

Chapter 3

True up of FY 2013-14



Methodology for Truing up of FY 2013-14

Regulations 4.21 & 5.36 of the Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Regulations, 2011 has stipulated the methodology for True up. The relevant extract of the same is given below;

4.21 The true up across various controllable and uncontrollable parameters shall be conducted as per principle stated below:

(a) Variation in revenue / expenditure on account of uncontrollable sales / power purchase respectively shall be trued up every year;

(b) For controllable parameters,

(i) Any surplus or deficit on account of Operation and Maintenance (O&M) expenses shall be to the account of the Licensee and shall not be trued up in ARR; and

(ii) Depreciation and Return on Capital Employed shall be trued up every year based on the actual capital expenditure and actual capitalization vis-à-vis capital investment plan (capital expenditure and capitalization) approved by the Commission.

5.36 "The amount received by the Licensee on account of Non-Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee"

Hence in this petition, the petitioner has sought true up of the following:

1. Truing up of Sales and Power Purchase
2. Non-Tariff Income
3. Truing up of O&M Expenses along with New Initiatives
4. Interest on Security Deposit
5. Depreciation and RoCE based on the actual Capitalization
6. Income Tax

Based on the MYT Regulations, 2011 the petitioner has now sought Truing up of FY 2013-14.

The component wise detailed information is given in relevant paras as mentioned below.

Energy Sales

Energy Billed for FY 13-14:

Against the billed energy revenue of Rs 5,612.26 Cr (including DRRS) (7,439 Mu) as projected by the Hon'ble Commission for FY 13-14 in its Tariff Order for FY 2013-14, actual billed revenue for FY 13-14 at approved tariffs comes to Rs. 5,364 Cr (net of E. Tax) (7,187.40 Mu).

The Hon'ble Commission in its Multi Year Tariff Order for second control period (i.e. FY 2012-13 to FY 2014-15) has introduced a surcharge of 8% which was applicable w.e.f. 01st July 2012 over the approved retail tariff for recovery of carrying cost & liquidation of Past Revenue Gap. The Hon'ble Commission in para 5.16 of Tariff Order for FY 2013-14 has mentioned that an amount of Rs. 415.72 Cr will be generated through 8% deficit revenue recovery surcharge in FY 2013-14, against the said amount Rs 391.36 Cr. has been billed during the year.

Table 3.0: Projected revenue Billed by the Hon'ble Commission (inclusive of deficit revenue recovery surcharge) (Rs Cr)

Sr. No.	Particulars	MU	Amount	Remark
A	Revenue Billed		5,196.54	(Table 124 of Tariff Order dated July 2013)
B	Deficit Revenue Recovery Surcharge		415.72	(Refer Para 5.16 of Tariff Order dated July 2013)
C	Total	7,439	5,612.26	(A+B)

Summary of the category wise Actual Revenue billed is given below:

Table 3.1: — Category wise Actual Revenue Billed

Category	Projected Billed MU as per TO July, 2013	For FY 13-14				
		Billed (MU)	Billed revenue other than 8% DRRS	8% Billed DRRS	Total Billed Revenue (Rs Cr)	ABR (Rs/ KWh)
A. Domestic	3,202	3,108.50			1,740.19	5.60
B. Non-Domestic	1,389	1,329.39			1,332.89	10.03
C. Industrial	2,231	2,193.18			1,878.91	8.57
D. Irrigation & Agriculture	13	13.34			4.89	3.67
E. Public Lighting	120	124.07			100.26	8.08
F. Delhi Jal Board	203	204.15			167.88	8.22
G. Railway Traction	57	45.51			32.86	7.22
H. DMRC	173	133.71			86.37	6.46
I. Own consumption	51	17.01				
J. Advertisement & Hoarding		0.62			0.90	14.40

Category	Projected Billed MU as per TO July, 2013	For FY 13-14				
		Billed (MU)	Billed revenue other than 8% DRRS	8% Billed DRRS	Total Billed Revenue (Rs Cr)	ABR (Rs/ KWh)
K. others		17.91			19.14	10.68
L. Total	7,439	7,187.40	4,972.93	391.36	5,364.29	7.46
M. Add- E.Tax					237.13	
Total Revenue Billed (L+M)	7,439	7,187.40			5,601.42	7.79

(Copy of Auditor Certificate for Billed Revenue is attached as Annexure A-1 in volume II of the Petition)

Self-Consumption

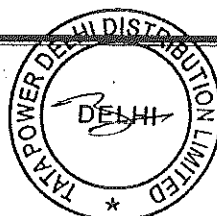
In para 2.79 of the second Multi Year Tariff Order, the Hon'ble Commission has allowed own consumption on normative basis based on units sold during FY 2010-11 along with 2% annual escalation (of the previous year's "Self Consumption"). Relevant extract of the same is given below:

"2.79 The distribution utilities have been showing — "self-consumption" at their Offices / installations at zero cost, in their respective ARRs. While analyzing the quantum of such —self consumption charged by the distribution utilities, the Commission was unable to find a uniform basis or justification for the same. The Commission has considered the matter related to —Self Consumption by DISCOMs and decided that 0.25% of total units sold during FY 2010-11 may be taken as bench mark on normative basis for determining —Self Consumption for FY 2010-11. An increment at the rate of 2% (of the previous year's —"Self Consumption") may be added each year till FY 2014 -15. The above norms will be reviewed after the end of the current MYT period."

Based on the norms issued by the Hon'ble Commission, the Petitioner has now sought 17.01 Mu towards the self-consumption.

Table 3.1(i): Own consumption units for FY 2013-14

Sl. No.	Particulars	MU	Remark
A	Normative Own consumption for FY 12-13 as per audited Form 2.1(a)	16.68	
B	Average One month consumption	1.39	A/12
C	Additional 2% per month incremental units	0.03	B*2%
D	Average monthly consumption allowed after incremental units	1.42	B+C
E	Total Own Consumption for full year considered for FY 2013-14	17.01	D*12



AT&C Losses

Methodology for computation of AT&C loss level has been provided in Regulation 4.7 (a), (b) and (c) of MYT Regulations, 2011. Relevant Extract of the same is given below;

(a) AT&C Loss, which shall be measured as the difference between the units input into the distribution system for sale to all its consumer and the units realized wherein the units realized shall be equal to the product of units billed and collection efficiency;

Provided that units billed shall include the units realized on account of theft measured on actual basis i.e. number of units against which payment of theft billing has been realized;

(b) Distribution losses, which shall be measured as the difference between the net units input into the distribution system for sale to all its consumer and sum of the total energy billed in its License area in the same year;

(c) Collection efficiency, which shall be measured as ratio of total revenue realized to the total revenue billed in the same year;

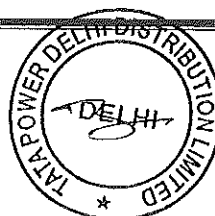
Provided that revenue realization from electricity duty and late payment surcharge shall not be included for computation of collection efficiency;

It is submitted that The Hon'ble Commission has approved target AT&C loss level of 12% for FY 13-14 in its MYT order July, 2012 with the reduction of 0.50% over the previous year AT&C loss target. The Petitioner in this Petition has sought revision in the AT&C target for second MYT control period as explained in this petition. Therefore, the Petitioner is proposing revised AT&C loss target of 14.325% for FY 2013-14 (i.e. reduction of 0.50% over the previous year AT&C loss target.)

Table 3.2: AT&C loss for FY 2013-14

Sl. No.	Particulars	Approved in MYT Order July 2012	Submission
A	AT&C Loss Target	12.00%	14.325%

It is further submitted that the Hon'ble Commission in its Tariff order dated July, 2014 vide para no 3.32 has decided that collection on account of 8% deficit surcharge will not be



considered for computation of AT&C loss target. Relevant extract of the same is given below;

3.32 The Commission has decided that revenue billed and collected on account of 8% surcharge will not be considered for computation of achievement of AT&C loss targets and also communicated the same to the Petitioner vide letter dated May 09, 2013.

It is worth to mention that Regulation 4.7 (c) clearly stipulated that only Electricity Tax/Late payment surcharge will not form part of collection. However, the Hon'ble Commission has reduced realization on account of DRRS from the gross collection while computing collection efficiency.

The Petitioner aggrieved with the methodology adopted by the Hon'ble Commission has filed an appeal before Hon'ble ATE. Till the outcome of the decision of the Hon'ble ATE, the Petitioner has here computed the AT&C loss level based on the methodology followed by the Hon'ble Commission in its Tariff order dated July 2014 for truing up of FY 2012-13.

Table 3.3: Revenue Billed for AT&C purpose for FY 13-14 (Rs Cr)

Sl. No.	Particular	UoM	Amount	Remark
A	Units Billed	MUs	7,187.40	Table no 3.1
B	Total Revenue Billed as per Form 2.1a	(Rs Cr)	5,601.42	Table no 3.1
C	Less- E Tax	(Rs Cr)	237.13	Table no 3.1
D	Less- DRRS 8%	(Rs Cr)	391.36	Table no 3.1
E	Net Revenue Billed	(Rs Cr)	4,972.93	(B-C-D)

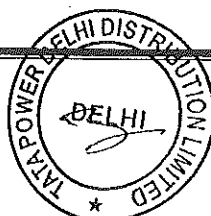
Revenue Realization

The Petitioner has been able to realize an amount of Rs 5,611.42 Cr. during the FY 2013-14. However in line with the methodology adopted by the Hon'ble Commission for the purpose of computation of revenue collected for AT&C true up, amount realized on account of electricity tax and 8% DRRS has to be excluded from the total collection.

