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## **1. Background**

### **1.1 North Delhi Power Limited**

The North Delhi Power Limited (hereinafter referred to as 'NDPL') is a company incorporated under the Companies Act, 1956. The NDPL formally took over the distribution assets of erstwhile DVB and became authorized to commence electricity distribution and retail supply business in the specified area of North and North West of Delhi.

### **1.2 Transfer Scheme**

Pursuant to the provisions of the Delhi Electricity Reform Act, 2000 (hereinafter referred to as 'DERA') the Government of National Capital Territory of Delhi (hereinafter referred to as 'GNCTD or 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 distribution assets of DVB in the area of North and North West of Delhi to North Delhi Power Limited (formerly known as North North West Delhi Distribution Company Limited and hereinafter referred to as 'NDPL') and the distribution assets in other areas of Delhi to the other two Distribution Companies and all the three distribution companies hereinafter collectively referred to as 'DISCOMs' and the existing transmission assets to Delhi Transco Limited (formerly known as Delhi Power Supply Company Limited and hereinafter referred to as 'TRANSCO').

### **1.3 Enactment of Electricity Act, 2003**

The Electricity Act, 2003 (hereinafter referred to as 'EA 2003'), enacted in June 2003 repealed the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998.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. Further, Section 86 (1) (a) of the EA 2003 vests the responsibility of determination of tariff with the Commission – the relevant portion of this Section is as follows;

*“The State Commission shall discharge the following function namely –*

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

### **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 thereunder or 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.”*

## **1.4 About the Commission**

The Delhi Electricity Regulatory Commission (hereinafter referred to as ‘Commission’) was constituted by the Government on March 3, 1999 and it became operational from December 10, 1999. In the journey from inception till date, the Commission has issued twenty (20) Tariff Orders and notified thirteen (13) Regulations apart from discharging its other statutory functions.

### **1.4.1 Functions of the Commission**

Major functions assigned to the Commission under the 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

Major functions assigned to the Commission under the EA 2003 are as follows:

- determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State;
- regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- facilitate intra-state transmission and wheeling of electricity;
- issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution Licensee;
- adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;
- levy fee for the purposes of this Act;

- specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;
- specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- fix the trading margin in the intra-State trading of electricity, if considered, necessary; and
- discharge such other functions as may be assigned to it under this Act.

### 1.5 Constitution of Coordination Forum

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

GNCTD vide notification No. F.11/36/2005/Power/1789 dated 16.06.2005 constituted the Coordination Forum, comprising of Chairperson and Members of DERC, CMD, TRANSCO, Managing Direction, IPGCL/PPCL, CEOs of NDPL, BYPL and BRPL with Secretary, DERC as the Member Secretary. Since the Committee constituted did not include NDMC and MES, who also distribute power in Delhi, the Commission had decided to invite them for all the meetings. The Commission had so far held 9 meetings on the following dates:

1 <sup>st</sup> Meeting	-	29.08.2005
2 <sup>nd</sup> Meeting	-	25.10.2005
3 <sup>rd</sup> Meeting	-	20.12.2005
4 <sup>th</sup> Meeting	-	20.01.2006
5 <sup>th</sup> Meeting	-	01.03.2006
6 <sup>th</sup> Meeting	-	17.04.2006
7 <sup>th</sup> Meeting	-	15.05.2006
8 <sup>th</sup> Meeting	-	14.06.2006
9 <sup>th</sup> Meeting	-	23.08.2006

In the above referred meetings, issues relating to arranging power to meet the demand of Delhi up to 2010-11 as well as other issues of common interests to ensure overall development of the power sector in Delhi were discussed. In this process,



arrangements for power for meeting the future demand of Delhi from the following stations were made:

**Table 1-1 Arrangement of Power for Delhi on Long Term Basis**

S.No.	Name of the Project	Capacity Allocated to Delhi
1.	Koldam Hydroelectric project of NTPC	83 MW
2.	Tehri Hydroelectric project of THDC	95 MW
3.	Dhauliganga HEP of NHPC	42 MW
4.	Sewa-III HEP of NHPC	10 MW
5.	Unchahar-III TPS of NTPC	24 MW
6.	RAPP Unit 5 & 6 of NPC	50 MW
7.	Parbati-II HEP of NHPC	65 MW
8.	Bawana – CCGT Plant of IPGCL	1000 MW
9.	Pragati Power-II Project-II of PPCL	330 MW
10.	NCRTTP Dadri Extension of NTPC	440 MW
11.	Tehri Pumped Storage Power Plant of THDC	600 MW
12.	Kahalgaon Stage-II of NTPC	95 MW
13.	Barh TPS of NTPC	155 MW
14.	North Karanpura TPS of NTPC	157 MW
15.	Koteshwar HEP of THDC	40 MW
16.	Dulhasti HEP of NHPC	34 MW
	<b>Total</b>	<b>3220 MW</b>

*All the above projects are likely to provide power with their gradual commissioning commencing immediately and up to 2009-10.*

All the above projects are being developed by various CPSUs and accordingly their tariff would be regulated by the Central Electricity Regulatory Commission (CERC). Further, Delhi has been allocated 200 MW power from Tala HEP presently under commissioning in Bhutan.

Besides the above projects from which power has been tied up, the Coordination Forum has also discussed projects like Combined Cycle Gas Project in Tripura, setting up of 2000 MW plant by Delhi in Chattisgarh, Maithon Thermal Station of Tata Power etc. but no final decision could be arrived at in view of the present status of these projects being at the conceptual stage. These projects can be discussed at an appropriate time when sufficient development takes place.

Consequent to taking over of Badarpur Power Station by NTPC, an effort is also being made to install additional two units of 500 MW each at Badarpur for meeting the demand of Delhi subject to technical feasibility and environmental clearance for the project. Further, power from addition of one unit of 490 MW at NCRTTP, Dadri



of NTPC and 750 MW from the 1500 MW joint venture project which is to be set up with Haryana, has been agreed to by Coordination Forum in the last meeting. Apart from this, the Coordination Forum has authorised TRANSCO to enter into long term agreement with DVC for procurement of power with the quantum of 100 MW from December 2006 to September 2007 and gradually going upto 2500 MW on round the clock basis from DVC for a period of 25 years from the commissioning of the respective new generating units.

The Commission had also worked through the Coordination Forum to remove bottlenecks in the execution of various major schemes such as setting up of 2 nos. 220 KV sub-station by NDMC in Electric Lane and Trauma Centre at AIIMS, Ridge Valley Sub-station with 220 KV GIS etc.

The Coordination Forum in its meeting held on 25.10.2005 decided that DISCOMs will jointly move a common proposal for seeking bids for procurement of power on short-term as well as long term basis immediately. The document for short/medium term power procurement received in the Commission in the end of March, 2006, was subsequently discussed in various Coordination Forum meetings. The DISCOMs were authorized to invite bids during August, 2006 after detailed deliberations on various issues involved in the procurement process and approval of the Commission to the bid document for short/medium term power procurement finally submitted by the DISCOMs. This exercise is in compliance with the National Electricity Policy/Tariff Policy which mandates the distribution companies to procure power through competitive bidding.

The approval of procurement of power by the DISCOMs on long term basis will be taken up after the receipt of the document from the DISCOMs. The Coordination Forum has also taken up issues like Introduction of Intrastate availability based tariff, procurement of power from ultra mega power projects (Delhi is proposing to buy 500 MW of power from one of the ultra mega project) etc. The Commission would like to impress upon all concerned to monitor the progress of various projects from which power is arranged for Delhi at regular intervals and take appropriate actions in case of delays so that arrangements for power supply is properly ensure.

## **1.6 Process of Tariff Determination - ARR & Tariff filing for FY 2006-07**

### **1.6.1 Filing of petitions**

The Petitioner (NDPL) filed its Petition for approval of ARR and determination of Tariff for FY 2006-07, on December 14, 2005.

### **1.6.2 Interactions with the Petitioner**

The filing of the Petition was followed by a series of interactions, both written and oral, wherein the Commission sought additional information/clarification and justifications on various issues critical for admissibility of the petitions. The Petitioner submitted its response on the issues raised through separate submissions in the month of March, 2006. The petition was finally admitted by the Commission on 30<sup>th</sup> March 2006.

### **1.6.3 Public Notice and response from Stakeholders**

#### **1.6.3.1 Publicity given to the Proposal**

The Petitioner brought out a Public Notice on April 7, 2006 indicating the salient features of their Petition, and inviting responses from the consumers and other stakeholders. The Commission also brought out a Public Notice on April 11, 2006 indicating the salient features of all the Petitions for FY 2006-07, inviting 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 Indian Express in English;

Hindustan in Hindi; and

Daily Milap in Urdu.

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

Detailed copy of the Petitions were also made available for purchase from the respective head-office of the Companies on any working day from April 7, 2006 onwards, between 11 A.M. and 4 P.M. on payment of Rs. 100/-. The Notice specified

the deadline of April 24, 2006 for the receipt of responses/objections from the stakeholders which was subsequently extended till May 10, 2006. The complete copy of the Petition was also put up on the website of the Commission, as well as that of the Petitioner.

In the past the Commission had received requests that the Commission may extend help to the consumers in understanding the ARR Petitions and also help them in filing their comments in this regard. The Commission had considered the request on merits and accordingly for this year the services of three Joint Directors of the Commission were made available to the consumers to extend necessary assistance. The services of the officers of Commission were available to all the interested stakeholders for discussion on ARR Petition and related matters between 3 P.M. to 5 P.M. on all working days from April 12, 2006 to May 10, 2006. This was duly highlighted in the Public Notices brought out by the Commission on April 11, 2006 and April 24, 2006.

#### **1.6.3.2 Public Hearing and Response**

The Commission received seventy nine objections in all. A detailed list of the respondents is attached with this Order as Annexure 2. The Commission forwarded the objections to the Petitioner for submission of comments to the Commission with a copy to the Respondent. The Petitioner filed its responses to the comments/objections of the stakeholders by May 20, 2006. The Commission conducted the Public Hearing for the DISCOMs on May 23 to May 25, 2006 in both the sessions. All the stakeholders who had submitted responses/objections on the ARR Petitions were invited to express their views in the matter.

#### **1.6.4 Post admission interactions**

##### **1.6.4.1 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. The Commission held various meetings and sought further details on power purchase, capital investment in transmission schemes, proposed additional capitalization, the depreciation schedule, loan repayment, rate of interest of loans and working capital.

**1.6.4.2 Petitioner's responses to queries raised by the Commission**

In response to the queries of the Commission, the Petitioner made additional submissions on March 10, April 26, April 12, May 4, May 19, June 7, June 9 and June 13, 2006. The Petitioner submitted the Provisional Annual Accounts for FY 2005-06 on April 26, 2006. Subsequently, the Petitioner also submitted the Audited Annual Accounts for FY 2005-06 on June 8, 2006

**1.7 Summary of the petition**

The Petitioner has estimated the Annual Revenue Requirement (ARR) and Revenue Surplus for FY 2006-07 at Rs. 1748.86 Crore and Rs 28.33 Crore, respectively without considering the pending regulatory asset of Rs 150 Crore for which a separate prayer was made for its amortisation. Effectively, the projected surplus of Rs.11.56 Crore turns out to a deficit of Rs.138.44 Crore if the effect of unamortized Regulatory Asset of Rs.150 Crore is considered, for which the Petitioner had prayed for its amortisation.. The Petitioner, while estimating the ARR for FY 2006-07 has also included certain elements of difference in expenses and revenue for FY 2005-06 under the truing up mechanism. The total amount of surplus on truing up included in the ARR for FY 2006-07 is of the order of Rs. 5.39 Crore for FY 2005-06. A snapshot of the ARR and revenue gap/(surplus) for FY 2006-07 at existing tariffs is provided in the Table 1.2.

**Table 1-2: Summary of ARR and Revenue of the Petitioner for FY 2006-07 at existing BST and RST**

Item	Unit	FY 2006-07
A. Energy Input	MU	5925
B. AT&C Loss at the end of the year	%	31.10%
C. Expenditure other than Power Purchase Cost	Rs Crore	423.40
D. Existing Bulk Supply Tariff	Rs/kWh	2.1121
E. Power Purchase cost at existing BST (A x D)	Rs Crore	1251.48
F. Total Expenditure (C+E)	Rs Crore	1674.88
G. Allowable Return	Rs Crore	106.37
H. Non Tariff Income	Rs Crore	32.39

I. Annual Revenue Requirement (F+G+H-I)	<b>Rs Crore</b>	<b>1748.86</b>
J. Estimated Revenue Realisation based on existing Retail Supply Tariff	Rs Crore	1779.57
K. Revenue Gap/(Surplus) for FY 2006-07	<b>Rs Crore</b>	<b>(30.71)</b>
L. Upfront Credit to Consumers	Rs Crore	7.77
M. True-up for FY 2005-06	<b>Rs Crore</b>	<b>(5.39)</b>
N. Total Revenue Gap/(surplus)	<b>Rs Crore</b>	<b>(28.33)</b>

The Petitioner, in its ARR Petitioner has also suggested some tariff rationalisation measures. The salient features of some of the suggestions made by the Petitioner are summarized below:

- Merging of categories - Merge MLHT, NDLT (Non-Domestic), SIP and LIP consumer categories with lower tariff for higher consumption. For MLHT, NDLT (Non-Domestic) SIP and LIP (Business Category) consumers, NDPL proposes reduction in tariff as the consumption increases keeping in view that the incremental cost incurred per unit reduces as the consumption increases. This would also help in curbing the mal-practice of multiple connections, or meter tampering to reduce the actual consumption.
- Reduction of slabs in domestic category - Reduce slabs of domestic categories to 2 slabs with one slab below 200 units per month and other slab above 200 units per month.
- Cost based service linked to voltage - There is a necessity to eliminate the cross-subsidies and move towards cost based service linked to voltage rating of the service, as the AT&C losses are directly related to the supply voltage. As the cost of service and AT&C losses are observed to be lower at higher voltages, the tariff should be relatively lower at higher supply voltages.
- HT Metering - The Hon'ble Commission may kindly make HT Metering mandatory for 11 kV and above Consumers on HVDS scheme, with dedicated transformer of required rating. Consumers on HVDS are benefited by availing the rebate on tariff at higher voltages, better voltage & frequency profile and

higher reliability of supply. HVDS would reduce line losses, load on distribution transformers, maintenance problems, improve voltage profile, ensure stability of supply, and reduce the scope for power theft.

- Enhancement of Load of the consumers based on the ASD - The Sanctioned Load (SL) of the Consumer shall be deemed enhanced in line with Dynamic Advance Consumption Deposit (ACD) and same shall be revised for computing the fixed charges of the Consumers. This will facilitate the Consumers to have enhanced or reduced sanctioned load, suiting their actual consumption and ease the Licensee on load enhancement / reduction activity, by revising the Consumers' load at one go Consumers shall not have any hassles of "Load Violation charges".
- Uniform fixed charges till the load of 5 kW
- Incentivise installation of Prepaid Meters
- Introduction of Fuel Adjustment Charge
- Waiver of Electricity Tax

### **1.8 Court Order**

The DISCOMs had filed appeals in the Hon'ble Appellate Tribunal for Electricity in respect of Tariff Orders for FY 2002-03, FY 2003-04 and FY 2004-05 issued by the Commission. The Hon'ble Appellate Tribunal had passed its order dated 24<sup>th</sup> May 2006 in appeal no. 38-39, 122 of 2005 and 48 of 2006. The Commission had preferred an appeal against the said order of the Hon'ble Appellate Tribunal for Electricity before the Hon'ble Supreme Court vide Civil Appeal No. 2733 of 2006. The Hon'ble Supreme Court had admitted the Appeal vide its Order dated 23<sup>rd</sup> August 2006 and referred the case to the Hon'ble Appellate Tribunal for Electricity *to examine whether the conclusions of the Commission are supportable in facts and in Law..*

### **1.9 Layout of this Order**

This Order is organised into 5 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 which includes among others Tariff Rationalisation measures. Chapter 3 discusses the Annual Revenue Requirement. Chapter 4 deals with the revenue details, overall sector

revenue gap/surplus position based on revenues from the proposed tariff, treatment of regulatory assets, tariff design for various categories and approved tariff for FY 2006-07. Chapter 5 deals with compliance with Commission's Directives.

## **2. Response from Stakeholders**

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

The objections received from stakeholders, response of the Petitioner on the specific issues and Commission's views on the same are enumerated hereunder.

### **2.1 Tariff Structure and Rationalisation**

#### **2.1.1 Objections**

##### **Concessional Tariff for educational institutions, non-profit organisations**

The stakeholders have submitted that there should be concessional tariff for educational institutions. One of the stakeholders (Maharaja Agrasen Institute of Technology) has submitted that it should be charged concessional tariff as it is non-profit organization and has a good track record in payments as well as utilization of load within sanction limit categories with lower tariff for higher consumption is a coercive measure.

##### **Cross-subsidy and Differential Tariff**

The stakeholders have submitted that consumers living in the area of NDPL should not be asked to cross-subsidise the consumers living in BYPL. Differential Tariff should be framed for consumers depending upon the performance of DISCOMs. Moreover, fixation of tariff is in line with the tariff Policy, therefore the differential tariff needs to be framed.

##### **Slabs for Domestic Category**

Some of the stakeholders have submitted that the slabs for domestic category should be reduced from 3 to 2 (0-200 units per month and above 200 units per month). Another suggestion has been made for categorisation of slabs as 0-400, 401-800, 801-1000 and above 1000 units. Some stakeholders have expressed that the slabs be categorised as 0-200, 201-400 and above 400 units. Even abolition of slabs has been suggested by another group of stakeholders. It has also been opined that any reduction in the slabs for domestic category will tantamount to higher tariff and put extra burden on high end consumers.



**Merging of MLHT, NDLT, SIP and LIP consumer categories**

The stakeholders have submitted that MLHT, NDLT, SIP and LIP consumer categories should be merged with progressively lower tariff for higher consumption. It has been stated that the proposed merger of these categories will lead to simplification of tariff structure. However, some of the stakeholders have expressed that the merger of MLHT, NDLT, SIP and LIP categories is a coercive measure to penalise consumers of lower consumption. It has been suggested by some stakeholders that LIP rates should be less than SIP rates. Further reduction of tariffs for SSI has been requested for as the same are stated to be high as compared to other neighbouring states.

The stakeholders have also submitted that there should be a separate category for LIP and MLHT consumers. It has further been submitted that floriculture, horticulture and plant nursery are under NDLT category in the present tariff and need to be shifted to agriculture tariff.

Some stakeholders have also submitted that merger of non-domestic and industrial categories as suggested by the Petitioner is not a good idea as industrial consumers use electricity largely for manufacturing processes and try to curtail electricity as far as possible. On the other hand, commercial consumers use electricity even when it is absolutely avoidable. There is perhaps no rationale for equating industrial consumers with commercial consumers.

**Concessional Tariff to employees**

The stakeholders have mentioned that like DESU and DVB, DISCOMs are supplying electricity at concessional rates to their employees, the burden of which directly comes on other consumers and this concessional tariff must be stopped immediately.

Some of the stakeholders have submitted that post unbundling; the employees of erstwhile DVB are being deprived of their due benefits in accordance with the Tripartite Agreement with the GNCTD and DVB. It has been stated that the DISCOMs have started charging fixed charges on load basis from employees of

erstwhile DVB which is against the spirit of the Tripartite Agreement under which employees were only required to pay electricity charges @ 12 paise per unit for the units consumed by them and no other charges were payable by the employees, so the fixed charges levied may be withdrawn. It has been further submitted that number of concessional units allowed for various categories be revised as the consumption has increased considerably with gradual increase of use of electrical gadgets.

### **Calculation for Fraudulent Abstraction of Energy (FAE)**

The stakeholders have expressed that F.A.E. calculations should be done on connected load only and sanctioned load or unconnected load should not be taken in any case. Further credit should be given for the units consumed and not for payment which has already been made.

### **Billing based on kVAh**

The stakeholders have submitted that the billing for industrial consumers should be on the basis of kWh instead of kVAh and in case the bills are to be raised in kVAh, the conversion Power Factor (P.F.) should be taken at 0.85 instead of 0.87 since the DISCOMs get the supply on the basis of P.F. of 0.85. Some of the stakeholders have also submitted that as power purchases by DISCOMs is measured on kWh basis, the bills to consumers should also be issued on kWh basis only as it is difficult for small scale units (SSI) to maintain power factor even by installing any system. Some tolerance has been requested for, say 0.95 to be considered as unity power factor.

It has also been submitted that the DISCOMs were not giving the kVAh billing benefit to the consumers who were maintaining good power factor whereas they charged kVAh billing from low power factor consumers. Further many cases of refunds against kVAh billing were still pending from November, 2004 and the Commission has been requested to issue necessary directions.

Some stakeholders have suggested that with different methods for calculations of kVAh world wide, it is difficult to implement kVAh tariff. Further energy audit can be done only with kWh part and if DISCOM has to calculate the commercial losses, the kWh cannot be compared with kVAh which leads to wrong energy audit results.

The stakeholders have further submitted that billing on kVAh Tariff should not be permitted till the time all NDLT/SIP consumers having sanctioned load greater than 10 KW are provided with electronic meters capable of recording kWh, kVAh and Maximum Demand Indicator (MDI), since it will lead to discrimination among the consumers which are billed on kVAh and kWh

### **Rationalisation of Fixed Charges**

The stakeholders have submitted that fixed charges should be made adjustable in energy charges as applicable in the state of Haryana. The fixed charges should not be recovered from a consumer who is using the electricity and paying huge bills as the sole logic behind levy of fixed charges is to cover the fixed cost from the consumer whose consumption is below a fixed level. Some stakeholders have even suggested for abolition of fixed charges. It has been stated that even public utilities like Railway/Airlines incurring huge capital investments for their services do not levy any fixed charges. In case the fixed charges are to be continued, then per unit charges to the LT consumer should be lowered by at least Rs 0.50 per unit. Further the fixed charges should be related to number of hours of power supply made available by the DISCOMs. A view has also been expressed that fixed charges be reduced as no interest on security deposit is being made.

The stakeholders have submitted that the nominal meter rent has been given a fresh name of fixed charge which is quite exorbitant. A charge of Rs 15/20/30 should be fixed as rent per month or the price of meter should be charged once and there should not be any fixed charges.

Some of the stakeholders have submitted that there should be uniform fixed charges at a nominal rate for 0-5 KW sanctioned load without any load restriction and restriction of maximum fixed charges to Rs. 20 per month for 5 KW load. Some stakeholders have suggested that fixed charges should be on per KW basis instead of slab wise. It has been further submitted that fixed charge should be calculated based on norms such as sanctioned load, average of actual consumption for last two years, area of flat/house etc.

Some stakeholders have suggested two slabs: 0-5 kW and above 5 kW for recovery of fixed charges. Another suggestion has been made for three slabs of 0-3 KW, 3-5 KW and above 5 KW for the fixed charges. A view has also been expressed for two slabs from 0-2 KW and above 2 KW. It has been opined by some of the stakeholder that the slabs be laid from 0.6 – 5.6 KW so that fractions are taken care of and fixed charges be uniformed from 0.6 to 5.6 KW.

The stakeholders have also submitted that the amount of fixed charges levied is not adjusted against consumption which leads to consumers paying extra charges. It has been stated that fixed charges be waived off for industrial consumers who are consuming within their sanctioned load. It has also been stated that the disparity between Rs. 50 per KW for SIP consumers and Rs. 150 per KW for LIP consumers should be bridged.

The stakeholders have also suggested fixed charges not exceeding Rs. 5 upto 5 KW and Rs. 10 above 10 KW. It has been stated that uniform fixed charges will be detrimental for lower end consumers. In general a review of fixed charges has been requested for.

It has also been submitted that fixed charges of Rs. 12 kW per month should be converted into minimum charges. The stakeholders have submitted that the minimum charges should be increased to Rs 200/- from the present Rs 50/- instead of increasing electricity charges.

It has further been submitted that fixed charges are required to be charged for the charges other than provided under 45(3)(b) of Electricity Act 2003. Cost of service line is already recovered from the consumer, so no charges for service line, rent towards electric meter can be recovered therefore, the existing fixed charges are superfluous and if not eliminated, are required to be reduced substantially.

The stakeholders have further submitted that fixed charges are sought to be increased by DISCOMs in the Tariff Proposal are without any basis as nominal expenditure have been incurred by DISCOMs for building dedicated infrastructure. Fixed Charges should be proportional to Cost of Supply.

### **Penalty for Load Violation from SIP to LIP**

The stakeholders have submitted that the Hon'ble Commission may consider levy of LIP tariff on SIP consumers only for a particular month in which maximum demand exceeds. It has been stated that in the event of violations amounting to change in category from SIP to LIP, the total demand is charged @ Rs 200/KVA besides higher consumption charges. Since the billing gets overloaded drastically with the change in category, it has been requested that the penalty should be limited for the particular billing month during which the load violations take place.

### **Power Factor**

The stakeholders have submitted that as upheld by the High Court of Delhi in case of Suresh Jindal V/S BRPL, maintenance of power factor is the duty of the DISCOM and the tariff schedule should be framed so that the power factor is maintained at 0.85. It has been suggested that necessary directions be issued to the utility to comply with the conditions of the supply in respect of power factor and the Commission should also take note of it while fixing the tariff.

#### **2.1.2 Response of the Petitioner**

#### **Concessional Tariff for educational institutions, non-profit organisations**

Regarding the concessional tariff for educational institutions, the Petitioner has submitted that it is the prerogative of the Commission to decide tariff for the educational institutions. The Petitioner has further submitted that as a part of privatisation process, uniform tariff is to be maintained across the state till March 2007. However, the differential tariff is the prerogative of the Commission.

#### **Reduction of slabs in domestic category**

The Petitioner has submitted that the number of slabs in the domestic tariff is the prerogative of the commission. It has further been submitted that the reduction of slabs in domestic category is intended for simplification of tariff structure and to reflect the actual cost of service at respective levels of consumption.

#### **Merging of MLHT, NDLT, SIP and LIP consumer categories**

Regarding the proposed merger of MLHT, NDLT, SIP and LIP, the Petitioner has submitted that the proposal is aimed at simplifying tariff structure. The intention is not to penalize any segment of consumers. The actual slabs and tariff for unified category may be determined by the Commission keeping the interest of consumers at large in mind.

### **Concessional tariff to employees**

The Petitioner has submitted that the queries raised by the Respondent do not pertain to ARR process. The Commission has already given its opinion in the matter and that the issue may be referred to GoNCTD for final decision. With regard to withdrawal of fixed charges, the Petitioner has mentioned that the fixed charge is the charge receivable in line with the Electricity Act, 2003.

### **Billing based on kVAh**

Regarding the kVAh tariff, the Petitioner has submitted that NDPL is paying not only for Kwh consumption but also for the reactive power i.e. KVAh consumption separately. Also the Hon'ble Commission in its Tariff Order for 2005-06, directed DISCOMs to expand the coverage of consumers under KVAh billing as KVAh tariff takes care of power factor of the consumer and encourage efficient use of electricity.

Regarding the kVAh billing, the Petitioner has submitted that the Commission may decide on the tariff issue raised by the consumer. However, the responsibility of maintaining the power factor lies with the consumer. Billing has to be on actual power factor of the individual industrial consumer. Otherwise, it defeats the very purpose of kVAh billing.

### **Rationalisation of fixed charges**

The Petitioner has submitted that to compensate reasonable proportion of the total fixed costs incurred by the Licensee, it has been suggested that fixed charge should be uniform upto 5 KW. Further fixed charge is recoverable towards expense of maintaining the infrastructure and making available the capacity to supply the sanctioned load to the consumers. This is in line with Electricity Act, 2003 and it also exists in some other States. Fixed charges are required to maintain the infrastructure upto the consumer feeding point from the DISCOM's boundary grid.

The Petitioner has further submitted that the sanctioned load includes the fractions of upto 5 kW for which NDPL has suggested uniform fixed charges. However, it is upto the Hon'ble Commission to take the decision.

The Petitioner has further submitted that fixed charges are charged on the basis of Sanctioned Load (SL), as per the Tariff Order. SL is the load the Licensee has committed to supply and is a fair parameter for levying the fixed charges. However, consumer may approach NDPL to revise SL on the basis of his consumption pattern.

The Petitioner has submitted that to compensate reasonable proportion of the total fixed cost incurred by the licensee, it has been suggested that the fixed charge should be uniform upto 5 kw.

The Petitioner has further submitted the minimum charges have been withdrawn by the Commission in 2003-04 and thereafter the tariff was made two part, with fixed charges and energy charges. This is also in line with Electricity Act, 2003. As per present tariff there is no levy of meter rent.

Regarding the cost-based service linked to voltage, the Petitioner has left the matter to the Hon'ble Commission to decide.

### **Power Factor**

The Petitioner has submitted that DISCOMs maintain power factor in their distribution network by installing suitable capacitors in the system to compensate for domestic, agriculture & lower connected load category of consumers, as also for system compensation. It is pertinent to mention that for the default of a consumer defined to maintaining proper power factor, obligates such consumers to own up the responsibility of maintaining correct power factor.

#### **2.1.3 Commission's Views**

#### **Concessional Tariff for Senior Citizens, NGOs including Hospitals**

Regarding 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. The Commission would not like to extend any new concessions since the same would increase the cross subsidy element which would certainly affect the consumer tariff.

### **Cross-subsidy and Differential Tariff**

In the matter of the elimination of cross-subsidy, the Commission agrees that the cross-subsidies need to be reduced and has kept this aspect in mind while determining the category-wise tariffs. At the same time, the consumers should appreciate that elimination of cross-subsidy is a gradual process and cannot be achieved overnight. Also as per the provisions of Electricity Act 2003, the cross subsidy would be gradually eliminated over a period of time. Further, while eliminating cross-subsidy, the Commission also needs to keep in mind the over-riding principle of avoidance of tariff shock to any consumer category. Regarding differential tariff, as per the Policy Direction issued by GNCTD, uniform retail tariff is to be maintained across the state till March 2007.

### **Reduction of slabs in domestic category**

On the issue of the rationalisation of the slabs of domestic category, the Commission believes that tariff rationalisation, as of now, is a dynamic process and it is essential that the same be attempted based on the experience gained over a period of time. There are currently 3 consumption slabs in domestic category, viz. 0 to 200 units, 201 to 400 units, and greater than 400 units per month. The Commission is of the view that a three slab structure on a telescopic basis is appropriate for the domestic consumers. If the slabs are further reduced, there may be a tariff shock for certain section of consumers.

### **Merging of MLHT, NDLT, SIP and LIP consumer categories**

In the matter of the merging of MLHT, NDLT, SIP and LIP consumer categories, the difference in the tariff applicable for these categories is substantial as per the existing category wise tariff. The Commission is of the view that immediate merger of these categories would result in substantial increase in tariff for some categories or substantial reduction in tariff for the others. The Commission is of the view that tariff rationalisation process should not lead to tariff shock for some of the consumers. Besides, merger of the above categories may have practical implementation issues. In view of the above, the Commission has been attempting to reduce the difference in



the tariff between NDLT and MLHT and between SIP and LIP categories in its earlier Orders and has not merged these categories.

### **Concessional Tariff to employees**

Regarding the concessional tariff applicable to the employees of erstwhile DVB, tariff for employees of the erstwhile DVB as well as the number of units for concessional tariff to these employees, the Commission is of the view that the same is governed by the Tripartite Agreement signed at the time of restructuring of erstwhile DVB and privatisation of DISCOMs.

### **Fraudulent Abstraction of Energy (FAE)**

On the issue of FAE calculations, the Commission would like to point out that the issue of FAE is not related to the ARR Petition, and therefore, the Commission is not addressing this issue here.

### **Billing based on kVAh**

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 BRPL 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 encourages 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 such time electronic meters are installed, the kWh-based tariff only shall be applicable.

The Commission has also directed the Petitioner to complete installation of electronic meters for all the consumers, except those, up to 10 kW being supplied on single phase of SIP/NDLT categories.



### **Rationalisation of Fixed Charges**

The Commission had explained the importance of two-part Tariff and the reasons for introduction of Fixed Charges in the previous Orders. While doing so, the Commission abolished the Monthly Minimum Charges (MMC), 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. Also, Utilities rarely record incremental revenue from MMC separately, and hence it is difficult to project the revenue collected through fixed charges.

In view of the objections/suggestions received from the various stakeholders, the Commission has again explored the various options for levying Fixed Charges. 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. In addition to this, some expenses such as meter reading, billing, bill delivery, maintenance etc. are fixed in nature and independent of energy consumption. 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.

*Section 45 (3) of Electricity Act, 2003 also provides for the levy of fixed charges. This Section states that :*

*“(3) The charges for electricity supplied by a distribution licensee may include –*

*(a) a fixed charge in addition to the charge for actual electricity supplied;”*

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 would also like to point out that if fixed charges are removed; the energy charge would increase as the loss in revenue that was being earned by the Licensee by way of fixed charges would have to be compensated for by increasing the

energy charge. Therefore, whether only energy charge is levied or energy charge as well as fixed charge is levied, the same ARR would have to be recovered from the consumers.

The Commission is of the opinion that the best method of levying Fixed Charges 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 proposed to continue with the existing methodology of levying fixed charges.

