Delhi Electricity Regulatory Commission
Viniyamak Bhawan, C-Block, Shivalik, Malviya Nagar, New Delhi – 110017

Ref.:

Re: In the matter of: Power Purchase Cost Adjustment Charges (PPAC)

M/s Tata Power Delhi Distribution Ltd.,
33 KV Grid Sub-station,
Hudson Lane,
Kingsway Camp,
Delhi – 110 009.

M/s BSES Rajdhani Power Ltd.,
BSES Bhawan,
Nehru Place,
New Delhi – 110019.

M/s BSES Yamuna Power Ltd.,
Shakti Kiran Building, Karkardooma,
New Delhi – 110 092.

M/s The New Delhi Municipal Council,
Palika Kendra, Sansad Marg,
New Delhi-110001.

..... Applicant

Coram:

Sh. P.D. Sudhakar, Chairperson
Sh. J.P. Singh, Member &
Sh. B.P. Singh, Member

ORDER

(Date of Order 12.06.2015)

1. Whereas, BRPL, BYPL, TPDDL and NDMC have submitted application for Power Purchase Cost Adjustment Charges (PPAC) for Q2,FY14-15, Q3,FY14-15, Q4,FY14-15, considering all bills, transmission charges (including pension trust), fixed cost of regulated plants (BRPL & BYPL) and fixed cost of Rithala Plant (TPDDL). The references of the claims made by BRPL, BYPL, TPDDL and NDMC are detailed here under:

BRPL

a) PPAC submission for Q2FY'15 (July'14 to Sept.'14) received vide RA/2014-15/01/A/500 dated 16/10/2014
b) PPAC submission for Q3FY'15 (Oct'14 to Dec'14) received vide RA/2014-15/01/A/669 dated 22/01/2015
c) PPAC submission for Q4FY'15 (Jan'15 to March'15) received vide RA/2015-16/01/A/79 dated 29/04/2015

BYPL

a) PPAC submission for Q2FY'15 (July'14 to Sept.'14) received vide RA/BYPL/2014/15/956 dated 17/10/2014
b) PPAC submission for Q3FY'15 (Oct'14 to Dec'14) received vide RA/BYPL/2014/15/1080 dated 22/01/2015

c) PPAC submission for Q4FY'15 (Jan'15 to March'15) received vide RA/BYPL/2015-16/37 dated 30/04/2015

TPDDL

a) PPAC submission for Q2FY'15 (July'14 to Sept.'14) received vide TPDDL/Regulatory/03 dated 20/10/2014
b) PPAC submission for Q3FY'15 (Oct'14 to Dec'14) received vide TPDDL/Regulatory/PMG/03 dated 22/01/2015
c) PPAC submission for Q4FY'15 (Jan'15 to March'15) received vide TPDDL/Regulatory/PMG/3 dated 29/04/2015

NDMC

a) PPAC submission for Q3FY'15 (Oct'14 to Dec'14) received vide D/12/Dir.(Power)/15 dated 22/01/2015

2. i. The PPAC claims submitted by BRPL, BYPL, TPDDL and NDMC vide their applications referred at 1 above are tabulated as below:

DISCOMs	Q2FY15	Q3FY15	Q4FY15
BRPL	7.26%	18.91%	17.87%
BYPL	17.01%	24.03%	19.52%
TPDDL	7.42%	19.93%	6.59%
NDMC	No Application submitted	26.79%	No Application submitted

ii. Section 62 (4) of the Electricity Act, 2003 lays down that the Tariff may be revised more than once in any Financial Year in respect of variation in fuel prices as follows:

"62(4) No tariff or part of any tariff may ordinarily be amended more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified. "

iii. The Hon'ble APTEL in its Judgment in OP No. 1 of 2011 dated 11/11/2011 had issued directions for all SERCs to implement variation of Fuel and Power Purchase cost formula/mechanism. The relevant extract of the said judgment is as follows:

"(vi) Fuel and Power Purchase cost is a major expense of the distribution Company which is uncontrollable. Every State Commission must have in place a mechanism for Fuel and Power Purchase cost in terms of Section 62 (4) of the Act. The Fuel and Power Purchase cost adjustment should preferably be on monthly basis on the lines of the Central Commission's Regulations for the generating companies but in no case exceeding a quarter. Any State Commission which does not already have such formula/mechanism in place

must within 6 months of the date of this order must put in place such formula/ mechanism"

iv. The Commission stipulated the revised formula for computation of PPAC vide Tariff Order dated. 23/07/2014. The formula includes Power Purchase Costs and Transmission related costs. The formula considers all Bills (bills pertaining to the current quarter and arrears).