Given below is the working of revenue collection to be considered for AT&C true up:

Table 3.4: Amount of revenue available for AT&C Computation for FY 2013-14 (Rs Cr)

Sl. No.	Particular	Amount	Remarks
A	Revenue Realized (Inclusive of E Tax)	5,611.42	Table No 3.4(i)
B	Less: 8% Deficit Revenue Recovery Surcharge	390.70	
C	Less: Electricity Tax	232.22	
D	Revenue Collected for AT&C true up	4,988.50	(A-B-C)



Given below is the collection derived for FY 2013-14 based on debtor's moments as per audited financial statements;

Table 3.4(i): Collection as per Audited Financial Statement (Rs Cr)

Sl. No.	Particular	Amount	Remark
	Opening Debtors as on 01.04.13	376.55	Note 20 & 23 of Audited Balance Sheet (Annexure A-2 in Volume II of the Petition)
	Less- other Debtors	0.10	
A	Opening Debtors as on 01.04.13 for AT&C purpose	376.45	
	Add:		
B	Sale	5,644.01	P&L Statement of Audited Balance Sheet (Annexure A-2 in Volume II of the Petition)
C	Difference in subsidy billed and collected	(12.17)	Table No 3.4(ii)
	Less:		
D	Doubtful Debts/ Bad Debts	8.15	Table No 3.4(iii)
	Closing Debtors as on 31.03.14	389.86	Note 20 & 23 of Audited Balance Sheet (Annexure A-2 in Volume II of the Petition)
	Less:- Other Debtors	1.13	
E	Net Closing Debtors as on 31.03.2014	388.72	
F	Total Collection at Gross Level	5,611.42	A+B+C-D-E

It is worthwhile to mention that the Hon'ble Commission has treated actual amount of subsidy billed as collection for determination of AT&C Loss Level for the year. The said principle has been elaborated and dealt with in the Tariff Order for FY 10 issued by the Hon'ble Commission on 28th May 2009. The relevant extracts of the Tariff Order for FY 10 are reproduced below:

"As regards the treatment of subsidy in computation of AT&C loss, the Commission has observed that the Petitioner has not claimed any additional subsidy in the computation of the collection efficiency for FY 07-08 as considered by other two DISCOMs. The Petitioner, during its meeting with the officials of the Commission on April 13, 2009, clarified that the minimum of the amount of subsidy disbursed and the amount of subsidy received from the GoNCTD has been considered for the computation of collection efficiency for FY 07-08. The Commission holds that the subsidy amount disbursed through billing during FY 07-08 will only be considered for the computation of collection efficiency."

Based on the above principle, the subsidy billed during FY 13-14 has been considered for the purpose of computing revenue realized during FY 13-14. The difference in subsidy billed and collected during FY 13-14 is as follows:

Table 3.4(ii): Subsidy Collections

(Rs Cr)

Sl. No.	Particular	Amount	Remark
A	Subsidy Disbursed during FY 13-14	132.02	
B	Amount Collected	144.19	
C	Difference in Subsidy disbursed and collected	(12.17)	(A-B)

It is clarified that pursuant to the methodology adopted by the Hon'ble Commission for Truing Up, Subsidy has been offered in ARR on disbursement basis irrespective of the fact whether actual collection from the GoNCTD has been received or not. In case the same is not received from the GoNCTD; such unpaid amount shall be claimed in the ARR as collection for the year for which subsidy has been billed and will not form part of collection in the year of receipt.

Table 3.4(iii): Computation of Bad Debts/Provision for Doubtful Debts

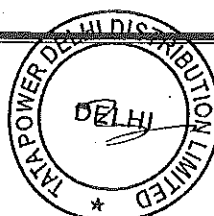
(Rs Cr)

Sl. No.	Particulars	Gross Amount	E. Tax	Net of E. Tax*	Remark *
A	Bad Debts written off (Net of Recovered)	1.79	0.08	1.71	Refer Note no 30 of Audited Balance Sheet (Annexure A-2 in Volume II of the Petition)
B	Provision for Doubtful debts	6.34	4.09	2.25	Refer Note no 30 of Audited Balance Sheet (Annexure A-2 in Volume II of the Petition)
C	Total As per P&L	8.15		3.96	(A+B)

In line with the methodology adopted by the Hon'ble Commission, the petitioner has computed AT&C loss level of 10.35% for FY 2013-14. Computation of the same is given below:

Table 3.5: Computation of AT&C Loss Level for FY 13-14

Sl. No.	Particular	UoM		Remarks
A	Energy Input at TPDDL Periphery	Mu	8,042.13	Table 3.8(iii)
B	Units Billed	Mu	7,187.40	Table 3.1
C	Amount Billed	(Rs Cr)	4972.93	Table 3.1
D	Average Billing Rate	Rs/kWh	6.92	(C/B)*10
E	Distribution Loss	%	10.63%	(1-B/A)
F	Amount Collected	(Rs Cr)	4,988.50	Table 3.4
G	Collection Efficiency	%	100.31%	(F/C)
H	Units Realized	Mu	7209.90	(B*F/C)
I	AT&C Loss Level	%	10.35%	(1-H/A)



Computation of Additional Return on account of AT&C overachievement

Regulation 4.8 provides that "the Distribution Licensee will be eligible for Higher incentive by way of Higher rate of return on Equity (to be considered for RoCE)..... for achieving lower AT&C loss level than specified in the loss reduction trajectory."

The Petitioner in this petition has sought the revised AT&C loss target/trajectory of 14.325% for FY 13-14 against which TPDDL has actually achieved AT&C loss level of 10.35% as computed in table 3.5 above therefore entitled for claiming additional RoE on account of AT&C overachievement.

The computation of Overachievement Incentive by way of Higher Return on Equity (to be considered while calculating ROCE) has been computed based on regulation 4.8 of MYT Regulations 2011:

Table 3.6: Computation of Additional RoE to be allowed due to overachievement of AT&C Loss Level

Sl. No.	Particular	AT&C Losses (%)	Remark
A	AT&C Losses - Revised Target for – Current Year	14.325	Table 3.2
B	AT&C Losses - Revised Target for – Previous year	14.825	Table 3.8.4.15
C	AT&C Losses - Actual for FY 2013-14	10.35	Table 3.5
D	Additional Return on Equity (%) = $(X_i - Y_i) / (X_i - 1 - X_i) * $	7.95%	

(*as the petitioner has challenged the methodology of computation of AT&C loss level before the Hon'ble ATE, therefore the above computation is subject to the outcome of decision of the Hon'ble ATE)

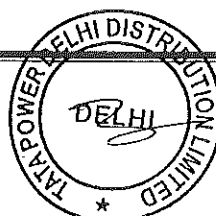
Where as

X_i = Target AT&C loss level for i th year, i.e. *Revised Target AT&C loss 14.325% for FY 2013-14

X_{i-1} = Target AT&C loss level for $(i-1)$ th year, i.e. *Revised Target AT&C loss 14.825% for FY 2012-13

Y_i = Actual AT&C Loss level for i th year; i.e. for FY 2013-14

* Revised Target as explained earlier in this petition



Power Purchase:

Power Purchase Quantum

In the context of power purchase quantum for FY 2013-14, the Petitioner has purchased 11,242.04 MU out of which 2,719.43 MU of surplus energy was sold as short term sale of power.

Deducting the Inter-State transmission loss of 350.85 MU and Intra-State transmission loss of 131.53 MU, the Petitioner has submitted a net power purchase quantum of 8040.23 MU delivered at TPDDL distribution periphery.

The summary of power purchase quantum for FY 2013-14 as per Auditor certificate is given below:

Table 3.8: Power Purchase Quantum for FY 2013-14 as per Auditor's certificate

Sl. No.	Particulars	Approved in Tariff Order dated July, 13	Actual	Remark
A	Power Purchase:			
i	Gross Power Purchase Quantum	11104	11,242.04	
ii	Power Sold To Other Sources	2280	2,719.43	
iii	Net Power Purchase	8824	8,522.62	i-ii
B	Transmission Loss:			
i	Inter-State Transmission Loss	310	350.85	
ii	Intra-State Transmission Loss	103	131.53	
iii	Total Transmission Loss	413	482.38	i+ii
C	Net Power Available after Transmission Loss	8411	8,040.23	A-B

From the above table It can be observed that the actual power purchase quantum for the Petitioner was less than the quantum approved by the Commission due to lower actual energy demand in the Petitioner's distribution area vis-à-vis the demand considered by the Commission in the Tariff Order dated July,13

It is further submitted that Delhi SLDC issues weekly UI bills from where the actual drawl by a utility is finalized. It is pertinent to mention that there is a time lag of approx.. 2-3 months in issuing of the UI bills by Delhi SLDC and at the time of finalizing of accounts for FY 2013-14, the UI bills were not issued for the period 17th Feb 2014 to 31st March 2014. Hence TPDDL had taken a provision based on the actual consumed Mu for the months for which bills were not issued and finalized the net power purchase quantum of 8040 MU at TPDDL periphery available for consumption.

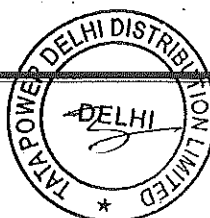


Table 3.8(ii): Input as per Auditor Certificate

Sl. No.	Particulars	MU	Remark
A	Input as per Delhi SLDC UI bills*	8,038.968	<i>Provisional consumption has been considered from 17th Feb'14 to 31st Mar'14</i>
B	Adjustment for FY 12-13	(1.611971)	see para given below
C	Rithala generation	0.929290	
D	Solar generation	1.946453	
E	Total consumption	8,040.23	(A+B+C+D)

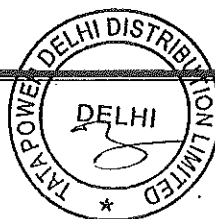
The provisional consumption approved for Mar'13 in duly signed audited certificate for power purchase cost for 2012-13, which has been submitted to the Hon'ble Commission along with the power purchase bills of FY 2012-13, is 535.51 MU. The actual consumption for Mar'13 was 533.90 MU as per the UI bills issued by Delhi SLDC at later date. Thus the difference in the provisional MU and actual MU for Mar'13 is 1.61 MU. Since the provisional consumption already certified in the certificate of FY 12-13 was higher than the actual consumption of Mar'13, hence the difference MU is to be subtracted from the MU of Apr'13. The same has been certified by statutory auditors and has also been considered in FY 13-14. Hence consumption certified by the statutory auditors for FY 13-14 comes to 8,040.23 MU.

Input for AT&C

For the purpose of AT&C computation, the Hon'ble Commission shall considered consumption provided by State Load Dispatch Center (SLDC). In line with the methodology followed by the Hon'ble Commission in previous tariff orders, the Petitioner has considered 8042.13 MU for the purpose of computation of input for AT&C. Computation of the same is given below;

Table 3.8(iii): Input for AT&C loss level

Sl. No.	Particulars	MU	Remark
A	Input as per Delhi SLDC	8039.26	
B	Rithala generation	0.929290	
C	Solar generation	1.946453	
D	Total consumption	8042.13	(A+B+C)



Short Term Power Purchase

During the year the petitioner has purchased 607.35 MU through short term from bilateral/exchange/UI/Intrastate/Banking under short-term purchase. The Petitioner has purchased 20.50 MU (3.37%) of energy from bilateral sources, 3.53 MU (0.58%) from intra-state arrangements, 91.71 MU (15.10 %) of energy from UI, 12.17 MU (2%) from exchange and 479.45 MU (78.94%) through Banking.