### **Change of Category from SIP to LIP (Load Violation) and Cost of service linked to voltage**

On this issue, the Commission has already expressed its opinion in the previous Tariff Orders that it wishes to gradually move towards cost of supply. This principle requires that consumers be differentiated as per cost of serving them. Since the cost of serving the consumers depends upon, inter-alia, the voltage at which supply is taken by the consumer, the Commission feels that differentiating consumers on the basis of load is incorrect. Instead consumers must be differentiated with respect to voltage of supply. This issue was a subject matter of an appeal filed by Udyog Nagar Factory Owners Association Vs BRPL and DERC in appeal no. 131 of 2005 before the Hon'ble Appellate Tribunal for Electricity. The Hon'ble Appellate Tribunal for Electricity in its Order dated 31.3.2006 in para number 25 had directed as follows:

#### **Quote:**

*“Logically, the tariff for supply at higher voltages should be lower than the tariff for supply at lower voltages. The Commission also appears to be working on this philosophy and it has initiated the process by differentiating between consumers on the basis of voltage of supply. The difference in tariff based on supply voltage should be based on difference in cost of supply at the respective voltage. However, data on cost of supply at different voltages is not available. The data must be made available to the Commission by the utilities. The first respondent (BRPL) shall be bound to provide the requisite data to the Commission expeditiously, not later than six months from the date of this Order.”*



**Unquote:**

**The Petitioner is hereby directed to furnish this detail as already directed by the Commission in its various Orders and further confirmed by the Hon'ble Appellate Tribunal for Electricity in its above referred Order by within a month of issue of this Order.**

**Power Factor**

The Commission had dealt with the issue of power factor in detail in the last Tariff Order and has decided to continue with the same practice. Accordingly, the Commission has used 0.87 power factor for industrial consumers drawing power at 400 Volts and for industrial consumers drawing power at 11kV, a power factor of 0.85 had been used

**2.2 Tariff Policy**

**2.2.1 Objections**

The stakeholders have mentioned that uniform retail tariff for all licensees in Delhi is anti thesis to the improvement and efficiency in the power sector. Even though the section 60 (3) of Electricity Act, 2003 permits differential tariff depending upon the geographical position and purpose of supply. Therefore in the interest of consumer and electricity sector, differential tariff be framed for consumers of Delhi depending upon the purpose of the electricity company.

The stakeholders have submitted that the energy charges should be based on Cost of Supply (CoS) and cross subsidy should be eliminated. The energy charges of HT consumer should be based on CoS and the tariff should be fixed on the basis of the voltage of the consumer.

The stakeholders have submitted that the roll-back of tariff done last year by the DISCOMs was done without any legal sanction and directions of DERC. The respondent has strongly objected to the proposal of the DISCOMs to amortise the roll back of tariff of the previous year in the present year.

### **2.2.2 Response of the Petitioner**

Regarding the increase in tariff, the Petitioner has submitted that the DISCOMs do not set the tariffs and the tariff is fixed by the Commission after approving the prudent cost.

Regarding the average retail tariff being higher than average cost of generation, the Petitioner has submitted that the distribution cost as factored by AT&C loss, needs to be added to the generation cost while determining the retail supply tariff.

Regarding the categorisation of power used for water supply to flats, the Petitioner has submitted that the energy charges for common facilities in CGHS are billed at the highest slab tariff of domestic category and not non-domestic. This is in line with the Tariff Order.

Regarding differential tariff, the Petitioner has submitted that as part of privatisation process, uniform tariff is to be maintained across the state till March 2007. However, the determination of tariff is the prerogative of the Hon'ble Commission.

Regarding the roll-back of tariff the Petitioner has submitted that there was no such direction by any Court of Law on the orders passed by the Commission. Regarding continuing the same for another year the Petitioner has submitted that the Commission may decide on the subject.

### **2.2.3 Commission's Views**

Regarding the mixed response of the stakeholders for application of tariff for different consumer categories, the Commission has decided to continue with the same philosophy for determination of tariff as specified in the previous Tariff Orders which is also in line with the Policy Directions notified by GNCTD. In view of the substantial difference in tariff between the industrial, commercial and domestic categories, the Commission is of the view that it may not be feasible to have the same tariff for these categories, as it would result in a tariff shock.

The roll back of tariff increase of FY 2005-06 was resorted to by the following two



ways:

- 50% of the tariff hike to all domestic consumers and 100% of the tariff hike to agricultural consumers was met by GoNCTD by way of grant of subsidy.
- 50% of the tariff hike to all domestic consumers was covered by DISCOM adjustment which was to be recovered by the DISCOMs by way of AT&C loss reduction beyond the bid level during the FY 2005-06. The Commission granted liberty to the DISCOMs to resort to this adjustment and approach the Commission at the end of the year in the ARR for FY 2006-07 for dealing with such adjustments in accordance with the extant laws.

## **2.3 Delhi Metro Rail Corporation (DMRC)**

### **2.3.1 Objections**

The stakeholder has submitted that the electricity is drawn from a point of supply of one Licensee which is likely to be distributed and used at different places including the area of supply of other Licensees, so as to avoid any disruption in the passenger and other services performed by DMRC. Keeping this in view, DMRC has requested for a single part tariff based on the nature of consumption and integrated electrical network maintained by DMRC and further recognising that DMRC is a social sector utility for public of Delhi. The Stakeholder has highlighted problems in implementation of two part tariff directed by the Commission in its Tariff Order of FY 2005-06. It has further been submitted that the application of Single Part Tariff to DMRC will not affect any of the DISCOMs as no existing distribution network is being used and therefore, there is no fixed cost to be recovered. DMRC is taking supply from interconnection point at sub-station of TRANSCO or from GENCOs.

DMRC has requested for continuation of the principles adopted in earlier Tariff Orders of the Commission namely that the DMRC's tariff should be based on the cost at which electricity is available to the licensee at the inter-connection points of TRANSCO and it is certainly not dependent on other expenses of DISCOMs other than the said input cost.

DMRC has stated that in case demand charges are to be levied the same needs to be calculated based on the aggregate electricity consumed by DMRC in the NCT of

Delhi drawn from the different distribution licensees and the maximum demand should be calculated based on the consolidated capacity contracted by DMRC for purchase of power from different distribution licensees. Accordingly, neither the maximum demand nor the charges for exceeding maximum demand should be determined in an isolated manner separately for power drawn from each of the distribution licensees or otherwise from each point of delivery under a distribution licensee. Since the interconnection points for supply of electricity to DMRC are essentially at the sub stations or the electrical network of Delhi TRANSCO Limited or directly from the generating company, therefore as per DMRC no inconvenience will be caused to the DISCOMs if the maximum demand is determined in the manner mentioned herein.

It has further been submitted that issue regarding meter reading and payment of charges thereof for commercial establishments' stands settled between NDPL & DMRC mutually and was also ratified by the Hon'ble Commission in Tariff Order for FY 2004-05. The Hon'ble Commission may consider inclusion of estimated consumption by Commercial Establishments.

The stakeholder has submitted that the meters provided at Kashmere Gate record MDI at 15 minutes intervals, whereas at Rithala it is at 30 minutes intervals and despite repeated insistence and representations, NDPL continues to raise bill for violation of maximum demand. This is stated to be not in line with the agreement mutually signed between DMRC and NDPL.

### **2.3.2 Response of the Petitioner**

The Petitioner has submitted that NDPL is calculating maximum demand of DMRC based on simultaneous maximum demand at ISBT & Rithala Stations, providing flexibility to draw power from either of these stations, subject to the condition that simultaneous maximum demand should not exceed the contract demand.

It has further been submitted that fixation of tariff is the prerogative of the Hon'ble Commission. DMRC has been making payment for commercial load based on its own assessment of commercial energy. NDPL in its meetings with DMRC and also

through letters has been requesting for appointment of an independent agency such as National Productivity Council to assess the actual commercial load at stations from the traction load. However, DMRC has refused to the proposal repeatedly. Accordingly, the Hon'ble Commission may direct DMRC to cooperate for assessment of its commercial load by third party, NDPL.

The Petitioner has further submitted that meter at Kashmere gate is as per ABT regime (recording at 15 minute interval) while the meter at Rithala records MDI at 30 minutes interval. DMRC has been requested to provide space for installing metering equipments in its grid at Kashmere Gate as it is not possible to do so in TRANSCO's 220 KV grid. DMRC has refused to provide space. Enhancement of contract demand for 9 MVA to 11 MVA as Kashmere Gate Station with current metering system i.e. MDI of Kashmere Gate at 15 minute interval and MDI of Rithala at 30 minute interval where as proposed agreement say simultaneous MDI is to be measured at 30 minute interval. This is posing a contradiction in agreement against the actual site condition thereby creating a deadlock for enhancement of load by NDPL.

### **2.3.3 Commission's Views**

The demand charges were introduced by the Commission as component of two part tariff in its last Tariff Order for DMRC based on the philosophy as applied to other consumer categories and the same is in line with the provisions of the Electricity Act, 2003. The Commission has decided to continue with the same two part tariff philosophy.

The Commission is aware that DMRC is an essential service being serviced by different distribution licensees within same State of Delhi. With increase in number of distribution licensees, the problem of Simultaneous Maximum Demand will be more acute. Intra-State ABT is yet to be introduced in Delhi. On introduction of Intra-State ABT such over draws shall be dealt with as UI charges. For the present, the increase in load is being treated as exceeding the sanctioned load and accordingly a higher demand charges are being levied. The Commission notes a reasonable logic in the argument of DMRC. To overcome the issue of over draws of DMRC in the event of power failure in one DISCOM area which is a force majeure condition, the other licensee subject to technical capabilities shall supply power to DMRC with Metro



Rail being an uninterrupted service. The Fixed charges shall be recovered on normal basis only and the DISCOM which provides alternate supply shall receive prorata fixed charges from the other licensee for the period of such supply. Further the Energy charges shall be recovered by the DISCOM which actually supplied power to DMRC. Similar treatment shall be adopted in case of Railways as well.

## **2.4 Cooperative Group Housing Societies (CGHS)**

### **2.4.1 Objections**

The stakeholders have submitted that the rebate given to Domestic 11kV CGHS Single Delivery Point Connection holder at 15% should be enhanced to at least 30% so that the tariff for consumers getting supply at higher voltages is lower than that for lower voltages thus providing benefit to the HT consumers. This is on account of the fact that cost of supply at higher voltage is comparatively lower than that for lower voltage. Further the expenses on R&M, in-house metering, billing etc is being borne by CGHS.

It has been opined that the single rate tariff for consumers of CGHS, Single Point Delivery (SPD) connection is loaded in favour of high end consumers and the rates are fairly high for low end consumers with consumption below 400 units per month. It has been requested that tariff for domestic be made appreciate in SPD society flats with CGHS management and constituent consumers having flexibility to decide minimum charge and common service charges.

It has also been submitted that levy of fixed charges is unjustified in case of Domestic 11 kV CGHS SPD connection where the initial capital cost for the entire system including transformers etc is provided by CGHS and the system is being maintained by CGHS /RWAs at their cost only. In case for specific reasons the Petitioner wants to continue with the fixed charges, the MDI reading should be the basis of the calculation instead of the sanctioned load since the diversity factor is high.

It has been suggested by some stakeholders that CGHS consumers getting supply at 11 KV must be billed at procurement cost plus 10% carriage cost since there is no theft at that level.

### **2.4.2 Response of the Petitioner**

For 11 KV CGHS connection, the Petitioner has submitted that it is done as per the Tariff Order issued by the Commission. The provision for capacity in the system has to be kept to meet the sanctioned load at any point of time as the drawl of load upto the sanctioned load is at the discretion of the consumer.

The Petitioner has submitted that CGHS SPD connections are receiving 15% rebate in energy charges due to the fact that they are receiving supply at 11kV. However, NDPL is of the opinion that this rebate is more than sufficient.

The Petitioner has further submitted that fixed charge is the charge recoverable towards the expenses of maintaining the infrastructure right from receiving energy from grids at HT level upto consumer end. The tariff structure is maintained uniformly across all metered categories. This is in line with Electricity Act 2003 and also exists in other states which are higher than Delhi in some categories.

### **2.4.3 Commission's Views**

The Commission is of the opinion that the 15% discount is appropriate to represent the savings to the Utility on account of lower losses, savings in metering, billing and collection expenses, and has decided to continue with the rebate at this level.

The Commission would like to reiterate that the Fixed Charges levied on the consumer is to recover the fixed cost incurred by the Petitioner for establishing and maintaining the distribution system in meeting the load requirement of the consumer.

## **2.5 Data Inconsistency**

### **2.5.1 Objections**

The stakeholders have submitted the following data insufficiency in the ARRs:

- NDPL bill collection is more to the extent of Rs.300 Crore during the year whereas surplus projected is only Rs 28 Crore.
- Regarding customer complaints, information pertaining to complaints received and complaints answered have been provided but data on settlements has not been given.

- Reliability reported to the tune of 99% by all DISCOMs is not matching with ground realities thereby, some parameter needs to be reformulated.

### **2.5.2 Response of the Petitioner**

The Petitioner has submitted that the increase in bill collection amount is with respect to previous year. However, the surplus is due to NDPL's surpassing the regulatory targets during FY 2005-06 for AT & C Losses.

Regarding the issue of customer complaints, the Petitioner has submitted that NDPL is maintaining all the information and data related to Consumer Complaints Redressal, but it is not made a part of the ARR petition.

The Petitioner has further submitted that the reliability index of the order of 99% does not indicate the supply interruptions due to power availability shortage as same is arranged by TRANSCO and does not include interruptions due to under frequency relay operations and under load shedding at the instance of SLDC.

### **2.5.3 Commission's Views**

As regards the concerns relating to data insufficiency in the ARRs showing expenses and revenue surplus estimations/projections of the Petitioner, the Commission has examined the petitions critically after receiving the required data and has accepted the petitions with due regard to the provisions of the Act as well as the ARR and Tariff Guidelines issued by the Commission. The details submitted are subjected to scrutiny and are discussed under various heads in this Order.

Regarding the consumer complaints, the Commission has separately notified the complaint handling procedure in the year 2002 which relates to the detailed procedures in respect of consumer complaints and is dealing with this accordingly. The Commission had also notified the Regulations for Consumer Grievance Redressal Forum and Ombudsman as early as in 2003. These Forums are in operation for over two years in mitigating the grievances of the consumers.



## 2.6 AT&C Loss Reduction

### 2.6.1 Objections

The stakeholders have submitted that AT & C Loss includes the commercial losses, including unpaid bills of consumers and have sought clarification on the status of major defaulters and the action taken thereof.

The stakeholders have submitted that the Commission should emphasise the Petitioner to further reduce the AT&C Loss by 10% in FY 2006-07 and GNCTD and Delhi Police may be requested to help the DISCOMs in this regard. It has also been submitted that there are still a large number of tappings from the main LT Switch Gears installed inside the prohibited area of the BRPL substations. It has been suggested that areas in which AT&C losses are below 20%, should be spared from load shedding to encourage AT&C loss reduction in other areas as well.

It has been expressed that post privatisation the DISCOMs have reported changes in consumer profiles in their respective service areas. Since the computation of AT&C loss level is linked to the consumer profile, the AT&C loss reduction figures as reported may not be accurate.

The stakeholders have also submitted that the Commission should take strong action against the Petitioner for their ineffectiveness to plug losses as the consumers have to suffer for the inefficiency of the DISCOMs. The stakeholders are of the views that with honest and sincere efforts are made by the DISCOMs, these losses can be plugged and the increase of tariff can be checked. Some of the stakeholders have opined that there appears to be no incentive for the DISCOMs to bring down AT&C losses, as these losses are borne by the consumers. It has been suggested that to the extent a DISCOM fails to achieve its target, the shortfall in revenue should be borne by the DISCOM itself. It has also been submitted that as already suggested the DISCOMs should be directed to contact BHEL to know the technology which has been developed to reduce AT&C losses and achieve better financial results, but no action has been taken in this regard.

The stakeholders have also submitted that the Petitioner has projected the AT&C losses only at the bid level for the current and ensuing financial year. However, to give a clear picture, exact level of AT&C losses that has been achieved by the Petitioner must be taken into account. It has been expressed that the Petitioner has done a commendable job in improving the collection efficiency but it is surprising to note that it is not able to recover electricity dues to the tune of approximately Rs 9.2 Crore from various government departments and agencies. In the opinion of the stakeholders, these departments must be treated like any other consumer and suitable action should be initiated against them.

The stakeholders have further submitted that in a study commissioned by the Delhi Government at the time of privatisation, it was reported that the technical losses of erstwhile DVB were only 8.6 % whereas commercial losses were 45.3 %. It is a matter of common knowledge that commercial losses can be reduced by toning-up the management whereas technical losses would require capital expenditure to achieve the targeted levels of loss reduction. The stakeholders have been of the view that the reduction in AT&C losses is very low and the Commission may direct the Petitioner for curtailment of losses and other expenses to generate revenue surplus. One of the stakeholder has even suggested that no new electricity connection may be granted by DISCOMs till AT&C losses are brought down to 10% and there is surplus energy available.

The stakeholders have also submitted that the Petitioner has assumed committed level of AT&C losses at 31.1% for the ensuing year but in view of the past trends, the Petitioner should take into account higher level of loss reduction.

It has also been submitted that Public Representative Cell should be arranged to check the Petitioner's invisible losses and an Internal Audit System may be introduced under the Public supervision to avoid theft and invisible losses being caused by NDPL.

### **2.6.2 Response of the Petitioner**

The Petitioner has submitted that it has always attempted to give priority in power supply to paying consumers to the extent the events are under its control. The

Petitioner has submitted that it would continue to strive to exceed its AT&C targets and would share the benefits with consumers in a transparent manner.

The Petitioner has further submitted that it had 53% losses at the time of taking over in 2002 still it has managed to reduce the losses to less than 30% in four years, which is a record in itself. Any further loss reduction without social and Govt. Assistance will entail heavy investment and consequent impact in tariff.

### **2.6.3 Commission's Views**

The Commission would like to highlight that 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 based on the opening AT&C loss taken for the purpose of bidding 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 AT&C 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 which are binding on the Commission. With regard to the re-examination of the validity of AT&C loss as a measure, the Commission would like to inform the respondents that the Commission is bound by the Policy Directions issued by the GNCTD.

For regular monitoring of AT&C losses, **the Commission has directed the DISCOMs to provide the break up of energy input to the DISCOM supply area, energy sold by the DISCOM, energy billed by the DISCOM and the revenue realisation against billed energy and the district wise AT&C losses on a monthly basis to the Commission within fifteen days after the end of each month.**

## **2.7 Prepaid Metering**

### **2.7.1 Objections**

The stakeholders have submitted that prepaid metering is hardly to succeed unless paying capacity of the consumers gets fillip after economic uplift in the country. The proposal could remain in the coldrum.

The stakeholders have submitted that consumers opting for pre-paid meters should be offered 20% discount on the amount of payments made before the due date. The stakeholders have also submitted that prepaid meters may be introduced on optional basis with the consent of consumers. It can be made applicable to temporary connections for short term requirement.

### ***2.7.2 Response of the Petitioner***

The Petitioner has submitted that it has proposed discount for pre-paid meters to the Hon'ble Commission in order to promote the use of pre-paid meters.

The Petitioner has submitted that discount for pre-paid metering is the prerogative of the Commission.

### ***2.7.3 Commission's Views***

The Commission is of the view that as per the CEA (Installation and Operation of Meters) Regulations, 2006, the consumer meters which also include prepaid meters shall bear BIS mark and made the other requirement of said Regulations. The DISCOMs are required to furnish the relevant details to confirm the compliance of prepaid meters to said CEA Regulations before prepaid metering can be envisaged for implementation. Further modalities in regard to the technical and financial aspects associated with prepaid metering including the discount etc, have to be outlined by the DISCOMs in the detailed scheme to be submitted for consideration of the Commission with regard to implementation of prepaid metering.

## **2.8 Enhancement of load of consumers based on ACD**

### ***2.8.1 Objections***

The stakeholders have submitted that consumers should be able to get their load enhanced by slashing charges to Rs 200/- and abolishing other cumbersome formalities. They have also submitted that enhancement of load on the basis of ACD should be based on perpetuity without any precondition unless change of service line/meter is involved. Even otherwise umpteen measures are there to know the load of consumption by the DISCOM and unfair means to penalise the consumers on every catch does not behoves good on the DISCOM/DERC. Enhancement of load is not a curse but a need to fulfil the requirement of a consumer.



### **2.8.2 Response of the Petitioner**

The Petitioner has opined that load enhancement should be done automatically according to the consumption pattern. This will help them to plan/augment the system network to meet to load demands, improve reliability and reduce AT&C losses. This will also avoid unnecessary inconvenience to the consumers in completing the formalities.

### **2.8.3 Commission's Views**

The Commission would like to point out that this issue is not related to the ARR of the Licensee. Therefore, the Commission will not deal with this issue as part of this Order. The Commission will deal with this issue while revising the Performance Standards (Metering and Billing) Regulations.

## **2.9 Fuel Adjustment Charge**

### **2.9.1 Objections**

The stakeholders have submitted that fuel adjustment charge should be abolished. The fuel adjustment charges could be adjusted in the purchase tariff of electricity by the Petitioner.

### **2.9.2 Response of the Petitioner**

The Petitioner has submitted that FAC will help the utilities in recovering the increased in fuel cost, which is beyond their control. This concept is already prevailing in other States.

### **2.9.3 Commission's Views**

The Commission has not considered the issue of fuel adjustment price formula in this ARR and followed the same methodology as per the existing practice.

## **2.10 Information required for Analysis**

### **2.10.1 Objections**

Apart from the audited accounts for FY 2005-06, the stakeholders have asked for the following information for further analysis:

- For Sundry Debts:
  - i. Age-wise debtors as on 31.3.2006



- ii. Action taken by DISCOMs for recovery of these sundry debts
- iii. Details of Recovery suits filed by the DISCOMs, if any, for recovery of the debts
- Details of employees/officers appointed after 1<sup>st</sup> July 2002
  - i. Name and Designation
  - ii. Date of appointment
  - iii. Wages and perks on appointment
  - iv. Present wages and perks
  - v. New pay structure as applicable to these employees and whether this pay structure has approval of DERC.
- Cost Benefit Analysis of VRS Scheme, impact on various heads of expenditure and finance.
- Cost Benefit Analysis of the schemes for augmentation of power transformers and other associated equipment of the Grid Stations.
- Cost Benefit Analysis of mass replacement of energy meters.
- Details of capital investment on transformers, underground cables, charges the DISCOMs had paid to MCD in respect of road cutting and road restoration, and expenditure incurred on HVDS system and the financial gains arising out of enhanced capital expenditure on system improvement works.

### **2.10.2 Response of the Petitioner**

As per the Petitioner, it has submitted all information and documentation, as per the prescribed formats, as and when required. Detailed information of establishment cost has already been provided to the Commission.

The cost-benefit-analysis of the VRS scheme has been provided to the Hon'ble Commission. Further, the Commission is not allowing expenditure beyond the level at which expenditure would have been incurred if the VRS had not been implemented.

The Commission approves all CAPEX schemes, including procurement of meters, after considering cost-benefit-analysis of such schemes. The details of entire CAPEX proposal is provided to the Commission, which approves the same after due consideration of the benefit accruing out of the incurrence of such CAPEX.

### **2.10.3 Commission's Views**

On the issue of submission of the audited accounts along with the ARR Petition, the Commission is of the opinion that it is not possible for the Petitioner to provide the audited accounts for the year FY 2005-06 along with the ensuing year petition i.e FY 2006-07, as according to the Commission's Guidelines for Revenue and Tariff Filing, the ARR Petition for the ensuing year i.e FY 2006-07 was to be filed before 31st December of the year FY 2005-06, and the audited accounts are finalised only after the completion of the financial year FY 2005-06.

In regard to the other information, the Commission would like to bring to the notice of the stakeholders that significant information has been exchanged with the utilities in an iterative process during technical sessions in order to fill the data gaps in the respective ARR Petitions. The information so furnished to the Commission is available for inspection by any stakeholder and copies of relevant documents can be obtained in accordance with DERC (Comprehensive Conduct of Business) Regulations 2001.

## **2.11 Railways Traction Tariff**

### **2.11.1 Objections**

Northern Railways have submitted that the Petitioner should keep the energy charges at low rates for Railway's Electric Traction as the Railways are making timely payment, drawing uninterrupted uniform supply day/night, contributing negligible technical and commercial losses etc. It has been further submitted that the energy charges should be based on the depreciated cost of the assets, full adjustment of subsidy and cross-subsidy, cost of energy purchased by the Petitioner from Central/other agencies i.e. NTPC etc, wheeling charges including reasonable profit etc. The traction tariff of Rs.3.75 per kVAh charged by the Petitioner is stated to be high as compared to traction tariff charged by NTPC at Rs 2.70/unit and UPCL at Rs 2.90/unit.

The stakeholder has stated that as per the National Tariff Policy notified by Ministry of Power, GoI, the electricity tariff should progressively reflect the cost of supply and

a Road Map for bringing tariffs within  $\pm 20\%$  of Average Cost of Supply by 2010-11 is desirable.

The stakeholder has also submitted that the demand charges currently being levied @ Rs 150/- per KVA are unreasonable and high as compared to other neighbouring states, for example Punjab State Electricity Board (PSEB) has single part tariff and no demand charges and Haryana Vidyut Prasaran Nigam Limited (HVPNL) levies demand charges @ Rs 60/- per KVA. It has been stated that Railways is one of the largest consumers of electricity and makes additional investment to erect and maintain infrastructure to supply 25 KV to traction network, undertakes reliability measures, and provides capacitor banks to improve power factor and cost of all these investments add to per unit cost besides tariff. Therefore, such high demand charges should not be levied and in case these demand charges are inescapable, these must be brought down to Rs 60/- per KVA. Also, the billing demand should be 65% of the contract demand or recorded demand, whichever is higher during the month in line with similar clause existing in traction tariff levied by HVPNL.

The stakeholder has further submitted that they are required to pay penalty charges at a very high rate i.e. if Maximum Demand Indicator (MDI) reading exceeds the contract demand; a surcharge of 30% is levied on the demand charges corresponding to excess demand for such billing cycle. It has been explained that as Railways have no control over incidents that cause the maximum demand to exceed for a short spell only, the clause of penalty charges may be withdrawn or else a reasonable cushion in percentage form of Contract Demand may be permitted over and above the contract demand for a short duration before applying the clause of load violation charges.

The stakeholder has submitted that Railways being a mega Central Govt. Organisation, Security Deposit/Advance Consumption Deposit (ACD) were not applicable to Railways before privatisation of DVB and the same position may be restored for new connections/revision of Contract Demand.

The stakeholder has also submitted that the Petitioner should align the rates of energy and demand charges with that of DMRC since both are working in the transport



sector (DMRC is charged @Rs 2.30/unit while Railways is charged @Rs 3.75/unit).

The stakeholder has submitted that a time-bound schedule may be formulated for the revision of contract demand for Railways' traction load and that it should be revised within 30 days from the date of application by Railways. Also, the Petitioner should provide incentive to Railways for making timely payment as is being given by NTPC @ 2.5% to its consumers.

Further submission of Railways is;

- Electricity Duty/Tax should not be levied on the Railways as per the provision of Article No. 287(a) & (b) of the Constitution of India.
- At least one month's time should be given for payment of bills from the date of bill receipt.
- Consolidated single bill should be issued incorporating the consumption of all the connections under one Dy. GM.
- Time limit should be specified for replacement of defective meters.
- Minimum time should be fixed for release/enhancement of the connections.
- Revision of contract demand should be made effective from the date of application without linking it with other issues.

### **2.11.2 Response of the Petitioner**

The Petitioner has submitted that fixation of tariff is the prerogative of the Hon'ble Commission. It has further been stated that tariff for all other categories were increased in FY 2005-06 but Railway tariff was not increased.

The principle of two-part tariff and recovery of fixed charges is line with Electricity Act 2003. Railway's Tariff is already less than industrial tariff. Further reduction in tariff including penalties is the prerogative of the Hon'ble Commission.

Regarding the ACD, the Petitioner has submitted that the Hon'ble Commission may decide on this matter. All other Government Departments including Delhi Government, DMRC, DJB etc have been paying ACD which is required for meeting the DISCOMs working capital requirement as it has to pay every 7<sup>th</sup> day to Transco and recovers revenue after 45 days from the consumer.

Regarding the time bound schedule for revision of contract demand for railway traction loads, the Petitioner has left the matter to the Hon'ble Commission to decide.

### **2.11.3 Commission's Views**

The Commission acknowledges the service provided by the Railways to the nation and the importance of electricity tariff in the functioning of the Railways. The Commission would like to point out that in accordance with the EA 2003 and the policies prescribed from time to time, the Commission is attempting to reduce the prevailing cross-subsidy by increasing the tariff for subsidised categories in higher proportion as compared to subsidising categories, so that the differential between the tariff for subsidised and subsidising categories is reduced. However, it must be appreciated that cross-subsidy cannot be eliminated overnight. Cross-subsidy will be gradually reduced over a period of time. Further, while eliminating cross-subsidy, the Commission also needs to keep in mind the over-riding principle of avoidance of tariff shock to any consumer category.

The Commission has also examined the request of the Railways to exempt them from the payment of penalty charges on overdrawl considering the unique nature of traction load. In the Tariff Order dated June 9, 2004, the Commission has specified that whenever 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. The Commission would like to point out that such a surcharge is necessary for all consumers as the Utilities have to plan in advance to cater to the load of the consumers including the Railways. In case of over drawl of electricity by any consumer, the Utility has to arrange for additional power from costlier sources to meet the demand of the consumer.

Regarding the Advance Consumption Deposit (ACD), the Commission would like to point out that the issue of ACD is not related to the ARR Petition, and therefore, the Commission is not addressing this issue here.

With regard to Tariff Design, the fixed and energy charge for various categories are

decided duly taking into account the existing cross-subsidy, current AT&C loss level etc. The Commission is already making efforts to reduce cross-subsidy. Further, attempts will be made to rationalise the tariff in line with the Electricity Act 2003, National Tariff Policy etc., with the overall improvement in the electricity supply industry over a period of time.

On the issue of Simultaneous Maximum Demand, the same treatment will be followed as has been explained in case of DMRC.

In the context of tariff equivalent to DMRC, the Commission has proposed to continue with the existing level of demand as well as energy charges for the FY 2006-07.

## **2.12 Street Lighting**

### **2.12.1 Objections**

The stakeholders have submitted that the Petitioner has claimed that the street lighting is being maintained at an average level of 97% but in certain industrial areas the street lighting level is stated to be maintained at an average level of 20-40% only. The stakeholders have suggested that the Petitioner should install solar streetlights at a lesser distance to save power

As per MCD, it is not correct to point out that MCD is not making payments to DISCOMs towards energy consumption of semi-high mast lights. MCD has paid Rs. 1.68 Crore for the period upto March 2004 and Rs. 3.97 Crore for the period April 2004 to January 2006. Further, an amount of Rs. 18.55 lakh has been paid for the month of February 2006 for the said semi-high mast lights.

MCD has also stated that it has been making payment to DISCOMs for street lighting based on joint inspection reports as per DERC order dated 16.03.2004. With regard to payment towards street lighting points installed from MLA funds, the required documents regarding date of energisation and verification by field staff is still awaited. The payment pertaining to LT bills is being paid as and when the bills are received for payment after verification.

### **2.12.2 Response of the Petitioner**

Regarding street lighting, the Petitioner has submitted that operationality of street lighting is jointly inspected by MCD and NDPL before the collection is made by MCD to NDPL. The operationality of street lights has improved significantly from 50% at the time of takeover to 99% as on date. However determination of tariff is the prerogative of the Commission.

### **2.12.3 Commission's Views**

Regarding installation of solar streetlights at a lesser distance to save power, the Commission directs the Petitioner to study the feasibility of the same with the cost benefit analysis and examine the same in consultation with the land owning agencies. Thereafter the schemes could be submitted to the Commission, in case any ARR/Tariff issues are involved. The matter for payment of material used in maintenance of street lights is under discussion with all concerned agencies

## **2.13 Miscellaneous Issues**

### **2.13.1 Objections**

The stakeholder has submitted that the service and response time for fault reports should be indicated by the Petitioner. The stakeholders have submitted that the bill or the counterfoil returned with the payment of bill should have space so that consumers can fill in their response to the Petitioner.

The stakeholders have submitted that “Meter Self-Reading” (by the consumer) scheme be introduced. This would curtail the billing expenses incurred by the DISCOMs. The stakeholders are of the view that as the cost of preparing and distributing bills remains high, the domestic consumers should be allowed to make payments each month based on self-readings to bring down the expenditure under this head.

The stakeholders have submitted that there is large number of illegal commercial establishments in residential colonies and they are consuming a large amount of power from the legitimate share of the residents. The power tariff for such illegal commercial users (having load more than the normal residential load) in the



residential colonies should be charged at rates higher than the prevailing commercial rates since they are not authorised to run commercial establishments in the areas meant for residential use only. It has been stated that the requirement of power is increasing day by day due to growth of commercial establishments which necessitates additional power procurement at a high cost so this additional burden should be charged from commercial establishments.

The stakeholders have further mentioned that the DISCOMs are granting electricity connections to vast numbers of illegal persons, encroachers and unlawful colonisers in unplanned developments and for this, electricity meant for persons in the planned areas with lawful land is being diverted. Despite numerous time bound directions of the Superior Courts, including the Hon'ble Supreme Court of India, to electrically disconnect such persons, no genuine effort has been made to implement these Court orders.

The stakeholders have submitted that the cooperation and continuous support received from the consumers, associations/federations help the DISCOM companies in reduction of theft of energy in their respective areas. All surcharges and collection levied in theft of energy must be passed on to the honest consumers. Such collections are not shown as receipt by the DISCOM Companies.

The stakeholders have submitted that there are many instances that faulty meter/burnt meter/meter with no display are not replaced immediately on complaint but instead the consumers are put to hardships in so much so that the charges of 'seems to be fictitious/theft' are remarked only on physical verification without downloading the data from meter and taking no laboratory test. It has been suggested that without ascertaining the theft from data of meter, no adhoc bill be raised but the supply be restored immediately by installing another meter so that consumer does not suffer. It has also been submitted that little care has been taken by the Petitioner with regard to the billing complaints. A set time frame should be given to such complaints. The surcharge should not be levied when the billing complaint is lying pending and in case the consumers have been regularly paying the monthly bill calculated by him.



It has also been submitted that the projected level of Fringe Benefit Tax (FBT) is very high and is not as per the Act passed.

The stakeholders have submitted that on going through earlier orders of the Commission, it is noticed that the component of fixed charges has been taken into account while allowing the incentive to the Distribution Companies on account of over-achievement. The fixed charges are not the ingredients of the AT&C loss reduction by Distribution Companies. The amount of fixed charges, therefore, be separated while calculating the incentive for over-achievement of the Distribution Companies and the same principle be adopted in the previous orders as well.

