one-and-half times the tariff applicable for the relevant category of actual use with retrospective effect for the past three (3) months for domestic and agricultural categories and for six [6] months for all other categories reckoned back from the date of detection unless evidence to the contrary is produced by the consumer. Licensee shall issue notice to consumers for completion of commercial formalities such as additional security deposits etc for change in category of usage. The above penal tariff shall be applicable till the consumer completes the commercial formalities to get the change of category regularized; thereafter, normal tariff for the applicable category shall be levied.

- iii) Application of such Tariff shall be continued in the subsequent bills. However, where consumer pays the requisite Inspection Fee with a request for change of such tariff to that of use of the connection as per the original sanctioned category, to the satisfaction of the licensee, the category of tariff shall suitably be changed after verification, from the date of consumer's request.

8.2.3 Cases not to be treated a violation of Schedule

The following shall not be treated as violation of the provisions of the Schedule:

- i) In case of domestic/non domestic connection(s), extension of supply from connection to other portion of the building/plot including for servant quarters, garages or for certain activities covering social requirements relating to religious functions, sports etc. in residential areas so long as the supply is not extended to any portion for which connection has been disconnected due to non payment of dues and there is no change in the category of use.
- ii) In industrial premises where the supply is used by one or more persons where partition in business takes place or division in the family occurs.
- iii) User of the connection changes due to succession.
- iv) Change of firm from Private Limited to Public Limited or vice-versa.
- v) Supply to activities incidental to main activity, for example supply to chemist shop in nursing homes and hospitals, tea shop, canteen, employees' cooperative store, dispensaries, retail outlets of own products etc. in an industry, puncture shop in petrol pumps etc. provided that the load for such activities remains within 10% of the sanctioned load or 10 kW, whichever is less.
- vi) Professionals such as Doctors, Engineers, Lawyers, CA's, Journalists and Consultants practicing from their residence irrespective of location provided that such use shall not exceed 25% of the area of the premises or 50 Sq. meters, whichever is less.
- vii) For cottage industries operating in residence by family members only, where electricity is not used for processing/manufacturing of goods such as repair of shoes by cobbler, Dhobi where ironing of clothes is not done by electricity, stitching/knitting if machines are not operated with electricity, etc.
- v) In industrial premises where upto 10% of the sanctioned load or 10 kW whichever is less, is used for domestic/non-domestic purposes by any agency even other than the registered consumer provided that the main industrial activity for which the connection was sanctioned continues.

8.3 Installation of Shunt Capacitors

8.3.1 Low Power Factor (LPF) Surcharge

No consumer shall allow the average power factor of the supply taken by him to fall below 0.85. In case shunt capacitors of adequate ratings are not installed and maintained in proper working

order or average power factor is found to be below 0.85 on verification, an LPF surcharge @ 20% shall be levied on the demand/fixed charges, as the case may be, plus energy charges of the bill from the billing cycle of the date of inspection/verification.

LPF penalty shall be levied only when it is established by measurements meters that the average power factor of the installation is less than 0.85.

8.3.2 Applicability of LPF Surcharge

Where Billing of energy charges is done on the basis of kVAh recording of the meter above clause shall not be applicable.

8.4 Provisions for Assessment of Energy in existing Tariff Schedule

The theft of electricity shall be charged as per provisions of Performance Standards (Metering & Billing) Regulations as applicable from time to time. Formula for assessment of consumption of energy shall be as under:

8.4.1 Assessment of Energy in cases of theft in permanent connections

Energy consumption assessment formula

Units assessed = L x D x H x F where

- i) L = Connected in kW where kWh rate is applicable and in kVA where kVAh rate is applicable*
- ii) D is working days per month, during which theft/pilferage is suspected and shall be taken for different categories of use as below:*

a) Continuous industry	30 days
b) Non-continuous industry	25 days
c) Domestic use	30 days
d) Agriculture	30 days
e) Non-Domestic (continuous)	
<i>viz. Hospitals, call center,s hotels and restaurants,</i>	
<i>guest houses, nursing homes, petrol pumps</i>	30 days
f) Non domestic (general) i.e. other than (e)	25 days

- iii) H is use of supply hours per day, which shall be taken for different categories of use as below:*

a) Single shift industry (day/night only)	10 hrs.
b) Non-continuous process industry (day & night)	20 hrs.
c) Continuous process industry	24 hrs.
d) Non-domestic (general) including restaurants	11 hrs.