The summary of sources wise short term power purchase from FY 2011-12 to FY 2013-14 is shown below:

Table 3.9: Details of Short term Power Purchase

Sl. No.	Particulars	FY 11-12		FY 12-13		FY 13-14	
		Energy (MU)	(%)	Energy (MU)	(%)	Energy (MU)	(%)
A	Bilateral	36.00	25%	170.92	57%	20.50	3%
B	Banking		0%	24.00	8%	479.45	79%
C	Exchange	8.55	6%	5.65	2%	12.17	2%
D	Intra state	60.71	42%	35.16	12%	3.53	1%
E	UI	40.60	28%	66.33	22%	91.71	15%
F	Total	145.86	100%	302.06	100%	607.35	100%

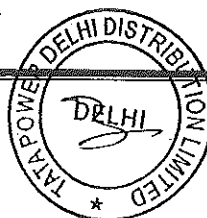
Short Term Power Sale

During the year the petitioner has sold 2,719.43 MU of surplus energy out of which, 242.37 MU (8.91%) was sold through UI, 758.87 MU (27.91%) was banked, 1,096.12 MU (40.31%) was sold through exchange, 610.77 MU (22.46%) through bilateral arrangements and 11.30 MU (0.42%) through intra-state arrangements.

The summary of source wise short term power sales from FY 2011-12 to FY 2013-14 is shown below:

Table 3.10: Details of Short term Power Sales

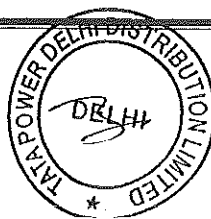
Sl. No.	Particulars	FY 11-12		FY 12-13		FY 13-14	
		Energy (MU)	(%)	Energy (MU)	(%)	Energy (MU)	(%)
A	Bilateral	176.75	11%	855.72	30%	610.77	22%
B	Banking	35.71	2%	79.92	3%	758.87	28%
C	Exchange	238.65	15%	1210.81	43%	1096.12	40%
D	Intra state	9.07	1%	9.84	0%	11.30	0%
E	UI	1183.93	72%	665.90	24%	242.37	9%
F	Total	1644.11	100%	2822.19	100%	2719.43	100%



Details of actual Power Purchase quantum station wise is given below:

Table 3.11: Details of Power Purchase Quantum Station wise (MU)

Sl. No.	Stations	Total Generation#	Energy Received at Delhi Periphery**	Petitioner Share*
		(MU)	(MU)	(MU)
Central Sector Generating Stations (CSGS)				
A	NTPC			
i	Anta Gas	1954.46	190.70	54.50
ii	Auraiya Gas	1756.68	140.24	40.20
iii	Dadri Gas	3357.79	296.05	86.38
iv	Dadri – I	5435.21	4791.91	1158.66
v	Dadri – II	7202.05	5514.43	1629.58
vi	Farakka	9703.44	155.67	45.67
vii	Kahalgaon – I	5449.44	318.37	93.51
viii	Kahalgaon – II	8437.28	1055.65	309.95
ix	Rihand – I	6910.03	673.28	202.18
x	Rihand – II	6803.13	835.30	252.15
xi	Rihand – III	3407.85	459.88	134.69
xii	Singrauli	14851.76	1096.52	327.42
xiii	Unchahar – I	2997.46	166.64	48.95
xiv	Unchahar – II	2901.34	342.72	100.69
xv	Unchahar – III	1388.59	202.06	58.99
xvi	Aravali Jhajjar	5023.37	438.60	116.52
xvii	Total			4660.02
B	NHPC			
i	Baira Siul	626.20	67.31	20.10
ii	Chamera – I	2331.51	180.25	53.63
iii	Chamera – II	1390.66	180.97	53.94
iv	Chamera – III	930.35	118.09	34.57
v	Dhauliganga	278.15	35.20	9.84
vi	Dulhasti	2124.95	269.14	79.56
vii	Salal	3235.19	370.56	109.54
viii	Tanakpur	378.11	39.99	11.57
ix	Uri	2512.62	268.95	80.96
x	Sewa – II	493.61	63.91	19.19
xi	Parbati-III	2.70	0.34	
xii	Uri-III	361.91	48.68	14.21
xiii	Total			487.10
C	THDC			
i	Tehri HEP	4021.52	414.21	120.88
ii	Koteshwar	1505.41	148.42	43.31
iii	Total			164.19
D	DVC			
i	Mejla Unit 6			210.83
ii	CTPS 7 & 8			578.29
iii	Total			789.12
E	NPCIL			



Sl. No.	Stations	Total Generation#	Energy Received at Delhi Periphery**	Petitioner Share*
		(MU)	(MU)	(MU)
i	NAPS	2360.81	252.13	73.63
ii	RAPP B Units 3&4			
iii	RAPP C Units 5&6	3443.24	436.93	127.48
iv	Total			201.11
F	SJVNL	7112.10	627.18	196.62
I	Total			196.62
G	Others			
i	Tala HEP	3619.38	108.80	31.05
ii	Sasan Power limited	2523.98	285.09	82.80
iii	Malthon Power Limited			1977.48
iv	CLP, Jhajjar			234.38
V	Total			2325.71
H	Total CSGS	A+B+C+D+E+F+G		8823.88
I	State Generating Stations (SGS)			
i	BTPS	3808.10	3808.10	820.15
ii	Dadri			
iii	Rajghat	329.35	329.35	85.34
iv	Gas Turbine	2357.56	2357.56	284.16
v	Pragati-I	1009.96	1009.96	484.82
vi	Pragati-III	597.65	597.65	134.09
vii	Solar			1.95
viii	Rithala			0.30
ix	Total			1810.81
J	Grand Total			10634.69

* MU scheduled to the petitioner in FY 13-14 as per invoices. Values fetched from PPC certificate

total scheduled generation is picked from final REA of Apr'13 to Mar'14

** Delhi share from the stations is picked from final REA of Apr'13 to Mar'14. CLP, MPL, DVC are considered as LTOA transactions and total energy generated from these stations is not issued in any energy account. Rithala and Solar not included in the above table.

Power Purchase Cost

The Petitioner has incurred gross power purchase cost of Rs. 4,901.23 Cr for the gross power purchase quantum of 11242.04 MU in FY 2013-14 from all sources including intra-state, bilateral, UI and exchange. The revenue of Rs. 782.99 Cr on account of sale of 2719.43 MU surplus energy through bilateral, intra-state, UI and exchange has been deducted from the gross power purchase cost to arrive at net power purchase cost of Rs. 4,118.24 Cr.

Further, the Petitioner has incurred total transmission charges of Rs. 437.50 Cr which includes SLDC charges, NRLDC charges, Reactive Energy charges etc., to arrive at total power purchase cost amounting to Rs. 4,555.74 Cr during FY 2013-14.

Given below is the station wise cost incurred in FY 2013-14:

Table 3.12: Details of Power Purchase Cost Station wise for FY 2013-14 (Rs Cr)

Sl. No.	Stations	Petitioner Share (MU)	Fixed Charge (Rs Cr)	Variable Charge (Rs Cr)	Other Charges (Rs Cr)	Total Charge (Rs Cr) 7 = 4+5+6	Average Rate (Rs/kWh) 8 = 7/3	Remark
1	2	3	4	5	6	7	8	9
Central Sector Generating Stations (CSGS)								
A	NTPC							
i	Anta Gas	54.50	7.51	15.43	0.66	23.60	4.33	
ii	Auraiya Gas	40.20	8.94	13.07	0.64	22.65	5.63	
iii	Dadri Gas	86.38	9.82	28.85	0.98	39.65	4.59	
iv	Dadri – I	1158.66	129.45	380.62	7.96	518.03	4.47	
v	Dadri – II	1629.58	262.96	508.17	1.35	772.48	4.74	
vi	Farakka	45.67	4.25	15.16	0.25	19.66	4.31	
vii	Kahalgaoon – I	93.51	11.26	28.35	0.74	40.35	4.31	
viii	Kahalgaoon – II	309.95	39.78	88.07	1.42	129.27	4.17	
ix	Rihand – I	202.18	18.79	28.34	1.70	48.84	2.42	
x	Rihand – II	252.15	25.19	35.72	0.20	61.12	2.42	
xi	Rihand – III	134.69	24.50	18.04	0.04	42.58	3.16	
xii	Singrauli	327.42	18.42	39.13	1.13	58.69	1.79	
xiii	Unchahar – I	48.95	5.06	14.33	0.39	19.78	4.04	
xiv	Unchahar – II	100.69	10.18	29.26	1.29	40.72	4.04	
xv	Unchahar – III	58.99	8.73	17.04	0.12	25.89	4.39	
xvi	Aravali Jhajjar	116.52	91.98	43.51	0.21	135.70	11.65	
xvii	Total	4660.02	676.83	1303.07	19.10	1998.99	4.29	
B	NHPC							
i	Baira Siul	20.10	2.05	1.65	0.53	4.22	2.10	
ii	Chamera – I	53.63	4.10	5.05	0.47	9.61	1.79	
iii	Chamera – II	53.94	8.55	7.68	2.86	19.10	3.54	
iv	Chamera – III	34.57	7.83	6.88	0.03	14.75	4.27	
v	Dhauliganga	9.84	1.54	1.52	2.20	5.25	5.34	
vi	Dulhasti	79.56	22.48	22.22	6.41	51.10	6.42	
vii	Salal	109.54	5.22	4.87	19.43	29.52	2.70	
viii	Tanakpur	11.57	1.61	1.33	0.40	3.34	2.89	
ix	Uri	80.96	7.98	6.45	6.75	21.18	2.62	
x	Sewa – II	19.19	5.40	4.62	0.53	10.54	5.49	
xi	Parbati-III							
xii	Uri-III	14.21	3.73	2.37	0.03	6.12	4.31	
xiii	Total	487.10	70.49	64.63	39.62	174.74	3.59	
C	THDC							
i	Tehri HEP	120.88	21.40	21.96	8.24	51.60	4.27	
ii	Koteshwar	43.31	6.81	7.43	0.07	14.31	3.30	
iii	Total	164.19	28.21	29.39	8.31	65.91	4.01	
D	DVC							
i	Meija Unit 6	210.83	29.76	53.02	2.03	84.81	4.02	
ii	CTPS 7 & 8	578.29	107.84	102.25	5.59	215.68	3.73	