TRANSCO has submitted that Policy Directions dated 22<sup>nd</sup> November 2001 read with 31<sup>st</sup> May 2002 nowhere stipulate determination of Bulk Supply Tariff on the basis of paying capacity of DISCOMs.

It has also been submitted that legal claims on account of Uphaar tragedy should not be allowed to be passed on to the consumers through ARR. The Petitioner has requested that an amount of Rs 0.57 Crore, not claimed as a separate item under the head 'Legal Claims' be allowed by the Commission.

The stakeholders have submitted that the DISCOMs themselves have taken contrary stands in different matters concerning their being private/Govt. company. While on the one hand the DISCOMs have challenged the Central Information Tribunal order regarding applicability of RTI Act on the ground they are private companies while on the other hand, they are seeking APDRP grants/soft loans, which are primarily meant for Govt. companies.

The capital city of Delhi should have a well laid and sound distribution system with effective safety devices. Some of the stakeholders have stated that cumbersome formalities are still the order of the day for consumers. It has been stated that uniform retail tariff in all the three DISCOMs is an incentive for non-performance. Further fuel adjustment charge will be a burden on the consumers and is not called for.

The stakeholders have suggested that Demand Side Management should be emphasised and subsidies must be abolished. The use of solar water heating system should be encouraged and wasteful consumption of electricity be penalised

It has also been submitted that the Petitioner should not be allowed more legal expenses instead they should be asked to improve their services, reduce billing errors which have grown over a period of time. They should also be asked to improve their Grievance handling system. Their offices of higher officials should not be like jails where meeting the higher officers are an uphill task to put forward the grievances by the consumers. Also Consumer Grievance Redressal Forum (CGRF) of the Petitioner needs drastic improvement and should meet on weekly basis and should tackle grievances for all types of cases including misuse and theft.

The stakeholders have also submitted that computer expenditure on consumables is very high and needs proper rationalization before approval.

It has also been submitted that load forecasting should be done by the internal staff of the Petitioner and not by any outside agency.

The stakeholders have submitted that NDPL has renovated basement of their offices at Hudson Lines and Shakti Nagar. Use of basement by Electricity Company is the violation of master plan and building bye-laws. A number of residential buildings in Hudson Line are used as office spaces, which is violation of the law. Necessary directions may be issued by the Commission.

The stakeholders have submitted that expenditure shown towards legal expenses is on the higher side and the DISCOM should provide a break-up of this expenditure.

It has also been submitted that expenditure on repair of burnt transformers, totalling to Rs. 1.5 Crore should not be allowed as the company has taken an industrial all risk policy of insurance and any burning of transformers, which is an accident, should be compensated by the insurance company.

The stakeholders have submitted that the Petitioner is not computing the bill strictly on bi-monthly slabs which is essential in terms of rules and regulation. The Petitioner is computing bill on multiple factor of 1.1, by virtue of which the consumers are getting higher bills. The Petitioner may be directed to submit the relevant data as to how they are calculating the energy charges.

The stakeholders have submitted that special capital expense may be allowed to ensure that energy supply to traffic signals and water pumping stations do not fail under any circumstances. However, supplies to illegal bore wells of Delhi at subsidised rates may be disconnected forthwith.

### **2.13.2 Response of the Petitioner**

Regarding the service and response for fault reports, the Petitioner has submitted that it has provided the reliability indices clearly in terms of CAIDI, SAIDI & SAIFI which represents service and average response time for faults in its ARR, which also shows there is a significant improvement in FY 2005-06 over FY 2004-05.

Regarding the issue of theft, the Petitioner has submitted that it has booked large scale thefts in JJ Clusters and also installed HVDS, LT ABC to prevent pilferage. Enforcement raids are conducted regularly to tap the losses due to tempering and direct thefts. The connection in JJ Clusters is given through 20 Amps MCBs which restricts the electric connection to limited usage. It has further been submitted that NDPL has been making aggressive efforts to curb thefts through enforcement raids regularly. For installing meters on poles, technological feasibility is being established and being undertaken on situation specific basis.

Regarding the issue of outstanding dues of Govt./PSU establishments, the Petitioner has submitted that efforts for recovery of dues from Govt. Departments/PSUs have been increased and the recovery has also increased to a level of 90% in the FY 2005-06.

Regarding the audit of accounts, the Petitioner has submitted that Statutory Audit of Accounts is done on regular basis and the Annual Accounts of NDPL are published only after due process.

Regarding tapping at the mid point of overhead lines (O/H), the Petitioner has submitted that this suggestion of the consumer regarding tapping at the mid-point of the O/H, underground cable is a electricity distribution practice aspect and hence can be discussed mutually between the NDPL and the consumer.

Regarding meter rent, the Petitioner has submitted that meter rent is within the purview of the Commission. However, it may be mentioned that the fixed charge is the charge recoverable in line with Electricity Act 2003.

Regarding illegal tapping by unauthorised structures, the Petitioner has submitted that construction of unauthorised structures is in the purview of civic bodies.

Regarding the providing of electricity line, poles and plant or meter, the Petitioner has submitted that any source of financing, be it equity or debt entails cost to service the same which gets built into the tariff. Benefit of any soft loan or grant is for the consumer and is fully passed on to the consumer by way of lower servicing costs.

Regarding the legal charges, the Petitioner has submitted that details of expenses have been submitted to the Hon'ble Commission. NDPL engages lawyers/law firms depending on the sensitivity of the case. Large amount of the legal expenditure is incurred due to higher no. of cases filed by the consumers. NDPL is making efforts to curb this expenditure. However, help of consumers is required in this case to settle the case amicably or availing the facility like CGRF. We would like to inform you that expenses have been submitted /scrutinized by the Hon'ble Commission.

Regarding the residential buildings in Hudson Lines being used by NDPL for office space, the Petitioner has submitted that its operation in the residential areas provides better convenience to its consumers and employees. It is however informed that if the operation would take place in Commercial areas/complexes, the cost of operation would be higher and will have adverse impact on tariff. NDPL's plans for corporate office are under approval and such a facility is needed for housing personnel.

Regarding the cable jointing work, the Petitioner has submitted that OEMs provide warranty for the service they provide irrespective of getting the work done by any

contractors. The analysis on these is done regularly and the repetitive faults are rare in NDPL.

Regarding the expenditure on repair of burnt transformers, the Petitioner has submitted that all proceeds from insurance are netted off against expenditure incurred on repair of the asset. This obviously results in reduction in expenditure; hence question of double expenditure does not arise. Further, it shall be appreciated that any insurance is to be taken based on thorough analysis of risk and cost involved to cover the risk.

Regarding Superior Courts' direction to disconnect illegal connections, the Petitioner has submitted that NDPL has fully complied with the Hon'ble Supreme Court and Hon'ble High Court Orders and has extended full support to MCD/DDA.

Regarding the special capital expense to ensure energy supply to traffic signals and water pumping stations, the Petitioner has submitted that for traffic signals, the loads are small and cannot be isolated from the distribution network. Necessary back up arrangements may be done by Delhi Police for this. Water pumping stations are fed through priority feeders which are not resorted to load shedding. Legality of bore wells does not fall under the purview of NDPL.

Regarding TRANSCO's objection of determination of bulk supply tariff on the basis of paying capacity of DISCOMs, the Petitioner has submitted that it is surprising to note that TRANSCO is raising such a fundamental query after lapse of four years of reforms. TRANSCO is advised to read the clause 4.1.1 of the NDPL Tariff Order dated 7<sup>th</sup> July 2005, wherein Hon'ble Commission has explained the matter in the most lucid manner. Similar references are available in the past Tariff Orders of DERC as well.

Regarding self-meter reading, the Petitioner has submitted that it would appreciate any suggestion to improve the metering and billing efficiency and convenience to consumers. It is with this objective only that NDPL has been propagating to introduce the prepaid meters with notional rebate. In case of MTNL, metering is done centrally



at the end of MTNL. Same does not happen in case of electricity. It may not be prudent to compare the functioning of telecom and that of electricity utility.

### **2.13.3 Commission's Views**

Regarding the issue of service and response time for fault reports, the Commission would like to inform the respondents that the Petitioner submits the service and response time for fault reports in the formats specified by the Commission.

The Commission has taken note of the suggestion of the respondent regarding providing enough space on the bill to fill in response and advises the Petitioner to explore the feasibility of the same.

The Commission has no jurisdiction over the issue of illegal commercialisation in residential colonies. The Licensees are, however, directed to comply with the Orders/directions of Hon'ble Courts in this regard.

With regard to the surcharges and collection for theft to be passed on to the honest consumers, the Commission clarifies that the entire revenue earned from all the sources by the DISCOMs which includes the revenue from the theft is considered while determining the ARR of DISCOMs and fixes the tariff accordingly.

On the issue related to metering and billing, the Commission would like to clarify that this issue does not relate to ARR and will be taken up separately while revising the Metering and Billing Regulations.

Regarding FBT, the Commission would like to inform the respondents that FBT has been considered in the ARR as per provisions of the Income Tax Act 1961.

In respect of the issue of incentives for overachievement, the Commission would like to inform the respondents that the overachievement amount is worked out based on the billed amount as per the Policy Directions.

Regarding the issue of determination of bulk supply tariff, the Commission would like to reiterate that the GNCTD mandated the Commission vide Policy Directions dated

22<sup>nd</sup> November 2001 to determine the bulk supply tariff applicable to each of the three DISCOMs for purchase of electricity from TRANSCO. The Commission vide its Order dated 22<sup>nd</sup> February, 2002, for determination of Bulk Supply Tariff, enunciated the paying capacity concept to maintain the uniform retail supply tariff throughout the area of supply of the 3 DISCOMs as stipulated in the Policy Directions.

The Commission would like to bring to the notice of the respondents that as per the recent notification by the Chief Information Officer, Government of India, RTI Act is applicable on the DISCOMs also. However, the High Court of Delhi by its Order has stayed the notification.

Regarding APDRP funds, the Ministry of Power, GoI, is not extending any APDRP grant /soft loans to the DISCOMs.

## **2.14 Interest on Security Deposit**

### **2.14.1 Objections**

The stakeholders have submitted that as per the provisions of Electricity Act 2003 and necessary provision in Delhi Electricity Code Performance Standard Regulations, DISCOMs are to pay interest on the amount of consumer deposit lying with them. The consumer security deposit/advance consumption charges are lying deposited with the Petitioner for year together but it is not paying interest on that amount. The Commission may kindly direct the Petitioner to reimburse the interest from the date the amount was lying deposited with it.

### **2.14.2 Response of the Petitioner**

The Petitioner has submitted that issues related to security deposit including payment of interest is under consideration with the Hon'ble Commission w.r.t. to the Petitioner.

### **2.14.3 Commission's Views**

As the Petition on Consumer Deposit is being separately processed, the Commission has not considered any interest on Consumer Security Deposit for the purpose of determination of ARR. Based on the outcome of the referred Petition, the interest on Consumer Security Deposit shall be considered at the time of truing up of expenses

and revenues for FY 2006-07.

## **2.15 Waiver of Electricity Tax**

### **2.15.1 Objections**

The stakeholders have submitted that the collection of Electricity Tax by the DISCOMs is against the provisions of the DMC Act, wherein there is no provision for any outsider to collect tax on behalf of MCD, hence the electricity tax should be waived / abolished. Some stakeholders have also pointed out that Electricity Tax is chargeable under DMC Act, 1956 and this amount is payable to MCD, therefore, the DISCOMs, Commission or any other agency has no authority to waive this until the MCD Act is amended accordingly. It has been suggested that MCD should stop charging 5% Electricity Tax.

### **2.15.2 Response of the Petitioner**

The Petitioner has submitted that the electricity tax has an impact of 20 paise/unit on the tariff, which was suggested by NDPL to be waived-off so as to reduce the consumer tariff.

The Petitioner has further submitted that electricity tax is collected by NDPL on behalf of MCD and the same is remitted to them. NDPL has already proposed for the removal of electricity tax from electricity tariff. However, it is for MCD to take a final call.

### **2.15.3 Commission's Views**

The issue of levy of electricity duty is outside the purview of the Commission. Since the electricity duty is levied under the Municipal Corporation of Delhi (MCD) Act, 1956 the MCD would be the appropriate authority to deal with the issue.

## **2.16 Power Purchase**

### **2.16.1 Objections**

The stakeholders have submitted that if at least 20 paise per unit can be increased for the Petitioner's power purchase (approx. 6000 MUs) from Transco, the Transco can recover its loss upto Rs 120 Crore.



The stakeholders have submitted that the Petitioner proposes to purchase 5925.31 MUs of energy during the FY 2006-07 based on growth rate of 4%. The Petitioner may be advised to reconsider whether such increase is at all required as the Petitioner has itself stated that there has been reduction in technical losses, reduction in wastage and better enforcement resulting in additional energy being available. In view of these developments, it needs to be examined whether there would be any need for further increase in amount of energy to be purchased.

### ***2.16.2 Response of the Petitioner***

The Petitioner has submitted that it purchases power from TRANSCO at the price determined by the Commission. The estimated purchase of power is based on the anticipated growth in demand and the same is subject to truing up by the Commission on actuals at the end of the financial year

### ***2.16.3 Commission's Views***

The Commission has already discussed the issue of theft control in earlier paragraphs. The power purchase requirement of the Petitioner is estimated based on the bid level AT&C losses as specified in the Policy Directions.

The Commission has examined the power purchase costs projected by the Petitioner for FY 2006-07 and the actual power purchase costs for FY 2005-06. Accordingly, the total power purchase costs allowed by the Commission for FY 2005-06 and FY 2006-07 have been discussed in detail in Chapter 3 of the Order.

## **2.17 Administrative and General Expenses**

### ***2.17.1 Objections***

TRANSCO has submitted that the Petitioner has justified in cost on account of higher cost of consultancy fees for various assignments to improve efficiency. It is submitted that Hon'ble Commission may consider the approval of such consultancy fees through proper bidding process only.

The stakeholders have submitted that the Petitioner needs to be commended for keeping its A&G Expenses at a level less than that approved for the current year. The slight increase in the expenses towards telephone, postage, courier services etc

proposed for the ensuing year may be brought down with greater use of IT.

### ***2.17.2 Response of the Petitioner***

The Petitioner has submitted that consultancy assignments are placed after following due processes to ensure the best deliverable at most competitive pricing. Further, certain assignments may be placed with best-in-class consultants.

### ***2.17.3 Commission's Views***

The Commission has analysed the components of A&G expenses projected by the Petitioner for FY 2006-07. The actual A&G expenses for FY 2005-06 have been examined while approving the A&G expenses for FY 2006-07. The details of A&G expenses have been deliberated upon in Chapter 3 of the Order.

## **2.18 Interest and Finance Charges**

### ***2.18.1 Objections***

The stakeholders have submitted that the DISCOMs are not paying back loans at high rate of interest whereas the low interest loans like PNB's at 7% are being repaid/rolled over. This is having cascading effect which is raising their tariffs.

The stakeholders have submitted that in the ARR, the figures for interest have been shown as Rs 419.61 lacs for FY 2003-04 and increased to Rs Rs 1966.51 Crore for FY 2004-05, while according to the figures supplied by the Petitioner for Profit & Loss Account ending on 30/09/2004 the amount shown is Rs 675 lacs and for the period ending 31/03/2004 the amount shown is Rs 129.51 lacs.

### ***2.18.2 Response of the Petitioner***

The Petitioner has submitted that NDPL has not raised any loan nor repaid from/to PNB. All loan details are provided to DERC and are competitive.

### ***2.18.3 Commission's Views***

The approach adopted by the Commission with respect to interest on loans has been deliberated in Chapter 3 of the Order.

## 2.19 Employee Costs

### 2.19.1 Objections

The stakeholders have submitted that the employee costs projected by the DISCOM are very high and the employee expenses have increased by almost 50 % in the last two years.

The Petitioner is stated to be claiming expenditure towards payment of extraordinary incentive of over-achievement to their employees. As per the stakeholders, the said expenditure should not be accounted in the ARR and should be paid out of the incentive allowed to the Petitioner by the Commission. It has also been submitted that amortisation on account of VSS and SVRS payment should be disallowed as the matter is already subjudice before the Hon'ble Delhi High Court.

TRANSCO has submitted that the hike in employee costs is very high being more than the normal 10% (due to DA, increments and inflationary trends). The Commission has been requested to consider the revision of employee cost on the basis of inflation and not on basis of growth projected by the Petitioner.

The stakeholders have submitted that the DISCOMs are envisaging to load the VSS expenses on tariff which is neither permissible in law nor it is in accordance with the Tariff Policy and the Policy Directions. The matter is also sub-judice before the Hon'ble High Court. Further, after spending huge sums on VSS, DISCOMs have again hired a large number of employees which is against the spirit of VSS .

The stakeholders have submitted that employees of DISCOMs are getting unlimited reimbursements for medical treatment and there must be a cap/ceiling on per employee medical reimbursements not exceeding Rs 2 lakhs per annum.

### 2.19.2 Response of the Petitioner

Regarding the VSS expenses, the Petitioner has submitted that any additional expenditure on account of VRS has to be recovered from savings accruing on account of implementation of VRS. Hence, there is no adverse impact on tariff on account of VRS and once annual instalments are exhausted, entire benefit of employee reduction

would be available to the consumer in the ARR.

The Petitioner has further submitted that specific skill sets are required for meeting consumers/regulatory & statutory requirements. Certain new departments such as secretarial, taxation, finance, commercial processes etc have been created, which required additional manpower. Further, it is not only important to have number of employees but to have employees with required skill sets.

Regarding the medical reimbursements, the Petitioner has submitted that employees inherited from erstwhile DVB were under FRSR structure and as per the FRSR rules, there was no ceiling/cap on medical expenses. It may please be noted that the Tripartite Agreement signed during the privatisation between erstwhile employees of DVB and GoNCTD prohibits any change to the detriment of employees. Further, the malpractices used to exist at the time of takeover has been curtailed due to stringent checking of bills, empanelment of hospitals/chemists, payments to hospitals made directly by Company etc.

The Petitioner has further submitted that it has stated in its ARR Petition that the Hon'ble Commission had underestimated expenses including DA, Terminal Benefits etc to the extent of Rs 7.3 Crore which translates to increase of around 10%, in FY 2006-07 over Hon'ble Commission's approved cost in Y 2005-06. In addition, TRANSCO will be aware that other than DA, certain benefits such as uniform allowance etc have been increased by Genco/TRANSCO resulting in unforeseen increase in establishment expenses to that extent.

### **2.19.3 Commission's Views**

The Commission has analysed the employee expenses projected by the Petitioner for FY 2006-07 and the actual employee expenses for FY 2005-06. The total employee expenses allowed by the Commission for FY 2005-06 and FY 2006-07 and the approach followed for treatment of VSS expenses has been discussed in detail in Chapter 3 of the Order.

## **2.20 Repair and Maintenance (R&M) Expenses**

### **2.20.1 Objections**

The stakeholders have submitted that though figures of R&M provided by DISCOMs may be correct, but the same does not appear to be justified by the reasons stated therein. It has been expressed that reduction in 11 KV Cable Faults is basically due to replacement of large number of sick cables by new cables under APDRP/CAPEX.

The stakeholders have submitted that as the Petitioner has submitted capital expenditure under various heads, the expenditure on R&M works should be negligible and the huge expenditure on R&M should not be accepted.

TRANSCO has submitted that the R&M expenditure needs to be verified vis-à-vis the extent of materials issued by the stores towards the same.

### **2.20.2 Response of the Petitioner**

The Petitioner has submitted that R&M figures of NDPL reflect improvements due to CAPEX as also better operating compliances. It has been able to achieve R&M expenses lower than target numbers by prudent deployment.

### **2.20.3 Commission's Views**

The Commission has analysed all the components of R&M expenses projected by the Petitioner for FY 2006-07. The actual R&M expenses in FY 2005-06 have been examined while approving the R&M expenses for FY 2006-07. The details of R&M expenses have been discussed in detail in Chapter 3 of the Order.

## **2.21 Return on Equity**

### **2.21.1 Objections**

The stakeholders have submitted that the returns of 16% should be considered taking into account only Equity Capital and not the Free Reserves as requested by the Petitioner. Also, the profits brought back as reserves to meet out the contingencies should not be transferred to the equity and should be retained separately as reserves. The Petitioner should not be allowed to claim 16% return on these funds as the same is necessary to safeguard the interest of the company as well as consumers.

The stakeholders have submitted that the DISCOMs are claiming the income tax and related taxes in the ARR as expenditure. These taxes could be claimed in the ARR as expenditure if the Policy directions had assured them a clear profit of 16%, but they are assured a return on equity of 16%, meaning thereby pre tax 16% and not post tax 16%. Therefore, all the income tax already claimed/allowed should be reversed while truing up the accounts.

It has also been submitted that the free reserves as estimated by the Hon'ble Commission at the closing of the financial years for the purpose of granting returns is not matching with the reserves shown by them in their balance sheet, thus rendering the calculations on the free reserves inappropriate and incorrect. It has been requested that truing up of the returns be carried out as per the reserves indicated in the balance sheets.

The stakeholders have submitted that the 16 % Return on Equity (RoE) on paid up capital and free reserves is in contravention of Schedule VI of Electricity (Supply) Act 1948. Further, the Tariff Policy also stipulates that SERCs should follow CERC's guidelines for returns in generation and transmission sector. The Central Commission may adopt either RoE or return on capital method, whichever is considered better in the interest of consumer. The State Commission may consider "distribution margin" as basis for allowing returns in distribution business at an appropriate time. It has been therefore submitted that while deciding RoE, the Commission should bear in mind that the Tariff Policy permits only the reasonable surplus for growth and the Commission should therefore ignore the 16 % RoE as it is also against Electricity (Supply) Act, 1948.

TRANSCO has submitted that the DISCOMs are utilising the returns in the capital expenditure schemes and thereby earn returns on free reserves too. Thus, the returns of the DISCOMs are going up year-after-year. It has been expressed that with capital expenditure schemes being identified for the cost benefits of the consumers on scrutiny of capital investment plans, necessary adjustments might be required in RoE which will have impact on the tariff..

The stakeholders have submitted that due to guaranteed return of 16%, DISCOMs are not putting in full efforts to reduce the T&D losses. Commission is requested to find out some way to compel the DISCOMs to bring down the T&D losses to about 10 to 12% similar to other industrially advanced countries, only then tariff will get reflected.

### **2.21.2 Response of the Petitioner**

The Petitioner has submitted that reasonable return on equity at the time of privatisation was 16% applicable till Policy Directions period up to March 2007.

The Petitioner has further submitted that 16% return on equity is subject to NDPL reducing losses as per annual regulatory targets. Losses have not been created by NDPL but rather had 53% loss level at the time of takeover in the year 2002. Still NDPL managed to reduce the losses to less than 30% in less than 4 years, which is a record in itself. Also theft of electricity is a social menace and we all have to collectively fight against it or bear the burden on the same. Any further loss reduction without social and government assistance will entail heavy investment and consequent impact on tariff.

### **2.21.3 Commission's Views**

The Commission has deliberated upon the issue of Return on Equity in detail in Chapter 3 of the Order.

On the issue of reinterpretation of Policy Directions in respect of Return on Equity, the Commission would like to point out that it has dealt with this issue in the Order on ARR and Tariff Petition dated June 9, 2004. 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 and 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 as put to use during the year and further restricting the equity component to 30% of the total investments. The Commission would like to highlight that the Central Electricity Regulatory Commission also follows the same procedure in respect of Return on Equity. Further, the Hon'ble Appellate Tribunal for Electricity while

upholding the methodology adopted by the Commission has mentioned the following in its Order dated 24<sup>th</sup> May 2006

*“The claim that the particular formula has to be adopted in assessing the ROE with a reference to the date of investment, in our view, has been rightly discountenanced by the Commission. We do not find to interfere with the conclusion of the Commission in this respect. A hue and cry made by the appellants based upon legitimate expectations is without any merits. The Commission had rightly allowed ROE and there is no illegality in the rate of ROE.”*

## **2.22 Depreciation**

### **2.22.1 Objections**

The stakeholders have also submitted that depreciation as demanded by the Petitioner @ 20% should not be allowed as it will increase extra burden on the consumers and it should be retained at previously approved rates of 3.2%. Also, the average life span of the fixed assets cannot be such a short span of five years.

The stakeholders have expressed that the suitability of depreciation being charged and its utilisation would be examined by the Commission.

TRANSCO has submitted that the DISCOMs have claimed Advance against Depreciation to take care of the additional cash flow for meeting the repayment obligation on the loan taken for the fixed assets, but this affects the tariff. TRANSCO has sought clarification about whether the adjustments for dismantled transformers are being considered by the DISCOMs while preparing the books of accounts wherein the value of old equipment being replaced due to its becoming obsolete, is to be reflected in the Gross block of fixed assets of the company as per the Accounting Standards in case the equipment is not scrapped. Therefore, it needs to be explained whether the dismantled or obsolete assets are scrapped or are only replaced.

### **2.22.2 Response of the Petitioner**

The Petitioner has submitted that it has not claimed any advance against depreciation. The National Tariff Policy suggests that depreciation rates should be fixed in a manner so that no advance against depreciation is required. However, in an event the depreciation rates @ 3.2% are used and no advance against depreciation is allowed,



there would be acute liquidity crisis as loans cannot be raised for 2 years as is required to service repayment out of 3.2% depreciation.

It has further been submitted that there is no double accounting when a new asset is installed in lieu of an asset removed for repairs as it is returned to stores (for repairs) at NIL value and is issued after repairs at NIL value. Hence, the question of double accounting/capitalisation or charging any additional depreciation on the asset does not arise. The repaired transformers are treated as stand-by equipments till re-installed as per Accounting Standard Interpretation 2.

### **2.22.3 Commission's Views**

The Commission is allowing depreciation on gross block of fixed assets comprising of opening block and capitalisation of assets on average basis in the middle of the year for each financial year without considering the assets retired during the year. The loan repayment obligation of the Petitioner has been considered vis-à-vis the allowable depreciation to decide on the advance against depreciation requirement, if any. The treatment of depreciation for dismantled transformers, old and unserviceable equipment shall be taken care of in the retirement of assets which is being dealt with separately by the Commission.

## **2.23 Metering**

### **2.23.1 Objections**

The stakeholders have submitted that the DISCOMs are incurring unnecessary expenditure to the tune of Crore of rupees for changing the working electric meters/replacing service cables, etc. without certifying that the replacement is absolutely necessary. This act is in contravention of Section 61 of Electricity Act 2003 which stipulated with economy should be reflected in such reasons.

The stakeholders have submitted that resistance from the consumers should not be allowed to come in way of installing new meters. The Petitioner may be asked about the steps taken by them to overcome the problem especially police help. It has also been submitted that new energy meters are not being installed within the stipulated time of 15 days and that a penalty should be imposed on the Petitioner for the same. It

has been submitted that the meters run very fast and these complaints are not handled. There should be a time frame for attending such complaint and also check up of meter at consumer's site by outside agency to the satisfaction of consumer.

It has further been submitted that open pole system be replaced by underground cables so as to eliminate illegal hooking.

The stakeholders have submitted that meter changing drive should be carried out uniformly for all after taking the details of faulty meters from the electricity bills as well as about the consumers who are paying minimum charge due to faulty or slow running meters. It should be ensured that good quality meters are installed and meter complaints are redressed speedily. Further, fluctuations in supply should be minimized which is also causing the meter to run fast. As per some of the stakeholders, electronic meters are the crying need of the hour but it is discriminatory for 90% consumers having electronic meters and 10% with slow mechanical meters.

It has been suggested that the electronic meters should be installed only after the distribution network is drastically modified and maintained as per the rule 61 of Indian Electricity Rules, 1956.

The stakeholders have also submitted that there should be 100% metering, and energy audit, for power supplied and revenue recovered from all consumers and the figures of profit and loss should be derived from the said records.

The stakeholders have submitted that as the DISCOMs are not adhering to the performance standards, the consumers are made to pay even for the energy consumption recorded by the Electronic Meters due to the current flowing back from the neutral. This fact can very well be proved if electronic as well as electro mechanical meters are installed at the premises of certain consumers in consultation with the Associations in a particular area/pocket and the distribution companies should provide relief to the consumers on the basis of such differences after recording a few readings.

With regard to complaints of fast running of electronic meters, it has been suggested that the Commission should give direction to the DISCOMs to install mechanical meters in series with the electronic meters to resolve this controversy. The stakeholders have suggested that the consumer complaints of suspected fast running meters be checked by an external agency at consumers' site to the satisfaction of the consumers. It has been also suggested that while replacing old meters with new electronic meters, the DISCOMs should properly check the wiring of concerned premises and ensure that there are no snags in wiring and there will be no over billing.

The stakeholders have submitted that despite the direction issued by the Hon'ble High Court for Social Auditing of Electricity Consumption recorded in the meters of an area vis-à-vis the transformer supplying electricity, the same have not been made available to RWAs & NGOs.

The stakeholders have submitted that there may be some misreporting of figures at import-export points between TRANSCO and DISCOMs and the actual energy transfer at such points is on the higher side which is being used to generate unreported revenue for the DISCOMs. It is requested that Hon'ble Commission should procure the complete technical and internal details of the SECURE meters of erstwhile DVB days and also the 'Landis & Gyr' meters which are installed at various locations in 11 KV, 33/66 KV sectors. Based on the numerous press statements of Transco that there is no shortage of power such misreporting can be suspected.

### **2.23.2 Response of the Petitioner**

The Petitioner has submitted that the DISCOMs right to replace the old mechanical meters with accurate electronic meters has been upheld by the Hon'ble High Court of Delhi and endorsed by CEA in its recent Regulations of metering. The cost of metering replacement is approved by the Commission. It has further been submitted that it is not clear as to what is meant by the economic measures required by Law.

The Petitioner has further submitted that as per various meter test drives/third party testing of meters, almost all meters were found within the permissible range. However, the recording of higher consumption may be due to defective wiring within

consumer premises. For this NDPL has already started educating the consumers through media. NDPL procures best-in-class meters from manufactures of International repute. The break-downs in NDPL system have reduced significantly since July 2002.

Regarding the underground cabling, the Petitioner has submitted that the conversion of over-head to underground cables will entail heavy investment which will have an adverse impact on tariff.

Regarding the social audit of meters, the Petitioner has submitted that in the referred order, the Hon'ble High Court has appreciated the mechanism of Social Audit in the form of public participation in the tariff determination process of the Regulatory Commission. NDPL has also written letters to RWA's and NGO's asking for participation in Social Audit. NDPL would welcome participation from RWAs and NGOs.

Regarding the misreporting of import-export points between TRANSCO and DISCOMs, the Petitioner has submitted that the meter reading of the TRANSCO and DISCOMs transfer points are jointly taken by TRANSCO & DISCOMs leaves limited scope for misreporting of actual energy. In case of any discrepancies, the same is reconciled and necessary adjustments are made in the next month's bill. This issue has no correlation to the issue of power shortages.

### **2.23.3 Commission's Views**

The issues of metering are not related to ARR and these issues are to be dealt with as per the DERC (Performance Standards - Metering and Billing) Regulations, 2002 and the CEA (Installation and Operation of Meters) Regulations, 2006.

## **2.24 Capital Expenditure**

### **2.24.1 Objections**

The stakeholders have submitted that the Petitioner has proposed to incur capital expenditure of Rs 271.66 Crore during the ensuing year. It is hoped that the Commission would examine the suitability of this matter. It has also been submitted that to finance the capital expenditure, Petitioner proposes to raise Rs 185.56 cr of

commercial debt during the FY 2006-07. The Petitioner may be advised to look at all possible sources of raising funds before resorting to commercial debt.

TRANSCO has submitted that aggressive and accelerated capital expenditure for FY 2005-06 and figures estimated for 2006-07 have an impact in the form of higher interest expenses and greater return on equity and also a higher depreciation which would increase the expenditure of the DISCOMs and adversely affect the Bulk Supply Tariff of the TRANSCO if retail tariffs are not increased appropriately. It has been requested that the Commission may measure the actual tangible benefits from the capital expenditure before considering the truing up for the consideration of ARR for FY 2005-06. In this the cost benefit analysis of the capital expenditure schemes with details regarding reduction in AT&C losses and the impact of additional revenue should be furnished by the DISCOMs.

The stakeholders have requested that the DISCOMs should be directed to come up with alternative schemes for loss reduction so that the least option can be adopted. Further, the capital expenditure has to be commensurate with the quality of service provided.

The stakeholders have submitted that balance needs to be maintained between interest of consumers and need for investments while laying down Rate of Return (RoR). RoR should be such that it allows reasonable growth of power sector and to achieve this objective, requisite benchmarks on Capital Costs may be evolved by the Regulatory Commissions. Further, Forum of Regulators should evolve a comprehensive approach on distribution margin.

#### **2.24.2 Response of the Petitioner**

The Petitioner has submitted that in order to provide better quality of supply to its consumers, NDPL is making capital investment to upgrade and modernize distribution infrastructure with the objective of lending techno-commercial benefit to the consumers. The rest of the observation (about distribution margin) is not in NDPL domain.

Regarding high Capex resulting into higher return on equity, the Petitioner has submitted that it is a fallacy and erroneous on part of TRANSCO to believe that RoE increases with increase in revenue resulting out of AT&C loss reduction due to Capex etc. DISCOMs are allowed to earn only a predetermined RoE, which is based on the equity invested in business as approved by Hon'ble Commission and not on revenue generated. Consequently, the increase in revenue due to accelerated AT&C loss reduction etc is directly considered by Hon'ble Commission for tariff determination and only the specified RoE is allowed to the DISCOM.

### **2.24.3 Commission's Views**

The submission of the Petitioner is in order. In this context, the Commission has been holding detailed discussions and technical sessions with the DISCOMs to analyse the cost benefit for investments already made as well as for the investments proposed to be made by the DISCOMs. Apart from the technical feasibility of the various schemes, the Commission has also conducted sample checks for progress of capital expenditure, quality of execution of work at site and compliance with statutory clearances i.e. by the Electrical Inspector etc.