Hotels, hospitals, nursing homes guest houses, petrol pumps	20 hrs.
e) Domestic	8 hrs.
f) Agriculture	10 hrs.

iv) F is load factor, which shall be taken for different categories of use as below:

a) industrial	60 %
b) non-domestic	60%
c) domestic	40%
d) agriculture	100%
e) direct theft	100%

8.4.2 Assessment of Energy in cases of theft in Temporary Connections

Theft of energy detected during marriages and other occasions for temporary connections shall be assessed as under :

Units assessed = $L \times D \times H$, where

L = load (connected or sanctioned load whichever is higher) in kW where kWh rate is applicable and in kVA where kVAh rate is applicable

D = No. of days for which supply is used

H = 12 hours

Note: i) In case the assessing officer has reasons to substantiate higher consumption pattern, other than proposed above in a particular case, it could be worked out giving reasons in his report. The competent authority will pass speaking orders.

iii) The working hours for purpose of assessment in the cases of bonafide domestic use for operating domestic water pump, washing machines and petty domestic appliances etc. shall not be considered for more than one hour working per day on 100% load factor and microwave ovens and petty domestic appliances with fractional horse power capacity less than 200 watts e.g. mixers, grinders and hair dryers shall not be taken into account.

8.5 Application

8.5.1 Contract Demand

The contract demand as per existing agreement shall be treated as deemed enhanced by the excess connected load declared by the consumer and accepted against the specific scheme announced by licensee.

8.5.2 Electricity taxes and other levies

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

8.5.3 Non-payment of bills

Non-payment of the bills including the supplementary bills on the due dates specified thereon shall be deemed to be breach of contract and would, therefore, attract penal action including disconnection of supply under the provisions of Act/ Electricity Act/Rules/Regulations/Orders.

8.5.4 Surcharges

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

8.5.5 Payments

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

8.5.6 Interpretation/clarification

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

Tariff for the year 2004-05

Category		Fixed Charges ¹ (Rs./kW/month)		Demand Charges ² (Rs./kVA/month)	Energy Charges (Paise/kWh)	
1. Domestic	1.1 J J Clusters				Rs 175 / Month	
	1.2 Domestic Lighting/Fan and Power (Single Delivery Point and Separate Delivery Points/Meters)	Load (kW)	FC (Rs/m onth)	-	Units/month	Energy Charges
		Up to -	20		0-200	220
		2-5	50		201-400	360
		Above 5	10/kW		Above 400	410
2. Non-Domestic	1.3 Domestic Lighting /Fan and Power on 11 kV single delivery point for CGHS and other similar group housing complexes ³	Rs 10/ kW/mth		-	257.8 paise/kWh (303.3 paise/kWh with 15% rebate)	
	1.4 Domestic Lighting/Fan and Power Connections in unelectrified Left Out Pockets . Plot sizes:					
	i) up to 50 Sq. yds.	-	-	-	Rs 240 per month	
	ii) between 50-100 Sq. yds.	-	-	-	Rs 350 Per month	
	iii) between 101-150 Sq. yds.	-	-	-	Rs. 460Per month	
3. Industrial	iv) between 151-200 Sq. yds.	-	-	-	Rs 640 per month	
	v) more than 200 Sq. yds. only through installation of meters by Licensee	-	-	-	Same as 1.2	
	2.1.1 Non-Domestic (Low Tension) ⁴ -NDLT-I	Rs 35/kW/mth		-	520 paise/kWh	
	c) Up to 10 kW	Rs 35/kW/mth			545 paise/kWh	
	2.1.2 Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	Rs 35/kW/mth			463 paise/kWh	
4. Agriculture	2.2 Mixed Load (High Tension) >100kW-MLHT ⁵	-		150	470 Paise/kVAh ⁶	
	a) Supply on 11 kV	-		200	540 Paise/kVAh	
	b) Supply on LT (400 Volts)					
	3.1.1 Small Industrial Power < 100 kW- SIP	Rs 35/kW/mth		-	485paise/kWh ⁷ or 424 paise/kVAh ⁸	
	3.1.2 Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	Rs 35/kW/mth			412 paise/kWh ⁷ or 350 paise/kVAh ⁸	
5. Mushroom cultivation	3.2 Large Industrial Power>100 kW LIP	-		150	410 Paise/kVAh ⁶	
	a) Supply on 11 kV	-		200	480 Paise/kVAh	
	b) Supply on LT (400 Volts)					
	4. Agriculture	10		-	125 paise/kWh	
	5. Mushroom cultivation	20		-	275 paise/kWh	