Sl. No.	Stations	Petitioner Share	Fixed Charge	Variable Charge	Other Charges	Total Charge	Average Rate	Remark
		(MU)	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs Cr)	(Rs/kWh)	
1	2	3	4	5	6	7 = 4+5+6	8=7/3	9
iii	...							
iv	Total	789.12	137.60	155.27	7.61	300.48	3.81	
E	NPCIL							
i	NAPS	73.63	0.00	18.40	0.04	18.45	2.51	
ii	RAPP B Units 3&4	127.48	0.00	44.14	0.04	44.18	3.47	
iii	RAPP C Units 5&6							
iv	Total	201.11	0.00	62.55	0.08	62.63	3.11	
F	SJVNL	196.62	26.57	21.89	4.26	52.72	2.68	
i	Total	196.62	26.57	21.89	4.26	52.72	2.68	
G	Others							
i	Tala HEP	31.05	0.00	6.27	0.00	6.27	2.02	
ii	Sasan Power limited	82.80	1.02	4.77	0.03	5.82	0.70	
iii	Malithon Power Limited	1977.48	288.65	434.66	8.48	731.80	3.70	
iv	CLP, Jhajjar	234.38	79.29	67.37	3.08	149.74	6.39	
v	Total	2325.71	368.96	513.08	11.59	893.63	3.84	
H	Total CSGS	8823.88	1308.66	2149.88	90.57	3549.10	4.02	A+B+C +D+E +F+G
I	State Generating Stations (SGS)							
i	BTPS	820.15	85.15	327.41	1.71	414.27	5.05	
ii	Dadri							
iii	Rajghat	85.34	32.50	26.61	0.00	59.11	6.93	
iv	Gas Turbine	284.16	47.96	103.70	0.00	151.66	5.34	
v	Pragati-I	484.82	43.24	160.20	-0.03	203.41	4.20	
vi	Pragati-III	134.09	153.90	38.16	6.06	198.13	14.78	
vii	Solar	1.95	0.00	3.48	0.00	3.48	17.88	
viii	Rithala	0.30	93.19	0.33	0.00	93.52		
ix	Total	1810.81	455.95	659.90	7.74	1123.59	6.20	
J	Grand Total	10634.69	1764.61	2809.78	98.31	4672.69	4.39	H+I

The detailed comparative summary of power purchase cost for FY 2013-14 as approved by the Hon'ble Commission in the tariff order issued in July 2013 and the actual power purchase cost for FY 2013-14 as incurred by the Petitioner is as follows;

Energy availability from Delhi based Gencos

The energy scheduled along with total cost to TPDDL during FY 13-14 from the generating stations based in Delhi as compared to the Energy MU and costs estimated by the Hon'ble Commission in the tariff order issued on July, 13 is summarized in the table below:

Table 3.12(i): Comparison of Energy Availability from Delhi Gencos Estimated in the order vis-à-vis Actual for FY 13-14

Generating Stations	Estimated by DERC in Tariff Order dated July,13 (A)			Actual cost including PY arrears (B)			Difference (B-A)	
	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)
BTPS	924.00	437.98	4.74	820.15	414.27	5.05	(103.85)	(23.71)
Rajghat	195.00	95.55	4.90	85.34	59.11	6.93	(109.66)	(36.44)
GT	359.00	184.89	5.15	284.16	151.66	5.34	(74.84)	(33.23)
PPCL	507.00	194.18	3.83	484.82	203.41	4.20	(22.18)	9.23
PPCL – III (Bawana)	453.00	281.77	6.22	134.09	198.13	14.78	(318.91)	(83.64)
TPDDL G- Rithala	43.00	19.35	4.50	0.30	93.52		(42.70)	74.17
Total	2481.00	1213.72	4.89	1808.87	1120.10	6.19	(672.13)	(93.62)

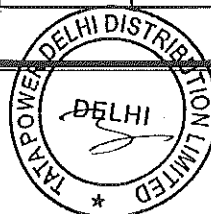
Amongst the Delhi Gencos, BTPS, RPH, GT and PPCL have delivered around 670 MU less than what was projected. This is primarily on account of backing down of Gencos due to high cost. Also due to sparse availability of APM gas plants like Bawana was available less. This shows that the rate at which the Delhi Gencos (BTPS, RPH, GT, PPCL and Bawana) have provided power to TPDDL is much higher than that projected by the Hon'ble Commission in its Tariff Order. Although during FY 13-14 TPDDL had continuously endeavored to back down these costly stations but on numerous occasions the same for forcefully scheduled due to transmission constraints reported by DTL/SLDC.

Energy Availability from the Central Sector Generating Stations (CSGS)

The energy scheduled along with total cost to TPDDL during FY 13-14 from the existing Central Sector Generating Stations as compared to the Energy (Mu) and Costs estimated by the Hon'ble Commission in the Tariff Order issued on July,13 is summarized in the table below:

Table 3.12(ii): Energy Availability from CSGS Estimated in the order vis-à-vis Actual for FY 13-14

Generating stations	Estimated by DERC in Tariff Order dated July,13 (A)			Actual cost including PY arrears (B)			Diff (B-A)	
	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)
NTPC								
Singurali	339.00	57.63	1.70	327.42	58.69	1.79	(11.58)	1.06
Rihand-I	204.00	45.49	2.23	202.18	48.84	2.42	(1.82)	3.35
Rihand-II	291.00	61.69	2.12	252.15	61.12	2.42	(38.85)	(0.57)
NCPP (Dadri Thermal)	1274.00	517.24	4.06	1158.66	518.03	4.47	(115.34)	0.79
Dadri Thermal Stage II (Extn)	1482.00	653.56	4.41	1629.58	772.48	4.74	147.58	118.92
Unchahar-I	50.00	17.55	3.51	48.95	19.78	4.04	(1.05)	2.23
Unchahar_II	100.00	39.90	3.99	100.69	40.72	4.04	0.69	0.82
Unchahar_III	62.00	24.49	3.95	58.99	25.89	4.39	(3.01)	1.40
Anta	47.00	22.04	4.69	54.50	23.60	4.33	7.50	1.56
Auriya	51.00	26.37	5.17	40.20	22.65	5.63	(10.80)	(3.72)
Dadri GPP	94.00	47.85	5.09	86.38	39.65	4.59	(7.62)	(8.20)
Talcher					0.00		0.00	0.00
Farakka	36.00	12.64	3.51	45.67	19.66	4.31	9.67	7.02
Kahalgaon-I	93.00	30.41	3.27	93.51	40.35	4.31	0.51	9.94
Kahalgaon-II	271.00	88.35	3.26	309.95	129.27	4.17	38.95	40.92
NTPC Total	4394.00	1645.21	3.74	4408.82	1820.71	4.13	14.82	175.50
NHPC								
Bairasiul HEP	22.00	4.00	1.82	20.10	4.22	2.10	(1.90)	0.22
Salal - I HEP	110.00	21.34	1.94	109.54	29.52	2.70	(0.46)	8.18
Tanakpur HEP	14.00	3.86	2.76	11.57	3.34	2.89	(2.43)	(0.52)
Chamera I HEP	53.00	9.75	1.84	53.63	9.61	1.79	0.63	(0.14)
Chamera II HEP	58.00	20.13	3.47	53.94	19.10	3.54	(4.06)	(1.03)
Uri HEP	97.00	22.99	2.37	80.96	21.18	2.62	(16.04)	(1.81)
Dhauliganga HEP	45.00	16.20	3.60	9.84	5.25	5.34	(35.16)	(10.95)
Sewa II	20.00	9.04	4.52	19.19	10.54	5.49	(0.81)	1.50
Dulhasti HEP	85.00	47.01	5.53	79.56	51.10	6.42	(5.44)	4.09
NHPC TOTAL	504.00	154.32	3.06	438.33	153.87	3.51	(65.67)	(0.45)
Others								
Nathpa Jhakri HEP	202.00	56.16	2.78	196.62	52.72	2.68	(5.38)	(3.44)
Aravali Jhajjar	188.00	110.92	5.90	116.52	135.70	11.65	(71.48)	24.78



Generating stations	Estimated by DERC in Tariff Order dated July,13 (A)			Actual cost including PY arrears (B)			Diff (B-A)	
	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)
Tehri-I HEP	95.00	46.84	4.93	120.88	51.60	4.27	25.88	4.76
Koteshwar HEP	33.00	14.29	4.33	43.31	14.31	3.30	10.31	0.02
Mejia 6 + DVC (existing)	530.00	213.29	4.02	210.83	84.81	4.02	(319.17)	(128.48)
TALA HEP	31.00	6.26	2.02	31.05	6.27	2.02	0.05	0.01
Maithon Power Ltd	1564.00	550.53	3.52	1977.48	731.80	3.70	413.48	181.27
CLP Jhajjar (LT-05)	230.00	78.20	3.40	234.38	149.74	6.39	4.38	71.54
Others Total	2873.00	1076.49	3.75	2931.07	1226.95	4.19	58.07	150.46
Nuclear								
NAPS	69.00	17.25	2.50	73.63	18.45	2.51	4.63	1.20
RAPS 5 & 6	120.00	41.40	3.45	127.48	44.18	3.47	7.48	2.78
NUCLEAR Total	189.00	58.65	3.10	201.11	62.63	3.11	12.11	3.98
Total-Existing stations	7960.00	2934.67	3.69	7979.33	3264.16	4.09	19.33	329.49

As it is clear from above, the energy procured from CSGS in FY 13-14 is almost equal to the energy approved to be purchased from CSGS in the Tariff Order for FY 13-14. However, it may be noted that for the same quantum of energy, the expenses incurred by the petitioner are higher than the approved expenses by approx.. Rs.330 Cr. This is because the actual rates, as per the invoices of the generating stations, are higher than the rates approved by the Hon'ble Commission in the Tariff Order issued in July 2013. Especially in case of ER stations of NTPC i.e. Farakka, Kahalgaon-I and Kahalgaon-II, comparatively newer stations of NHPC i.e. Dhauliganga, Dulhasti and Sewa-II, the billed rates are higher than the rates at which the projection was made. As per the approved costs, the power purchase rate from existing long term sources was Rs.3.69/unit but actual rate of power purchase from the same source is Rs.4.09/unit.