The scheme-wise details of actual investments during FY 2005-06 and the Petitioner's preparedness for executing the works proposed under the capital investments for FY 2006-07 were obtained from the Petitioner and the same have been duly analysed by the Commission while allowing for the capital investments for the purpose of determination of the Annual Revenue Requirement (ARR) as detailed out in Chapter 3 of the Order. The aspect of least cost option is also being given due consideration at the time of according scheme wise approval for capital investments.

## **2.25 Means of Financing Capital Expenditure**

### **2.25.1 Objections**

The stakeholders have submitted that as per the Petitioner the rescheduling of DPCL loan of Rs 552 Crore along with interest of 12% p.a., for which the Petitioner has assumed interest rate of 9%, would definitely affect the tariff levels. As per the stakeholders, the Petitioner may be asked to suggest some alternatives for repayment of the interest and principal amount of the loan and the Commission may take up the

matter with DPCL and the Government of NCT of Delhi for an early decision on the rescheduling of the loans as suggested by the Petitioner.

The stakeholders have agreed to the Petitioner's view that denial of APDRP funds is arbitrary but have submitted that the Petitioner may be requested to furnish details of any communication made by it to GOI in this regard.

DPCL has however submitted that the repayment schedule of the loan amount of the Holding Company cannot be altered by virtue of the fact of it being allowed into the tariff or not. It has been stated that the repayment schedule has been fixed by the Transfer Scheme and as such cannot be altered under any circumstances by any of the respective transferees. The relevant letters written to DISCOMs in this regard have been submitted by DPCL along with their reply.

### ***2.25.2 Response of the Petitioner***

Regarding DPCL loan, the Petitioner has submitted that though it is the prerogative of GNCTD to take the final stand, the matter was however raised in line with the Commission's observations in Tariff Order for FY 2005-06.

### ***2.25.3 Commission's Views***

In the light of clarifications furnished by the Petitioner that the DPCL/GNCTD have not agreed to modify the terms and conditions of the Opening Balance Sheet loans in the books of various successor entities, the Commission is left with no choice but to provide for servicing of the loans in accordance with the Transfer Scheme.

In respect of APDRP funds, the Commission has noted that all efforts are being made by the Licensees to ensure the availability of funds under APDRP. However, in case the said funds are not available the Petitioner may have to resort to other available means of finance to ensure that works are completed on time. The Commission would like to point out that for the current year the Utilities have not projected the availability of APDRP grant/funds.

The Commission has deliberated upon the issue of means of finance for capital expenditure in detail in Chapter 3 of the Order.

## **2.26 Sale of Energy and Revenue Realisation**

### **2.26.1 Objections**

TRANSCO has submitted that the DISCOMs have considered a higher growth rate of 10% to 20% in domestic category sales for the reasons that unauthorised colonies have been electrified and there is on going development of new housing colonies. However, a growth rate of 1% to 10% has been shown Industrial & Non-Domestic category respectively. As per TRANSCO with the increase in the consumption being considered in the low tariff category, the projected revenue realisation of DISCOMs will be comparatively low compared to energy sold and this needs a prudence check. Further, other factors to be considered by the Commission is that certain areas in Delhi are coming up with large commercial, shopping complexes and malls, which will result in increase in consumption in the Non-domestic category and the same needs to be factored during the time of determination of retail supply tariff.

TRANSCO has further observed that the average realization rate of all the three DISCOMs is more than Rs 4.25 per unit whereas the existing approved bulk supply tariff payable to TRANSCO by the Petitioner is Rs 2.11 per unit. Accordingly 60% of the total revenue requirement of the DISCOMs is for power purchase and 40% is to recover the cost and return which is considered to be sizeable percentage of total revenue. Therefore, it has been requested that this aspect may be looked into while allowing expenses and determining tariff. It has been expressed that the extra revenue should result in higher Bulk Supply Tariff (BST) so as to reduce the revenue gap.

TRANSCO has further submitted that it has made annual projection in its petition on the basis of details furnished by the Petitioner (5925 MUs) but in the individual petition filed by the Petitioner, the projected power purchase is (5767 MUs) which is lower by 2.75%. The Commission has been requested to seek necessary clarifications and allow only the realistic power purchase of energy by DISCOMs as the same will affect the ARR of TRANSCO also.

### **2.26.2 Response of the Petitioner**

The Petitioner has submitted that it is erroneous way of reflecting the cost component without considering the AT&C losses in a distribution system. The power purchase cost comes to about 70% of the revenue factoring an AT&C loss of around 30%. Also



the other component (30%) to cover cost & return included amortisation of Regulatory Assets created in FY 2004-05.

### **2.26.3 Commission's Views**

The Commission has noted the submissions of TRANSCO and the Petitioner. The relevant aspects have been deliberated with regard to the energy requirement, the cost to serve (comprising of power purchase cost and distribution cost) and revenue realisation of the Petitioner in Chapter 4 of this Order.

## **2.27 DVB Arrears and LPSC**

### **2.27.1 Objections**

TRANSCO has submitted that the past DVB arrears are not the receivables against the energy sold by DISCOMs and accordingly these arrears should not be a part of their receivables accruing from sale of power to the consumers. It has been stated that the amount so received should be kept in a separate account out of which 20% should be credited by DISCOMs to their non-tariff income whereas rest 80% passed over to the Holding Company. It has been requested that the Commission may consider the above so that the DISCOMs do not include such arrears in the computation of AT&C losses.

DPCL has submitted that the Transfer Scheme does not support the ploughing back of DVB period receivables (to the account of Holding Company) into the sector. As per DPCL, the letter and spirit of the Transfer Scheme is paramount in the facts and circumstances of the case according to which the Holding Company is the sole recipient of the dues/receivables for the DVB period. The Commission has been requested to take note of this for appropriate remedial steps to bring the position in consonance with the Transfer Scheme

DPCL has further submitted that post unbundling LPSC being collected on DVB period arrears has to be on account of the Holding Company and cannot be retained by the DISCOMs as per the provisions of the Transfer Scheme. It has been requested that DISCOMs may be directed to treat the same accordingly for the future and additionally the amount so far taken by the DISCOMs on this account be returned

with interest.

The stakeholders have submitted that the arrears collected up to 31st March 2006 (under LPSC waiver scheme) are not reflected in the ARR. The stakeholders have further submitted that LPSC charges @ 18% per year (1.5% per month) are exorbitant and it should not be more than 6% per year as PLR of banks is between 5-6% per year.

### ***2.27.2 Response of the Petitioner***

Regarding DVB arrears, the Petitioner has submitted that AT&C loss computation by definition is based on total energy collection in a particular year irrespective of the period of its billing. The same was the principle followed to determine the opening loss level based on which annual loss levels were bid out of bid. It is rather surprising that the same very institution had used past arrears collected for determining their AT&C losses up to June 2002.

Regarding LPSC charges, the Petitioner has submitted that LPSC is not intended to act as a source of income for the utility. The Hon'ble Commission in its Tariff Order for FY 2005-06 has also observed that 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 attract penal action including disconnection of supply under provisions of Act/Rules. Incidentally, NDPL has even higher penalty (LPSC) on bulk supply, if not paid in time.

The Petitioner has further proposed that the decision regarding treatment of such LPSC (also if it becomes possible to ascertain the same) may be taken by Hon'ble Commission in the overall interest of consumers and power sector in consultation with all concerned stakeholders.

### ***2.27.3 Commission's Views***

The Commission has noted the submission of the stakeholders and the Petitioner. With regard to the DVB Arrears, the Commission has deliberated on the relevant treatment in detail in Section 3 of the Order.

The methodology for computation of AT&C loss had been explained by the Commission in its Bulk Supply Tariff Order issued in February 2002.

For collection of DVB arrears, the Commission would like to clarify that in its previous Tariff Orders, the Commission has considered 20% of the past arrears of DVB collected by the Petitioner as income forming as part of total revenue while estimating the Annual Revenue Requirement and the balance 80% to be passed on to TRANSCO. The same practice has been continued for FY 2006-07 as well.

## **2.28 Procedural Issues**

### **2.28.1 Objections**

The stakeholders have submitted that the Commission, in its Public Notice published in the newspapers, has not mentioned the provisions/sections of Electricity Act, 2003 and DERA 2000, under which the DISCOMs are entitled to file petitions in the Commission each year.

It has also been submitted that as a General Principle of Law, the respondent/stakeholders are entitled to get a copy of the petition free of cost. Please clarify under which Section of Law, the DISCOMS have demanded the sum of Rs. 100 per copy of the petition.

One of the stakeholder has submitted that the compulsory payment of all billing of Rs. 4000/- or more by Cheque/DD should be per month and not on per bill basis and may be modified to Rs. 8000/- per bill in case of bills which are for a period of 2 months.

The stakeholders have submitted that 16 days time frame given to the Public to file their responses is not acceptable and ought to have been at least 60 days considering the complexity of the matter running into 1000 pages which the Commission itself took about 90 days to comprehend.

### **2.28.2 Response of the Petitioner**

The Petitioner has submitted that DISCOMs, as licensees, are required to file the ARR petitions to the DERC under Section 62 of Electricity Act 2003 read alongwith

Section 11 and Section 28 of DERA 2000, Conduct of Business Regulations 2001 and Section 24 of the licence issued by DERC.

It has further been submitted that Rs. 100 per copy of the petition is required to recover the actual cost of printing and to avoid any in-discriminatory circulation of petition. In any case the fee received is included in the ARR and is this passed on to the consumers.

Regarding the modifying of compulsory payment of billing by cheque/DD of Rs 8000/-, the Petitioner has submitted that the Hon'ble Commission may decide on this issue.

### **2.28.3 Commission's Views**

The Commission considers the time provided to the stakeholders for responding to the petitions as reasonable, considering that the public notice in the newspapers was brought out by the Commission on April 7, 2006 and the last date of submission of responses was further extended from April 27, 2006 to May 10, 2006.

The Commission has already dealt with the issue of payment by cheque/DD in detail in the last Tariff Order and accordingly directed the Petitioner to accept the payment of bills of more than Rs 4000/- through cheques/DD. The Commission decides to continue with the same practice in FY 2006-07 as well.

## **2.29 Taxes**

### **2.29.1 Objections**

The stakeholders have submitted that the income tax and fringe taxes paid by the DISCOMs should not be pass through in ARR as it is beyond the policy guidelines and Tariff Policy. DISCOMs were only entitled to RoE to a maximum limit of 16% subject to Tariff Policy and all the tax liabilities are required to be paid by DISCOMs from their income and the same should not be permitted to be recovered under the garb of reasonable expenses.

### **2.29.2 Response of the Petitioner**

The Petitioner has submitted that Para 13 of the Policy Directions states that ‘all expenses that shall be permitted by the Commission, tariffs shall be determined such that the distribution licensee earn, at least 16% return on the issued and paid up capital and free reserves (excluding consumer contribution and revaluation reserves but including share premium and retained profits outstanding at the end of any particular year. Further, as per Section 28(2)(a) of the Delhi Electricity Reforms Act, 2000, the Commission shall be guided by the financial principles and their application provided in the Sixth Schedule to the Electricity (Supply) Act 1948 read with, sections 57 and 57-A of the said Act. Further, Clause XVII (2)(c)(ii) of the Sixth Schedule to the Electricity (Supply) Act 1948 allows for recovery of ‘all taxes on income and profits’ while determination of clear profits. Hence, the tax liabilities are pass thru as an expense in the ARR of the DISCOMs. RoE for the investor is always post tax as it is the amount that is available to him for paying dividends.

### **2.29.3 Commission’s Views**

As regard to the Taxes, the Commission has deliberated on the same in detail in Chapter 3 of this Order

Regarding Fringe Benefit Tax (FBT), the Commission would like to inform the respondents that FBT has been considered in the ARR as per provisions of the Income Tax Act 1961.

## **2.30 Higher Supply Voltage**

### **2.30.1 Objections**

The stakeholders have submitted that as per the specification IS 12360 of 1988 amended in December 2000, the Petitioner should supply power at 230/400V and not at 240/415V or at 250/433V. It has been stated that the high LT voltage inflates the electricity bill and also damages the electrical appliances apart from damage to insulation of electrical wiring. The stakeholders have expressed the electricity should be supplied at the proper and correct voltage as per the specification to save electricity and hence reduce the shortage.

### **2.30.2 Response of the Petitioner**

The Petitioner has submitted that the voltage at the point of supply is subject to availability of regulated voltage from the transmission licensee. The permitted range of supply voltage has been prescribed as per Rule 54 of IE Rules, 1956 and the same is being adhered to.

### **2.30.3 Commission's Views**

In order to address the concern of the stakeholders, the Petitioner shall periodically check the supply voltage and take corrective actions such as controlling the capacitor banks, change of tap position of the transformer etc with a view to supply power at prescribed voltage and within the permissible variation limits.

### 3. Analysis of Annual Revenue Requirement

The Petitioner submitted the Petition for Aggregate Revenue Requirement (ARR) and Tariff Determination for FY 2006-07 in the prescribed formats as per the revised guidelines, dated August 2002, issued by the Commission for filing of ARR. The Commission held various technical sessions with the Petitioner to validate the data submitted and the Petitioner was asked to submit the actuals for FY 2005-06 based on audited account, whereas, the Petitioner submitted the actuals for FY 2005-06 based on provisional accounts. Subsequently, the Petitioner submitted the Audited Annual Accounts for the FY 2005-06. The Commission has considered various submissions made by the Petitioner during the course of the ARR and tariff determination process and has carefully analysed the different heads of expenditure and revenue to arrive at the revenue requirement for FY 2006-07.

Based on the Tariff Order dated July 7, 2005 for FY 2005-06, the information provided and Commission's analysis, the Commission has trued up all elements of ARR based on the actual expenses and revenue for FY 2005-06 of BRPL after ensuring that the expenses satisfy the test of reasonable prudence. Similarly for FY 2004-05, the Commission has trued up all elements of ARR based on the final audited accounts for FY 2004-05 as per the truing up mechanism prescribed in the previous Tariff Orders. The expenses trued up for FY 2004-05 have been discussed in Para 3.12.

The Commission would like to highlight that the approval of the capital schemes has been undertaken separately from ARR and Tariff Determination process, as it requires significant time and resources of the Commission.

The Petitioner has certain issues

Table 3.1 gives a snapshot of the total revenue gap/surplus as allowed by the Commission for FY 2006-07.

**Table 3-1: Revenue Gap/(Surplus) for FY 2006-07 (Rs Crore)**

Description	FY 2006-07	
	Petition	Commission
Expenses excluding Power Purchase Cost(A)	431.17	384.43

Description	FY 2006-07	
	Petition	Commission
Return (B)	106.37	102.32
Non-Tariff Income (C)	32.39	37.38
Revenue Requirement (A+B-C) excl. Power Purchase Cost	505.15	449.37
Revenue realised at existing Tariffs	1779.57	1791.61
Power Purchase cost at existing BST	1251.48	1242.24
<b>Revenue Gap/(Surlus)</b>	<b>(22.94)</b>	<b>(100.00)</b>

The methodology followed for arriving at various elements of ARR as allowed by the Commission has been discussed in detail in the following paragraphs.

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

a) Expenses: -

- Power Purchase Cost (Discussed in the Order on ARR and Tariff Petition of TRANSCO)
- 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



### 3.1 Employee Expenses

#### 3.1.1 Petitioner's Submission

The Petitioner has estimated gross employee expense of Rs. 149.57 Crore for FY 2005-06, (including the SVRS amortization of Rs 41.35 Crore) which is higher than the Commission's approval of Rs. 139.11 Crore.

For FY 2006-07, the Petitioner had projected gross employee expenses at Rs. 163.44 Crore (including the SVRS amortization of Rs 39.22 Crore). The Petitioner has also proposed capitalisation of a part of employee cost, thereby resulting in a net employee cost of Rs 151.02 Crore. The assumptions made by the Petitioner in projecting expenses for FY 2006-07 on some of the critical components of the employee expenses are outlined below:

- Increase in basic salary for the employees of erstwhile DVB assumed at 4 % p.a. taking into account annual increment of 3% and balance increase due to promotions on time-scale basis etc. For new employees under NDPL structure, the increment is assumed at 10%. The Petitioner submitted that this difference in increment is on account of DA that is not available to NDPL's own employees.
- DA has been assumed at 25% during April 06 to June 06, 29% from July 06 to December 07, and 33% from January 07 to March 07, thus reflecting an average DA of 29% for the year 2006-07
- Increase in the estimate of other allowance for FY 2006-07 will be 19% on account of annual increments (as these are linked to basic pay) and fresh recruitments which shall all be under the NDPL pay structure where Allowances constitute 70% of their Total Salary. The Petitioner has further submitted that with the gradual retirement of employees under the NDPL – FRSR pay structure, the proportion of "Other Allowances" to "Salaries" shall increase as such employees shall be substituted by employees under the "Cost-to-Company" pay structure where all allowances are clubbed together.
- Terminal Benefits @ 18% of Basic, DP and DA for employees under NDPL FRSR pay structure and @ 16.81% of Basic (12% towards Provident Fund and 4.81% towards Gratuity) for employees under NDPL New pay structure. The Petitioner has further submitted that expenses under this head also include payment to DVB Trust towards administration charges.
- Capitalisation at 10% of the total employee cost.



### **Petitioner's Submission on Voluntary Separation Scheme (VSS)**

NDPL had implemented VSS scheme in December 2003, which was made effective in January-February 2004 and 1798 employees had opted for the scheme. NDPL paid approximately Rs. 95 Cr. towards VSS. The DVB Employee Terminal Benefit Fund (ETBF) refused to disburse the terminal benefit payments to the VSS retirees on the plea that though it was liable for these terminal benefit payments, the Rules of the Trust allowed it to pay the same only at the time of Superannuation of the employees or death whichever is earlier and Voluntary Retirement did not constitute Superannuation under the rules of the Trust. The issue of payment of the terminal benefit together with Pension/ Medical/ LTA payments (till the date of 'normal superannuation') is presently sub-judice. NDPL, taking a humane view of the entire issue as its erstwhile employees were being put to hardship, suo-moto paid a total amount of approximately Rs. 80 Cr. to these VSS retirees towards their terminal benefits (Earned Leave and Gratuity). The amount has been paid without prejudice to its contention and claims on this issue being heard by the Hon'ble High court of Delhi.

Pending resolution of this issue, NDPL also continues to pay the monthly pension of its VSS retirees together with reimbursement of medical expenses and payments towards LTA.

The Petitioner has estimated savings on account of VSS at Rs 41.35 Crore and Rs 39.22 Crore for FY 2005-06 and FY 2006-07 respectively. These savings have been computed based on the following assumptions:

- Basic has been assumed to grow @ 3% p.a, over the last drawn Basic
- DA has been considered similar to that of present NDPL – FRSSR structure
- Other Allowances are considered as per service contracts. No incentive on over-achievement has been considered for these employees
- Terminal Benefits has been considered @ 18% of ( Basic + DP + DA ) as per the current norm.
- Medical Expenses for FY 04-05 has been taken on the basis of actual amount spent on these employees in FY 04-05. For FY 05-06, expenses have been

projected for the full year on the basis of actual amount spent til Sep 05, while for FY 0607 it has been considered at 90% of the amount considered for FY 05-06

- Based on the Normal Superannuation Date of these employees, the number of employees considered is 1796 in FY 04-05, 1721 in FY 05-06, and 1545 in FY 06-07 for computation of savings.

### 3.1.2 Commission's Analysis

The total actual employee expenses for FY 2005-06 as submitted by the Petitioner are Rs. 155.37 Crore including the VSS amortisation expense of Rs 46.66 Crore. The Petitioner has capitalised the employee expenses to the extent of Rs 11.77 Crore. The actual net employee expenses after capitalisation works out to Rs 143.60 Crore.

The Commission in its Order on ARR and Tariff Petition for FY 2005-06 and other earlier orders has elaborated on the mechanism to be followed for treatment of SVRS expenses (including meter reading and bill distribution expenses) and the treatment of employee expenses in lieu of SVRS and also worked out payback period of 2.8 years which will be over by September 2006. However, keeping in view the additional trust liabilities and other related expenses incurred by the Petitioner, the Commission extends the payback period till the end of FY 2006-07. The Commission expects that the Petitioner should fully amortise the entire SVRS unrelated cost within the extended payback. Therefore, for FY 2006-07, the Commission has continued with the same approach of considering the employee expenses in the ARR as done in the previous orders i.e. expenses on account of implementation of SVRS scheme have to be met from the savings in employee costs on account of reduction in employees. Therefore, Commission has not considered both the SVRS costs and savings in employee costs due to SVRS while analysing employee expenses.

Further, as submitted by the Petitioner the matter of additional liabilities related to pension, on account of implementation of VRS, is yet to be resolved between the Trust and the DISCOMs. The Commission would like to separately monitor the VRS including savings from the scheme and additional liabilities to be paid in line with the final settlement between NDPL and GNCTD so as to ensure that the savings in the employee costs due to implementation of VRS are passed on to consumers in ARR after the pay back period of the scheme. **The Commission directs the Petitioner to**

**submit the complete detail of savings, amortisation, additional trust liabilities and other expenses related to SVRS separately within 3 months of issue of this Order.**

The Commission has considered all the items of employee's expenses on actual basis subject to prudence test, except the basic salary, dearness allowance and terminal benefits which the Commission has worked out without considering the costs of SVRS and savings in employee costs due to SVRS for the FY 2005-06. The Commission has considered the DA as 21% of Basic Salary based on average actual DA rate applicable during the year. As regards capitalisation, the actual employee expenses capitalised during the year are Rs. 11.77 Crore, and the Commission has considered the capitalisation to the extent of Rs. 8.70 Crore linked with the approved additions to the fixed assets while approving the net employee expenses for FY 2005-06.

For estimating the employee expenses for FY 2006-07, the Commission has projected each component of the employee expenses rather than applying a growth rate on the overall employee expenses of FY 2005-06. The assumptions made by the Commission with regard to the projections for FY 2006-07 are stated below:

- Basic Salary: Growth of 3% on Basic Salary
- Dearness Allowance: 27% of basic salary
- Terminal Benefits (excluding the additional liabilities of terminal benefits arising out of SVRS) –In line with the terminal benefits as approved for FY 2005-06.
- Other Allowances and expenses including HRA: Considered in proportion to the increase in Basic

Based on the above assumptions, the net employee expenses for FY 2006-07 have been approved at Rs 138.68 Crore as against Rs. 151.02 Crore proposed by the Petitioner. The Commission has considered capitalization of employees expenses to the tune of Rs 9.14 Crore linked with the approved additions to the fixed assets as prescribed in detail elsewhere in this chapter.

Table 3.2 provides the employee expenses as proposed by NDPL in the Petition and as approved by the Commission.

**Table 3-2: Employee Expenses (Rs Crore)**

Particulars	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Salaries (Basic & Dearness Pay)	61.52	40.65	41.13	61.52	43.97	63.37
Dearness Allowance	8.86	6.69	6.07	12.92	9.41	17.11
Terminal Benefits	12.57	9.37	8.69	12.57	10.45	12.95
Other Costs	56.15	51.51	52.82	52.82	60.39	54.40
<b>Sub-total</b>	<b>139.11</b>	<b>108.22</b>	<b>108.71</b>	<b>139.83</b>	<b>124.22</b>	<b>147.83</b>
SVRS Related Costs	0.00	41.35	46.66	0.00	39.22	0.00
<b>Sub-total</b>	<b>139.11</b>	<b>149.57</b>	<b>155.37</b>	<b>139.83</b>	<b>163.44</b>	<b>147.83</b>
less expenses capitalized	12.20	10.82	11.77	8.70	12.42	9.14
<b>Total</b>	<b>126.91</b>	<b>138.75</b>	<b>143.60</b>	<b>131.13</b>	<b>151.02</b>	<b>138.68</b>

\* Other Costs include HRA, outsourcing activities cost, bonus/ exgratia, medical reimbursement etc

### 3.2 Administrative and General Expense (A&G)

#### 3.2.1 Petitioner's Submission

The Petitioner in ARR and Tariff Petition for FY 2006-07 submitted that against an approved Administrative and General expense of Rs. 19.97 Crore for FY 2005-06, the revised estimates of A&G expenses for FY 2005-06 are Rs. 19.90 Crore. The revised estimates for FY 2005-06 have been made on the basis of actual expenses incurred in the first half of 2005-06 and future expectations during the balance months.

The Petitioner had projected an Administrative and General Expense of Rs. 24.85 Crore for FY 2006-07. The Petitioner has submitted that higher growth rate in the A&G expense for FY 2006-07 has been considered due to following reasons:

- Expenditure on new consultancy assignments proposed to be commenced in FY 2006-07.
- Increase of 10% in the rents.
- Increase in the Insurance premium due to higher capitalisation as increase in the amount of the assets capitalised would result in an increase in the amount of

premium to be paid.

- Increase of 12% in conveyance and travelling expenses
- Increase in other expenses by 10% over current year level to take care of inflation.

### 3.2.2 Commission's Analysis

The actual A&G Expenses for FY 2005-06 as submitted by the Petitioner are Rs. 22.27 Crore.

The Commission has examined the detailed break-up of actual A & G expense for FY 2005-06 submitted by the Petitioner and considers the actual A&G expenses except for bill distribution and bill collection charges, which have been disallowed as the Petitioner needs to meet these expenses through savings on account of VSS. The Commission has thus considered A&G expense of Rs 21.43 Crore for FY 2005-06. In line with the Commission's previous order, the Commission has considered an escalation of 4% in A&G expenses for 2006-07.

Table 3.3 provides a summary of A&G expenses as proposed by the Petitioner and as approved by the Commission.

**Table 3-3: Administration & General Expenses (Rs Crore)**

Particulars	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
<b>Total A&amp;G Expense</b>	19.97	19.90	22.27	21.43	24.85	22.29

**The Commission directs the Petitioner to obtain the prior approval for the increase in Administrative & General Expenses beyond the level of expenses approved by the Commission for FY 2006-07.**

### 3.3 Other Admissible Expenses

The Petitioner in ARR and Tariff Petition for FY 2006-07 submitted that against approved Other Admissible expenses of Rs. 7.40 Crore for FY 2005-06, the revised estimates of other admissible expenses for FY 2005-06 are Rs. 11.10 Crore. The Petitioner has submitted that this increase is on account of increase in License

Fees/Other Filing Fees which is a statutory expense and expenses being incurred for collecting very old dues (old DVB Arrears) which are critical for recovery of such arrears.

The submissions of the Petitioner on various other admissible expenses are as follows:

- Rent, Rates & Taxes : This includes lease rental for capacitors
- Legal Charges: The Petitioner submitted that the legal charges have increased due to large number of litigations relating to interpretation of EA 2003, criminal cases filed in Special Courts under provisions of EA 2003, increased litigation from consumers due to large number of cases in Forum, Consumer Courts, etc.
- Auditors Fees: This includes the fees towards internal, statutory, tax and cost audits
- Financing Costs: The Petitioner submitted that it has obtained L/Cs as security for bulk supply payments to TRANSCO. In order to maintain rebate for power purchase by advance payments and to meet other mismatches between payments and receipts, utilisation of overdraft facilities is imperative. Depreciation cannot meet the working capital requirement as Depreciation is built up only gradually whereas working capital requirements have its peaks and troughs with only a very small base requirement that remains constant throughout the period. The Petitioner has assumed Letter of Credit Costs and Interest Rates at the existing rates of 0.4% p.a and 8% p.a., respectively and assumed to utilise 30% of the Rs 100 Crore facility for FY 2005-06 and 40% of the Rs 120 Crore Cash Credit (CC) Limit for FY 2006-07. The financing cost (LC charges plus Interest on CC) have been estimated at Rs 3.08 Crore and Rs 4.63 Crore for FY 2005-06 and FY 2006-07, respectively.
- Expenses on Apprentice and Other Training Expenses :

The Petitioner has submitted that while the Hon'ble Commission had approved expenditure on apprentice and training schemes at Rs. 1.08 Cr. for FY 2005-06, an expenditure of Rs. 1.50 Cr. is estimated in the CY. The primary reason for increase in expenditure is on account of increase in number of man-days of training. For FY 2006-07, the Petitioner has proposed expenditure of Rs. 1.65 Crore which is a 10% increase over FY 2005-06 which is reasonable, given the

approximate 8% p.a. inflation rate and increase in no. of man-days of training due to fresh additions during FY 2005-06.

- License Fee/Other Filings

For FY 2005-06 and FY 2006-07, the Petitioner has estimated the License Fee as 0.05% of the estimated amount billed during FY 2004-05 and FY 2005-06 respectively. Additional Rs. 10 lacs have been provided in each year towards filing fee for miscellaneous petitions before the Hon'ble Commission. The total License and Other Filing Fee estimated for FY 2005-06 and FY 2006-07 is Rs 0.89 Crore and FY Rs 1.01Crore.

- License Fee towards land allotted for construction of Grid & LT Substations

Land is being allotted by GoNCTD to NDPL under License for the specific purpose of construction of Grid and LT Sub-Stations. The License allows NDPL the use of land on 'Right to Use' basis on annual license fee equal to 20% of the Zonal Variant Rate (ZVR) which is presently Rs 3450 per sq. meter. Till date, NDPL has been allotted approximately 1700 sq meters of land in various locations for which license deeds have been executed. It is estimated that another 1000 Sq Meter of land shall be allotted to NDPL in the remaining year. During FY 2006-07, it is estimated that an additional 3000 sq. meters of land shall be allotted. Based on the above Rs 0.19 Cr (2700 x 3450 x 20%) and Rs 0.39 Cr (5700 x 3450 x 20%) have been estimated for the FY 2005-06 and FY 2006-07 respectively.

- Expenses for collecting DVB Arrears

The Petitioner submitted that in order to maximise the collection of old DVB Arrears, it has engaged a collection agency, which has been entrusted the specific task of collecting DVB arrears. An expenditure of Rs 1.20 Crore has been estimated for FY 2005-06. The Petitioner further submitted that since LPSC waiver scheme is being launched from December 2005, it is felt that all consumers with old arrears would make best use of this scheme, and clear their old dues and after closure of the scheme, there would be no further collections of old DVB arrears; consequently, no collection charges have been provided for FY 2006-07.



### 3.3.1 Commission's Analysis

The Petitioner has submitted the actual other expenses for FY 2005-06 as Rs. 10.15 Crore. The Commission has noted that the actual other admissible expenses of Rs 10.15 Crore during FY 2005-06 are more than the level of Rs 7.40 Crore as approved by the Commission.

The Petitioner has claimed legal expenses incurred by them for taking up several cases before different judicial authorities. The Commission is of the view that consumers should not be overburdened due to these kinds of expenses. The Petitioner hasn't furnished the complete details of various legal cases and its related expenses. In view of the same, the Commission has allowed 50% of the legal expenses incurred by the Petitioner for the FY 2005-06 which will be subject to final true-up based on the complete details.

The Commission has considered the components of other admissible expenses for FY 2005-06 as per actuals submitted by the Petitioner for FY 2005-06 except for changes in legal charges as discussed above. The Commission has thus considered Rs 9.19 Crore as other admissible expenses for FY 2005-06.

For FY 2006-07, the Commission has considered components of the other admissible expenses at the same level as submitted by the Petitioner except for changes in legal charges as discussed above. The Commission has thus considered Rs 10.83 Crore as other admissible expenses for FY 2006-07.

Table 3.4 provides a summary of other admissible expenses as proposed by the Petitioner and as approved by the Commission.

**Table 3-4: Other Admissible Expenses (Rs Crore)**

Particulars	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Lease Rent for Capacitors	1.52	1.52	1.52	1.52	1.52	1.52
Legal Charges	1.69	2.50	1.92	0.96	2.75	1.38
Auditor's Fees	0.17	0.22	0.24	0.24	0.25	0.25
LC Charges plus Interest on CC	1.12	3.08	2.75	2.75	4.63	4.63

Particulars	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Collection Exp.- DVB Arrears	1.00	1.20	0.72	0.72	0.00	0.00
License Fees	0.82	0.89	1.00	1.00	1.01	1.01
Licensee Fee towards Land	0.00	0.19	0.00	0.00	0.39	0.39
Training and Apprentice	1.08	1.50	2.00	2.00	1.65	1.65
<b>Total</b>	<b>7.40</b>	<b>11.10</b>	<b>10.15</b>	<b>9.19</b>	<b>12.20</b>	<b>10.83</b>

### 3.4 Repairs and Maintenance (R&M)

#### 3.4.1 Petitioner's Submission

The Petitioner has submitted that it has performed various Repair and Maintenance activities for further improving systems by reduction in breakdowns, reduction in response time and increasing preventing maintenance. The Petitioner mentioned that there has been a huge positive impact of the R&M expenditure on the quality of energy/service being provided to the consumers which is reflected in the reduction of failures/breakdowns. The Petitioner has submitted the details of some of the performance indices such as reduction in number of 11 kV cable faults, reduction in number of distribution transformers failures, number of fault free feeders, street light functionality, capacitor availability, and reliability indices.

The Petitioner mentioned that for achieving the improvement in quality of service, numbers of steps were initiated by NDPL which required substantial amount of expenditure and has submitted the list of various steps initiated.

The Petitioner submitted that after the initial 'fire fighting' phase where huge expenditure had to be incurred on immediate short term requirements, primarily to take care of breakdowns, is gradually moving towards greater emphasis on preventive maintenance and consequently for the next few years, R&M expenditure shall need to be maintained at the current levels after factoring inflation and a percentage (2.5%) of the incremental capital expenditure.

The R&M Expenses as submitted by the Petitioner for FY 2005-06 and FY 2006-07 are Rs 55.80 Crore and Rs 57.25 Crore.

### 3.4.2 Commission's Analysis

The actual R&M expense as submitted by the Petitioner for FY 2005-06 is Rs. 55.09 Crore. The Commission had opined in the previous orders 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. However at the same time, the Petitioner has to provide adequate attention towards the preventive maintenance of existing assets as well as assets capitalised during the last four years.

