



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

No. F.11(624)/DERC/2010-11/

Petition No. 30/2010

In the matter of: Petition seeking modification in the figure of carrying cost as awarded by the Hon'ble Commission vide its order dated 22.09.2009 in the line with justification/along with basis and principle of computation or correction of the said figures pertaining to carrying cost and/or reconsideration and/or Review of observations & findings;

North Delhi Power Ltd.
Through its: **Sr. General Manager**
33Kv Sub Station Building,
Hudson Lane,
Delhi 110 009

....**Petitioner**

Coram:

**Sh. P.D. Sudhakar, Chairman, Sh. Shyam Wadhera, Member &
Sh. J.P. Singh, Member.**

Appearance:

1. Mr. Ajay Kapoor, CFO NDPL;
2. Mr. Anurag Bansal, HOD (Corp. Legal) NDPL;
3. Mr. Ajay Jindal, Sr. Manager, NDPL;
4. Mr. Hemant Goyal, Addl. G.M. NDPL

ORDER

(Date of Hearing: 09.04.2013)
(Date of Order: 21.06.2013)

1. NDPL has filed this Petition for seeking modification in the figure of carrying cost as awarded by the Hon'ble Commission vide its order dated 22.09.2009 in line with the justification given and by adopting the same principle of computation as followed in earlier tariff orders.
2. At the time of hearing Mr. Anurag Bansal, Sr. Manager, NDPL, submitted that certain errors have crept in to the computation of amounts/figures of carrying cost allowed by the Commission in the impugned order dt. 22.09.2009. In the said impugned order the Commission provided for an amount of Rs. 32.22 crore at the rate 9% p.a. as approved carrying cost with respect to the True Ups for the FY 2003, 2004, 2005 & 2006. However, there was no computation given in the Review order in arriving at the figure of Rs. 32.22 crore.
3. Mr. Bansal further submitted that based on the Computation made by them after applying the rate of 9% p.a. as per the methodology adopted in the past tariff orders on the figures given by the Commission for the True Ups as referred to above the figures comes to Rs. 38.76 crore as against Rs. 32.22 crore allowed by the Commission which has resulted in an under-allowance of ARR by Rs. 6.54 crore to the Petitioner.

4. Mr. Bansal further submitted that this Petition has been filed with specific reference to the Commission's letter dt. 24.05.2010 wherein it was suggested that a regular petition may be filed before the Commission in case NDPL, so desires.
5. The Petitioner through this Petition has prayed that the Commission allow the carrying cost to the Petitioner to the extent of differential of Rs. 6.54 crore (with carrying cost on the said amount) and provide methodology of calculation of an amount Rs. 32.22 crore as allowed by the Commission towards carrying cost.
6. The Commission heard the Petitioner at length.
7. The Commission has examined the Petition alongwith entire record and report submitted by Executive Director (Engineering/Tariff).
8. The Commission noticed that it had earlier approved an amount of Rs. 31.18 crore in the MYT order dt. 23.05.2008. Subsequently, on a review petition filed by the petitioner against the MYT Order, the amount of carrying cost was revised to Rs. 32.22 crores in the Review Order of the Commission dated 22.09.2009 based on the amount of gap finally approved by the Commission.
9. The Petitioner has stated that they have calculated carrying cost as Rs. 38.76 crores based on the methodology followed by the Commission during the first MYT Control Period FY 2008-11. The main contention of the Petitioner is that the calculations of carrying cost should be based on the average revenue gap during the year whereas the Commission has, in the Review Order dt. 22.09.2009, calculated the carrying cost on the basis of the opening revenue gap.
10. On a perusal of the tariff order for the FY 2005-06, the following has been observed;

3.15 Summary of Truing up Expenses and Carrying Cost

3.15.1 Petitioner's Submission

Carrying Cost on Truing Up for 2003-04

"The Petitioner submitted that the Hon'ble Commission has allowed Rs.4.0 Crore towards carrying cost on Truing up of 2003-04 expenses in the Current Year. While the Commission has apparently allowed carrying cost on Rs.29 crore mentioned at S.No(i) above for one year, it is contended that the same needs to be allowed for 1.5 years viz. 6 months of 2003-4 (as it pertains to that year) and full year of 2004-05 as the same has not been recovered during the year FY 2004-05. Accordingly, the Petitioner has claimed carrying cost on Rs.33 Cr. (Rs.29 Cr. + Rs.4 Cr.) @ 16% p.a."

3.15.2 Commission's Analysis

"The Commission has considered Petitioner's submissions for truing up of above cost elements for FY 2003-04 and FY 2004-05.

As regard to the truing up of expenses for FY 2003-04 provided in the Order for FY 2004-05, the Commission has considered the estimated

revenue gap of Rs.29 Crore for FY 2003-04 after truing up the expenses and revenue based on actuals. Further, the Commission has considered this revenue gap as a part of total revenue gap of FY 2004-05 to be bridged during the year 2004-05. The Commission would like to emphasize that in case the Petitioner would have recovered this amount in FY 2003-04, the same would have been recovered during the entire year. As the Commission has considered the revenue gap of FY 2003-04 as part of revenue gap of FY 2004-05, the carrying cost are to be provided only for one year and not for one and half year.”.

Further, on perusal of the Tariff Order for the FY 2004-05, the following has been observed in Para 4.4 being 'Truing up' Mechanism:

“The Commission recognized the fact that at the end of the year, the actual sales, expenses and revenues can be different vis-à-vis the projections made by the Commission in its Order. The Commission had detailed its view that the licensees have to be compensated to the extent of variations, which are beyond their control, subject to prudence of the expenses, to ensure their financial viability. In the said Order, the Commission instituted a process of 'Truing up' at the end of the year, based on the actual expenses/ revenues, considering the prudence of such variations over the approved levels. Further, the Commission clarified that while approving such expenses/ revenues to be recovered in the future years, the holding costs of the same would also be allowed...”

11. The Commission further noticed that the Petitioner has admitted that the methodology adopted in the true up of Policy direction period was to allow carrying cost on the opening balance, and that allowance of carrying cost on opening balance of revenue gap deprives the utility the carrying cost for half of the year in which such revenue gap is created but compensates the same by way of carrying cost for the full year in the year in which it is recovered.
12. From the above, it is clear that the methodology adopted by the Commission was to institute a process of truing up at the end of the year and allow carrying cost in the future years. The revenue gap arrived at after the truing up of previous year was allowed carrying cost in the next year for one year instead of 1.5 years.
13. It is pertinent to mention that in the MYT order, the Commission has calculated the carrying cost on true up amount of the gap arising out of the Policy Direction Period, which was never challenged by the petitioner. The Commission adopted the same methodology while disposing off the Review Petition no. 30/2010. The methodology for providing carrying cost on the revenue gap was changed to the average balance from the first MYT Control period i.e 2007-12.

14. In view of the above, the Commission is of the considered view that the issues raised by the Petitioner lack merit and are not legally tenable.
15. The Petition is hereby dismissed.
16. Ordered accordingly.

Sd/-
(J.P. Singh)
MEMBER

Sd/-
(Shyam Wadhera)
MEMBER

Sd/-
(P.D. Sudhakar)
CHAIRMAN