The variable cost for Aravali has remained in the range of Rs.3.37/unit to Rs.3.77/unit for FY 13-14. Due to high variable costs, Aravali was backed down most of the time in FY 13-14 but the proportionate fixed costs were borne by the petitioner. Hence total rate, including the fixed and variable charges seems to be exorbitantly high.

Energy Availability from New Generating Stations

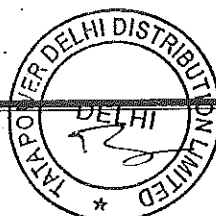
The actual net energy available along with total cost to TPDDL during FY 13-14 from New Stations as compared to the Energy (Mus) and cost estimated by the Hon'ble Commission in Tariff order issued in July, 2013 is summarized in the table below:

Table 3.12(iii): Energy Availability from New Generating Stations Estimated in the order vis-à-vis Actual for FY 13-14

Generating stations	Estimated by DERC in Tariff Order dated July, 13 (A)			Actual cost including PY arrears (B)			Diff (B-A)	
	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)
Chamera III	43.00	19.18	4.46	34.57	14.75	4.27	(8.43)	(4.43)
CTPS 7&8	378.00	134.19	3.55	578.29	215.68	3.73	200.29	81.49
Parbati III	24.00	10.80	4.50				(24.00)	(10.80)
Rihand III	36.00	10.58	2.94	134.69	42.58	3.16	98.69	32.00
Sasan UMPP	145.00	17.26	1.19	82.80	5.82	0.70	(62.20)	(11.44)
Rampur	23.00	8.53	3.71				(23.00)	(8.53)
Uri II	11.00	4.95	4.50	14.21	6.12	4.31	3.21	1.17
Total New Stations	660.00	205.49	3.11	844.55	284.95	3.37	184.55	79.46

As may be seen from above, against 660 Mus estimated by the Hon'ble Commission to be received from New CSGS, TPDDL received 845 Mus. However the following points may be noted:

- 1) Parbati III has been commissioned only in last week of Mar'14, hence no energy has been considered from Parbati III during FY 13-14 since no invoice for Parbati III was received in FY 13-14.
- 2) TPDDL has not signed PPA for purchase of power from Rampur owing to its high costs. Hence no power from Rampur was scheduled to TPDDL in FY 13-14.
- 3) Unit I of Sasan was commissioned in the month of August 2013. Due to late commissioning of Sasan, the energy scheduled from Sasan in FY 13-14 is also less than estimated.



Renewable Purchase Obligation

The Hon'ble Commission, in its Tariff Order for FY 13-14 for the petitioner, had approved Rs. 63.97 Cr for meeting the Renewable Purchase Obligations. Against which TPDDL had purchased solar 1.95 Mus from its own generation amounting to Rs.3.48 Cr. The comparison of the cost approved by the Hon'ble Commission in its Tariff Order for FY 13-14 and that actually incurred by the petitioner for renewable power purchase is provided as under:

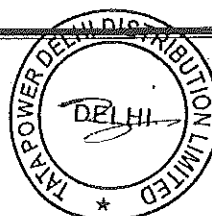
Table 3.12(iv): Energy Availability from New Generating Stations Estimated in the order vis-à-vis Actual for FY 13-14

Generating Stations	Estimated by DERC in Tariff Order dated Jul-13 (A)			Actual cost including PY arrears (B)			Difference (B-A)	
	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)
TPDDL G- Solar	2.50	1.13	4.50	1.95	3.48	17.88	(0.55)	2.35

It is brought to the attention of the Hon'ble Commission that TPDDL vide its various letters had requested to the Hon'ble Commission regarding deferment of the renewable obligation starting from FY 14-15 as it is more beneficial for a DISCOM to purchase physical power rather than purchasing RECs as it impacts the tariff. The Hon'ble Commission had vide its order dated July,14 had waived off the RPO for FY 12-13 to be fulfilled in FY 13-14. Also, as per the directive 6.18 of the Tariff Order dated July,14 during FY 14-15, the RPO requirements for green power must be met along with the requirements carried over from previous years. Hence, as per the directive of the Hon'ble Commission, TPDDL had floated the tender for purchase of renewable power during FY 13-14 against which a limited response had been received. The tendering process has been re-initiated in FY 14-15 and TPDDL is also taking initiatives to tie up renewable power from SECI. Thus it is expected that TPDDL shall be in a position to meet the RPO of FY 14-15 along with the obligation carried over from previous years during FY 14-15. It is once again submitted that the renewable purchase obligation for FY 13-14 be deferred for future 2-3 years.

Details of Short Term Power Purchase

The Petitioner has incurred Rs.228.54 Cr (@ Rs. 3.76 per unit) on short term power procurement of 607.35 MU out of which Rs. 3.56 Cr (@ Rs. 2.92 per unit) through exchange, Rs. 15.75 Cr (@ Rs. 1.72 per unit) was incurred for UI and Rs. 0.89 Cr (@ Rs.



2.54 per unit) was incurred for purchase under intra-state arrangements, Rs. 199.49 Cr (@ Rs. 4.16 per unit) under banking arrangement, 8.85 Cr (@ Rs 4.32 per unit) under Bilateral arrangements.

The source wise summary of short term power purchase from FY 2012-13 and FY 2013-14 is as shown below:

Table 3.13: Details of Short term Power Purchase

Sl. No.	Particulars	FY 12-13		FY 13-14	
		Rate per Unit	Amount (Rs Cr)	Rate per Unit	Amount (Rs Cr)
A	Bilateral	3.91	66.79	4.32	8.85
B	Banking	4.23	10.16	4.16	199.49
C	Exchange	4.02	2.27	2.92	3.56
D	Intra state	4.31	15.16	2.54	0.89
E	UI	2.01	13.40	1.72	15.75
F	Total	3.57	107.78	3.76	228.54

Details for Short Term Surplus Power Sale

The Petitioner has received Rs. 782.99 Cr (@ Rs. 2.88 per unit) on short term power sale of 2719.43 MU out of which Rs. 203.31 Cr (@ Rs. 3.33 per unit) was through sale of energy under bilateral, Rs. 36.49 Cr (@ Rs. 1.51 per unit) was through UI, Rs. 282.14 Cr (@ Rs. 3.72 per unit) under banking arrangement, Rs. 256.30 Cr (@ Rs. 2.34 per unit) was through exchange and Rs. 4.74 Cr (@ Rs. 4.19 per unit) was for sale of energy under intrastate arrangement.

The source wise summary of sale of surplus power for FY 2012-13 and FY 2013-14 is as shown below:

Table 3.14: Details of Short term Power Sales

Sl. No.	Particulars	FY 12-13		FY 13-14	
		Rate per Unit	Amount (Rs Cr)	Rate per Unit	Amount (Rs Cr)
A	Bilateral	3.62	309.99	3.33	203.31
B	Banking	3.79	30.26	3.72	282.14
C	Exchange	2.53	306.45	2.34	256.30
D	Intra state	4.26	4.20	4.19	4.74
E	UI	2.36	157.21	1.51	36.49
F	Total	2.86	808.11	2.88	782.99

Based on the above submissions the petitioner has sought Rs. 4,555.74 Cr towards power purchase cost for FY 2013-14.

Table 3.15: Gross Power Purchase Cost Trued up for FY 2013 -14 (Rs Cr)

Sl. No.	Particulars	FY 13-14	Remarks/Ref
A	Net power purchase cost	4,118.24	
B	Transmission charges	437.50	Table 3.15(i)
C	Audited Gross Power Purchase Cost	4,555.74	A+B
D	Late payment surcharges claimed in Gencos	-	
E	Late payment surcharges claimed in Transcos	-	
F	Trading margin paid to related party		see note 1 below
G	Additional UI Charges		see note 2 below
H	Trued up gross Power purchase cost	4,555.74	C-D-E-F-G

Note 1: Trading Margin of Rs. 0.57 Cr paid to related party

The Petitioner during the financial year 13-14 has procured power through related party at an arm's-length basis and paid trading margin as per the Central Electricity Regulatory Commission (fixation of trading margin) Regulation 2010. It is well settled law that transactions done at arm's-length basis should not be disallowed, therefore no amount has been offered for the purpose of disallowance on account of related party transaction.

The Hon'ble Commission has already built and provided for adequate safeguards in the Appellant's Distribution and Retail Supply License dated 11.3.2004 whereby, all transactions with sister concerns at arm's length are disclosed to Ld. Delhi Commission.

The relevant clause 5.7 of the License is reproduced below:-

"Clause 5.7: The Licensee may engage any of its Subsidiaries or Holding Company or a Subsidiary of such Holding Company to provide any goods or services to the Licensee, in connection with the Licensed Business, subject to the condition that the transaction will be on an arms-length basis and at a value that is fair, competitive and reasonable in the circumstances, or such other conditions as may be imposed by the Commission from time to time:

Provided that all such transactions will be consistent with any Regulations or Guidelines, as may be framed or issued by the Commission relating to the provision of goods and services with respect to the Licensed Business."

Note 2: Additional UI charges of Rs. 0.78 Cr

The petitioner hereby clarified that penal UI charges are applicable at the specified rates for over-drawl of electricity for each time block when grid frequency is below 49.5 Hz (Later on revised to 49.7 Hz during FY 12-13). A time-block spans to 15 minutes. It is respectfully submitted that while the petitioner has taken all efforts necessary to ensure compliance with the requirements of the (Unscheduled Interchange and related matters) Regulations, 2009 ("**UI Regulations**"), however, over-drawl from the grid below the mentioned frequency is difficult to avoid while drawing power under UI, despite efficient management.

It is further submitted that the Monitoring of Over-drawl is done based on instantaneous frequency and the billing is done on an average of 15 minutes. At times the frequency fluctuates slightly within a fifteen minute interval. If the load is shed as soon as the frequency momentarily touches below 49.7 Hz, there is possibility of unnecessary load shedding as the average frequency during the period would be higher than 49.7 Hz. Further, automating this process would mean higher no. of 11KV VCB operations resulting in failure of vacuum bottles. As whenever the supply is interrupted, the same is done through switching off of circuit breakers. These circuit breakers are made of contacts placed inside Vacuum Bottles (called the vacuum interrupters). There is a specified life in terms of no. of operations of these bottles which is anything between 1000 to 1500 Nos., the more we do switching more the chances of failure of these bottles happen. If the vacuum bottle fails it may lead to major breakdown including flashovers and burn-down of networks. The alternate is to replace these vacuum interrupters based on the life of the same, which is a capital intensive and load affecting process. The failure of vacuum bottles affects the reliability of the system thereby affecting the interests of the consumers. As a prudent practice, the Petitioner therefore observes the frequency trend for 3-4 minutes and then does the load shedding of the order of over drawl. This may result in minor over drawl.