The Commission has examined the details of actual R&M expenses and works carried out during FY 2005-06 and has noticed that the actual expenses towards meter reading includes Rs 3.45 Crore during FY 2005-06. In line with the approach adopted by the Commission towards treatment of VSS expenses in previous Tariff Orders, any expenses due to VSS have to be met through savings on account of VSS. Therefore, the Commission has not considered the meter reading expenses. Further as there is sudden increase in the security expenses and the Petitioner has not provided any justifiable reasons for the same, the Commission has considered security expenses by applying an escalation of 10% to the actual security expenses of FY 2004-05 instead of Rs 3.86 Crore as submitted by the Petitioner. The Commission has thus considered R&M Expenses at Rs. 47.87 Crore for FY 2005-06.

For FY 2006-07, the Commission has considered the costs for various components of R&M Expenses, as estimated by the Petitioner in its ARR and Tariff Petition for FY 2006-07, except meter reading expenses and for security expenses which the Commission has considered by applying escalation of 10% to the level of security expenses approved by the Commission for FY 2005-06. The Commission has thus considered R&M Expenses at Rs 52.35 Crore for FY 2006-07.

**The Commission directs the Petitioner to continue to provide quarterly report of the actual R&M works carried out and the transformer failure rate.**

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

**Table 3-5: Repair & Maintenance Expenses**

Particulars	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
<b>Total</b>	55.83	55.80	55.09	47.87	57.25	52.35

**Further, the Commission directs the Petitioner to take a prior approval for any increase in R&M expense during FY 2006-07 beyond the approved R&M expense before committing/incurred an expense.**

### 3.5 Capital Investments

#### 3.5.1 Petitioner's submission

In its Petition, NDPL has presented that it has prepared a 5-year capital expenditure plan (2002-03 to 2007-08) amounting to Rs.1461 Crore to allocate resources for improvement/ augmentation of system, reduction of system losses, etc. Out of the above, NDPL has already incurred capital expenditure of Rs. 667 Cr. till March 2005. With additions of Rs.130 Crore from April 2005 to September 2005- the cumulative capital expenditure from FY 2002-03 (9 months) to September 2005 works out to Rs. 797 Crore.

The deployment of the capital investment is being carried out under four major heads which have been identified as requiring utmost attention, viz. Loss Reduction, System Reliability, Load Growth and Infrastructure facilities.

The Petitioner has estimated an investment of Rs. 372.82 Crore for FY 2005-06 in its Petition against the investment of Rs. 380.35 Crore considered by the Commission in the ARR and Tariff Order dated July 7, 2005.

In its Petition, the Petitioner has proposed an investment of Rs. 285.08 Crore during FY 2006-07. The investment proposed comprises Rs. 193.64 Crore as New System Improvement Works, Rs. 40 Crore as Deposit Works, Rs 25 Crore for other Projects including Civil Projects and the remaining Rs. 13.02 Crore for installation of meters. The Capital Investment plan is covering the following areas:

- **AT&C Loss Reduction** - Metering systems, Energy Efficiency Projects, High Voltage Distribution System (HVDS), IT initiatives to facilitate consumer satisfaction and efficient and effective work environment.

- **System Reliability Improvement** - 11 kV switchgear, Ring Main Units (RMU), control panel, various automation initiatives such as automatic meter reading, grid substation automation system, distribution automation, geo spatial initiatives, communication infrastructure, implementation of SCADA, DMS and EMS, outage management system, replacement of HT lines and cables, feed strengthening of grid stations
- **Load growth needs** - new 66/11 kV grid stations and 33/11 kV grid substations, augmentation of existing grids and deposit works
- **Infrastructure facilities** - renovation and modernisation of district and circle offices, new district offices and consumer care centres

The investments proposed by the Petitioner for FY 2005-06 and FY 2006-07 in the Petition, actual investment carried out by the Petitioner during FY 2005-06 is summarised in the Table 3.6.

**Table 3-6: Details of Capital Expenditure (Rs Crore)**

Description	FY 2005-06		FY 2006-07
	Order for FY 2005-06	Rev. Est. (Petition)	Petition
APDRP Projects	20.00	18.55	0.00
New System Augmentation Works	233.08	254.61	193.64
Deposit Works	40.00	44.00	40.00
Others including Civil Projects	14.22	20.03	25.00
Meters, etc.	53.81	23.81	13.02
IDC & Establishment Exp	19.24	11.82	13.42
<b>Total Capex</b>	<b>380.35</b>	<b>372.82</b>	<b>285.08</b>

In the subsequent submission, the Petitioner has indicated that it would submit scheme wise targets for the completion and milestones for the FY 2006-07 after assessing/reviewing the progress of capital schemes currently underway.

### 3.5.2 Commission's Analysis

The Commission has analysed the submissions made in the petition with respect to the actual investment carried out during FY 2005-06 and the proposed investment plan for FY 2006-07. The actual investments made by the Petitioner during FY 2005-06 is Rs.

430.93 Crore including IDC and establishment expenses as against the investment of Rs. 380.35 Crore considered by the Commission in its Tariff Order dated July 7, 2005.

The Commission in its Tariff Order dated July 7, 2005 clarified that the consideration of capital investment by the Commission for the purpose of determination of ARR, does not imply the approval of Capital Investment for various schemes and the Petitioner has to obtain the scheme wise approval for the capital expenditure incurred during FY 2005-06.

In its Tariff Order dated July 7, 2005, the Commission had further observed that – “the approval of the schemes has to be undertaken separately from ARR and Tariff Determination process, as it requires significant time and resources of the Commission.” The Commission had directed the Petitioner to submit the complete DPRs along with cost-benefit analysis for schemes more than Rs. 2 Crore for obtaining the scheme-wise investment approval from the Commission.

In compliance to the Commission’s directives, the Petitioner had submitted the revised DPRs for some of Capital Investment schemes proposed to be executed during FY 2005-06. A number of technical validation sessions were held with the Petitioner for review of the Capital Investment and Cost-benefit analysis thereof. The discrepancies and anomalies in the DPRs were brought to the notice of the Petitioner as the proposed schemes were not in accordance with the Clause 10 of the license condition which inter-alia mentions that the investment under each scheme must be made in an economical and efficient manner.

The Commission asked the Petitioner to provide the complete scheme wise details of actual expenditure incurred during FY 2005-06 along with the completion report and prescribed certificates. The Commission had advised the procurement of material through competitive bidding to ensure that transparency was maintained in Capital Investment as stipulated by license conditions. The Petitioner is yet to submit the entire details for the respective capital schemes taken up during FY 2005-06.

While the detailed scrutiny of the actual capital expenditure incurred during FY 2005-06 is underway, the Commission has considered the total investment including IDC and establishment expenses at the level of Rs. 318.70 Crore on provisional basis. The Commission would like to clarify that the consideration of capital investment of Rs. 318.70 Crore by the Commission for the purpose of determination of ARR does not

imply the approval of capital investment of Rs. 318.70 Crore and the Petitioner has to submit the balance requisite details for firming up the capital expenditure incurred during FY 2005-06. The variation in the capital expenditure considered in this Order with respect to the firmed up capital cost based on the details to be produced by the Petitioner, shall be considered by the Commission during truing up process.

As regards to the capital investment of Rs. 285.08 Crore for FY 2006-07, the Commission has carried out initial scrutiny for the proposed investment. The Commission is of the opinion that the Capital Investment proposed by the Petitioner needs a review for considering prudent investment in an efficient and economical manner.

The Commission is of the view that Petitioner has made adequate investments in the past for improvement of distribution system, as such for FY 2006-07 and the subsequent period the capital expenditure for system improvement should taper down and only the capital expenditure for expansion of the system to meet the growth in load may be required. The Commission reiterates the need for an integrated and a coordinated approach between the TRANSCO and the three DISCOMs for a pragmatic capital expenditure plan to ensure that the benefits of system improvement are available to the end consumers. Keeping in view the present status of preparedness for the proposed investment and need for integrating the implementation plan, the Commission has approved the investment plan for FY 2006-07 at a normative level considering actual investment made during the past years and assessed system requirement for the ensuing period. Accordingly, the Commission has provisionally allowed the investment of Rs. 209.88 Crore including IDC and establishment expenses for FY 2006-07. **The Commission re-iterates that the consideration of capital investment of Rs. 209.88 Crore including capitalisation of interest and establishment expenses during FY 2006-07 for the purpose of determination of ARR does not imply the approval of schemes corresponding to capital investment of Rs. 209.88 Crore and the Petitioner has to obtain the scheme wise approval for the capital expenditure to be incurred during FY 2006-07.**

**The Commission directs the Petitioner to submit the complete DPR along with cost-benefit analysis for the schemes more than Rs. 2 Crore proposed during FY 2006-07 for obtaining investment approval from the Commission by November,**

**2006 in case of schemes for which the said details have not been furnished. The Petitioner should also obtain the approval from the Commission for individual schemes less than Rs. 2 Crore but aggregating to Rs. 20 Crore. As regard to the reallocation of funds within the schemes listed in the annual investment plan or for new schemes which are not included in annual investment plan in case of unforeseen circumstances, the Petitioner shall comply with Section 10 of the License Conditions.**

**The Commission reiterates its direction to the Petitioner to submit the quarterly progress report of Capital Investment in the format prescribed by the Commission.**

The summary of the Capital Investment including IDC and establishment expenses, as proposed by the Petitioner and as considered by the Commission for FY 2005-06 and FY 2006-07 is provided in the Table 3.7 below.

**Table 3-7: Capital Investment (Rs Crore)**

Description	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Capital Investments	380.35	372.82	430.93	318.70	285.08	209.88

### **3.6 Asset Capitalization**

#### **3.6.1 Petitioner's Submission**

In its ARR petition for FY 2006-07, the Petitioner has proposed to capitalise the assets of around Rs. 383.52 Crore during FY 2005-06 and Rs. 325.70 Crore during FY 2006-07. The actual capital assets capitalised during FY 2005-06 have been reflected at Rs. 322.68 Crore.

#### **3.6.2 Commission's Analysis**

The Commission has analysed proposal of the Petitioner for FY 2004-05 keeping in view the approvals accorded by the Commission and the schemes actually implemented / completed during the year. Accordingly an amount of Rs. 241.00 Crore has been approved by the Commission towards capitalisation of assets by the Petitioner for FY 2004-05.



The Commission is of the view that the EHV & HV schemes on completion should be considered for capitalisation only on its commercial operation / charging to rated voltage after obtaining all necessary statutory clearances and compliance with the prevalent safety standards. The EHV system of the Petitioner forms part of the integrated intra-state system and the power flows get modified with any addition / modification in EHV system. **The Commission hereby directs that henceforth the date of commissioning / commercial operation for EHV grid station and any augmentation thereof, should be certified by the State Load Despatch Centre (SLDC).**

The Commission had during April and May, 2005 prescribed certain formats for information with regard to capitalisation of assets which inter- alia covers the execution of respective work as per the prevalent safety rules and laws of land. **The Commission directs that for FY 2005-06 the relevant information be furnished by the Petitioner in the formats so prescribed by the Commission for capitalisation of assets. The said formats are to be submitted along with the necessary statutory clearances and certificates within one month from the date of issue of this Order.** The capital expenditure incurred for residual works etc within the original scope of scheme, may be admitted on merits.

Pending the submission of requisite details by the Petitioner, the Commission has considered assets capitalisation of Rs. 308.70 Crore and Rs. 275.00 Crore for the FY 2005-06 and FY 2006-07, respectively keeping in view the capital work in progress and new investment for the respective years. This includes Cost of the scheme, Establishment expenses and Interest during Construction (IDC).

**The Commission would like to clarify that the consideration of asset capitalisation to the extent of Rs. 308.70 Crore and Rs. 275.00 Crore during FY 2005-06 and FY 2006-07, respectively for the purpose of determining the ARR, does not imply the Commission's approval for assets capitalised during the year. The Commission will separately examine the details of actual assets capitalised for final adjustments at the time of truing up.**

The issue of retirement of assets is being separately dealt with by the Commission. Therefore, the Commission has not considered the retirement of fixed assets while



arriving at the closing balance of fixed assets.

The summary of the asset capitalisation and closing balance of original fixed assets for the FY 2005-06 and FY 2006-07 as proposed by the Petitioner and as considered by the Commission are summarised in the Table 3.9 under section 3.7.

### **3.7 Depreciation**

#### **3.7.1 Petitioner's submission**

The NDPL has proposed that the depreciation has been computed by applying the depreciation rates as have been notified by the Central Electricity Regulatory Commission (CERC) as per the directives of the Hon'ble Commission. In line with the Hon'ble Commission's Tariff Order, depreciation has been computed on the opening gross block plus on pro-rata capitalization during the respective years. On average basis, capitalisation has been considered in the middle of the year. It has been further clarified that in accordance with the Hon'ble Commission's treatment of meters amounting to Rs. 42.72 Crore which were actually charged to revenue in FY 2003-04 (in accordance with the provisions of the Companies Act, 1956 whereby small value assets costing upto Rs. 5,000 need to be charged to revenue) as capital expenditure, the same have been added back to the gross block so as to compute depreciation.

Based on these principles, the Petitioner has proposed the depreciation charges at Rs. 60.18 Crore for FY 2005-06 and Rs. 72.34 Crore for FY 2006-07.

NDPL has requested the Commission to allow depreciation expense at rates specified in 1994 MoP Notification for the purpose of tariff determination for the reasons submitted below:

- Ministry of Power (MoP) notification of 1994 enhanced depreciation rates by limited amendment of rates of depreciation in notification of 1992. The Petitioner has highlighted that the MoP notification of 1992 specifically stipulated that depreciation should be provided as per the Straight Line Method rates specified in the Schedule and the fair life should not be utilised for deriving the rates of depreciation.
- Given the geographic spread, susceptibility to vagaries of weather, nature of usage, etc., the depreciation rates for Generation/ Transmission assets as notified

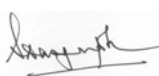
by the CERC, cannot be made applicable to Distribution assets. Draft Tariff Policy also reiterates this fact.

- Any disallowance on account of Depreciation directly erodes the assured 16% Return on Equity as the company is obliged to provide depreciation in its books of accounts as per the stipulated rates. Further, the Company cannot declare dividend unless it provides depreciation as per statutory provisions. However, any disallowance does not reduce tariff significantly.
- Allowance of depreciation expense in full would enable the Petitioner to build internal accruals for utilisation 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.
- Allowance of depreciation expense in full would enable the Petitioner to meet capital expenditure required for deposit works to be carried out by NDPL for which deposits have been received by erstwhile DVB without getting into a debt trap.

The Petitioner has requested that the depreciation expense should be allowed on assets capitalised during the year on a pro-rata basis in addition to the opening gross block of assets for the year.

NDPL has submitted that it expects to retire assets aggregating to approximately Rs. 40 Cr. each in FY 2005-06 and FY 2006-07. These assets, as in the previous years, shall mainly comprise of meters, cables, etc. out of the opening gross block inherited on July 1, 2002. As the matter regarding allowance of loss on retirement of assets is under consideration of the Hon'ble Commission by way of a separate petition, no loss has been claimed during FY 2005-06 and FY 2006-07. However, depreciation in FY 2005-06 and FY 2006-07 has been computed after netting off these retired assets from the assets capitalized during the year. This treatment is in accordance with the Hon'ble Commission's observation on this issue. Further, no depreciation has been claimed on assets that have been retired.

While NDPL reserves its right to take recourse to any remedy available for truing up the differential of depreciation allowed in tariff @3.75%/ 3.2% p.a. and depreciation as statutorily provided in the books of accounts, in the present ARR Petition NDPL




has not included the balance of arrears of depreciation together with its trueing up costs.

### **Utilisation of Depreciation**

The Petitioner has considered depreciation utilisation of Rs 27.52 Crore towards financing Capital Expenditure for FY 2005-06 and the balance towards debt repayment. For FY 2006-07, the Petitioner has considered total depreciation towards debt repayment.

### **Advance Against Depreciation**

The Petitioner has further requested the Commission to provide Advance Depreciation in years where the depreciation provided at the rate specified in the Companies Act would not be sufficient for meeting loan repayment requirement and especially where past depreciation has been used towards financing capital expenditure and is consequently not available for loan repayment.

### **3.7.2 Commission's Analysis**

#### **Depreciation Rate**

Definition of depreciation as given in the Accounting Standard 6 issued by The Institute of Chartered Accountants of India is as follows:

*“Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset.”*

The above definition of depreciation of asset relates to the useful life of asset as the methodology to calculate the depreciation. The Commission has observed that different rates of depreciation have been adopted in the power sector for different purposes like tariff, accounting and for Income tax purposes. The Commission in preceding tariff orders has relied upon the useful life of the asset as the methodology of determining the depreciation rates for distribution asset of the Licensee.

The Commission in its previous Orders for the Financial Year 2002-03, FY 2003-04, FY 2004-05 had held that the depreciation is non-cash expenditure and the quantum of depreciation is utilised for the repayments of loan. As such it does not affect the Petitioners Tariffs as all legitimate and prudent expenditure is being considered for the purpose of determination of ARR.

Considering the above and due to non-availability of fixed assets registers with details of historical costs for various categories of assets and capital work in progress, the Commission in the Tariff Orders for the F.Y. 2002-03, 2003-04 & 2004-05 had provided for depreciation @ 3.75% based on straight line method depreciating upto 90% uniformly over useful life of the assets.

The issue of depreciation alongwith other issues (method of calculating Return on Equity, Allowing of Deferred Tax etc) was contested by the Petitioner by an appeal before Hon'ble Appellate Tribunal for Electricity. The Petitioner's contention was to allow depreciation as per the rates prescribed in 1994 Notification issued by the Ministry of Power.

The Hon'ble Appellate Tribunal for Electricity in its order dated 24.5.2006 has upheld the methodology adopted by the Commission in all the issues raised by the Petitioner except that of depreciation. With regard to the issue of depreciation, the Hon'ble Appellate Tribunal for Electricity in its order has mentioned the following:-

**In Para No. 15 of Order**

*"The claim for accelerated depreciation merits acceptance. There is no escape except to allow depreciation in terms of Schedule VI of the Electricity (Supply) Act, 1948. Though discretion is given to the Commission under sub section (3) of Section 28 to depart, the Commission has not chosen to do so and, therefore, it follows that the appellants are entitled to depreciation at the accelerated rate as notified by the Ministry of power, Government of India. Provision has been made for depreciation of machinery, equipment and buildings, plants, machines, transmission lines, etc. When the Statute itself provides for allowing depreciation at the rate notified, there is no reason for the Commission to fix different rate of depreciation far below the notified*

rate and that too without recording reasons. Hence, while sustaining the contention advanced by the appellants on this point and rejecting the contentions advanced on behalf of the Commission, we direct the Commission to allow depreciation as per the notification of the Ministry of Power issued in terms of paragraph (a) of paragraph (VI) of the Sixth Schedule for the tariff periods in Question. We do not find any justification or reason to deny depreciation as claimed by the appellants in all the appeals.”

**In Para No. 16 of Order**

“Instead of ourselves examining and going into the matter, we direct the appellants to go before the Regulatory Commission, place, satisfactory material with respect to the fixed assets shown in FAR, its value and other details and subject to the prudence check, the Regulatory Commission shall consider the claim on merits and allow depreciation. Though reliance was placed on Pronouncements of the Supreme Court, in our view, it is not necessary to refer to the same as it is mandate of the Statute, which the Commission is bound to give effect. The statutory provision being mandatory, it is obligatory for the Commission to allow depreciation at the rate notified by the Ministry of Power and there is neither a reason nor justification to deviate or depart from the Para VI of the Schedule to the Electricity (Supply) Act, 1948.”

**In Para No. 22 of Order**

“In the circumstances, we direct the Commission to afford another opportunity to DISCOMS to produce the various registers or FAR, etc., place materials with respect to the claims relating to its fixed assets or investments or interest allowance made after the effective date, from which the DISCOMs became operational. In the truing up exercise, the Commission shall undertake such an exercise and the appellants shall be afforded sufficient opportunity to produce materials in support of their individual claims.”

**In Para No. 23 of Order**

“In other respects, we do not find any error or illegality in the Tariff Order, warranting interference. We hold that the Tariff Orders passed by the Regulatory Commission as well as ARR Order by the Regulatory Commission in respect of appellants/DISCOMs and the tariff determination for the years in Question in other respect are not liable to be interfered, except to the extent indicated above.”

In conclusion, with regard to appeal of the Petitioner whether they are entitled to depreciation @ 6.69% and whether the depreciation allowed @ 3.7% is legal and in order, the Hon'ble Appellate Tribunal for Electricity has mentioned that this point is answered in favour of appellant in each of the appeal and the Regulatory Commission shall grant consequential relief on actuals.

The Commission, consequent to order of the Hon'ble Appellate Tribunal for Electricity, vide letter no. F.11(252)/DERC/2006-07/1396 dated 10.07.2006, directed all the DISCOMs to produce the Fixed Asset Register and other records/materials before the Commission to take up the prudence check/truing up exercise.

In response thereto, the Petitioner vide letter dated 19<sup>th</sup> July 2006 has mentioned the following;

The fixed Assets Register (FAR) as on 1<sup>st</sup> July 2002 had been submitted with the Commission vide letter dated 29<sup>th</sup> May 2003. The aforesaid FAR includes break up of valuation in respect of various categories of assets as on 1<sup>st</sup> July 2002. This FAR was prepared by an independent Chartered Engineer and duly certified by an independent firm of Chartered Accountants. As regards assets capitalised after taking over i.e. 1<sup>st</sup> July 2002, NDPL has submitted audited accounts for FY 2002-03, FY 2003-04 and FY 2004-05 which, inter-alia, provide information on additions to and deletions from assets across different categories of assets.

It is to be mentioned that the Petitioner has only reiterated his earlier stand of submission of FAR as per business valuation method. The Commission in its previous Tariff Orders had repeatedly mentioned that the FAR submitted by the Petitioner does not provide the historical cost for various categories of assets and the detail of CWIP. Even though another opportunity was given to the Petitioner as directed by the Hon'ble Appellate Tribunal for Electricity, the Petitioner has not produced/ placed the satisfactory materials before the Commission.

Meanwhile, the Commission has preferred an Appeal before the Hon'ble Supreme Court of India in Civil Appeal No. 2733 of 2006. The Hon'ble Supreme Court in its Order of 23.8.2006 has directed that the Appellate Tribunal for Electricity to consider the conclusion of the Commission, as if they were good and sufficient for the purpose of making the departure from the Schedule (VI) rates. The basic issue involved in this

appeal is whether the Appellate Tribunal was justified in its view that the Commission had not indicated any reason for deviating from (VI) Schedule rates.

Without expressing any final opinion, we (Supreme Court of India) direct the Tribunal to examine whether the conclusions of the Commission are supportable in facts and in law. The Appellate Tribunal shall decide the matter after taking into consideration all contentions raised or to be raised by the parties. It is however made clear that we (Supreme Court of India) have not given any interim protection for any period other than the period to which the present appeal relates to. The determination made by the Appellate Authority shall be indicated to the parties. The matter shall be placed for further hearing after a period of 6 weeks.

This case has been heard on 5th, 7th & 8th September 2006 by the Hon'ble Appellate Tribunal for Electricity in accordance with the aforesaid order of the Hon'ble Supreme Court of India. In the mean time, the tariff order for the Financial Year 2006-07 has been finalised. The adjustment to the depreciation for the financial years under the appeal shall be subject to the out come of the Civil Appeal No. 2733 of 2006 pending before the Hon'ble Supreme Court of India. While the aforesaid appeal is pending before the Supreme Court, the Commission has retained a surplus of Rs. 45 crore in the sector in form of "Tariff Control Reserve" to meet any contingency arising out of the aforesaid appeal or any additional liability towards power purchase which may arise during the Financial Year 2006-07 etc.

For FY 2006-07, the Commission had continued with the methodology of depreciating the assets upto a cumulative 90% uniformly over the entire useful life of the assets and considered the weighted average depreciation rate as per the opening block of fixed assets submitted by the Petitioner at the rates prescribed in Appendix – II to Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation 2004 for various asset classes. For determination of the weighted average depreciation rate, addition to asset along with the date of capitalisation need to be established for each asset class. Since the Petitioner has not provided the complete break-up of assets added during the year along with the date of capitalisation and assets added may include that of unapproved schemes also, the Commission is not in a position to estimate the additions to each class of asset. Hence, the Commission has



considered the asset break-up at the beginning of the financial year as submitted by the Petitioner in its ARR for the purpose of estimating the weighted average depreciation rates.

This is in consonance with the fact that the Tariff Order for the Financial Year 2005-06 has not been contested by any of the distribution Licensee, either in review or in any appeal before the Competent Authority.

The Government of India has issued Tariff Policy under section 3 of the Electricity Act 2003, on 6th January 2006. As per this Tariff Policy, “the Central Commission may notify the rules of depreciation in respect of generation and transmission of assets. The depreciation rates so notified would also be applicable for distribution with appropriate modification as may be evolved by the Forum of Regulators (FOR). The rates of depreciation so notified would be applicable for the purpose of Tariff as well as accounting.” Consequent to this, the Forum of Regulators (FOR) vide its letter dated 23.6.2006 has informed that the rates as specified in Central Electricity Regulatory Commission (CERC) (Terms and Conditions of Tariff) Regulation 2004 may be treated as the rates of depreciation for distribution companies also.

Accordingly, the Commission has continued with the methodology of depreciating the assets over their useful life uniformly for FY 2006-07. The table showing the depreciation rate is given below:-

**Table 3-8: Depreciation Rates**

Sr. No.	Description of Assets	Asset Gross Block as at March 31, 2005 (Rs Crore)	Rate (%)	Asset Gross Block as at March 31, 2006 (Rs Crore)	Rate (%)
1	Land and rights				
2	Buildings	160.83	1.80%	165.94	1.80%
3	Other Civil Works	0.83	1.80%	1.09	1.80%
4	Plant & Machinery as sum of:				

Sr. No.	Description of Assets	Asset Gross Block as at March 31, 2005 (Rs Crore)	Rate (%)	Asset Gross Block as at March 31, 2006 (Rs Crore)	Rate (%)
5	Substation transformers, transformer kiosks, other fixed apparatus above threshold value	184.88	3.60%	233.55	3.60%
6	Substation transformers, transformer kiosks, other fixed apparatus below threshold value	42.58	3.60%	83.97	3.60%
7	Switchgear	301.53	3.60%	350.08	3.60%
8	Lines and cable network as sum of:	0.00	0.00%	0	0.00%
9	Towers, poles, fixtures, overhead conductors	516.73	3.60%	577.19	3.60%
10	Underground cables and devices	252.72	2.57%	293.08	2.57%
11	Service lines	2.48	0.00%	2.48	0.00%
12	Metering equipment	179.49	2.57%	235.21	2.57%
13	Vehicles	7.20	18.00%	9.73	18.00%
14	Furniture and fixtures	5.44	6.00%	7.25	6.00%
15	Office equipment, Computers and others	15.33	6.00%	32.53	6.00%
16	Capital spares	0.00	0.00%	0	0.00%
17	Assets taken over and pending final valuation	0.00	0.00%	0	0.00%
18	Other items	10.12	3.60%	10.76	3.60%
	<b>Total</b>	<b>1680.16</b>	<b>3.25%</b>	<b>2002.86</b>	<b>3.29%</b>

The Petitioner has not submitted the complete asset-wise capitalisation during the year along with details of pro-rata depreciation and actual usage/operation for each asset for the relevant financial year. In the absence of complete details, the Commission has continued with the same approach of providing depreciation on average basis in the middle of the year.

### Summary of Depreciation Expense

Table 3.9 provides a summary of the Depreciation as proposed by the Petitioner and as approved by the Commission for FY 2005-06 and FY 2006-07.

**Table 3-9: Depreciation (Rs. Crore)**

Description	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Opening Balance of Fixed Assets	1680.18	1591.01	1680.17	1679.43	1934.53	1988.13
Addition during the year	388.22	383.52	322.68	308.70	325.70	275.00
Retirement during the year	0.00	40.00	0.00	0.00	40.00	0.00
Closing Balance of Fixed Assets	2068.40	1934.53	2002.85	1988.13	2220.23	2263.13
Depreciation	60.76	60.18	64.79	59.56	72.34	69.96
Less: Depreciation against APDRP grants	0.00	0.00	0.00	0.51	0.00	0.51
Depreciation	60.76	60.18	64.79	59.05	72.34	69.45

### 3.7.2.1 Depreciation Utilisation

The Commission has prescribed in detail the priority of utilisation of depreciation in its previous Tariff Orders and followed the same priority for the FY 2005-06 and FY 2006-07.

The priority order of utilisation of depreciation has been summarised below:

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

Loan repayment is considered based on actual repayment schedule of long term loans availed from financial institution/lenders. In case of notional loan, the average

notional repayment period of 3 years is considered (considering the gestation period of commissioning of distribution assets and the average pay back period of 3 years).

The Working Capital requirement has been estimated by considering two months Stores (R&M) expenses and one month cash expenses i.e., salary, A&G and R&M expenses. While providing for funds for working capital, funds provided towards working capital for the period from FY 2002-03 to FY 2004-05 are also considered as available to meet working capital requirement of FY 2005-06. The Commission has provided funding of 53.15 Crore towards working capital requirement by allowing to utilise depreciation of Rs. 15.37 Crore in FY 2002-03, Rs. 18.21 Crore in FY 2003-04 and Rs. 19.57 Crore in FY 2004-05 towards Working Capital requirement. Since net requirement of working capital for FY 2005-06 is lower than cumulative funding provided, no additional funding has been considered towards working capital requirement for FY 2005-06 and FY 2006-07.

The Commission has assumed the entire amount of depreciation towards loan repayment for FY 2005-06 and FY 2006-07.

The utilisation of depreciation as proposed by the Petitioner and as considered by the Commission is summarised in Table 3.10.

**Table 3-10: Utilisation of Depreciation (Rs. Crore)**

Description	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
For debt repayment	32.21	32.66	31.64	59.05	72.34	69.45
For working capital requirement	0.00	0.00	0.00	0.00	0.00	0.00
For capital investment	28.55	27.52	33.15	0.00	0.00	0.00
Total depreciation	60.76	60.18	64.79	59.05	72.34	69.45

### 3.8 Means of Finance

#### 3.8.1 Petitioner's Submission

The NDPL has proposed funding of the capital expenditure through a mix of consumer contribution, depreciation, internal accruals and domestic loans in the same order of priority. Based on the amount of deposit works to be carried out during the FY 2005-06 and FY 2006-07, approximately 50% of the works are assumed to be financed through Consumer Contributions. NDPL has not considered any funds under APDRP Scheme during FY 2005-06 and FY 2006-07 as GoI has denied assistance. The balance financing of capital expenditure, after considering Depreciation, Consumer Contribution and APDRP Financing (currently not available) has been done in the Debt-Equity Ratio of 70:30, with the Equity being in form of Free Reserves and Surplus ploughed back in the business.

#### 3.8.2 Commission Analysis

The Commission has retained the same order of priority of means of finance for FY 2005-06 and FY 2006-07 as adopted in the Tariff Order dated June 26, 2003. The priority of means of finance adopted is as follows:

- Consumer Contribution
- Unutilised Depreciation including available unutilised depreciation of the previous years
- 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. 16.44 Crore during FY 2005-06. The Commission has also considered a normative loan of Rs 193.86 Crore for funding capital expenditure. The Commission has considered funding through internal accruals (free reserves) to the extent of Rs.83.08 Crore based on normative debt equity ratio of 70:30. The Commission has considered funding of sundry creditors through loan and free reserves based on normative Debt: Equity Ratio of 70:30. In case, the return on equity during the year is less than the requirement of funding through internal accrual based on normative debt equity ratio, the Commission has considered unutilised internal accruals of FY 2002-03 to FY

2005-06 for funding of capital investments. If the requirement of internal accruals is not met by considering the unutilised reserves for previous years, the Commission has considered loan funding towards the same.

For FY 2006-07, the Commission has considered the funding of investment based on the same philosophy considered for the FY 2005-06.

The Commission has provided funding of Rs 235.20 Crore for the FY 2006-07 considering the base capital investment of Rs 200 Crore (discussed in para 0), interest during construction, expenses capitalised and outstanding sundry creditors amounting Rs 25.32 Crore considered in funding for the FY 2005-06 on the basis of final truing-up for that year.

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 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Consumer Contribution	20.00	20.00	4.20	16.44	20.00	20.00
APDRP Grant	0.00	0.00	0.00	0.00	0.00	0.00
APDRP Loan	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	28.55	27.52	33.15	0.00	0.00	0.00
Internal Accruals	99.54	97.59	118.07	83.08	79.52	58.95
Commercial Debt	232.26	227.71	275.51	193.86	185.56	137.56
Sundry Creditors	0.00	0.00	0.00	25.32	0.00	18.68
<b>Total Funds</b>	<b>380.35</b>	<b>372.82</b>	<b>430.93</b>	<b>318.70</b>	<b>285.08</b>	<b>235.20</b>

### 3.9 Interest Expenditure

#### 3.9.1 Petitioner's Submission

NDPL has submitted that as per the terms of the Agreements with IDFC and PFC, additional 1% interest is payable in the event of security not being created in favour of the lenders within the stipulated time frame. Despite its best efforts, the security creation in favour of IDFC and PFC has got delayed due to DPCL (who hold the first charge on the existing fixed assets) taking an inordinately long time in finalizing the

Security Creation Document. Though the Company has requested the lenders for waiver of this penal interest, in the event of the penal interest and other charges being payable, it is requested that the Hon'ble Commission allow such interest/ charges and any other penal charges in the ARR as any such interest/ charges leviable are/ shall not be attributable to any delay by the Company.

Further, the interest rates for IDFC are only indicative as the G-Sec rate keeps varying and the interest rate crystallizes only on the date of disbursement. The same is again reset on the Reset date, which presently is 5 years. However, due to the hardening up of the interest rates in the recent times, the Reset Dates are likely to be annual or at best three years for the new loans from all lenders. Given the hardening up of interest rates, as is borne out by the increase in Govt Sec Rate, (at current 5 yr Govt Sec rate of 6.58%, the IDFC interest rate would be 10.22% inclusive of 3.64% spread – the same is being renegotiated) fresh disbursements during the FY 2005-06 and the FY 2006-07 have been considered at 9% p.a. The interest on outstanding loans upto March 2005 has however been computed at the rates at which the loans were drawn.