Category		Fixed Charges ¹ (Rs./kW/month)	Demand Charges ² (Rs./kVA/month)	Energy Charges (Paise/kWh)
6. Public Lighting		Maintenance Charges Rs/light point/month		Energy Charges
	6.1 Street Lighting	73	-	410 paise/kWh
	6.2 Signals & Blinkers	-	-	410 paise/kWh
7. Railway Traction⁹ (other than DMRC)		Capacity-blockage-fixed charges ¹⁰	150	375 paise/kVAh
8. Delhi Metro Rail Corporation (DMRC) (220 kV) (66 kV)		-	-	230 Paise/kVAh 230 Paise/kVAh
9. Temporary Supply	9.1 for a total period of a) less than 16 days b) more than or equal to 16 days	50% of the relevant category Same as that of relevant category	50% of relevant category Same as that of relevant category	higher by 30% (temporary surcharge) of the relevant category of tariff
	9.2 for residential cooperative group housing connections	Same as that of relevant category	-	domestic tariff without any surcharge ¹¹
	9.3 for religious functions of traditional and established characters and cultural activities	Same as 1.2	-	Same as 1.2 without temporary surcharge
	9.4 for major construction projects	Same as that of relevant category	Same as that of relevant category	Same as that of relevant category with temporary surcharge
	9.5 for threshers a) during the threshing season for 30 days b) for extended period	Electricity tax of MCD: Rs. 150 per connection	- -	Flat rate of Rs. 3000 On pro-rata basis for each week or part thereof

¹Fixed charges are to be levied on sanctioned load or MDI reading, whichever is higher, on per kW or part thereof basis. Where the MDI reading exceeds sanctioned load, a surcharge of 30% shall be levied on the fixed charges corresponding to excess demand in kW for such billing cycle.

² Where the MDI reading exceeds contract demand, a surcharge of 30% shall be levied on the demand charges corresponding to excess demand for such billing cycle

- 3 In case of co-operative societies having independent connection for common facilities through separate meter, energy charges for this connection shall be billed at highest slab tariff for domestic category.
- 4 Connection sanctioned for Dispensaries, Hospitals, Public Libraries and Schools run/aided by MCD/Government of NCT of Delhi and such other schools as recommended by Department of Education, Government of NCT of Delhi, Places of worship, Shelters for animals, Birds including, Go-sadans, Chaupals, Community halls in Rural Areas and J.J. Basties/Colonies, Recognised Centres for Welfare of Blind, Deaf and Dumb, Spastic Children and Physically Handicapped Persons, Working Women Hostels run/aided by MCD/Government, Cheshire Homes/Orphanages Charitable homes and Small Health Centres approved by Directorate of Health Services, Government of NCT of Delhi for providing Charitable Services only, electric crematoriums or any other similar establishment as may be approved by the Commission shall be billed at domestic category tariff, if such premises are being used exclusively for the specified purpose.