The over-drawl or under drawl depends on the scheduled generation available. Since, the generation available changes constantly and further due to the loss of generation the

schedules are affected resulting in over drawl by discoms. These schedules are revised by the generator within 6 Blocks. An Intra-day event doesn't afford the opportunity to discoms to arrange power for the shortfall. There could be over drawl in certain periods due to this.

The monitoring of over drawls are based on the actual drawl seen by the discom and the schedule declared by the SLDC. The real time control of drawls depends on accuracy of these two components. The implementation of SCADA has resulted in proper monitoring of actual data; however the schedule data uploaded on real time basis is still a manual process and has lots of errors. This results in wrong interpretation of the situation and over-drawl is inadvertently allowed. Many a times, in spite of TPDDL adhering to the schedule has to pay penal-UI charges because the schedule itself has been corrected at a later stage.

It is further submitted that the responsibility of real time management of power (intra-day lifting up or backing down of generation) was with SLDC. Discoms used to send the forecasted demand for the day on a day ahead basis. As there was no Discom wise scheduling, all decisions of generation lift-up or back-down was taken by SLDC as a corrective action based on the net shortage/surplus of the state of Delhi as a whole and as such requirements of individual Discoms were liable to be neglected. In the blocks in question the drawl of TPDDL was very close to the forecasted demand, but the scheduled power was significantly lower due to either corrective action not taken by SLDC or neglect of the individual Discom requirement.

Thus, over-drawl is caused by factors not within control of the Petitioner and in the interests of the consumers, cannot be avoided. Keeping the frequency to exactly strict levels will require shutting down of supply and in that case, it will be harsh on the Petitioner to maintain the directive of the Hon'ble Commission for maximum shut down of 1% only. It is also pertinent that over-drawl by the Petitioner during the year was only a fraction of the total demand. It is therefore submitted that the penal UI charges incurred by the Petitioner are uncontrollable in nature and an unavoidable consequences of the power procurement activities of the Petitioner hence no amount has been offered for the purpose of disallowance.



Transmission Charges:

The total transmission charges incurred in FY 13-14 are Rs. 437.50 Cr, which includes Rs. 281 Cr of inter-state transmission charges, Rs.138 Cr of DTL for intra state transmission charges and 18.44 Cr of other charges related to transmission.

The breakup of transmission charges is given in the following table:

Table 3.15(i): Energy Availability from New Generating Stations Estimated in the order vis-à-vis Actual for FY 13-14

Sl. No.	Description	Amount (Rs Cr)	Remark
A	Inter-state transmission charges (PGCIL)	280.90	
B	Intra-state transmission charges (DTL)	138.16	
C	NRLDC System Operating charges (payable to Delhi SLDC)	1.44	
D	SLDC charges	2.77	
E	Reactive energy charges	0.07	
F	BBMB charges	0.43	
G	Aravali Jhajjar Transmission Charges	1.67	
H	CLP Jhajjar Transmission Charges	12.06	
	Total	437.50	

Late payment surcharge if levied on disputed demands/bills raised by generators, transmission companies

TPDDL has received certain bills, demands from certain generating, transmission companies in form of supplementary bills, or additional demand in past years. The same has been scrutinized by the Petitioner and found to be prima facie not payable (see table). In such cases the Petitioner has opted for the appropriate remedy to challenge the said demands, bills before appropriate court, authorities. Since the petitioner is of the view that power purchase cost comprises majority component of its ARR, proper scrutiny of all such demands made by generators is warranted.

Thus the petitioner in certain cases declined to pay such disputed payments or made payment under protest without prejudice to its rights and subject to outcome of cases filed.

Table 3.15(ii): Party wise details are given below:

Sl. No.	Party Name	Amount (Rs Cr)
A	IPGCL	36.24
B	DTL	57.42
C	APCPL	0.01
D	DVC	604.99
E	GAIL	51.09
F	Sasan	0.39
G	Total	750.14

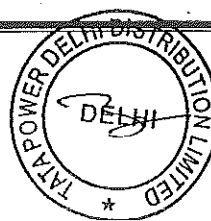
Thus it is submitted that the Hon'ble commission may consider and allow the payment of any interest/LPSC (in petitioner's power purchase costs), if the petitioner is made to bear such additional costs to such utilities, in the event the judgment of such cases is tendered against the petitioner. The petitioner has challenged the demands made by the utilities based on legal advice and merely believes that the outcome of the same shall be in favour of Petitioner ultimately benefiting to the consumers. The Hon'ble commission may appreciate that in the event the petitioner succeeds in such cases involving disputed amounts against the utilities, overall benefit shall flow to the consumers in reduced power purchase cost. Thus as a natural corollary in the event the cases are decided against the petitioner the interest/LPSC if levied or demanded be allowed as a pass through in ARR, subject to prudence check by the Hon'ble Commission.

These disputed amounts if payable pursuant to court orders may attract interest for delayed period, which is not to be considered as attributed to the default by the Petitioner. The Petitioner would be considered in default in the event it has faulted in payment on due date of bills, however in these cases some liability may arise not for default of payment by petitioner.

Thus, the Hon'ble commission may consider and allow the same.

Normative Rebate on Power Purchase

In the MYT Regulation, 2011 in Para No 5.24, the Hon'ble Commission has specify that *"Distribution Licensee shall be allowed to recover the net cost of power it procures from sources approved by the Commission, viz. Intra-state and Inter-state Trading Licensees, Bilateral Purchases, Bulk Suppliers, State generators, Independent Power Producers, Central generating stations, non-conventional energy generators, generation business of the Distribution Licensee and others, 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."

During the FY 2013-14 TPDDL has earned actual rebate of Rs 46.78 Cr (net of Rebate allowed on Sale on Power) towards early payment of power purchase bills, but for the purpose of computation of net power purchase cost for the year the maximum normative available rebate is to be considered as per the regulation mentioned above therefore the petitioner has offering an amount of Rs 96.21 Cr on account of normative rebate.

It is further clarified that the amount of Rs 96.21 Cr is computed on accrual basis (i.e. normative rebate is also offered on outstanding bills at the end of financial year).

Party wise amount of normative rebate offered/ claimed is given below.

Table 3.16: Details of Rebate-able and Non Rebate-able Amount (Rs Cr)

Sl. No.	Company	Maximum Normative Rebate (In %)	Rebate-able Amount	Non Rebate-able Amount	Amount offered as normative rebate
Towards Power Purchase –(i)					
From CSGS & Generating stations other than Delhi Gencos					
A	NTPC	2%	2,257.88	19.69	45.16
B	NHPC	2%	152.28	8.46	3.05
C	DVC	2%	296.94	-	5.94
D	SJVNL	2%	48.80	3.72	0.98
E	APCPL	2%	144.13	(6.76)	2.88
F	NPCIL	2.50%	62.60	0.02	1.56
G	THDC	2%	57.91	6.14	1.16
I	TPTCL	2%	877.30	28.93	17.55
J	GUVNL	2%	8.16	0.01	0.16
K	PTC	0.01paisa/KWh for energy from tala & Other's 2%	6.74	18.21	0.04
L	Sasan	2%	5.79	0.03	0.12
M	GMR	2%	8.16	0.01	0.00
From Delhi Gencos					
N	IPGCL	2%	215.33	(4.56)	4.31
O	PPCL	2%	396.72	4.81	7.83
Towards Transmission					
P	PGCIL	2.00%	335.88	0.04	7.59
Q	DTL	2.00%	134.46	8.21	2.79
Sub Total -(i)					101.12
Towards Power Sale –(ii)					
A	GMR	2.00%			0.51
B	PTC	2.00%			1.74
C	KISPL	2.00%			0.05
D	MPPL	2.00%			0.11
E	TPTCL	2.00%			2.16

Sl. No.	Company	Maximum Normative Rebate (in %)	Rebate-able Amount	Non Rebate-able Amount	Amount offered as normative rebate
F	SCL	2.00%			0.26
G	NVVNL	2.00%			0.06
H	IPL	2.00%			0.01
	Sub Total –(ii)				4.91
Normative Rebate (i)-(ii)					96.21

Given below is the summary of Energy Balance for FY 2013-14:

Table 3.17: Power Purchase Cost for FY 2013-14 based on Auditor certificate vis-a-vis (Approved by the Hon'ble Commission vis-à-vis Actual Cost Incurred)

Description	Estimated by DERC in Tariff Order dated Jul-13 (A)			Actually incurred by TPDDL (B)		
	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)
Power Purchase -CSGS*	8620.00	3140.15	3.64	8,823.88	3,549.11	4.02
Inter-State Bilateral Purchase				603.83	227.65	3.77
Power Purchase - Delhi Gencos#	2481.00	1213.71	4.89	1,808.87	1,120.10	6.19
Intra state purchase				3.53	0.89	2.54
Cost towards RPO	2.50	63.97		1.95	3.48	17.88
Gross Power Purchase	11,103.50	4417.83	4.09	11,242.05	4,901.23	4.50
Less: Surplus Power sold / Banked / UI sales	(2280.00)	(912.00)	4.00	(2,719.43)	(782.99)	2.88
Net Power Purchase	8823.50	3505.83	4.17	8,522.62	4,118.24	5.12
Transmission Charges						
PGCIL Losses	(310.00)			(350.85)		
DTL Losses	(103.00)			(131.53)		
PGCIL charges		321.35			280.90	
DTL charges		152.85			138.16	
Other transmission charges					18.44	
Power required for NDPL's consumers	8410.50	3980.03	4.73	8,040.23	4,555.74	5.67
Less- Net Normative Rebate on power purchase		87.08			85.83	
Less- Rebate on account of Transmission charges		9.48			10.38	
Net Power Purchase Cost including Transmission Charges after Rebate		3883.47			4459.53	

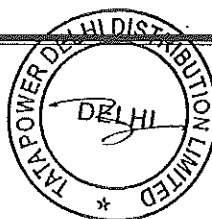
* Includes Dadri stage I and II Plant

Excludes Dadri state I and II Plant

Note 1: The above cost includes the arrears of approx. Rs. 40 Cr

Note 2: The above table also includes the energy and cost for TPDDL Rithala Generation (approx. Rs. 93.52 Cr) and TPDDL Solar generation (approx. Rs. 3.48 Cr)

Note 3: Copy of Auditor certificate attached for Power Purchase as Annexure A-3 in Volume II of the Petition



From the above explanations and tables, it is evident that the power purchase cost (without deducting normative rebate) was Rs. 5.67 per unit for FY 13-14 against Rs. 4.73 per unit as estimated by the Hon'ble Commission in the Tariff Order issued for FY 13-14 in July 2013.