Regarding the Opening Balance Sheet Loan of Rs. 552 Cr. from DPCL whose interest liability shall commence accruing from July 1, 2006 with the first interest and repayment instalment becoming due for payment on January 1, 2007, NDPL vide its letter dated August 10, 2005 had requested the GoNCTD to convene a meeting of all parties to discuss the issue as directed by the Commission, to which the GoNCTD has replied that it is mandatory for NDPL to repay the long term debt on the terms and conditions specified in the Loan Agreement, implying that interest needs to be serviced from July 1, 2006 @ 12% p.a. Based on the prevailing market interest rate of 9.54% p.a., NDPL has currently provided for interest in the FY 2006-07 at 9.54% p.a. and the Commission has been requested to advise further course of action in this matter.

In case of the Medium Term Loan from SBI, the interest rate is floating during the tenor of the loan (5 years).

The Petitioner has further submitted that based on the principles outlined by the Hon'ble Commission in the Tariff Order for FY 2005-06 (which are based on the provisions of AS-16 and ASI-1 issued by the ICAI), borrowing costs need to be

capitalised only relating to those capital expenditure schemes having a gestation period of one year or above. In view of almost all schemes having a gestation period of less than one year, no/ or minimal interest would be capitalised. In view of this, a sum of Rs. 1 Crore each has been assumed as capitalized interest during the FY 2005-06 and FY 2006-07.

NDPL has submitted that no interest on Security Deposit has been provided as the same is contingent to the outcome of the petition on this issue which is being considered separately by the Hon'ble Commission. Further, the Petitioner has requested the Hon'ble Commission to allow truing-up of any expenses on this account in the subsequent ARRs.

### **3.9.2 Commission's Analysis**

#### **3.9.2.1 Interest on Long Term Loan**

The Petitioner has submitted actual interest cost for FY 2005-06 at Rs. 44.29 Crore pertaining to the loans utilised to fund the capital works. The Petitioner has not capitalised any amount towards interest expense for FY 2005-06.

For normative loans, the Commission has computed the interest amount based on the average of opening and closing for FY 2005-06 and FY 2006-07 based on actual rate of interest as applicable to a particular loan. For actual loans, the Commission has considered the actual rate of interest as applicable to a particular loan as available from the loan agreements. The interest on commercial borrowings has been calculated at Rs 35.77 Crore and Rs. 39.85 Crore for FY 2005-06 and FY 2006-07, respectively.

The Commission appreciates the efforts of the Petitioner for swapping the loan with a lower interest cost. Accordingly, for FY 2006-07, the Commission has considered interest expense of Rs 38.51 Crore on the DPCL loan @ 9.54% with which DPCL loan has been refinanced. The interest on APDRP loan for the FY 2005-06 and FY 2006-07 has been taken at Rs. 2.03 Crore and Rs 1.98 Crore, respectively.

#### **3.9.2.2 Capitalisation of interest**

For FY 2005-06, the Commission has capitalised the interest by applying the ratio of interest capitalised to base capital expenditure as per actuals for FY 2005-06 as submitted by the Petitioner to the actual base expenditure as approved by the Commission for FY 2005-06. Based on the actuals submitted by the Petitioner for FY



2005-06, it has not capitalised any interest amount during the year. Therefore, the Commission has not capitalised any interest amount during the year.

For FY 2006-07, following the same methodology as described above, the Commission has capitalised the interest by applying the ratio of interest capitalised to base capital expenditure as proposed by the Petitioner for FY 2006-07 to the base expenditure approved by the Commission for FY 2006-07. The interest capitalised thus arrived at is Rs 0.74 Crore.

### 3.9.2.3 Interest on Security Deposit

As the Petition on Consumer Deposit is being separately processed, the Commission has not considered any interest on Consumer Security Deposit for the purpose of determination of ARR. Based on the outcome of the referred Petition, the interest on Consumer Security Deposit shall be considered at the time of truing up of expenses and revenues for FY 2006-07.

### 3.9.2.4 Summary of Interest Charge

The summary of interest charges as proposed in the Petition and as considered by the Commission is provided in Table 3.12.

**Table 3-12: Interest Charges (Rs. Crore)**

Component	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Interest charges	41.70	42.25	44.29	37.80	94.22	80.34
Interest capitalised	7.04	1.00	0.00	0.00	1.00	0.74
Net interest charged to expenditure	34.66	41.25	44.29	37.80	93.22	79.61
Interest on security deposit	0.00	0.00	0.00	0.00	0.00	0.00

## 3.10 Treatment of DVB Arrears

### 3.10.1 Petitioner's Submission

The Petitioner has submitted that as per the Transfer Scheme, 80% of the prior to July

1, 2002 DVB Arrears, that are collected by the DISCOMs have to be remitted to the Holding Company. The total collection of DVB Arrear has been estimated at Rs. 15.00 Cr. for FY 2005-06 with 80% of the same (Rs. 12 Cr.) being payable to DPCL.

As the additional collections that are likely to happen on implementation of the LPSC waiver scheme are not known at the time of filing of the Petition, the same have not been considered. NDPL shall provide the exact realizations on this account once the scheme closes and the amounts reconciled. No provision for amounts payable to Holding Co. has been made for FY 2006-07 as it is unlikely that any further DVB Arrears shall be realised after the closure of the LPSC waiver scheme.

### **3.10.2 Commission's Analysis**

The Commission has elaborated on the methodology for treatment of DVB Arrears in detail in its previous Tariff Orders in which the Commission has discussed at length the approach being adopted by the Commission and highlighted that the entire DVB arrears should be ploughed back to the sector and 80% of the past DVB arrears collected by the DISCOMs should be passed on to TRANSCO instead of Holding Company. The Commission continues to follow the same principal. The actual DVB arrears collected during FY 2005-06 are Rs. 28.46 Crore. The Commission has considered 80% of these actual arrears from non-government agencies i.e. Rs 22.77 Crore to be passed on to TRANSCO. The Commission has considered 100% of the actual arrears from government agencies like Delhi Jal Board i.e. Rs 41.11 Crore to be passed on to TRANSCO.

As per the methodology prescribed by the Commission regarding the treatment of DVB arrears, the DVB arrears include the outstanding amount from all the defaulters which constitute the non-government as well as government agencies. The Commission has, therefore, considered the arrears received from the Delhi Jal Board in the revenue realised while calculating the actual AT&C losses. As per the Policy Directions, no commission is payable to DISCOMs on the recovery from the Government agencies. The entire amount received from the Government agencies is treated as income to the TRANSCO. Further details on the treatment of DVB arrears have been dealt with in detail in the Order for TRANSCO for FY 2006-07.

Summary of actual collection of arrears during the year and also during the LPSC waiver scheme is provided in Table 3.13.

**Table 3-13: Actual Collection of arrears**

DVB Period Collection	28.46
DISCOMs period Collection	76.62
Total Collection	105.08

The Petitioner has raised some issues with regard to treatment of DVB arrear, collected and remitted to TRANSCO pertaining to the FY 2002-03. The Commission is of the view that since the issue is not related to this ARR, the same is not being dealt with.

### **3.11 DISCOMs Adjustment to Consumers**

#### **3.11.1 Petitioner's Submission:**

The Petitioner submitted that in response to letter number F.3(105)/Tariff/DERC/05-06/1730-32 dated 30th August 2005, they had proposed to provide incentive in the form of credit, equivalent to 50% of the increase in tariff levels applicable to the domestic category. The Commission while approving the proposed incentive scheme, vide its order dated September 23 2005, with certain modifications, had also given the liberty to the Petitioner to raise the issue of recovery of the incentive in their ARR petitions for FY 2006-07.

Accordingly, the Petitioner has raised the issue of recovery of the incentive in its current ARR petition. The Petitioner has submitted that it would recover the incentive as an expense in the ARR for the FY 2005-06 and FY 2006-07. The amount of rebate estimated by the Petitioner is Rs 20 Crore and Rs.7.77 Crore for the FY 2005-06 and FY 2006-07, respectively.

#### **3.11.2 Commission's Analysis:**

For the purpose of determination of ARR of the Petitioner also, the Commission has considered the same treatment of DISCOMs adjustment to consumers as in case of BRPL and BYPL.

As against the estimated adjustment of Rs 20 Crore, the Petitioner has actually

distributed Rs 13.56 Crore in FY 2005-06 towards the adjustment to consumers. Accordingly, the Commission has considered the actual amount of Rs.13.56 Crore as an expense while working out the ARR of the Petitioner. The same amount is also considered as deemed revenue in revenue realised while calculating the AT&C losses for the FY 2005-06. The Commission has not considered any DISCOMs adjustment while determining the ARR for the FY 2006-07 since the same will be considered at the time of true up for FY 2006-07.

### **3.12 Return on Equity**

#### **3.12.1 Petitioner's Submission**

The Petitioner has submitted that it has calculated return on equity at 16% p.a. as per the GNCTD Notification of Policy directions that provide for 16% post-tax return on Equity and Reserves & Surplus. The Petitioner has estimated the return on Equity at Rs 92.20 Crore and Rs 106.37 for FY 2005-06 and FY 2006-07 Crore, respectively. The actual return on equity for FY 2005-06 as submitted by the Petitioner is Rs 93.84 Crore.

#### **3.12.2 Commission's Analysis**

The Commission has continued with the methodology of allowing return on equity as prescribed in the previous Tariff Orders. The Hon'ble Appellate Tribunal for electricity vide its Order dated 24.05.2006 on an appeal filed by the Petitioner upheld the methodology adopted by the Commission in its orders for FY 2002-03, FY 2003-04 and FY 2004-05 with respect to calculation of Return on Equity.

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 estimated funding of investments through internal accruals to the extent of Rs. 83.08 Crore during FY 2005-06 and Rs. 58.95 Crore during FY 2006-07.

Based on this, the Commission has estimated Return on Equity and Free Reserves at Rs. 90.96 Crore for FY 2005-06 and Rs. 102.32 Crore for FY 2006-07. The Return on Equity and Free Reserves to the extent used for Capital Expenditure proposed in the Petition and considered by the Commission for determining ARR is summarised in Table 3.14.

**Table 3-14: Return as estimated by Commission (Rs. Crore)**

Component	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Opening Equity Capital	368.00	368.00	368.00	368.00	368.00	368.00
Addition to Equity Capital	0.00	0.00	0.00	0.00	0.00	0.00
Closing Equity Capital	368.00	368.00	368.00	368.00	368.00	368.00
Opening Free Reserves	159.44	159.44	159.44	158.96	257.03	242.05
Addition during the year	99.54	97.59	118.07	83.08	79.52	58.95
Total Free Reserves	258.98	257.03	277.51	242.05	336.55	301.00
Average Reserves	209.21	208.23	218.48	200.50	296.79	271.52
Total Equity & Free Reserves	577.21	576.23	586.48	568.50	664.79	639.52
16% Return on Equity & Free Reserves	92.35	92.20	93.84	90.96	106.37	102.32

### 3.13 Summary of Truing up Expenses and Carrying Cost

#### 3.13.1 Petitioner's Submission

The Petitioner has considered Carrying Costs of Rs. 14.5 Crore for FY 2005-06 as approved by the Commission in the Tariff Order FY 2005-06. No Carrying Cost has been considered for the FY 2006-07 as NDPL is not aware of the tariff design (BST/RST) that the Commission shall approve for FY 2006-07. In the event of the Regulatory Asset not being adjusted upfront from the BST payable to Transco, Carrying Cost shall need to be provided by the Commission on the outstanding Regulatory Asset.

NDPL contended that the Commission, while truing up expenses/ income for 2004-05, has considered (a) higher level of interest costs charged to Revenue (than actuals), and (b) higher level of interest on contingency reserves as part of non tariff income (than actuals). In addition to the truing up of these expenses/ income, NDPL is entitled to carrying cost for this under-recovery of legitimate expense / excess

consideration of non tariff income which is explained below:

- **Capitalisation of interest on Term Loans**

Based on the provisions of AS 16 on Borrowing Costs including capitalisation of interest, which have also been reiterated by the Commission, 1.81 % (0.27/14.84) of interest on term loans for Capex has been capitalised and reflected in the audited accounts of the Company for FY 2004-05. Against this, the Commission has considered 27% (7.11/25.92) capitalisation which has resulted in under-recovery of revenue interest to the extent of Rs. 6.64 Crore ( $7.11 - 25.92 \times 1.81\%$ ) in FY 2004-05.

It has been requested that Rs. 6.64 Crore towards truing up of revenue interest, plus Rs. 0.77 Crore towards weighted average carrying cost at 11.54% p.a for 1 year, may be allowed towards truing-up of expenses of FY 2004-05.

NDPL had also pointed out that while the Commission has been capitalizing an amount of interest which is different from the interest capitalised in the books of accounts, the depreciation it has allowed is based on the asset base appearing in the accounts (plus meters charged to Revenue but considered as Capital Expenditure) without taking into account depreciation on the additional interest capitalised by the Commission. This anomaly is resulting in under-recovery of investment allowed by the Commission even at the reduced depreciation rates considered by the Commission.

- **Excess Interest on Contingency Reserve considered as part of Non Tariff Income**

The Petitioner has submitted that the Commission has computed the interest incorrectly by (i) considering interest on the outstanding reserve for full one year, plus (ii) computing the same on the purchase price which includes premium, while the interest is earned only on the face value of the investment. It is requested that the interest be trued up together with its carrying cost to the extent additional interest has been erroneously considered for tariff determination. As per NDPL's computation, the interest on contingency reserve investments for FY 2004-05 is Rs 0.68 Crore while the Commission has considered it as 0.94 Crore (@ 7.4% p.a. on an investment

of Rs 12.8 Crore). The Petitioner has therefore requested that the differential of Rs 0.26 Crore (Rs 0.94 Crore – 0.68 Crore) together with its carrying cost for 1 year, amounting to Rs 0.03 Crore be allowed towards truing-up of expenses of FY 2004-05.

- **Methodology of computing Carrying cost rate**

The Petitioner has submitted that the Commission allows Carrying Cost at a rate which is the weighted average cost of debt and equity, with a notional Debt: Equity of 70:30. NDPL contended that instead of the rate being determined using normative Debt: Equity, the Hon'ble Commission should allow carrying cost at Cost of Equity to the extent that RoE for the relevant year has been deferred due to allowance of lower level of expenses initially or creation of regulatory asset/uncovered revenue gap, and at Cost of Debt for the balance amount being trued up or carried forward. In the event of the truing-up amount / RA carried forward being less than the amount of RoE that is deferred, the entire amount should carry Cost of Equity.

The above contention is based on the principle that any under-allowance of expenses (which are subsequently trued up by the Commission) or creation of RA results in (i) deferment of RoE and (ii) deferment of recovery of other legitimate expenses, consequently it is only equitable that the Commission allowing Cost of Equity to the extent of deferment of RoE and Cost of Debt on the balance RA.

Further, the Cost of Equity considered for truing up of expenses should be grossed up for taxes that the licensee shall have to pay on the carrying cost allowed as part of the ARR.

While reserving its right to seek carrying cost as per the afore-mentioned principle, the carrying cost in the present Petition has been computed at the wt. average rate of 11.54% p.a.(computed with a debt : equity ratio of 70:30), with cost of debt being considered at 9% p.a.).

### 3.13.2 Commission's Analysis

The Commission has discussed the truing up mechanism in the Tariff Order dated July 7, 2005 and followed the same mechanism to true up the expenses & revenues

for the FY 2004-05 and FY 2005-06.

Contingency reserve created upto FY 2004-05 amounting to Rs. 20.54 Crore exists in the Accounts of the Petitioner. Treatment of contingency reserve shall be dealt with in the Regulations under preparation by the Commission.

The Commission has while determining the ARR and revenue gap for FY 2004-05 has analysed each component of expense and revenue separately and has worked out the revenue gap for FY 2004-05 based on audited annual accounts for FY 2004-05. The Commission has considered the revenue gap of Rs 202.94 Crore for FY 2004-05 after truing up the expenses and revenue based on audited accounts as against the estimated revenue gap of Rs 207.53 Crore in the Order for FY 2004-05. The Commission has considered the treatment of this revenue gap in the subsequent paras.

The Commission would like to emphasise that in case the Petitioner would have recovered this amount in FY 2004-05, the same would have been recovered during the entire year. As the Commission has considered the revenue gap of FY 2004-05 as part of revenue gap/surplus of FY 2006-07, the carrying costs are to be provided only for one year.

Further, the Commission in its Order on ARR Petition for FY 2004-05 has clearly specified that it would allow the carrying cost for truing up of expenses at a weighted average cost of funds considering debt-equity ratio of 70:30.

The DISCOMs had filed an appeal in the Hon'ble Appellate Tribunal for Electricity against the Order dated 9<sup>th</sup> June 2004 issued by the Commission on the issue of creation of Regulatory Asset and the carrying cost on the Regulatory Asset. The Hon'ble Appellate Tribunal for Electricity has come out with the judgement dated 21<sup>st</sup> July 2006 on the issue as :

***“ ----- direct the Regulatory Commission to allow 9% interest, as it has already allowed by the Commission in Chapter 3.11.1 of its Tariff Order, for deprivation of the amounts which were ordered to be created and retained as a Regulatory Asset from the date of Tariff Order and till it is amortised and to reimburse all expenses and incidental charges incurred in this behalf by the DISCOMs.”***

The Commission has already allowed the carrying cost for FY 2004-05 on weighted average rate considering the normative debt equity ratio of 70:30 at 10.75% which is



more than 9 % interest as directed by the Hon'ble Appellate Tribunal for Electricity. Further, since the truing up exercise and the adjustment of benefit of efficiency gain to be passed on to the consumers are part of the retained Regulatory Asset, the Commission has allowed the carrying cost on the balance Regulatory Asset for the FY 2004-05. Since the Regulatory Asset has now been fully amortized against the revised revenue gap/surplus based on true up and efficiency gains due to overachievement on account of AT & C loss for the FY 2005-06 and also through adjustment in the determination of bulk supply tariff for FY 2006-07, the Commission has considered the interest @ 9% as directed by the Hon'ble Appellate Tribunal for Electricity as carrying cost on the Regulatory Asset retained during the FY 2005-06 and the Regulatory Asset is fully amortized at the end of the FY 2005-06 and FY 2006-07. The Commission adjusted the difference in the amount of carrying cost already allowed and in the amount now worked out based on the direction of the Hon'ble Appellate Tribunal for Electricity while working out the revenue gap/surplus for the FY 2006-07.

The Commission clarifies that in case of revenue surplus i.e excess of incomes over expenditures in a year; the Commission has not considered any carrying cost for the same financial year.

As regard to treatment of revenue gap and regulatory asset for FY 2004-05 and FY 2005-06 and the carrying cost on Regulatory Asset for the above years, the Commission has dealt with this matter in Section 4.4 of this Order.

The actual/audited expenses as claimed by the Petitioner and the expenses finally trued up by the Commission for the FY 2004-05 are summarised in Table 3.15. Detailed analysis of each expense head has already been provided in the above sections.

**Table 3-15: Truing up of Expense for FY 2004-05 (Rs Crore)**

Component	2004-05		
	Audited Accounts	Allowed by Commission	Difference
Employee Costs	134.57	125.29	(9.28)
A&G Expenses	19.20	17.78	(1.42)
R&M	53.68	46.65	(7.03)
Interest on Loans	27.01	25.86	(1.14)

Depreciation	112.84	53.43	(59.41)
Other Admissible Expenses	7.17	7.17	0.00
DVB Arrears -Non-Govt	20.43	20.43	0.00
Carrying cost on truing-up	64.70	64.70	0.00
<b>Gross Expenditure</b>	<b>439.60</b>	<b>361.32</b>	<b>(78.28)</b>
Expenses Capitalised	9.51	9.51	0.00
Interest Capitalised	0.27	0.27	(0.00)
<b>Net Expenses</b>	<b>429.81</b>	<b>351.53</b>	<b>(78.28)</b>
Income Tax	7.80	7.75	(0.05)
Contribution to Contingency Reserve	7.74	7.19	(0.55)
<b>Return</b>	<b>77.15</b>	<b>77.11</b>	<b>(0.04)</b>
<b>Non-Tariff Income</b>	<b>22.51</b>	<b>22.51</b>	<b>0.00</b>
<b>Total</b>	<b>499.99</b>	<b>421.08</b>	<b>(78.92)</b>
<b>Revenue Realised</b>	<b>1331.00</b>	<b>1323.12</b>	<b>7.88</b>

### 3.14 Taxes on Income

#### 3.14.1 Petitioner's Submission

The Petitioner has submitted that though it has computed tax liability at MAT @ 8.415% (7.5% plus 10% Surcharge plus 2% Education Cess) on allowable ROE (duly grossed up so as to ensure a Post Tax ROE of 16%). It contended that Deferred Tax, which is an actual liability for the Current Year, should be allowed as legitimate expenditure for the relevant year. Further, it has been submitted that allowance of Deferred Tax by the Hon'ble Commission shall prevent tariff shocks in the future when tax depreciation would have been exhausted and the actual tax payment would be huge. Further, it is against the laws of equity that future consumers pay for the benefits (by way of lower tariff) enjoyed by the current consumers. NDPL reiterates that Deferred Tax liability is a liability pertaining to the current period and the costs for the same should be provided in the current period itself. The Petitioner has submitted taxes on income as Rs. 8.47 Crore and Rs 9.77 Crore for FY 2005-06 and FY 2006-07 respectively. The Petitioner has later revised the submission for taxes on income for FY 2006-07 at Rs 16.78 Crore. The actual taxes on income as submitted by the Petitioner for FY 2005-06 is Rs 13.83 Crore.

It has further submitted that Fringe Benefit Tax (FBT) has been introduced by the GoI in the Budget 2005-06. FBT is levied at the Corporate Tax Rate on an average 20% of the expenses covered under the FBT regime. Based on first half of 2005-06 FBT of Rs. 1.10 Cr and the estimated expenses in the balance year, Rs. 2.50 Cr. of FBT has been estimated for the FY 2005-06. A 10% increase over the FY 2005-06 has been assumed for the FY 2006-07, thus estimating the FY 2006-07 expenditure at Rs. 2.75 Crore.

### 3.14.2 Commission's Analysis

The Petitioner has submitted the Provisional Accounts, wherein the actual tax liability for the FY 2005-06 has been provided as Rs. 13.83 Crore. The actual FBT as submitted by the Petitioner for FY 2005-06 is Rs 2.42 Crore. The Commission has hence considered the actual tax liability, as submitted in the Provisional Accounts. The Commission would like to point out the Income Tax considered for FY 2005-06 will be subject to adjustment after the assessment of Income Tax by the Income Tax Department. For FY 2006-07, the Commission has considered the same amount which is estimated by the Petitioner and 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 recognises 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.

For FY 2005-06, the Commission has considered the actual fringe benefit tax of Rs 2.42 Crore as paid by the Petitioner. For FY 2006-07, the Commission has considered the same amount of Fringe Benefit Tax as estimated by the Petitioner.

Table 3.16 below provides the taxes on income and fringe benefit tax as proposed by the Petitioner and as considered by the Commission for determining the ARR.

**Table 3-16: Taxes on Income and Profits as estimated by Commission (Rs. Crore)**

Component	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Taxes on income and profits	9.24	8.47	13.83	13.83	9.77	9.77
Fringe Benefit Tax	0.00	2.50	2.42	2.42	2.75	2.75

Regarding the issue of deferred income tax claimed by the DISCOMs in earlier years, the Appellate Tribunal for Electricity in its Order dated 24<sup>th</sup> May 2006 has concluded as follows:

“We do not find any illegality in the Commission’s approach in the Tariff Order passed by in respect of the DISCOM.”

### 3.15 Non Tariff Income (NTI)

#### 3.15.1 Petitioner's Submission

The Petitioner, in its ARR and Tariff Petition for FY 2006-07, submitted that against an approved NTI of Rs. 23.02 Crore for FY 2005-06, the revised estimates for FY 2005-06 is Rs. 24.89 Crore. The Petitioner has estimated commission on collection of Electricity Duty @3% of the total electricity duty.

The Petitioner has submitted that the company has invested its short terms surpluses in Debt Based Mutual funds and these investments have been made out of surpluses which have arisen due to the dis-allowance of ploughing back the entire Return on Equity (which the Company has been unable to declare as dividend due to inadequacy of Profits After Tax), any interest/dividend on the same shall not constitute non tariff income. However, the interest income on contingency reserve has been considered as Non Tariff Income and all investments have been made in GoI securities to mature in 2012 with a coupon rate of 7.4%.

As regard to service line charges, the Petitioner submitted that the Commission has considered meters charged to revenue as capital expenditure, the associated service line charges have been considered as deferred revenue receipts by amortising the same over three years. NDPL still seeks a review of this treatment from the Hon’ble

Commission, and suggests (as mentioned in its previous petition) that the Expenses incurred against the Service Line Receipts, which are towards covering cost of service line itself and other costs, should be capitalized, as the Hon'ble Commission is not allowing the meters less than Rs 5000 to be charged off as a revenue item, thus the associated service line charges should also not be treated as a revenue item.

As regard to rebate on power purchase, the Petitioner has submitted that for the period April- September'05, NDPL has earned a rebate income of Rs 8.58 Crore by borrowing against its cash credit limit. The total interest paid on cash credit during the same period is Rs. 1.52 Crore Since there is no clarity as to whether the Hon'ble Commission shall allow the total interest incurred for obtaining the benefit Rebate, NDPL has discontinued borrowing to claim rebate; consequently no rebate has been considered in second half of the FY 2005-06.

For the FY 2006-07, it has been assumed that the Hon'ble Commission shall allow interest on CC as a legitimate expense in the Tariff Order; consequently, it has considered advance payments before due dates to Transco for Power Purchase, thus being entitled to full rebate at an average rebate of 1.3% p.m. (The effective rate of rebate is halved due to the due dates falling every 5 days).

NDPL wishes to point out that the aforementioned rebate is contingent upon the Hon'ble Commission allowing CC Interest, in the absence of which NDPL shall cease making advance payments; in such an eventuality, no rebate income (which is presently assumed as part of non tariff income for tariff determination in this Form) shall be available for tariff determination.

For FY 2006-07, the Petitioner has projected a Non Tariff Income of Rs. 32.39 Crore.

### **3.15.2 Commission's Analysis**

The Petitioner has submitted the actual non-tariff income for FY 2005-06 at Rs 37.38 Crore. The Commission has considered the non-tariff income for FY 2005-06 as per actuals submitted by the Petitioner at Rs 37.38 Crore.

As regard to the Petitioner's submission on treatment of service line charges, the Commission has already dealt with this issue in its Order dated October 29, 2004 on Review Petition. Therefore, the Commission considers the Service Line Charges as revenue accrued over period of 3 years and does not consider the Service Line

Charges for funding of Capital Works.

The Commission reiterates that the revenue from Service Line Charge is a capital receipt and it is not a liability, which has to be returned back to consumers.

For FY 2006-07, the Commission has considered the non-tariff income at the same level as considered for FY 2005-06.

Table 3.17 provides a summary of the Non-tariff Income, as proposed by the Petitioner and as approved by the Commission.

**Table 3-17: Non-Tariff Income (Rs Crore)**

Particulars	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Income from investments	0.94	1.14	1.14	1.14	1.41	1.14
Commission on collection of Electricity Duty	2.19	2.29	2.35	2.35	2.46	2.35
Rebate on Power Purchase	7.48	8.58	11.79	11.79	16.12	11.79
Sale and Repair of Lamps	0.00	0.00	0.00	0.00	0.00	0.00
Sale of Scrap	0.00	0.00	0.00	0.00	0.00	0.00
Service Line Charges	9.22	8.22	8.47	8.47	7.40	8.47
Other Income	3.19	4.66	13.63	13.63	5.00	13.63
<b>Total</b>	<b>23.02</b>	<b>24.89</b>	<b>37.38</b>	<b>37.38</b>	<b>32.39</b>	<b>37.38</b>

### 3.16 Total Expenditure excluding Power Purchase Cost

Table 3.18 provides a summary view of the various expenses as proposed by the Petitioner and as approved by the Commission for FY 2005-06 and FY 2006-07. Detailed analysis of each expense head has already been provided in the above sections.

**Table 3-18: Total expenditure excluding power purchase cost (Rs. Crore)**

Component	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Employee Costs	139.11	149.57	155.37	139.83	163.44	147.83
A&G Expenses	19.97	19.90	22.27	21.43	24.85	22.29
R&M	55.83	55.80	55.09	47.87	57.25	52.35
Interest on Loans	41.70	42.25	44.29	37.80	94.22	80.34
Interest on Security Deposits	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation	60.76	60.18	64.79	59.05	72.34	69.45
Advance Against Depreciation	0.00	0.00	0.00	0.00	0.00	0.00
Processing Fee for the Commission	0.00	0.00	0.00	0.00	0.00	0.00
Other admissible Expenses	7.40	11.10	10.15	9.19	12.20	10.83
DVB Arrears - Non-Govt	16.00	12.00	22.77	22.77	0.00	0.00
DVB Arrears - Govt	0.00	0.00	0.00	41.11	0.00	0.00
Carrying cost on truing-up	14.50	14.50	15.86	0.00	0.00	-1.29
<b>Total Gross Expenditure</b>	<b>355.27</b>	<b>365.30</b>	<b>390.59</b>	<b>379.05</b>	<b>424.30</b>	<b>381.79</b>
Less: Expenses capitalized	12.20	10.82	11.77	8.70	12.42	9.14
Less : Interest capitalized	7.04	1.00	0.00	0.00	1.00	0.74
<b>Total Net Expenditure</b>	<b>336.03</b>	<b>353.48</b>	<b>378.82</b>	<b>370.34</b>	<b>410.88</b>	<b>371.91</b>
Income Tax including FBT	9.24	10.97	16.25	16.25	12.52	12.52
Contingency Reserves	0.00	0.00	0.00	0.00	0.00	0.00
Total Appropriations	9.24	10.97	16.25	16.25	12.52	12.52

DISCOMs Adjustment to Consumers	0.00	20.00	13.56	13.56	7.77	0.00
<b>Net Expenses incl. Spl Appropriations (A)</b>	<b>345.27</b>	<b>384.45</b>	<b>408.63</b>	<b>400.15</b>	<b>431.17</b>	<b>384.43</b>

### 3.17 Revenue Requirement Excluding Power Purchase Cost.

The Revenue Requirement excluding Power Purchase Cost for FY 2005-06 and FY 2006-07 as proposed by the Petitioner and as approved by the Commission is provided in Table 3.19.

**Table 3-19: Revenue Requirement excluding Power Purchase Cost (Rs Crore)**

Component	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Expenditure (A)	345.27	384.45	408.63	400.15	431.17	384.43
Return on Equity and Free Reserves (B)	92.35	92.20	93.84	90.96	106.37	102.32
Non Tariff Income (C)	23.02	24.89	37.38	37.38	32.39	37.38
<b>ARR excluding Power Purchase Cost (A+B-C)</b>	<b>414.60</b>	<b>451.76</b>	<b>465.09</b>	<b>453.73</b>	<b>505.15</b>	<b>449.37</b>



## 4. Treatment of Revenue Gap/Surplus and Tariff Design

### 4.1 Introduction

The Policy Directions issued by the GNCTD mandate 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 location. As a result of this requirement of uniform retail tariff across all the DISCOMs, the process for determination of tariff for the DISCOMs in Delhi and its approval by the Commission differs somewhat from the conventional methodology being followed in other States. Unlike the conventional system where a utility files its ARR and tariff proposal for a particular period and proposes tariffs to bridge any projected revenue gap at existing tariffs, the DISCOMs in Delhi submit only their respective ARR proposals, leaving the tariff determination to the Commission.

The Commission in its Tariff Order of FY 2005-06 had considered the Regulatory Asset at Rs. 548 Crore for three DISCOMs together i.e. BRPL, BYPL and NDPL after amortising the Regulatory Asset of TRANSCO. With the truing-up of the figures for FY 2004-05 in the present order, the Regulatory Asset for the three DISCOMs together has been recalculated by the Commission and has been estimated at Rs. 518 Crore as of FY 2004-05. The treatment of amortisation of Regulatory asset of each DISCOM through the revised over-achievement amount during FY 2004-05 and available surplus during FY 2005-06 has been discussed in detail in this section of the Order. The treatment of balance Revenue Gap of Rs.96 Crore in respect of three DISCOMs together has also been discussed in this section.

The total sector revenue surplus for FY 2006-07 as estimated by the Commission, works out to Rs. 195.42 Crore. The treatment of balance Revenue Gap of Rs.55 Crore of TRANSCO based on truing up for FY 2004-05 and FY 2005-06 has been discussed in the subsequent para of this Section. The net revenue surplus for the FY 2006-07 after adjusting the balance revenue gap for FY 2005-06 of all utilities works out to Rs 45 Crore as summarised in Table 4.15. This Section focuses on the treatment of the revenue surplus keeping in mind the appeal filed by the Commission in the Hon'ble Supreme Court against the order of the Appellate Tribunal for Electricity regarding the issue of depreciation rate.

#### 4.2 Order of Appellate Tribunal for Electricity

The order issued by the Hon'ble Appellate Tribunal for Electricity on the issue of depreciation rate is discussed in para 3.7.2 of the Order.