Provided that all such connections, falling under the above establishments, which were being billed at domestic tariff by the erstwhile DVB shall be deemed to have Commission's approval.
- 5 Same as 4 above with 15% rebate if supply is at 11 kV.
- 6 The incumbent shall be entitled for a rebate of 2.5% on the energy charges on 11 kV rates for availing 3 phase supply on 33/66 kV and 4% for supply on 220 kV.
- 7 Where kWh meters have been provided.
- 8 Where kVAh meters have been provided.
- 9 The above tariff is based on the supply being given through a single delivery and metering point at single voltage
- 10 Rs. $1260 \times (2.97A + 5)$ where A is contract/maximum demand, whichever is higher, in MVA subject to a minimum of Rs. 25000
- 11 from the date of payment of their payable share in full towards electrification cost. Normal tariff available after one year

8.6 Other Terms & Conditions of Tariff

Category		Availability	Character of Service
1. Domestic	1.1 Domestic Lighting/Fan and Power (Single Delivery Point and Separate Delivery Points/Meters)	<p>i) Available to residential consumers, hostels of recognised/aided educational institutions, stair case lighting in residential flats, compound lighting, lifts & water pumps etc. for drinking water supply and fire fighting equipment. In cooperative group housing societies etc. for bonafide use of lighting/fan and power, subject to the provision that the supply is at single delivery point for combined lighting/fan & power.</p> <p>ii) Where separate meters, under different K. Nos., for domestic lighting/fan and domestic power, are in existence at the same premises, the billing shall be done under domestic category for total consumption of all such connections/meters taken together.</p> <p>iii) Available, for loads upto 21 kW, to farm houses for bonafide domestic self use and bounded farm houses having minimum 50% of the total land for agriculture/vegetable cultivation.</p>	AC 50 Hz, single phase, 230 Volts AC 50 Hz, three phase, 400 Volts for loads beyond 10 kW
	1.2 Domestic Lighting /Fan And Power on 11 kV single delivery point	Same as 1.1 (i) and for CGHS flats and loads above 100 kW in case of individual	AC 50 Hz, three phase, 11 kV on single delivery point
	1.3 Domestic Lighting/Fan And Power Connections In Regularised/ Unauthorised Colonies, Left Out Pockets and Villages both Electrified and Unelectrified	Available to residential consumers for temporary electricity connection on single phase system of supply. As and when licensee installs energy meters, the energy charges shall be payable as per the tariff applicable to relevant category of supply.	AC 50 Hz, single phase, 230 Volts
2. Non-Domestic	2.1.1 Non-Domestic (Low Tension) – NDLT-I	<p>Available to all consumers having load (other than the industrial load) upto 100 kW for lighting, fan & heating/cooling power appliances in all non-domestic establishments as defined below :</p> <p>i) hostels (other than those of recognised/aided educational institutes)</p> <p>ii) schools/colleges</p> <p>iii) auditoriums</p> <p>iv) hospitals, nursing homes/diagnostic centres</p> <p>v) railways (other than traction)</p> <p>vi) hotels and restaurants</p> <p>vii) cinemas</p> <p>viii) banks</p> <p>ix) petrol pumps</p> <p>x) all other establishments, i.e., shops, chemists, tailors, washing, dyeing etc. which do not come under the Factories Act.</p> <p>xi) cattle farms, fisheries, piggeries, poultry farms, floriculture, horticulture, plant nursery</p> <p>xii) farm houses being used for commercial activity</p> <p>xiii) any other category of consumers not specified/covered in any other category in this Schedule</p>	AC 50 Hz, single phase, 230 Volts up to 10 kW load. AC 50 Hz, 3 phase, 400 Volts for loads above 10 kW and upto 100 kW
	2.1.2 Non-Domestic Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	Available to commercial complexes having load more than 100KW for group of consumers for their lighting, fan, heating/cooling power appliances for non-domestic use.	AC 50 Hz, 3 phase, 11 kV