The various reasons for a substantial increase in power purchase costs for the FY 2013-14 as borne out by the Petitioner are as follows:-

- a) Increase in the cost of power purchase from the existing plants of Delhi State Gencos. for FY 13-14 has increase by 17% as compared to FY 12-13 and approx. 16% increase as compared to the cost estimated by the Hon'ble Commission.
- b) Lower sales realization rate from sale of surplus power to outside the licensed area. The actual rate realized against sale of surplus power was Rs.2.88/unit as against the approved rate of Rs.4.00/unit resulting in the higher Net Power Purchase Cost.

The above variations in the sale rate (actual vs. estimated) also signify the requirement of considering the same as part of the PPAC mechanism for allowing a simultaneous true up to DISCOMs, which currently excludes the above components.

Earlier Period True up

(From FY 05-06 to FY 12-13)



3.8.1 Final True up of Capitalization, Depreciation, Return on Capital Employed and Income Tax

In relation to Final true up of Capitalization up to 1st MYT Period , The Hon'ble Commission in its last tariff order dated July 2014 vide para no 1.32 has mentioned that

" As the commission is in the process of undertaking a true up of the capitalization since FY 2006-07, which involves physical verification of assets with the procurement and accounting records of the utilities. The Commission is of the view that capitalization review for any year cannot be taken up in isolation before completion of the exercise for previous year, as there are overlapping issue like implementation of scheme, MAP, IDC etc. Final true up of capitalization shall be done after completion of this exercise."

It is respectfully submitted that all the necessary information has been provided to the Commission in relation to aforesaid exercise by the Petitioner, hence it is requested to the Hon'ble Commission to do the final true up of capitalization and consider the value of capitalization as sought in this petition for future years so that cost reflective tariff can be computed in the interest of the consumers and the Petitioner.

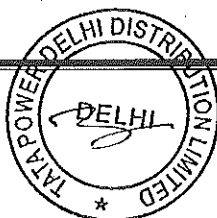
It is further submitted that non true of capitalization of 1st MYT period not only effects the respective year ARR but also impacting ARR for all onwards year from that respective year, therefore, the said issue must have been taken care at the time of determination of retail tariff for FY 2015-16.

Considering the above submissions, the petitioner has now sought the true up of capitalization as mentioned below:

a) **Up to the end of first MYT Control Period**

In its tariff order dated 31st July 2013, the Hon'ble Commission has tried up the capitalization on provisional basis by stating that

3.139 The Commission is also in the process of undertaking a true-up of the capitalization during the first MYT period from FY 2007-08 to FY 2011-12 which also involves physical verification of assets with the procurement and accounting records of the utilities. While the final true-up on this basis will be possible only after the exercise of physical verification is completed, the Commission has observed the audited accounts of the utilities indicate a significantly lower level of capitalization than the anticipated capitalization considered in the tariff orders passed by the Commission for the first MYT for FY 2007-08 to FY 2011-12.



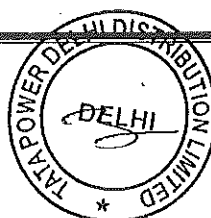
3.140 Pending completion of the physical verification of assets and final true-up of capitalization on that basis, the Commission proposes to adopt the details of year-wise capitalization as per audited accounts for undertaking a provisional true-up in respect of the distribution companies. This will result in reduction in the provision for depreciation and return on capital employed on account of the lower level of the capitalization actually undertaken by these utilities during the above MYT period as reflected in their audited accounts. **This would, however, be subject to the final figures of capitalization based on the final outcome of the ongoing physical verification of assets.**

It is submitted that the physical verification exercise as conducted by the Hon'ble Commission would have been over; therefore, the Hon'ble Commission is requested to true up the capitalization as the delay caused in timely true up of the capitalization of assets will has a severe effect on the financial position of the company, thereby making it difficult for the Petitioner to operate in a commercial viable manner. Further, the timely true up of capitalization shall also be in the interest of the consumers to save them from the burden of carrying cost.

It is also submitted that The Hon'ble Commission in its MYT order dated 23.02.2008 had provisionally allowed the capitalization for FY 2005-06 and FY 2006-07 and had deferred the allowance of depreciation on capitalized assets aggregating to Rs. 242.96 Cr due to Non availability of electrical inspector (EI) certificates while carrying out the truing up for Policy Direction Period i.e. FY 02-03 to FY 06-07.

The Hon'ble Commission had held that it will allow the capitalization in the year in which the actual EI certificate is received. Relevant extract from above mentioned order is given below:

"3.33 The Commission has accordingly evaluated the prudent cost which can be allowed for capitalization of assets in the respective years. The Commission accordingly firms up the capitalization of assets up to FY06 and approves the same on a provisional basis for FY07. However, the Commission shall consider capitalization of such schemes currently pending for capitalization up to 31 March, 2007 (i.e., before commencement of MYT Control Period) in the financial year in which the relevant Electrical Inspector's (EI) Certificate is issued. The schemes proposed by the Petitioner for capitalization during the MYT Control Period as per the Business Plan, shall be trued up at the end of the Control Period as per the MYT Regulations, 2007"



The Hon'ble ATE in its judgment in Appeal No. 36 of 2008 had held that the capitalization should be considered from the 16th day of applying for the Electrical Inspector Certificate.

"68.... day of the filing of the application provided all formalities connected with such filing including payment of fees are completed. The Commission therefore, will have to re-examine this issue in the light of this observation. We feel that 15 days should be the reasonable period in which such certificate should be granted. For the purpose of the ARR we think it appropriate to allow capitalization of these assets with effect from the 16th day of the filing of the application provided all formalities connected with such filing including payment of fees are completed. The Commission therefore, will have to re-examine this issue in the light of this observation."

The Hon'ble Commission has preferred an appeal in Supreme Court. Pending the matter in Supreme Court, capitalization has been considered in the year in which EI certificate has been received by the Petitioner. Based on the above methodology the capitalization from FY 05-06 to FY 11-12 works out as follows:

i) Capitalization for FY 2005-06 to FY 2006- 07 of Policy Direction Period:

Based on the methodology followed for capitalization by the Hon'ble Commission in policy direction period the revised computation of capitalization is given below:-

Table 3.8.1.1: Year wise receipt of EI Certificates

(Rs Cr)

Sl. No.	Year of capitalization	Total Capitalization (as per books of account)	Capitalization for which EI certificate not required	EI certificates received in	
				FY 05-06	FY 06-07
A	FY 05-06	322.68	126.12	21.23	25.83
B	FY 06-07	277.28	122.91	-	15.01
C	Total	599.96	249.03	21.23	40.84

Based on the revised capitalization as given in Table no 3.8.1.1 the revised value of Fixed Assets is given as below;

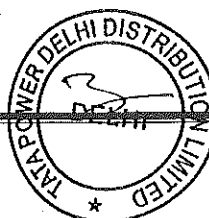


Table 3.8.1.2: Revised Fixed Assets Schedule (Rs Cr)

Sl. No.	Particulars	FY 05-06	FY 06-07	Remark
A	Opening Balance	1,686.23*	1,833.58	*Table no 10 of Tariff Order dated August 2011
B	Addition during the year (EI certificate not required + Recd)	147.35	163.75	Table 3.8.1.1
C	Closing Balance	1,833.58	1,997.33	(A+B)

Due to the revision in Fixed Assets (i.e. asset base); depreciation will get revised as it is directly linked with the asset base. Computation of revised depreciation is given below;

Table 3.8.1.3: Revised Depreciation Schedule (Rs Cr)

Sl. No.	Particulars	FY 05-06	FY 06-07	Remark
A	Opening Balance	528.64*	641.45	*Table no 12 of Tariff Order dated August 2011
B	Addition during the year @ 6.69%	112.81	122.66	opening GFA as per Table 3.8.1.2 *6.69%
C	Closing Balance	641.45	764.11	(A+B)

For the Policy direction period (FY 2002-03 to FY 2006-07), the commission had prescribed the priority of utilization of depreciation in its tariff Orders, which were issued in Policy Direction Period. Based on the priority of utilization, the revised computation of utilization of depreciation for each respective year is given below;

Table 3.8.1.4: Utilization of Depreciation (Rs Cr)

Sl. No.	Particulars	FY 05-06	FY 06-07	Remark
A	Depreciation	112.81	122.66	Table 3.8.1.3
B	Utilized for Debt repayment	16.51	77.98	
C	Utilized for Capital Investment	96.29	44.68	
D	Utilized for Working Capital	-	-	

Due to change in depreciation and utilization of depreciation, revised means of finance are computed and given below:

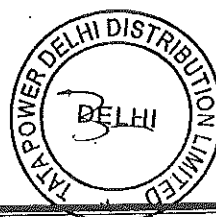


Table 3.8.1.5: Revised Financing of Capital Expenditure (Rs Cr)

Sl. No.	Particulars	FY 05-06	FY 06-07	Remark
A	Total Capital expenditure	431.00	271.00	Table 15 of TO August, 2011
B	Consumer Contribution	35.99	34.85	
C	Depreciation	96.29	44.68	
D	Creditors	25.32	(25.32)	
E	Balance Capitalization	273.40	216.79	(A-B-C-D)
F	Debt	191.38	151.75	70% of E
G	Equity	82.02	65.04	30% of E

Due to change in means of finance, the revised equity/ free reserves and revised return on equity are given below;

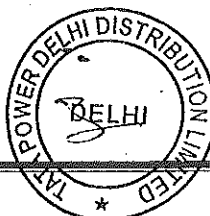
Table 3.8.1.6: Revised Equity/Free Reserve (Rs Cr)

Sl. No.	Particulars	FY 05-06	FY 06-07	Remark
A	Opening Balance	462.56*	544.58	*Table no 44 of Tariff Order dated August, 2011
B	Addition during the year	82.02	65.04	Table 3.8.1.5
C	Closing Balance	544.58	609.62	(A+B)
D	Average Equity	503.57	577.10	(A+C)/2
E	Return on Equity(%)	16%	16%	
F	Return on Equity	80.57	92.34	(D*E)

Due to change in means of finance, the revised loan schedule for each respective year is given below;

Table 3.8.1.7: Revised Computation of Loan (Rs Cr)

Sl. No.	Particulars	FY 05-06	FY 06-07	Remark
A	Opening Balance	789.26*	964.13	* Table no 20 of Tariff Order dated August 2011
B	Addition during the year	191.38	151.75	Table 3.8.1.5
C	Repayment during the year	16.51	77.98	
D	Closing Balance	964.13	1,037.90	(A+B-C)



Based on the revised capitalizations as sought in this petition for policy direction period, the Petitioner has now computed below mentioned additional impact on ARR for policy direction period.