Power Purchase Adjustment (PPA) formula

$$\text{PPA for nth Qtr. (\%)} = \frac{(A-B)*C + (D-E)}{\{Z * (1- \frac{\text{Distribution losses in \%}}{100})\} * ABR}$$

Where,

A = Total units procured in (n-1)th Qtr (in kWh) from power stations having long term PPAs – (To be taken from the bills of the GENCOs issued to distribution licensees)
B = Proportionate bulk sale of power from Power stations having long term PPAs in (n-1)th Qtr (in kWh)

$$= \frac{\text{Total bulk sale in (n-1)th Qtr (in kWh)} * A}{\text{Gross Power Purchase including short term power in (n-1)th Qtr (in kWh)}}$$

Total bulk sale and gross power purchase in (n-1)th Qtr to be taken from provisional accounts to be issued by SLDC by the 10th of each month.

C = Actual average Power Purchase Cost (PPC) from power stations having long term PPAs in (n-1)th Qtr (Rs./ kWh) – Projected average Power Purchase Cost (PPC) from power stations having long term PPAs (Rs./ kWh) (from tariff order)

D = Actual Transmission Charges paid in the (n-1)th Qtr

E = Base Cost of Transmission Charges for (n-1)th Qtr= (Approved Transmission Charges/4)

Z = [{Actual Power purchased from Central Generating Stations having long term PPA in (n-1)th Qtr (in kWh) *(1 - $\frac{\text{INTERSTATE TRANSMISSION LICENSEE losses in \%}}{100}$)

+

Power from Delhi GENCOs including BTPS (in kWh)} *(1 – $\frac{\text{Intra state losses in \%}}{100}$) – B]
in kWh

ABR = Average Billing Rate for the year (to be taken from the Tariff Order)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)

INTER STATE TRANSMISSION LICENSEE Losses (in %) =

$$\frac{100* \text{Approved INTER STATE TRANSMISSION LICENSEE losses in Tariff Order (kWh)}}{\text{Approved long term power purchase from central generating stations having long term PPA in the Tariff Order (kWh)}}$$

DTL Losses (in %) =

$$100 * \frac{\text{Approved DTL Losses (from the Tariff Order)}}{\text{Power available at Delhi periphery (from energy balance table Tariff Order)}}$$

3. The Commission had issued orders for PPAC for Q2,FY-15 on 13.11.2014 on a provisional basis after verification of all current bills & sampled arrear bills, subject to final true-up. Subsequently, it was brought to the notice of the Commission that various generators including NTPC supplying power to Delhi, have provided only part of the information regarding pricing of fuel and billing of power generated at their stations. The detailed information as per Form 15 of CERC (terms and Conditions of tariff) Regulations, 2014 had not been submitted by the generators to the DISCOMs, which will have direct bearing on the PPAC claims. Consequently, the PPAC for Q2,FY15 was withdrawn on 14.11.2014. Subsequently, a letter was sent to CERC regarding incomplete/non submission of Form 15 by generators to Delhi DISCOMs.

4. TPDDL had challenged the withdrawal of PPAC in the Hon'ble APTEL through petition numbered as OP No.1 of 2015. The final judgement is awaited.

5. PPAC applications for Q3, FY15 from BRPL & BYPL on 22.01.2015 and from TPDDL & NDMC were also received on 27.01.2015. Meanwhile, the DISCOMs filed their tariff petitions for ARR and tariff for FY 2015-16 and true-up of FY 13-14 before the Commission in the month of December, 2014.

6. The available information pertaining to Form 15 and Power Purchase Bills were analyzed and accordingly DISCOMs were directed vide letter dated 09/02/2015 to provide variation in Gross Calorific Value (GCV) and Cost of fuel for all stations for Q2,FY15 and future bills.