Category		Availability	Character of Service
	2.2 Mixed Load (High Tension)-MLHT a) Supply on 11 kV b) Supply on LT (400 Volts)	Available to consumers having load (other than industrial load) above 100 kW for lighting, fan, heating/cooling and power appliances in Domestic/Non-Domestic establishments including pumping loads of Delhi Jal Board /DDA/MCD and supply to Delhi Metro Rail Corporation (DMRC) Ltd. for their on going construction projects etc. Supply at extra high voltage (33 kV and more) may also be given	AC 50 Hz, 3 phase, 11 kV AC 50 Hz, 3 phase, 400 Volts
3. Industrial	3.1.1 Small Industrial Power (SIP)	Available to Industrial consumers with load up to 100 kW including lighting, heating and cooling load.	AC 50 Hz, single phase, 230 Volts AC 50 Hz, 3 phase, 400 Volts.
	3.1.2 Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	On single delivery point for group of SIP consumers provided load of any individual consumer does not exceed 100 kW	AC 50 Hz, 3 Phase, 11 kV
	3.2 Large Industrial Power (LIP) a) Supply on 11 kV b) Supply on LT (400 Volts)	Available as primary power to large industrial consumers having load above 100 kW including lighting load. Supply at extra high voltage (33 kV and more) may also be given	AC 50 Hz, 3 phase, 11 kV AC 50 Hz, 3 Phase, 400 Volts
4. Agriculture		Available for load up to 10 kW for tube wells for irrigation, threshing, and kutti-cutting in conjunction with pumping load for irrigation purposes and lighting load for bonafide use in Kothra.	AC 50 Hz, Single Phase, 230 Volts
5. Mushroom cultivation		Available for mushroom growing/cultivation upto 100 kW.	AC 50 Hz, 3 Phase, 400 Volts up to 100 kW
6. Public Lighting	6.1 Street lighting	Available to all street lighting consumers including MCD, DDA, PWD/CPWD, Slums department General Conditions i) All incandescent lamps of 40 to 100 Watts except special lamps including fluorescent tubes shall be replaced after 1500 hours of service or earlier if burnt out. The special lamps including fluorescent tube, gas discharge or absorption lamps together with ancillary equipment shall be replaced at the cost of the consumer. ii) The replacement cost of stolen and broken incandescent lamps and fluorescent tubes including all types of special lamps mentioned above shall be borne by the consumer.	AC 50 Hz, Single Phase, 230 Volts
	6.2 Signals & Blinkers	Available for traffic signals and blinkers of Traffic Police	AC 50 Hz, Single Phase, 230 Volts
7. Railway Traction (other than DMRC)		Available for railway traction for connected load above 100 kW.	AC 50 Hz, single phase, 220/66/33 kV AC 50 Hz, 3 Phase, 220/66/33 kV
8. Delhi Metro Rail Corporation		Available to Delhi Metro Rail Corporation (DMRC) (not for construction projects)	AC 50 Hz, 3 phase, 220/66 kV
9. Temporary	9.1(a) for less than 16 days	Available as temporary connection under the respective category	AC 50 Hz, single phase, 230 Volts
	9.1(b) for more than or equal to 16 days		AC 50 Hz, 3 phase, 400 Volts,
	9.2 for residential cooperative group housing connections	Same as that of relevant category	AC 50 Hz, three phase, 11 kV

Category		Availability	Character of Service
	9.3 for religious functions of traditional and established characters and cultural activities	Provided for religious functions of traditional and established characters like Ram lila, Dussehra, Janmashtami, Nirankari Sant Smagam, Gurupurb, Durga Puja, Id, Christmas celebrations, Easter, Pageants and cultural activities like NCC camps, scouts & guides camps etc. (normally for a period less than 10 days and extendable upto days	
	9.4 for major construction projects	With loads more than 10 kW	
	9.5 for threshers	During the threshing season	