#### 4.3 Order of the Hon'ble Supreme Court

On the appeal filed by the Commission, the Hon'ble Supreme Court in its Order dated 13<sup>th</sup> June 2006 directed the Commission as under:

*“The appellant may continue the process of determination as directed by the Appellate Tribunal for Electricity but no final decision shall be taken without the leave of this Court.”*

Further after the hearing on 23<sup>rd</sup> August 2006, the Hon'ble Supreme Court had passed the following order on 28<sup>th</sup> August 2006:

*“..... we feel it would be appropriate for the Appellate Tribunal to consider the conclusions of the Commission as if they were good and sufficient for the purpose of making a departure from the Schedule VI rates. The basic issue involved in this appeal is whether the Appellate Tribunal was justified in its view that the Commission had not indicated any reason for deviating from Schedule VI rates. This direction is being given because the Commission was of the view that no reasons have been indicated. Without expressing any final opinion, we direct the Tribunal to examine whether any conclusions of the Commission are supportable in facts and in Law. .... However, we make it clear that we have not expressed any opinion on the merits of the case. The exercise to be undertaken by the Appellate Tribunal shall be only on the question of depreciation.*

*It is clarified that order dated 13<sup>th</sup> June 2006, we had permitted the process of determination of to be continued by the appellant as directed by the Appellate Tribunal. The final decision may be taken, but the same shall be open to challenge by the affected parties. ....*

*It is, however, made clear that we have not given any interim protection for any period other than the period to which the present appeal relates to.”*

Keeping the above directions of the Hon'ble Supreme Court in view, the Commission has decided to maintain the surplus in **Tariff Control Reserve** to meet any contingent liability or any other costs arising on account of power purchase during the FY 2006-

07. The entire **Tariff Control Reserve** is parked with the TRANSCO. Apart from the said Tariff Control Reserve, any revenue surplus arising out of the refunds from Central Utilities as per the Orders of CERC, higher earnings through bilateral sales to other States and any overachievement of the DISCOMs with regard to reduction of AT&C losses, would also be considered for meeting out the contingent liabilities cited above. The final impact of the Order of the Hon'ble Supreme Court will be considered in the ARR of the DISCOMs and TRANSCO for the FY 2007-08 or under the proposed multi year tariff (MYT) from FY 2007-08 under the truing up mechanism as elaborated in section 3 of this Order.

#### **4.4 Inputs for Tariff Design**

Following are the major inputs having a bearing on tariff design and the same are briefly discussed:

Cost of service

Cross-subsidisation in tariff structure

Consumer-mix and demand forecast

AT&C losses

Consolidated Sectoral Revenue Gap/(Surplus)

Regulatory Asset

##### **4.4.1 Cost of service**

While determining the revenue requirement, various sectors of services, viz. generation cost, transmission cost and the distribution cost contributed to the cost of service. The relative burden of constituent consumer categories is assessed and on the basis of the 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, it calls for a detailed database of allocated costs. Such allocations in the determination of embedded cost are done on the basis of following factors:

Voltage of supply;

Power factor;

Load factor;

Time of use of electricity;

Quantity of electricity consumed,

AT&C Loss etc.

As the detailed information regarding all the above factors except AT&C loss is not available, it would be difficult to assess the cost of service with reference to all the above factors except AT&C loss.

The Detailed working of average cost to serve at the existing AT&C loss level is given in Table No. 4.1.

**Table 4-1 Average Cost to Serve at the existing AT&C Loss Level for FY 2005-06**

	<b>NDPL</b>	<b>BRPL</b>	<b>BYPL</b>
Power Purchase Cost (Rs Cr)	1203	1876	921
Units Input (MU)	5695	8649	5396
ARR of DISCOMs excluding Power Purchase Cost (Rs Cr)	454	473	272
Units Billed (MU)	4154	5304	2810
Units Realized (MU)	4185	5576	3028
Distribution Cost (Paise/kWh)	<b>109.22</b>	<b>89.11</b>	<b>96.69</b>
<b>Total Average Cost (Paise/kWh)</b>	<b>320.43</b>	<b>310.12</b>	<b>273.73</b>
Existing Bulk Supply Tariff (Paise/kWh)	211.21	221.01	177.04
Existing AT & C Loss (%)	26.52%	35.53%	43.89%

In case the loss level is assumed at 20%, all other parameters remaining constant, the average cost to serve is estimated as indicated in Table 4.2.

**Table 4-2 Average Cost to Serve at 20% AT&C Losses for FY 2005-06**

	<b>NDPL</b>	<b>BRPL</b>	<b>BYPL</b>
Power Purchase Cost (Rs Cr)	1203	1876	921
Units Input (MU)	5695	8649	5396
ARR of DISCOMs excluding Power Purchase Cost (Rs Cr)	454	473	272
Units Billed (MU)	4522	6581	4006
Units Realized (MU)	4556	6919	4317
Distribution Cost (Paise/kWh)	<b>100.33</b>	<b>71.82</b>	<b>67.81</b>
<b>Total Average Cost (Paise/kWh)</b>	<b>311.54</b>	<b>292.83</b>	<b>244.85</b>
Existing Bulk Supply Tariff (Paise/kWh)	211.21	221.01	177.04
AT & C Loss (%)	20.00%	20.00%	20.00%

#### 4.4.2 Cross-subsidisation in tariff structure

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

In accordance with the EA 2003 and the policies prescribed from time to time, the

Commission has attempted to reduce the prevailing cross-subsidy by increasing the tariff for subsidised categories in higher proportion as compared to subsidising categories, so that the differential between the tariff for subsidised and subsidising categories is reduced. This approach of the Commission has also been upheld by the Hon'ble Tribunal for Electricity in its Order dated 31<sup>st</sup> March 2006 in Appeal no 131 of 2005 between Udyog Nagar Factory Owners Association vs BRPL & DERC. Further, the appeal regarding the issue of depreciation rate is pending with the Hon'ble Supreme Court and some contingent liability may arise based on the Orders. The Commission has, therefore, decided to maintain the tariff for all the consumer categories at the existing level and leave a surplus of Rs.45 Crore as **Tariff Control Reserve** in the system to meet any contingent liability in the next order.

#### **4.4.3 Consumer-mix and demand forecast**

##### **4.4.3.1 Petitioner's submission**

For FY 2006-07, the Petitioner has considered growth rates of 14%, 7%, for domestic, non-domestic and 14% reduction for industrial categories, respectively. Further, the Petitioner has considered growth rate of 38% for sales to agriculture, 19% for Railway Traction and 28% for sales to DMRC. Overall the Petitioner has estimated an overall year-on-year growth in sales of 3% in FY 2006-07 over actuals of FY 2005-06.

##### **4.4.3.2 Commission's Analysis**

The Commission obtained the details of actual category-wise sales for FY 2005-06 and has considered the same for determining the revenues from sales for this period.

For FY 2006-07, the Commission has forecasted the category-wise demand for consumers of all the DISCOMs considering past trend of growth rates and the actual sales during FY 2005-06. For this purpose, the Commission has undertaken a detailed analysis of the sales projected by the DISCOMs. The Commission has examined the year-on-year variations in category-wise sales as well as the short term and long term trends in sales and has computed the short term (3 years), medium term (6 years) and long term (9 years) Compounded Annual Growth Rate CAGR. The Commission has also taken into account the submissions made by the DISCOMs in respect of the sales projected for the different categories.

The Commission has projected the sales to Domestic Consumers at 4% over the actual sales during FY 2005-06 as against growth of 14% proposed by the Petitioner,

sales to non-domestic consumers at 7% over the actual sales during FY 2005-06. Further, the sales to Public Lighting have been projected at a growth rate of 24% over the actual sales during FY 2005-06 as against the growth of 1% proposed by the Petitioner. The sales to irrigation and agriculture have been projected at 16% over the actual sales in FY 2005-06. Further, following a detailed analysis of the trend in sales to industrial consumers in Delhi, the Commission has not assumed any growth rate for FY 2006-07 as against negative growth of 14% assumed by the Petitioner. Sales to railway traction have been projected at the same level as projected by the Petitioner and negative growth rate of 44% has been assumed for sales to others category.

A summary of the sales submitted by the Petitioner and that considered by the Commission is given in Table 4.3.

**Table 4-3: Summary of category-wise sales (in MU) for FY 2005-06 and FY 2006-07**

Category	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Domestic	1637	1784	1725	1725	1961	1796
Non-Domestic	732	778	778	778	836	836
Industrial	1247	1197	1409	1409	1206	1409
Agriculture	25	24	19	19	26	22
DMRC	65	63	69	69	88	88
Railway Traction	58	58	51	51	60	60
Public Lighting	57	58	59	59	59	73
Others	24	57	45	45	59	25
<b>Total</b>	<b>3846</b>	<b>4019</b>	<b>4154</b>	<b>4154</b>	<b>4296</b>	<b>4310</b>

#### 4.4.4 AT&C Losses

The concept of AT&C loss and its implications on determination of tariff, treatment of over achievement and under achievement is discussed in this Chapter.

##### 4.4.4.1 Petitioner's submission

During the course of technical validation sessions and discussions with the

Commission, the Commission directed the Petitioner to submit actual AT&C loss for FY 2005-06. In the subsequent submission dated 19th May, 2006, the Petitioner has furnished the reconciliation of AT&C loss calculation with the financial accounts for FY2005-06. The Petitioner submitted that GNCTD has made a payment of Rs.40 Crore to DPCL on account of arrears payable by Delhi Jal Board. The Petitioner submitted that it has over achieved the AT&C loss target and the actual AT&C loss for FY 2005-06 is 28.11%.

#### 4.4.4.2 Commission's Analysis

The Commission has reviewed and assessed the details of actual AT&C loss for FY 2005-06, which stood at 26.52% indicating an overachievement of 8.83% as compared to the bid level of 35.35%. The Commission has considered the arrears received from the Delhi Jal Board while calculating the actual AT&C losses.

Since the actual AT&C loss of the Petitioner is better than bid level loss reduction for the Petitioner for FY 2005-06 and the minimum AT&C loss reduction level stipulated by the Government for the Petitioner for FY 2005-06, 50% of the additional revenue from better performance of the Petitioner over the minimum AT&C level stipulated by the Government will be retained by the Petitioner and the balance amount will be passed on to consumers by including it for the purpose of tariff fixation after providing for DISCOM adjustment passed on to the domestic consumers during FY 2005-06. The treatment of the overachievement in AT&C loss reduction in FY 2005-06 by the Petitioner is explained in Table 4.4.

**Table 4-4: Treatment of overachievement in AT&C loss reduction by the Petitioner during FY 2005-06**

	<b>Bid Level</b>	<b>Min Level</b>	<b>Actual</b>
A. AT&C Loss (%)	35.35%	32.85%	26.52%
B. Over Achievement /(Under Achievement)	8.83%	6.33%	
C. Energy Input (MU)	5695	5695	5695
D. Units Realised (MU)	3682	3824	4185
E. Average Rate (Rs.)	4.53	4.53	4.53
F. Amount Realised (Rs Cr)	1669.21	1733.76	1897.31
	X	Y	Z



	Bid Level	Min Level	Actual
G. Total benefit on account of over achievement (Rs Cr) [Z-X]			228.10
H. Benefit on account of overachievement beyond the minimum AT&C loss reduction level (Rs Cr) [Z-Y]			163.55
I. Benefit on account of over achievement from minimum AT&C loss reduction level and bid level (Rs. Cr.) [G-H]			64.55
H. DISCOM Adjustment passed on to the consumers in FY 2005-06			13.56
I. Benefits to be passed on to consumers in FY 2006-07			132.76
J. Benefits to be retained by the DISCOM (Rs Cr) [H x 0.5]			81.78

For FY 2006-07, the Commission has considered the AT&C loss of 31.10% at bid level to determine the tariff. Summary of the Petitioner's submission and approval by the Commission is given in Table 4.5.

**Table 4-5: AT&C loss for FY 2005-06 and FY 2006-07**

Description	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Energy Input (MU)	5655	5697	5695	5695	5925	5882
Units Billed (MU)	3846	4019	4154	4154	4296	4310
Units Realised (MU)	3657	3826	4094	4185	4082	4052
AT&C Loss (MU)	1998	1871	1601	1510	1843	1829

Description	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
AT&C Loss (%)	35.35%	32.85%	28.11%	26.52%	31.10%	31.10%

The details of district wise AT&C losses for areas of NDPL are given in Table No. 4.6.

**Table 4-6: Details of District wise AT&C loss for the FY 2005-06**

District Name	Energy Input	Energy Billed	D & B Losses	Amount Billed	Amount Realised	Collection Efficiency	Average Rate of Billing	Energy Realized	AT&C Losses
	(MU)	(MU)	%	Rs Crore		%	(Rs. /Kwh)	(MU)	
Badli	340.15	266.79	21.57	120.57	124.48	103%	4.52	275.46	19.01%
Bawana	202.56	112.46	44.48	46.22	42.39	92%	4.11	103.15	49.08%
Civil Lines	501.1	408.31	18.52	187.07	184.38	99%	4.58	402.45	19.69%
Keshav Puram	640.98	488.16	23.84	239.4	236.98	99%	4.90	483.22	24.61%
Mangolpur	538.66	246.36	54.26	94.59	95.28	101%	3.84	248.14	53.93%
Model Town	385.21	301.88	21.63	130.31	124.03	95%	4.32	287.35	25.40%
Moti Nagar	644.55	478.83	25.71	238.41	236.52	99%	4.98	475.04	26.29%
Narela	642.37	481.52	25.04	235.68	223.27	95%	4.89	456.16	28.98%
Pitam Pura	449.93	347.19	22.83	147.2	146.65	100%	4.24	345.9	23.12%
Rohini	519.83	432.83	16.74	178.41	181.05	101%	4.12	439.32	15.50%
Shakti Nagar	352.41	261.11	25.91	115.54	117.24	101%	4.42	264.95	24.81%
Shalimar Bagh	476.83	328.71	31.06	136.53	130.37	95%	4.15	313.87	34.16%
<b>NDPL Total</b>	<b>5694.58</b>	<b>4154.15</b>	<b>27.05</b>	<b>1869.93</b>	<b>1842.64</b>	<b>99%</b>	<b>4.50</b>	<b>4095.01</b>	<b>28.12%</b>

The loss levels in some of the district are alarming. The Commission is of the view that it is not enough to achieve the bid level of AT&C loss level but exorbitant loss level have to be drastically brought down by technical and administrative measures especially when the Central Industrial Security Force is now made available and the special courts are also established.

#### 4.4.5 Overall Sector Gap/Surplus for FY 2006-07

##### 4.4.5.1 'Truing up' Mechanism

The Commission has discussed the truing up mechanism in the Tariff Order dated July 7, 2005 and followed the same mechanism to true up the expenses & revenues for the FY 2004-05 and FY 2005-06.

#### 4.4.5.2 Impact of Truing up for FY 2004-05 and FY 2005-06 for the Sector as a Whole

The truing up for FY 2004-05 based on audited accounts and for FY 2005-06 based on the provisional accounts after prudence check by the Commission has revealed that the actual gap between revenue and revenue requirement is lesser than that estimated by the Commission at the time of the Tariff Order for FY 2005-06. The revised revenue gap for FY 2004-05 and FY 2005-06 for the sector as estimated by the Petitioner, the other DISCOMs and the Delhi Transco Limited and as approved by the Commission in this Order is given in Table 4.7 & 4.8 below:

**Table 4-7: Revised Revenue Gap/(Surplus) for FY 2004-05 based on truing up (Rs Crore)**

	2004-05	
	Petition	Commission
NDPL	273.98	202.94
BRPL	254.29	214.69
BYPL	168.59	100.43
Total of DISCOMs	696.86	518.07
TRANSCO	(33.33)	(87.11)

**Table 4-8: Revised Revenue Gap/(Surplus) for FY 2005-06 based on truing up (Rs Crore)**

	2005-06	
	Petition	Commission
NDPL	(5.40)	(72.60)
BRPL	(6.53)	(64.31)
BYPL	(23.58)	(73.45)
Total of DISCOMs	(35.51)	(210.35)
TRANSCO	390.08	141.69

#### 4.4.5.3 Consolidated Sector Revenue Gap/Surplus for FY 2006-07

The total consolidated sector revenue surplus for FY 2006-07 as approved by the Commission works out to **Rs 195.42 Crore**. No Government support is available for the FY 2006-07.

**Table 4-9: Proposed and Approved Revenue Gap/(Surplus) for FY 2006-07  
(Rs Crore)**

	2006-07	
	Petition	Commission
NDPL	(30.71)	(100.00)
BRPL	(5.02)	(255.14)
BYPL	(51.02)	(140.47)
TRANSCO	946.42*	300.18
<b>Total</b>	<b>859.65</b>	<b>(195.42)</b>

\* includes the DVB arrears of Rs.210 Crore of FY 2002-03 and FY 2003-04.

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. Table 4.10 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 4-10: 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 )

#### 4.4.6 Regulatory Asset created in FY 04-05 Orders

The Commission in its Orders on ARR and Tariff Petitions for FY 2005-06 after deliberating all the options of bridging the revenue gap had revised the Regulatory Asset of Rs. 696 Crore to Rs 548 Crore in respect of the DISCOMs. The Regulatory Asset of the TRANSCO was separately amortised in the Tariff Order of FY 2005-06 in full.

The Commission's philosophy on the creation of Regulatory Asset, the quantum of Regulatory Asset apportioned to TRANSCO and DISCOMs and its amortization have been adequately elaborated in the Tariff Order for FY 2004-05 and FY 2005-06.

The Commission in its Tariff Order dated July 7, 2005 had amortised the Regulatory Asset of the 3 DISCOMs to the tune of Rs. 205 Crore by their respective overachievement leaving the Regulatory Asset of Rs. 343 Crore. The balance Regulatory Asset of Rs. 343 Crore was allocated to various Licensees as below:

**Table 4-11: Amortisation of Regulatory Asset and Balance Regulatory Asset (Rs Crore)**

	TRANSCO	NDPL	BRPL	BYPL	Total
Revised Reg. Asset as per Tariff Order dated July 7, 2005	0	207	221	120	548
Amortisation of Reg. Asset during FY 2005-06 as Tariff Order dated July 7, 2005	0	122	71	12	205
Balance Regulatory Asset	0	85	150	108	343

As regards to the carrying cost on Regulatory Asset, the Commission has specified the treatment in para 3.13 of this order.

The Commission has reworked the Regulatory Assets based on the true-up exercise for the FY 2004-05 based on the Audited Accounts. With the truing-up of the figures for FY 2004-05 in the present order, the Regulatory Asset for the three DISCOMs together has been estimated at Rs. 518 Crore as of FY 2004-05 by the Commission. Out of this, Rs. 211 Crore has been amortized on account of over-achievement in FY 2004-05 leaving the balance unamortized portion at Rs. 307 Crore. The amount of over-achievement during FY 2004-05 has been revised from Rs. 205 Crore considered by the Commission in its Tariff Order of FY 2005-06 to Rs. 211 Crore in the present order. The details of the Revised Regulatory Asset are given below in Table No. 4.12.

**Table 4-12: Amortisation of Regulatory Asset and Revised Regulatory Asset (Rs Crore)**

	<b>ARR Petition for FY 2006-07 based on second truing up</b>
	<b>FY 2004-05</b>

	Revenue Gap/(Surplus) - as per Petitioner	Overachievement Amount (Rs Cr)	Revenue Gap/(Surplus) (Rs Cr) - Commission	Revised Regulatory Asset	Amortisation	Balance Regulatory Asset - after adjusting over-achievement amount
<b>NDPL</b>	274	128	203	203	128	75
<b>BRPL</b>	254	71	215	215	71	144
<b>BYPL</b>	169	12	100	100	12	88
<b>Total</b>	<b>697</b>	<b>211</b>	<b>518</b>	<b>518</b>	<b>211</b>	<b>307</b>

The revenue surplus of Rs. 87 Crore for FY 2004-05 and revenue gap of Rs. 142 Crore for FY 2005-06 of Transco has been considered while working out the revenue gap for the FY 2006-07 of Rs. 355 Crore. The details of revenue surplus of Transco are given in Table No.4.7 and 4.8.

The revised regulatory asset of Rs.307 Crore has been amortized out of the revenue surplus of DISCOMs for the FY 2005-06 leaving the balance unamortized regulatory asset of Rs. 2 Crore, Rs.79 Crore, and Rs 15 Crore in case of NDPL, BRPL and BYPL, respectively. The balance unamortized regulatory assets of each of DISCOMs have been adjusted in determination of their paying capacity while working out the bulk supply tariff for the FY 2006-07. The details are given in Tables No. 4.13 and 4.26. Thus, the Regulatory Asset created by the Commission in the Tariff Order for FY 2004-05 has been fully amortized.

**Table 4-13: Amortisation of Regulatory Asset in FY 2005-06 (Rs Crore)**

	Balance Regulatory Asset	Revenue Gap/(Surplus) - as per Commission	Amortisation out of Revenue Surplus	Balance Regulatory Asset	Net Revenue Gap/(Surplus)
<b>NDPL</b>	75	(73)	73	2	2
<b>BRPL</b>	144	(64)	64	79	79
<b>BYPL</b>	88	(73)	73	15	15
<b>Total</b>	<b>307</b>	<b>(210)</b>	<b>210</b>	<b>96</b>	<b>96</b>

The total consolidated sector revenue surplus for FY 2006-07 as projected by the Petitioner and as approved by the Commission is given below in Table 4.14.

**Table 4-14: Net Overall Sectoral Revenue Gap/(Surplus) for the FY 2005-06 and FY 2006-07 (Rs Crore)**

	Balance Revenue Gap/ (Surplus)	Revenue Gap/(Surplus) - FY 06-07	
		Petition	Commission
<b>NDPL</b>	2	(31)	(100.00)
<b>BRPL</b>	79	(5)	(255.14)
<b>BYPL</b>	15	(51)	(140.47)
<b>TRANSCO</b>	0	736	300.18
<b>Total</b>	96	<b>650</b>	<b>(195.42)</b>

The working of overall net revenue surplus for the sector as a whole for the FY 2006-07 after amortisation of Regulatory Asset is given in Table 4.15 below:

**Table 4-15 Reconciliation Statement of Net Revenue Surplus of Rs. 45Crore for FY 2006-07 (Rs Crore)**

	Commission
(A) Revised Regulatory Assets of DISCOMs as on FY 2004-05	518
(B) Amortisation of Regulatory Assets of DISCOMs out of overachievement during FY 2004-05	(211)
(C) Balance Regulatory Asset of DISCOMs - after adjusting over -achievement amount (A+B)	307
(D) Revenue Gap/(Surplus) of DISCOMs for FY 2005-06	(210)
(E) Balance Regulatory Asset of DISCOMs (C+D)	<b>96</b>
(F) Revenue Gap/(Surplus) of TRANSCO for FY 2004-05	(87)
(G) Revenue Gap/(Surplus) of TRANSCO for FY 2005-06	142
(H) Overall Revenue Gap/(Surplus) for FY 2006-07	(195)
(I) Net Revenue Gap/(Surplus) for FY 2006-07 (E+F+G+H)	<b>(45)</b>

## 4.5 Revenue Gap/Surplus at existing tariff

### 4.5.1 Revenue from existing tariff

Revenue from existing tariff is required to be estimated to assess whether the annual revenue requirement is met with the existing tariff at the approved sales. If a revenue

gap exists, the same needs to be bridged by means such as tariff increase support from the Government by way of loan, grant, subsidy etc. The Commission has obtained the details of actual revenues, billed and collected during FY 2005-06.

For FY 2006-07, the Commission has computed the revenue at the existing tariff from the estimated sales figures.

The revenues estimated by the Petitioner and those considered by the Commission are given in Table 4.16.

**Table 4-16: Revenue of the Petitioner (Rs Crore)**

Particulars	FY 2005-06			FY 2006-07	
	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Revenue Realized	1661.99	1770.37	1729.70*	1779.57	1791.61
Benefit of Overachievement considered separately					
Revenue of Petitioner	1661.99	1770.37	1729.70	1779.57	1791.61

\* includes an amount of Rs. 13.56 Crore towards DISCOM Adjustment to Consumers.

#### 4.5.2 Power Purchase Cost of the Petitioner at existing BST

Table 4.17 provides the Power Purchase cost as proposed by the Petitioner and as considered by the Commission at the existing Bulk Supply Tariff.

As regards the reactive energy charges, the Petitioner has considered the reactive energy charges as a part of power purchase expenses. The Commission has elaborated the issue in detail in the Review Order issued in the month of November, 2003 on the Review Petition filed by the Petitioner. Based on the same philosophy, the Commission has not considered any expense towards the reactive energy charge imposed by the Transco.



**Table 4-17: Power purchase cost at existing BST**

Description	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Energy Input (MU)	5655	5697	5695	5695	5925	5882
Power Purchase Cost* at existing BST (Rs. Crore)	1196	1205	1204	1203	1251	1242

*\*At 211.56 paise/unit for the period Apr-July 15 2005 and at 211.21 paise/unit thereafter.*

#### 4.5.3 Revenue Surplus/Gap of the Petitioner

The revenue gap at existing retail supply tariffs and existing bulk supply tariff has been computed as given in Table 4.18.

The Revenue surplus for FY 2005-06 and FY 2006-07 has been estimated by the Commission as Rs. 72.60 Crore and Rs. 100 Crore, respectively.

**Table 4-18: Revenue gap at existing tariffs (Rs. Crore)**

Description	FY 2005-06				FY 2006-07	
	Order for FY 2005-06	Rev. Est. (Petition)	Actual	Commission	Petition	Commission
Expenses excluding Power Purchase Cost(A)	345.27	384.45	408.63	400.15	431.17	384.43
Return (B)	92.35	92.20	93.84	90.96	106.37	102.32
Non-Tariff Income (C)	23.02	24.89	37.38	37.38	32.39	37.38
Revenue Requirement (A+B-C) excl. Power Purchase Cost	414.60	451.76	465.09	453.73	505.15	449.37
Revenue realised at existing Tariffs	1510.00	1661.99	1770.37	1729.70	1779.57	1791.61
Power Purchase cost at existing BST	1196.40	1204.83	1204.11	1203.37	1251.48	1242.24
<b>Revenue Gap/(Surplus)</b>	101.00	(5.40)	(101.18)	(72.60)	(22.94)	(100.00)

#### **4.6 Previous revision of Tariff**

The previous revision of retail supply tariff took place in 2005, when the Commission issued the Tariff Order for NDPL on July 7, 2005 and the revised tariff was made applicable from July 15, 2005.

#### **4.7 Tariff Design**

#### **4.8 Domestic Tariff**

##### **4.8.1 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, 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. This category consumes approximately 41.52 % of the total billed units.

.The Commission has designed the tariff structure for domestic consumers keeping in view the following factors:

##### **4.8.2 Two part tariff**

The Commission in its 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 Section 2 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

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, the Commission had proposed to continue with the existing methodology of levying fixed charges on a slab system based on sanctioned load till the sanctioned load of 5 kW and for the sanctioned load above 5 kW, the fixed charges shall be applicable in Rs/kW terms. In line with the principle of gradually increasing the recovery from Fixed Charges, the Commission had marginally increased the fixed charges for Domestic Category. After analysis of the various options and considering the views expressed by the stakeholders, the Commission has proposed to continue with the existing level of fixed charges as well as energy charges for domestic lighting/fan and power category.

### 4.8.3 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 had approved the tariff for J J Clusters and had 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 had decided not to increase the tariff and had 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”.

The Commission retains the same arrangement for FY 2006-07 as well.

### 4.8.4 Domestic lighting/fan & power on 11 kV single delivery point for CGHS and other similar Group Housing Complexes

In respect of tariffs for CGHS, the Commission would like to bring to the notice of consumers that in the Order on ARR for July 2002 to March 2003 and FY 2003-04 and determination of Tariff dated June 26, 2003, the Commission had indicated in the tariff schedule of its Orders that billing would be as per the energy charges applicable

for the first 22.2% of consumption, next 22.2% of consumption, next 44.4% of consumption and next 11.2% of consumption. The Commission had calculated the weighted average of tariff under different slabs considering 450 units of average consumption for each member of the CGHS. The Commission had further indicated that a complex calculation methodology like weighted average of billing is not necessary and a much simpler course of action would be to resort to billing by multiplying total energy consumption with the single per unit charge. The Commission had also determined this single per unit charge. The Commission would like to highlight that this was suggested for the convenience of billing to CGHS consumers.

In line with the philosophy adopted in Order dated June 26, 2003, the Commission in its Order dated June 9, 2004 has specified the single per unit charge for billing to CGHS considering an average consumption level of 450 units of consumption for each member of the society. The Commission had not changed the tariff philosophy and had specified the single per unit charge calculated on the basis of weighted average at 44.4% of consumption for first slab, next 44.4% of consumption for the second slab and next 11.2% of consumption for the highest slab in the Tariff Schedule for the convenience of billing to CGHS consumers. The Commission had noted that this has led to misunderstandings in billing to CGHS consumers and hence the Commission in the Tariff Order dated July 7, 2005 has indicated in the tariff schedule that instead of a single per unit charge, billing would be as per the energy charges specified for the first 44.4% of consumption, next 44.4% of consumption and subsequent 11.2% of consumption.

In respect of the tariff charged by a CGHS to its constituent consumers, the Commission in its previous Order out that the tariff charged by a CGHS to its constituent members shall be mutually determined by the CGHS and its constituent consumers. The Commission has proposed to continue with the existing practice for the FY 2006-07.

#### **4.8.5 Domestic Lighting/Fan and power connections in un-electrified left out Pockets and Villages**

The tariff for domestic connections in un-electrified left out pockets and villages is applicable on the basis of plot size. 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 had approved new rates of tariff for this category, the Commission expects that the meters will be installed on connections in un-electrified 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 and the metered tariff shall be made applicable for these consumers. The Commission has proposed to continue with the existing level of tariff for this sub-category for the FY 2006-07. **The Petitioner is directed to furnish the number of installation where supply is already metered and the number of connections which are yet to be provided with meters.**

#### 4.8.6 Change in Tariffs

The Commission has proposed to continue with the existing level of tariff for various categories proposed on 07.07.2005 for the FY 2005-06 in the FY 2006-07.

#### 4.8.7 Approved Tariff

The existing tariff and the approved tariff for domestic category are indicated in Table 4.19.

**Table 4-19: Existing and Proposed Tariffs for Domestic Category**

Sub-category		Existing Tariff			Approved Tariff			
Sub-category	Load (kW)	Fixed Charges (Rs./month)	Consumption Units/ month	Energy Charges (paise/kWh)	Load (kW)	Fixed Charges (Rs./month)	Consumption Units/ month	Energy Charges (paise/kWh)
1.1) JJ Cluster				Rs./month Rs. 175				Rs./month Rs. 175
1.2) Domestic Lighting/Fan and Power (Single Delivery Point and Separate Delivery Points/Meters)	Up to 2 >2-5 Above 5	24 60 12/kW	0-200 201-400 Above 400	240 390 460	Up to 2 >2-5 Above 5	24 60 12/kW	0-200 201-400 Above 400	240 390 460
1.3) Domestic Lighting /Fan and Power on 11 kV single delivery point for CGHS and other similar group housing complexes		12/kW	First 44.4% Next 44.4% Next 11.2%	240 390 460 (with 15% rebate on Energy Charge))		12/kW	First 44.4% Next 44.4% Next 11.2%	240 390 460 (with 15% rebate on Energy Charge))
1.4) Domestic Lighting/Fan and Power Connections in Regularised/ Unauthorised Colonies, Left Out Pockets and Villages both Electrified and Unelectrified. 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. 264 Rs. 384 Rs. 504 Rs. 699 Same as 1.2		-	-	Rs./Month  Rs. 264 Rs. 384 Rs. 504 Rs. 699 Same as 1.2

## 4.9 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.

### 4.9.1 Non-Domestic Low Tension (NDLT)

#### 4.9.1.1 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 and restaurants, cinemas, banks, shops, poultry farms, horticulture, etc. This category consumes approximately 8.59% of the total billed units.

The Commission has decided to fix the tariffs for non-domestic consumers for the FY 2006-07 at same level as fixed for FY 2005-06.

#### 4.9.1.2 KVAh Based Tariff for NDLT Category

For the consumers with sanctioned load up to 10 kW in NDLT category, the Commission had specified the kWh based tariff only. The Commission has decided to continue with the existing practice.

#### 4.9.1.3 Fixed/Energy Charges for NDLT Category

The Commission in line with the principle of gradually increasing the recovery from Fixed Charges had increased the Fixed Charges for NDLT category from Rs 35/kW to Rs 50/kW. The Commission proposes to continue with the existing level of fixed /energy charges for this category for the FY 2006-07 as well.

#### 4.9.1.4 Non-domestic connections at 11 kV single delivery point for commercial complexes, etc.

The Commission in its Tariff order dated July 7, 2005 had decided that 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. The Commission proposes to continue with the existing level of fixed & energy charges for this category for the FY 2006-07 as well.

**4.9.2 Mixed Load High Tension (MLHT)****4.9.2.1 Consumer Profile**

This category includes non-domestic consumers having load above 100 kW for lighting, fan, heating/cooling power appliances in non-domestic establishment, pumping loads of Delhi Jal Board/DDA/MCD, etc. They consume approximately 9.21% of the total billed units.

**4.9.2.2 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 applicable for 11 kV supply and a rebate of 4% for supply at 220 kV. The demand charge shall continue at the existing level. The Commission proposes to continue with the existing level of rebate for this category for the FY 2006-07 as well.

**4.9.3 Approved Tariff for Non Domestic Category**

The existing tariffs and the revised tariffs for non-domestic category have been presented in the Table 4.20.

**Table 4-20: 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	Fixed Charges (Rs./kW/ month)	Demand Charges (Rs./kVA/ month)	Energy Charges
Non-Domestic (Low Tension)-NDLT-I						
a) load upto 10 kW	50		535 paise/k Wh	50		535 paise/kWh
b) load more than 10 kW	50	-	487 paise/k VAh	50	-	487 paise/kVAh



Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	50		487 paise/k VAh (with 15% rebate on Energy Charge))	50		487 paise/kVAh (with 15% rebate on Energy Charge))
Mixed Load (High Tension)- MLHT a) Supply on 11 kV b) Supply on LT (400 Volts)	-	150 200	490 paise/k VAh 564/pais e/kVAh	-	150 200	490 paise/kVAh 564 paise/kVAh

#### 4.10 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.

##### 4.10.1 Small Industrial Power (SIP)

###### 4.10.1.1 Consumer profile

This category consists of industrial consumers with load up to 100 kW including lighting, heating and cooling load. Their consumption is 25.66% of the total billed units.