7. Responses from the DISCOMs were received in the month of February 2015 in the Form 15 (Central Generating Stations) and Form 27 (State Generating Stations).

8. PPAC applications for Q4,FY15 from BRPL, BYPL and TPDDL were also received in the month of April 2015. In the mean time, advertisements inviting Public comments/suggestions on the Tariff Petitions filed by the utilities were already published in leading newspapers. Therefore, it was considered not to declare PPAC for Q2, Q3 & Q4 FY15 and the effect of the same would be subsumed in the Tariff Order for FY 2015-16. The same philosophy was also adopted by the Commission in the last Tariff Order 23/07/2014.

9. Meanwhile, TPDDL filed Interim Application No. 195 of 2015 in OP No.1 of 2015 for non issuance of PPAC for Q3FY15 and Q4FY15 by the Commission. During the proceedings of the said Hearing in I.A. No. 195 of 2015, the following was submitted by the Counsel of DERC. Relevant extracts of the Order are reproduced below:

   "Learned Counsel for the DERC in Para-3, 4 and 5 of its Written Submissions has stated as under:

   > *"3. The PPAC could not be decided earlier and within the time frame as directed by this Hon'ble Tribunal, as the Petitioner was not able to provide the complete information for calculation of PPAC.*

4. The Respondent has already started the process of tariff determination for FY 2015-16 and comments from the stakeholders and public have already been called and received in this regard. The next step is to receive comments of the entities to the stakeholder/public comments and hold a public hearing.

5. The PPAC for the 3rd and 4th quarters would therefore, automatically get subsumed in the tariff schedule for FY 2015-16 for which the process is already at an advanced stage".

Without directly hitting the directions in our order dated 11.11.2011, the learned Counsel for the Delhi Commission submits that it would be unfair to first dispose of the quarterly PPAC matters without determination of the tariff and the Petitioner can wait for four more weeks till the exercise of tariff determination after hearing the representatives is concluded and tariff is determined after adopting the procedure for tariff determination to be passed by the Delhi Commission."

10. After hearing the matter, Hon'ble APTEL vide its Daily Order dtd. 25/05/2015 in IA No.195 of 2015 in OP No.1 of 2015 ruled as following:

> *"...We direct the Delhi Commission to determine the PPAC for the above said 3rd and 4th quarter within three weeks from today..."*

11. The Methodology/ Approach for computation of PPAC for Q2FY 15, Q3FY15 and Q4FY15 is described as below:

a) Disallowance of generation (MUs) and all associated Cost

The PPAs of TPDDL, BRPL & BYPL with Anta, Auraiya and Dadri Gas Power Plants has already expired on 31 March 2012. However, it is observed that these DISCOMs have not taken prior approval of the Commission regarding the renewal of PPA pursuant to the License conditions before signing a supplementary PPA. At the same time, BRPL BYPL and TPDDL have also proposed the surrender of power from these stations vide their letter dtd. 28/05/2015, 28/05/2015 & 25/05/2015 respectively. Further, TPDDL vide its letter dtd. 08/06/2015 has also submitted to GoNCTD regarding surrender of its entire share from Anta, Auraiya and Dadri Gas Power Plants forever with immediate effect. The renewal of PPAs without the permission of the Commission above is a violation of the Licence conditions and the Commission vide its letter dtd. 19/03/2015 has called for the explanation from BRPL and BYPL and a similar letter dtd. 08/04/2015 issued to TPDDL. Since the DISCOMs are scheduling power from these stations without prior approval of the Commission, therefore, the power purchase cost and related generation (MU) has not been considered for the purpose of computation of PPAC for these DISCOMs.

b) As per the Regulation 5.24 of the MYT Regulation, 2011, the Distribution Licensees are allowed Net Power Purchase Cost considering maximum normative rebate i.e., 2%. Accordingly, the Power Purchase Cost (including Transmission Charges) claimed in PPAC is reduced by 2%. Such practice is also adopted by the Commission in the True up process of Power Purchase Cost. Further, this rebate of 2% is considered only for Power Purchase Cost and Transmission Charges.