###### 4.10.1.2 KVAh based tariff for SIP Consumers

For the consumers with sanctioned load up to 10 kW in SIP category, the Commission had specified the kWh based tariff only. The Commission proposes to continue with the tariff of FY 2005-06 for this sub-category in the FY 2006-07 also.

###### 4.10.1.3 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 were given a rebate of 15% on energy consumption charges, as compared to SIP tariffs in the earlier order for FY 2005-06. The Commission has proposed to continue with the existing level of rebate for this sub-category for the FY 2006-07.

###### 4.10.1.4 Fixed Charges for SIP Category

The Commission in its Tariff Order dated July 7, 2005, in line with the principle of gradually increasing the recovery from Fixed Charges had increased the Fixed Charges for SIP category from Rs 35/kW to Rs 50/kW. The Commission has proposed to continue with the existing level of fixed charges for this sub-category for the FY 2006-07.

#### 4.10.2 Large Industrial Power (LIP)

##### 4.10.2.1 Consumer profile

This category includes large industrial consumers having load above 100 KW including lighting load. This category accounts for 7.13% of the total billed units.

##### 4.10.2.2 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. The Commission proposes to continue with the existing level of rebate for this sub-category for the FY 2006-07 also.

#### 4.10.3 Approved Tariff

The existing and approved charges for industrial consumers have been presented in Table 4.21.

**Table 4-21: 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	Fixed Charges (Rs./kW/month)	Demand Charges (Rs./kVA/month)	Energy Charges
SIP (Low Tension) c) load upto 10 kW d) load more than 10 kW	50 50		500 paise/kWh 435 paise/kVAh	50 50		500 paise/kWh 435 paise/kVAh
Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	50		370 paise/kVAh	50		370 paise/kVAh
Large Industrial Power LIP a) Supply on 11 kV b) Supply on LT (400 Volts)	-	150 200	430 paise/kVAh 495 paise/kVAh	-	150 200	430 paise/kVAh 495 paise/kVAh

## 4.11 Agriculture and Mushroom Cultivation Tariff

### 4.11.1 Consumer profile

Agriculture connections are available for tube wells for irrigation, threshers and kuttu 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 0.45% of the total billed units.

### 4.11.2 Approved Tariff

The Commission proposes to continue with the level of fixed as well as energy charges for this category for FY 2005-06 in the FY 2006-07 as well.

The existing and approved charges for agriculture consumers and mushroom cultivation consumers have been presented in Table 4.22.

**Table 4-22: 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	12	150	12	150
Mushroom Cultivation	24	300	24	300

## 4.12 Public Lighting

### 4.12.1.1 Consumer profile

Tariff for this category is applicable to all street light 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 1.41% of the total billed units.

### 4.12.2 Approved Tariff

The Commission in its previous Tariff Orders had set the tariff for public lighting equivalent to energy charge of the highest slab in the domestic category. In line with this principle, the Commission proposes to continue with the existing level of energy charges for this category as ordered on 07.07.2005 for the FY 2006-07 also.

As regard to maintenance charges for street lighting, the Commission had issued a separate Order on March 16, 2004. The Commission would like to clarify that the maintenance charges and other conditions of maintenance of street lights as approved in the Commission's Order dated March 16, 2004 will continue and the Commission

has not made any change in the maintenance charges and other conditions in this Order.

The existing and approved tariffs for public lighting and signals/blinkers are given in Table 4.23.

**Table 4-23: 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	73	460	73	460
Signals & blinkers	-	460	-	460

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. The domestic category is however provided the slab benefit.

### 4.13 Railway Traction

#### 4.13.1 Consumer profile

The consumption of Railway Traction is around 1.22% of the total billed units.

#### 4.13.2 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.

#### 4.13.3 Tariff for Railway Traction

In line with the principles of gradual reduction in cross subsidy over a period of time, the Commission in Tariff Order dated July 7, 2005 had kept the tariff applicable to the Railways at the existing tariff levels. The Commission has proposed to continue with the existing level of fixed as well as energy charges for this category for the FY 2006-

07. However, the issue of simultaneous maximum demand would be dealt as per the directive of the Commission in para 2.11.3 of this order.

#### 4.13.4 Approved Tariff

The existing and approved tariffs for Railway Traction are given in Table 4.24.

**Table 4-24: 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
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.				

### 4.14 Delhi Metro Rail Corporation Ltd. (DMRC)

#### 4.14.1 DMRC's submission

DMRC in its response on ARR and Tariff Petitions for FY 2006-07 has requested the Commission to continue with the principles and methodology adopted for determining Tariff for DMRC in the earlier Tariff Orders. Further, during the public hearing, DMRC submitted that the tariff for DMRC shall be kept at same level without any increase in tariff.

##### 4.14.1.1 Commission's view

In its Tariff Order dated June 9, 2004 the Commission treated DMRC as a separate category of consumer and had determined the tariff for DMRC on the basis of average cost of supply by TRANSCO to DMRC by adding a nominal component of overheads of the DISCOM for the supply at 220 kV and 66 kV.

To account for the increase in average cost of supply of TRANSCO due to increase in power purchase costs, inflation and in line with the principle of gradually increasing the recovery for Licensee towards the fixed charges, the Commission in its Tariff Order dated July 7, 2005 had introduced demand charges at Rs 75/kVA/month for DMRC and kept the energy charges at the same level without any increase.

#### 4.14.2 Tariff for DMRC

In view of the above, the Commission in its Tariff Order dated July 7, 2005 had approved a tariff with demand charge of Rs 75/kVA/month and energy charges of 230 paise/kVAh for DMRC supply at 220 kV and 66kV. The Commission has proposed to continue with the existing level of fixed as well as energy charges for this category for

the FY 2006-07. However, the issue of simultaneous maximum demand would be dealt as per the directive of the Commission in para 2.3.3 of this order.

As regard to the tariff for commercial and other establishments being supplied by DMRC, the Commission addressed the issue vide its Order dated May 5, 2004. Subsequently in the Tariff Order dated June 9, 2004 the Commission mentioned that the discounts as agreed between the parties on NDLT II Tariff shall be applicable based on the revised tariff schedule in this Order. The Commission has proposed to continue with the existing practice for this category for the FY 2006-07.

The Commission does not propose any change in the tariff principles for commercial and other establishments being supplied by DMRC and hence the discounts, as agreed between the parties on NDLT II Tariff, shall be applicable based on the revised tariff schedule in this Order.

#### **4.15 Temporary Supply**

The Commission does not propose any change in the existing tariff mechanism for temporary supply as mentioned in Section 6.

#### **4.16 Subsidy from GNCTD**

The Government of NCT of Delhi (GNCTD) had provided subsidy to domestic consumers and agriculture consumers under section 65 of the Electricity Act, 2003 for the year 2005-06, which was extended upto 30th September 2006. Earlier, the Commission vide letter of 01.06.2006 and again vide letter of 07.09.2006 had desired to know whether the Government was contemplating extending subsidy to any class of consumers for the year 2006-07. Till the issue of this order, no feedback has been received from the GNCTD.

#### **4.17 Treatment of Revenue Gap**

##### **4.17.1 Revenue Gap**

As given in Table 4.18, the revenue surplus of the Petitioner works out to Rs. 72.60 Crore and Rs. 100 Crore for FY 2005-06 and FY 2006-07, respectively.

##### **4.17.2 Total Revenue from Approved Tariffs for FY 2005-06**

Table 4.25 summarises the revenue billed from the existing and approved tariffs (excluding electricity duty).

**Table 4-25: Revenue Billed from Existing and Approved Tariff for FY 2006-07 (Rs Crore)**

Category	Revenue from existing tariff	Revenue from Approved Tariff
Domestic	591	591
Non-Domestic	483	483
Industrial	750	750
Agriculture	4	4
DMRC	22	22
Railway Traction	27	27
Public Lighting	34	34
Others	0	0
<b>Total</b>	<b>1911</b>	<b>1911</b>

The estimated total revenue realised in FY 2006-07 based on approved tariffs works out to Rs. 1792 Crore.

The approved tariffs are appended to this Order as the Tariff Schedule for FY 2006-07.

#### 4.17.3 Approved Bulk Supply Tariff

The paying capacity of each DISCOM in FY 06-07 (amount available for power purchase) has been estimated based on the projected Revenue Realisation at the approved tariffs for the FY 2006-07 and the Revenue Requirement excluding power purchase cost. The Bulk Supply Tariff for each DISCOM has been computed based on the total amount available for power purchase and the total units input to the respective DISCOM.

Based on the revenues projected at approved tariff, balance regulatory asset, estimated total revenue requirement of each DISCOM excluding power purchase cost and the estimated total units input to each DISCOM, the Bulk Supply Tariff for each DISCOM has been computed and is shown in Table 4.26 below:

**Table 4-26: Bulk Supply Tariff (Paise/kWh) for FY 2006-07**

	NDPL	BRPL	BYPL
ARR of DISCOMs excluding Power Purchase Cost (Rs Cr)	449	497	278

	<b>NDPL</b>	<b>BRPL</b>	<b>BYPL</b>
Revenue at Proposed Tariff incl Electricity Duty (Rs Cr)	1880	2798	1447
Electricity Duty(Rs Cr)	88	124	64
Net Revenue available(Rs Cr)	1792	2675	1383
Net Revenue Gap/(Surplus) for FY 05-06(Rs Cr)	<b>2</b>	<b>79</b>	<b>15</b>
Amount available for Power Purchase(Rs Cr)	1340	2099	1090
Units input to DISCOM (MU)	5882	8701	5448
Approved Bulk Supply Tariff (Paise/kWh) for FY 2006-07	227.83	241.22	200.11
Existing Bulk Supply Tariff (Paise/kWh) for FY 2005-06	211.21	221.01	177.04



## 5. Directives

In the Orders on ARR and Tariff Petition for FY 2005-06 dated July 7, 2005, the Commission had issued a number of directives to the Utilities in Delhi with the objective of attaining operational efficiency and streamlining the flow of information, which would be beneficial for the Sector both in short and long term. These directives are aimed at creating an enabling environment for the Utilities to provide good quality of electricity supply and service to the consumers of Delhi at optimum costs. The Commission derives powers to issue such directives under the Delhi Electricity Reform Act 2000 (DERA) which mandates the Commission to promote competition, efficiency and economy in the activities of the electricity industry. DERA also 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. In the issuance of directives, the Commission is also guided by Section 61 of EA 2003 which 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.

This section discusses the compliance status of directions given by the Commission to the Petitioner in the Order on ARR and Tariff Petition for FY 2005-06 dated July 7, 2005 and new directives to be complied by the petitioner.

### 5.1 AT&C Losses

For regular monitoring of AT&C losses, the Commission had directed the Petitioner to provide the break up of energy input to the DISCOM, energy sold by the DISCOM, energy billed by the DISCOM and the revenue realisation against billed energy and the district wise AT&C losses on a monthly basis within fifteen days after the end of the month.

The Petitioner has complied with the directive and submitted district wise AT&C losses. However, there was some delay in submissions of the reports to the Commission which needs to be avoided in future. The petitioner is directed to continue to submit the district wise AT&C Loss along with break-up of energy input,

energy sold, energy billed and revenue realisation against billed energy on monthly basis within fifteen days after the end of the month. The Commission further directs the petitioner to submit report on monthly basis on action taken to reduce AT&C loss in areas where AT&C loss is more than 35%.

## **5.2 Payment through Cheques**

The Commission had directed that in case the bill for consumption of electricity is more than Rs. 4,000, payment for the bill shall only be accepted by the Licensee by means of an Account Payee cheque/DD. The Commission had directed the DISCOMs to indicate on the bills where the amount to be paid is more than Rs. 4,000 that the bill shall be “Payable by local cheque/DD” only. Further, the Commission suggested that all other consumers whose bill amount is less than Rs. 4,000 may also be encouraged to pay their bills by Account Payee cheque/DD irrespective of the amount of the bill.

The Petitioner has submitted that the message for information to the consumers is carried on the bills. STQC Directorate of the Ministry of Information Technology after conducting an audit of Billing Software of the petitioner has mentioned in its findings that the software of the petitioner did not have any validation of accepting payment for more than Rs.4000/- by cash. The commission directs that suitable changes be made in the software to have this validation and report the compliance within one month of the issue of this order.

## **5.3 Energy Audit for employees of the erstwhile DVB**

The Commission had directed the Petitioner to conduct energy audit in case of those employees of the erstwhile DVB whose average consumption pattern is low as compared to the average level of consumption for domestic consumers. The Petitioner was to submit the report of such energy audit to the Commission within three months of the issue of this Order.

The Petitioner has mentioned that analysis of the consumption of NDPLs employees under the FRSR Structure (erstwhile DVB) comparing the same with the average consumption of domestic consumers was done and the results of the same were submitted to the Hon'ble Commission. Further, Energy Audit in the Employee Housing Colonies of NDPL viz at Shalimar-bagh and Narela was carried out and the

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results of the same were submitted to the Hon'ble Commission, vide letter no. NDPL/CCM/3, dated 22.10.05. The Loss levels in the Housing Colonies were found to be much lower than the Company average.

#### **5.4 Voluntary Separation Scheme**

The Commission had directed the Petitioner to incorporate the details of actual date of superannuation of employees who opted for VSS in the estimated savings from VSS and submit the same to the Commission.

The details along with the estimated savings were furnished in the ARR petition by the Petitioner.

#### **5.5 Loss on retirement of assets**

The Commission had directed the Petitioner to file a separate Petition to the Commission within one month of the issue of this Order providing the details of the assets that are to be retired. The Petition shall include complete details with respect to each asset proposed to be retired including whether it was authorized by the Commission to replace the said asset.

The Petitioner has submitted a separate petition providing the details of assets retired in the FY 2002-03, 2003-04 and 2004-05 to the Commission .

#### **5.6 Asset Capitalisation**

The Petitioner was directed to submit the complete details of assets capitalised during FY 2004-05 for the approval of the Commission within one month from the date of issue of this Order.

The Petitioner has complied with the directive.

#### **5.7 Depreciation**

The Commission had directed the Petitioner to provide pro-rata depreciation considering actual usage/operation (in number of days) of asset during the Financial Year.

The Petitioner has submitted that the computation of depreciation for FY 2004-05, as provided in the audited Accounts of the Company and reflected in the relevant formats of the Petition, is based on the actual usage/operation (no of days) of assets. The depreciation for FY 2005-06 and estimates for FY 2006-07 have been computed on a pro-rata usage basis with the assumption that the capitalization of various assets would happen through-out the year at regular intervals, thus resulting in an effective depreciation for 6 month.

### **5.8 Capital Investments**

The Commission had directed the Petitioner to ensure that the individual schemes of capital expenditure submitted to the Commission for the Commission's approval should indicate the gestation period of each scheme.

The Petitioner has submitted that all schemes of capital expenditure submitted to the Commission for approval from July 2005 onwards indicate the completion date for the respective schemes.

### **5.9 Installation of meters capable of recording kVAh consumption**

In case where the meters capable of recording kVAh consumption have not been installed for NDLT and SIP consumers with sanctioned load above 10 kW, the Commission had directed the Petitioner to install the meters capable of recording kVAh consumption within 60 days from the date of issue of this Order and report the compliance to the Commission.

The Petitioner has submitted that program of replacement of old meters has been completed except in few cases where either the premises were found locked, supply disconnected due to non payment of electricity charges or acute resistance from consumers to get their old meters replaced.

### **5.10 Oil cooled transformers**

The Commission had directed the Petitioner to provide the details of oil filled oil cooled transformers installed by them in residential/commercial buildings.

The Petitioner has submitted the report providing details of oil cooled transformers installed in residential/ commercial buildings.

### **5.11 Compliance to Cost Accounts Records**

The Govt. of India has prescribed Cost Accounting Record (Electricity industry) Rules 2001 under which electricity utilities are required to maintain records to show their costs and other details. The Commission, therefore, had directed that this Rule be complied with by the Licensee and separate accounts be maintained and submitted to the Commission since the introduction of this Rule.

The Petitioner has submitted that separate Cost Accounting Records are being prepared and shall be submitted to the Hon'ble Commission once the exercise is completed. The Petitioner is directed to submit the cost record details for the FY 2005-06 as prescribed in the Cost Accounting Record (Electricity industry) Rules 2001 within one month from the date of issue of this order

### **5.12 Investment and Monitoring of Investment**

The Commission had directed 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 Distribution and Retail Supply of Electricity with in a month from the date of issue of the Order dated July 7, 2005. The Commission had further directed that the Petitioner should submit a separate petition for approval of Scheme for FY 2005-06 by September 2005.

The Petitioner has submitted that it is submitting the DPRs periodically with cost benefit analysis.

DPRs on Capital investment for FY 2005-06 have been submitted by the petitioner for the approval of the Commission.

### **5.13 R&M Works**

The Commission had reiterated its direction to 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 was to be submitted on a quarterly basis along with the above data on the R&M items issued.

The Petitioner has complied with the directive of the Commission.

### **5.14 Information on Cost of Supply in prescribed formats.**

The Commission had directed the Petitioner to suggest modifications in the existing formats by August 2005 to capture the cost of supply.

The Petitioner has submitted Base paper on voltage linked Tariff. The Commission was requested to convene a technical session on the subject with all DISCOMs to finalise modalities.

In this connection, the Commission draws the attention of the Petitioner to the direction of the Hon'ble Appellate Tribunal for Electricity in its Order dated 31st March 2006 in appeal no. 131 of 2005 to furnish the details to the Commission by September 2006. The Commission further directs the Petitioner to furnish the details without further delay in compliance with the orders of the Hon'ble Appellate Tribunal for Electricity.

### **5.15 Database for consumers having electronic meters**

The Commission had directed the Petitioner to start submitting a report on the analysis of database for consumers having electronic meters on a monthly basis from July 2005 onwards.

The Petitioner has submitted the report relating to data on consumers having electronic meters.

### **5.16 Installation of meters for domestic consumers paying flat rates on plot size basis**

The Commission had directed the Petitioner to submit the year wise cost estimates along with cost-benefit analysis of the same for electrifying these consumers on HVDS.

In the HVDS schemes submitted to the Commission in FY2006-07, the Petitioner has indicated the cost estimate .

### **5.17 Data on kVAh, kWh & kVARh**

The Commission had directed the Petitioner to start submitting report on data on average power factor, kWh, kVAh and kVARh consumption on monthly basis commencing from July 2005.

The Petitioner has submitted that they are in the process of carrying out the reprogramming of meters on kVAh billing as well as uploading the meter particulars in the billing software. Submission of data on kWh, kVAh, kVARh and PF before reprogramming of meters will only provide skewed data and may not serve the desired purpose. Accordingly, the data shall be submitted once the re-programming and complete uploading of information is completed. The petitioner is again directed to start submitting report on average power factor, kWh, kVAh and kVARh consumption on monthly basis.

### **5.18A&G Expenses**

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

The Petitioner has submitted that the original approval by the Hon'ble Commission in the Tariff Order for FY 2005-06 was based on estimations/ projections for the full year (FY 2005-06), the actual expenditure is higher due to increased level of activity as well as higher increase in costs than estimated by the Commission and requested the Commission to approve the revised A&G expenses for the FY 2005-06 .

## **5.19 R&M Expenses**

The Commission had directed the Petitioner to take a prior approval for any increase in R&M expense during FY 2005-06 beyond the approved R&M expense before committing/incurred an expense.

The Petitioner has submitted that the revised R&M expenses for the FY 2005-06 as submitted in the Petition may be approved by the Commission.

## **5.20 List of new directives**

### **5.20.1 Voluntary Separation Scheme**

**(Ref. Section 3.1.2)** The Commission directs the Petitioner to submit the complete detail of savings, amortisation, additional trust liabilities and other expenses related to SVRS separately within three months of the issue of this order.

### **5.20.2 A&G Expenses**

**(Ref. Section 3.2.2)** The Commission directs the Petitioner to obtain the prior approval for increase in Administrative & General Expenses beyond the level of expenses approved by the Commission for FY 2006-07.

### **5.20.3 R&M Works**

**(Ref. Section 3.4.2)** The Commission directs the Petitioner to continue to provide quarterly report of the actual R&M works carried out and quarterly report on the transformer failure rate.

The Commission further directs the Petitioner to obtain the prior approval for the increase in Repair & Maintenance expenses beyond the level of expenses approved by the Commission for FY 2006-07.

### **5.20.4 Capital Investments**

- **(Ref. Section 0)** The Commission directs the Petitioner to submit the following:
- Complete DPR along with cost-benefit analysis for the schemes more than Rs. 2 Crore proposed during FY 2006-07 for obtaining investment approval from the Commission **by November, 2006** in case of schemes for which the said details



have not been furnished. The Petitioner should also obtain the approval from the Commission for individual schemes less than Rs. 2 Crore but aggregating to Rs. 20 Crore.

- Details of actual capital expenditure incurred along with the completion certificate in the requisite format
- Quarterly progress report of investments in the format prescribed by the Commission.

#### **5.20.5 Asset Capitalisation**

**(Ref. Section 0)** The Commission directs the Petitioner to submit the complete details of assets capitalised during FY 2005-06 in the requisite format along with the necessary statutory clearances and certificates within one month from the date of issue of this Order.

#### **5.20.6 Regulatory Information Management System (RIMS)**

The Commission has implemented the Regulatory Information Management System (RIMS) to assist the Commission to examine and scrutinize the data submitted by the licensees on time.

The data submitted by the licensees is categorized in to two types:

- Aggregate Revenue Requirement (ARR) related information submitted by the licensees on annual basis.
- Compliance monitoring and performance related data, which is to be submitted by the licensees on monthly and yearly basis.

The Commission directs the licensees to submit monthly and yearly data on regular basis.

#### **5.20.7 Audit of Billing Software**

Ever since the onset of privatisation of the power sector in the NCT of Delhi, there have been innumerable complaints regarding metering and billing. While the problem regarding metering was directed at installation of electronic meters by the Distribution Companies, problems on billing were mainly on account of inflated bills received by

consumers, repeated levy of arrears in bills, faulty meter readings recorded in electricity bills etc. While several meter testing drives were conducted to allay the fears in the minds of consumers regarding electronic meters, the Commission decided to conduct an audit of the billing software of the Distribution Companies so as to ascertain if the parameters laid down by the Commission have been suitably incorporated in the billing software of the DISCOMs. This project was assigned to the STQC Directorate of the Ministry of Information Technology. The entire cost of this audit of the billing software was borne by the Commission from its own budget. The STQC Directorate conducted three types of tests on the software of the three DISCOMs, namely, Functional Testing, Process Audit and Information Security System Audit. The STQC conducted the study during the period of December, 2005 to May, 2006 and some of the major findings in case of NDPL include the following:

- (a) In Bill Amendment module, fastness/slowness of meters and defective period assessment cannot be entered.
- (b) In case of the bulk billing software, new connection, meter reading validation and bill amendments were not implemented in the software and were being handled manually.
- (c) The Electricity Duty is being calculated on Energy Charges before applying Rebate for CGHS and Non-domestic MLHT consumers.
- (d) In case of the energy billing of the consumers having connected load more than 100 KW, provisional Bill generation and delivery are being handled manually and no check is available to restrict generation of third provisional bill.
- (e) At the call center (i2i), STQC team visited on May 5, 2006 the MIS report were seen for “No Power” and data analysis is carried out. However, it was not clear from the report that what was the nature of the cause of power supply failure and whether it was rectified or restored within the guidelines as provided by DERC.
- (f) The MIS details for requests received on 04 May, 2006 pertaining to commercial call center shows number of calls received as 365, solved on same day 02, and pending calls are shown as 21.

- (g) Payment through credit card using Internet is being entered manually as cheque/Draft payment with a special bank code
- (h) Software does not have any validation of accepting payment for more than Rs.4000/- by cash.
- (i) The software has no provision in reconciliation of bank deposit.
- (j) The Information Security System needs strengthening so that no outsider or any unauthorised person within the NDPL network can corrupt the data.

Based on the detailed report given by the STQC Directorate of the Ministry of Information Technology, the Petitioner is directed to take necessary corrective actions.

## 6. Tariff Schedule for the Year 2006-07

The Tariff Schedule for the financial year 2006-07 shall be read with the provisions of Delhi Electricity Reform Act, 2000, the Electricity Act, 2003 and all Rules and Regulations made there under.

### 6.1 Tariff for the year 2006-07

Category		Fixed Charges (on sanctioned Load)		Energy Charges	
1. Domestic	1.1 J J Clusters				Rs 175 / Month
	1.2 Domestic Lighting/Fan and Power	Load (kW)	Fixed Charges (Rs.)	Units/ month	Paise/kWh
		Up to - 2	24/mth	0-200	240
		>2- 5	60/mth	201-400	390
		Above 5	12/kW/ mth	Above 400	460
1. Domestic	1.3 Domestic Lighting /Fan and Power on 11 kV single delivery point for CGHS and other similar group housing complexes <sup>1</sup>	Rs 12/ kW/mth		Consumption/month	Energy Charges (Paise/kWh) <sup>2</sup>
				First 44.4%	240
				Next 44.4%	390
				Next 11.2%	460

Category		Fixed Charges (on sanctioned Load)	Energy Charges	
	1.4 Domestic Lighting/Fan and Power Connections in unelectrified Left Out Pockets. Plot sizes:			
	i) up to 50 Sq. yds.			Rs 264/ mth
	ii) between 50-100 Sq. yds.			Rs 384/ mth
	iii) between 101-150 Sq. yds.	-	-	Rs 504/ mth
	iv) between 151-200 Sq. yds.	-	-	Rs 699/ mth
	v) more than 200 Sq. yds. only through installation of meters by Licensee	-	-	Same as 1.2

Category		Fixed Charges <sup>3</sup>	Demand Charges <sup>4</sup>	Energy Charges (paise/kWh)
2. Non-Domestic	2.1.1 Non-Domestic (Low Tension) <sup>5</sup> -NDLT-I		-	
	e) Up to 10 kW	Rs 50/kW/mth		535 paise/kWh
	f) > 10 kW to 100 kW	Rs 50/kW/mth		487 paise/kVAh <sup>6</sup>
	2.1.2 Non-Domestic Light/Power on 11 kV Single Delivery Point for Commercial Complexes-NDLT-II	Rs 50/kW/mth		487 paise/kVAh <sup>2</sup>



	2.2 Mixed Load (High Tension) >100kW-MLHT a) Supply on 11 kV  b) Supply on LT (400 Volts)	- -	150 /kVA/mth  200 /kVA/mth	490 Paise/kVAh <sup>7</sup>  564 Paise/kVAh
<b>3. Industrial</b>	3.1.1 Small Industrial Power < 100 kW- SIP a) Up to 10 kW  b) > 10 kW to 100 kW	Rs 50/kW/mth  Rs 50/kW/mth		500 paise/kwh  435paise/kVAh <sup>6</sup>
	3.1.2 Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers	Rs 50/kW/mth		370 paise/kVAh
	3.2 Large Industrial Power>100 kW LIP a) Supply on 11 kV  b) Supply on LT (400 Volts)	- -	150/kVA/mth  200/kVA/mth	430 Paise/kVAh <sup>7</sup>  495 Paise/kVAh
	<b>4. Agriculture</b>	Rs.12/KW/ month	-	150 paise/kWh
	<b>5. Mushroom cultivation</b>	Rs.24/KW/ month	-	300 paise/kWh
<b>6. Public Lighting</b>		Maintenance Charges Rs/light point/month		Energy Charges
	6.1 Street Lighting	73	-	460 paise/kWh
	6.2 Signals & Blinkers	-	-	460 paise/kWh

<b>7. Railway Traction<sup>7&amp;8</sup> (other than DMRC)</b>		Capacity- blockage- fixed charges <sup>9</sup>	Rs 150/kVA/mth	375 paise/kVAh
<b>8. Delhi Metro Rail Corporation (DMRC)</b>		-	Rs 75/kVA/mth Rs 75/kVA/mth	230 Paise/kVAh 230 Paise/kVAh
<b>9. Temporary Supply</b>	9.1 for a total period of			
	a) less than 16 days	50% of the relevant category	50% of relevant category	higher by 30% (temporary surcharge) of the relevant category of tariff
	b) more than or equal to 16 days	Same as that of relevant category	Same as that of relevant category	
	9.2 for residential cooperative group housing connections	Same as that of relevant category	-	domestic tariff without any temporary surcharge <sup>10</sup>
	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 of 30%

	9.5 for threshers			
	a) during the threshing season for 30 days	Electricity tax of MCD:	-	Flat rate of Rs. 3000
	b) for extended period	Rs. 150 per connection	-	On pro-rata basis for each week or part thereof

### Notes of Superscripts

- 1 In case of co-operative societies having independent connection for common facilities through separate meter, energy charges for such connection shall be billed at highest slab tariff for domestic category.
- 2 Rebate of 15% admissible on notified tariff
- 3 Fixed 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.
- 4 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
- 5 The following categories shall be billed at domestic rates indicated at category 1.2 if such premises are used exclusively for the purpose specified below:
  - Dispensary/Hospitals/Public Libraries/School/Working Women's hostel/Orphanage/ Charitable homes run by the MCD or the Government of the NCT of Delhi
  - Small Health Centres approved by the Department of Health, Government of NCT of Delhi for providing Charitable Services only.
  - Recognized Centres for welfare of Blind, deaf and dumb, Spastic children, Physically handicapped persons as approved by the Government of NCT of Delhi
  - Places of Worship
  - Cheshire homes/orphanage
  - Electric crematoriums

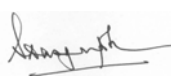


- 6** Where kVAh meters have not been provided, kVAh consumption shall be estimated assuming average power factor of 0.87 during the period of direction indicated in the order.
- 7** Additional rebate of 2.5% on the energy charges on 11 kV rates for availing supply at 33/66 kV and 4% for supply at 220 kV shall be admissible.
- 8** Based on the supply being given through a single delivery and metering point at single voltage
- 9** Rs.  $1260 \times (2.97A + 5)$  where A is contract/maximum demand, whichever is higher, in MVA subject to a minimum of Rs. 25000
- 10** from the date of payment of their payable share in full towards electrification cost.  
Normal tariff available after one year

**6.2 Other Terms & Conditions of Tariff**

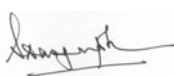
<b>Category</b>	<b>Availability</b>	<b>Character of Service</b>
<b>1. Domestic</b>  1.1 Domestic Lighting/Fan and Power (Single Delivery Point and Separate Delivery Points/Meters)	i) Available to residential consumers, hostels of recognised/aided educational institutions, stair case lighting in residential 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. 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. 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.	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 &amp; heating/cooling power appliances in all non-domestic establishments as defined below :</p> <p>i) hostels  ii) schools/colleges  iii) auditoriums  iv) hospitals, nursing homes/diagnostic centres  v) railways (other than traction)  vi) hotels and restaurants  vii) cinemas  viii) banks  ix) petrol pumps  x) all other establishments, i.e., shops, chemists, tailors, washing, dyeing etc. which do not come under the Factories Act.  xi) cattle farms, fisheries, piggeries, poultry farms, floriculture, horticulture, plant nursery  xii) farm houses being used for commercial activity  xiii) any other category of consumers not specified/covered in any other category in this Schedule</p>	<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</p>
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	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
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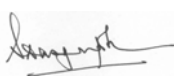

	<p>2.2 Mixed Load (High Tension)-MLHT</p> <p>a) Supply on 11 kV</p> <p>b) Supply on LT (400 Volts)</p>	<p>Available to consumers having load (other than industrial load) above 100 kW for lighting, fan, heating/cooling and power appliances in Domestic/Non-Domestic establishments including pumping loads 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</p>	<p>AC 50 Hz, 3 phase, 11 kV</p> <p>AC 50 Hz, 3 phase, 400 Volts</p>
<b>3. Industrial</b>	<p>3.1.1 Small Industrial Power (SIP)</p>	<p>Available to Industrial consumers with load up to 100 kW including lighting, heating and cooling load.</p>	<p>AC 50 Hz, single phase, 230 Volts</p> <p>AC 50 Hz, 3 phase, 400 Volts.</p>

	<p>3.1.2 Industrial Power (SIP) on 11 kV Single Delivery Point for Group of SIP Consumers</p>	<p>On single delivery point for group of SIP consumers provided load of any individual consumer does not exceed 100 kW</p>	<p>AC 50 Hz, 3 Phase, 11 kV</p>
	<p>3.2 Large Industrial Power (LIP) a) Supply on 11 kV b) Supply on LT (400 Volts)</p>	<p>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</p>	<p>AC 50 Hz, 3 phase, 11 kV AC 50 Hz, 3 Phase, 400 Volts</p>

<p><b>4. Agriculture</b></p>	<p>Available for load up to 10 kW for tube wells for irrigation, threshing, and kutticutting in conjunction with pumping load for irrigation purposes and lighting load for bonafide use in Kothra.</p>	<p>AC 50 Hz, Single/Three Phase, 230/415 Volts</p>
<p><b>5. Mushroom cultivation</b></p>	<p>Available for mushroom growing/cultivation upto 100 kW.</p>	<p>AC 50 Hz, 3 Phase, 400 Volts up to 100 kW</p>



6. Public Lighting	6.1 Street lighting	Available to all street lighting consumers including MCD, DDA, PWD/CPWD, Slums department	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




<b>7. Railway Traction (other than DMRC)</b>		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
<b>8. Delhi Metro Rail Corporation</b>		Available to Delhi Metro Rail Corporation (DMRC) (not for construction projects)	AC 50 Hz, 3 phase, 220/66 kV
<b>9. Temporary Supply</b>	9.1(a) for less than 16 days	Available as temporary connection under the respective category	AC 50 Hz, single phase, 230 Volts AC 50 Hz, 3 phase, 400 Volts, AC 50 Hz, three phase, 11 kV
	9.1(b) for more than or equal to 16 days		
	9.2 for residential cooperative group housing connections	Same as that of relevant category	

	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).	
	9.4 for major construction projects	With loads more than 10 kW	
	9.5 for threshers	During the threshing season	

### 6.3 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.

#### **6.4 Surcharges**

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

#### **6.5 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, 2003. This will also apply to temporary connections, where payment of final bill amount after adjustment of consumption deposit, is not made by due date.

#### **6.6 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.