"5.24 Distribution Licensee shall be allowed to recover the net cost of power it procures ..... assuming maximum normative rebate available from each

source for payment of bills through letter of credit on presentation of bills for supply to consumers of Retail Supply Business;"

c) LPSC, Pension trust and Fixed Cost of Regulated Plants including Rithala have not been considered as per past practice.

12. During the analysis of the PPAC applications for Q3,FY15 and Q4, FY15, it has been observed that there was significant variation in the actual rate (Rs/kWh) for current month charges and the Approved base rate (Rs/kWh) by the Commission in Tariff Order dated 23.07.2014. The following are the reasons specified by the DISCOMs for such variation in rates both for Thermal & Hydro Power Plants:
    a) Higher Plant Availability (PAF) especially in winter period
    b) Lower Plant Load Factor (PLF)
    c) Increase in Transmission Charges
    d) Variation in foreign exchange rate resulting into depreciation of Rupee
    e) Shortage of domestic fuels owing to import of the same
    f) Billing of previous years arrears in current year

13. The Commission has noted the following in its last Tariff Order dated 23/07/2014 as follows:

    "j) The PPAC claim of any quarter submitted by the Petitioner shall be examined by the Commission. In view of public interest, the Commission will endeavour that while approving the PPAC, there is ***no Tariff shock and at the same time reasonable PPAC is provided to the DISCOMs.*** *The Commission may take appropriate view to carry forward or spread some amount of PPAC in the subsequent quarters."*

Keeping in view the above, claims of the DISCOMs and the detailed analysis, Commission approves the following PPAC on a provisional basis for a period of 9 months (3 Quarters) i.e. 15.06.2015 onwards or till further Orders, whichever is earlier. This is because the Commission has taken into consideration all additional power purchase over a period of 3 Quarters i.e. Q2,FY14-15, Q3,FY14-15, Q4,FY14-15.

DISCOM	PPAC %age spread over next 3 Quarters
BRPL	6 %
BYPL	6 %
TPDDL	4 %
NDMC	5 %

1) Any spill over of the entitlement of PPAC during FY 2014-15 will be duly factored into the tariff calculation of FY 2015-16 so that the entire entitlement is recovered as far as possible during FY 2015-16 itself without waiting for the detailed True-up of the Power Purchase Cost of FY 2014-15 during FY 2016-17.
2) While finalizing the provisional PPAC charges, the Commission has taken into account the different entitlements of the respective DISCOMs based on preliminary prudence check.
3) The Commission specifically observes that the provisional PPAC charges constitute a reasonable extra charge on all consumers for the next nine

months and promote the interest of maintaining constant & quality power supply by the DISCOMs.

4) The Commission reserves the right to subsume, these charges in the Tariff Order for FY 2015-16 if considered fit for both consumers and DISCOMs. This issue will be decided after holding public hearing and taking a final view on the Petitions filed by the DISCOMs.
5) The Commission is of the firm opinion that the DISCOMs should demonstrate their commitment by ensuring that the extra revenues recovered through PPAC are dedicated to clear Generators and Transmission utilities bills.
6) It is clarified that Power Purchase Cost Adjustment Charge is a component of tariff and its application shall be in the same manner as in the case of a tariff revision i.e. it shall be applicable only on the pro-rata consumption with effect from 15/06/2015. Further, it is clarified that the above PPAC is to be levied only on the basis of energy consumed from 15/06/2015 onwards for a period of 9 months or till further Orders, whichever is earlier for which consumption shall be determined on a pro-rata basis.
7) It is also clarified that:

   i. The percentage increase on account of PPAC will be applied as a surcharge on the total energy and fixed charges (excluding arrears, LPSC, E-Tax etc.) billed to a consumer of the utility.

   ii. The bill format shall clearly identify the PPAC percentage and amount of PPAC surcharge billed as separate entries.

   iii. The Distribution Licensee shall levy PPAC after considering rebate on energy charges, if any, available to the consumer.

   iv. PPAC surcharge shall not be levied on the 8% surcharge and

   v. The 8% additional surcharge towards recovery of past accumulated deficit shall not be levied on PPAC.

(B. P. Singh) Member	(J. P. Singh) Member	(P. D. Sudhakar) Chairman