Table 3.8.1.8: Computation of Additional Revenue Gap/(surplus) up to FY 07 (Rs Cr)

Particular	FY 05-06			FY 06-07		
	Allowed in order dated 26.08.11	Revised	Difference sought	Allowed in order dated 26.08.11	Revised	Difference (Sought)/ offered
	(A)	(B)	C=(A-B)	(A)	(B)	C=(A-B)
Depreciation	112.81	112.81	-	123.31	122.66	0.64
Return on Equity	80.57	80.57	-	92.32	92.34	(0.02)
Interest	28.44	28.44	-	78.17	78.19	(0.02)
Total	221.82	221.82	-	293.80	293.19	0.60

Considering the above impact, the Revenue Gap of Rs. 156.34 Cr at the end of FY 2006-07 as approved by the Hon'ble Commission in its Tariff Order dated 31.07.2013, which will be further reduced by Rs 0.60 Cr.

Table 3.8.1.9: Additional Revenue gap

Sl. No.	Particulars	(Rs Cr)	Remark
A	Additional Revenue surplus available*	0.60	Table 3.8.1.8
B	Revenue Gap approved by the Hon'ble Commission	(156.34)	(Table No 115 of Tariff Order dated July, 2013)
C	Revised Closing Revenue Gap	(155.74)	(A+B)

**It is however clarified that above computation of Rs 0.60 Cr as additional revenue available is subject to the judgment of the appeals pending with the Hon'ble Supreme Court.*



ii) Capitalization for FY 2007-08 to FY 2011-12 of 1st MYT Period:

In line with the approach adopted in policy direction period, the Hon'ble Commission has considered the capitalization for 1st MYT period based on receipt of EI certificate. As the matter has already been challenged before the Supreme Court, therefore till the outcome of the decision of the Supreme Court the Petitioner has considered the capitalization in line with the methodology adopted by the Hon'ble Commission and sought true up of capitalization and corresponding Deprecation, ROCE & Income Tax. The detailed computation of each parameter is given below:-

The actual capitalization as per the audited accounts from FY 08 to FY 12 is as follows:

Table 3.8.1.10: Capitalization as per Audited Accounts						(Rs Cr)
Sl. No.	Particular	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
A	Actual Capitalization	264.45	337.16	375.80	579.27	488.58
B	Less- Capitalization related to Generation				189.25	142.42
C=(A-B)	Distribution Capitalization	264.45	337.16	375.80	390.02	346.17
D	Intra unit transfer					(0.52)
E=(C+D)	Capitalization considered for distribution business of the each respective year	264.45	337.16	375.80	390.02	345.65

It is clarified that capitalization in books of accounts is done based on commercial operation of the project/scheme.

It is further clarified that the opening CWIP of Rs 292.67 Cr which was outstanding as on 31.03.07, is assumed to be capitalized in FY 07-08 and FY 08-09 in books of accounts.

Table 3.8.1.11: Adjustment of opening CWIP				(Rs Cr)
Year	Total Capitalization as per books of account	Direct capitalization	Capitalization out of CWIP	Considered out of Opening CWIP as on 01.04.07
FY 07-08	264.45	13.43	251.02	251.02
FY 08-09	337.15	19.55	317.60	41.65
Total				292.67

As mentioned earlier, the Hon'ble Commission is considering the capitalization based on the receipt of Electrical Inspector Certificate; hence year wise status of EI certificate in relation to capitalization works out as follows:

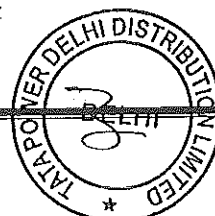


Table 3.8.1.12: Summary of EI Certificate
(Rs Cr)

Table D10.1.1.2: Summary of EI Certificate										(Rs Cr)
Year of Capitalization	Total Capitalization	EI certificate not required (including direct Capitalization)	EI certificates received							
			FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	EI certificate not received till FY 12
1	2	3	4	5	6	7	8	9	10	11
Out of opening Capex incurred till FY 2006-07										
FY-05-06	322.68	126.12	21.23	25.83	5.26	70.31	27.23	38.20	0.14	8.35
FY-06-07	277.28	122.91		15.01	20.60	73.18	14.85	10.50	3.94	16.29
FY-07-08	251.02	108.13			15.62	56.75	40.91	15.30	1.42	12.89
FY 08-09	41.65	41.65								
Total (A)	892.63	398.81	21.23	40.84	41.48	200.24	82.99	64.00	5.50	37.53
Out of Capex incurred from FY 2007-08 onwards										
FY 07-08	13.43	13.43								
FY-08-09	295.51	151.61				44.20	14.85	69.49	0.28	15.07
FY-09-10	375.80	189.06					31.69	102.22	40.09	12.74
FY-10-11	390.02	147.97						182.23	53.86	5.96
FY-11-12	345.65	138.10							162.67	44.88
Total (B)	1,420.41	640.17				44.20	46.55	353.94	256.90	78.65

Based on the above table, summarized value of year wise capitalization sought based on receipt of EI certificate is given below:

Table 3.8.1.13: Capitalization Summary
(Rs Cr)

Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Capitalization out of opening CWIP/capitalization (prior to 01.04.2007)					
EI certificate Received in the year (Total (A) of Table 3.8.1.12)	41.48	200.24	82.99	64.00	5.50
EI certificate not required (column no 3 of Table 3.8.1.12)	108.13	41.65			
Sub – Total (A)	149.61	241.89	82.99	64.00	5.50
Capitalization out of CWIP incurred after 01.04.2007					
EI certificate Received in the year (Total (B) of Table 3.8.1.12)	0.00	44.20	46.55	353.94	256.90
EI certificate not required for the year/ direct capitalization (column no 3 of Table 3.8.1.12)	13.43	151.61	189.06	147.96	138.10
Sub – Total (B)	13.43	195.81	235.61	501.90	395.00
Total (A+B)	163.04	437.70	318.60	565.90	400.50

Considering the above capitalization, revised Gross fixed assets from FY 2007-08 onwards works out as follows:

Table 3.8.1.14: Gross Fixed Assets
(Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Opening Balance	1,997.33*	2,160.37	2,598.07	2,916.67	3,482.57	*Table 3.8.1.2
B	Addition during the year**	163.04	437.70	318.60	565.90	400.50	Table 3.8.1.13
C	Deletion during the year***						
D	Closing Balance	2,160.37	2,598.07	2,916.67	3,482.57	3,883.07	(A+B+C)
E	Average Gross Fixed Assets	2,078.85	2,379.22	2,757.37	3,199.62	3,682.82	(A+D)/2

* Table 3.8.1.2

** Table 3.8.1.13

*** Pending the final true of the capitalization of assets, no retirement has been considered

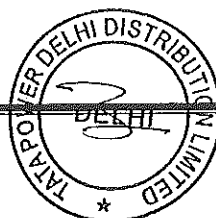
Financing of Capitalization

Till FY 2006-07, the Hon'ble commission was allowing the financing of the capital expenditure incurred during the year whereas from FY 2007-08 onwards it is allowing the financing of the capitalization.

As the Hon'ble Commission has already allowed the financing of capex incurred till March 2007; hence FY 07-08 onwards; financing of that capitalization has been sought which is out of capex incurred after 01.04.07. Based on the same; financing required towards capitalization for FY 07-08 onwards works out as follows:

Table 3.8.1.15: Financing of Capitalization
(Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Total capitalization out of fresh investment from FY 2007-08 onwards	13.43	195.81	235.61	501.90	395.00	sub-total (B) of Table 3.8.1.13
B	Consumer Contribution	-	12.14	18.74	118.68	55.06	Table 3.8.1.16
C	Balance Capitalization	13.43	183.67	216.86	383.24	339.94	(A-B)
D	Loan	9.40	128.57	151.81	268.25	237.96	70% of C
E	Equity	4.03	55.10	65.06	114.97	101.98	30% of C



Consumer Contribution

MYT Regulation stipulated that for the purpose of computation of Regulated Rate Base, consumer contribution corresponding to the amount of assets capitalized has to be deducted.

As the capitalization has been considered based on EI certificate received, therefore the corresponding consumer contribution based on EI certificate received has been computed. Further capitalization of consumer contribution has been broken into two parts for the purpose of computation of financing, as the Hon'ble Commission has already used consumer contribution as a means of finance on receipt basis in policy direction period towards financing of capital expenditure incurred till FY 2006-07.

Breakup of the same for the purpose of financing of capitalization is given below:

1. Received prior to 01.04.07
2. Received after 01.04.2007

Table 3.8.1.16: Consumer Contribution Capitalized (Based on EI Certificate) (Rs Cr)

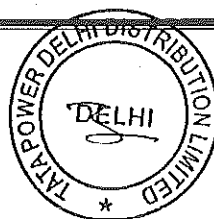
Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Capitalized out of Opening till 31.03.07	19.96	9.67	28.22	27.97	6.02	
B	Capitalized out of consumer contribution received after 01.04.07	-	12.14	18.74	118.68	55.06	
C	Total Capitalization	19.96	21.81	46.96	146.65	61.08	(A+B)

The summary of Consumer contribution/Grant as per books of accounts is given below;

Table 3.8.1.17: Consumer Contribution/Grant (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Opening Balance	146.96*	197.50	183.93	108.71	201.17	
B	Addition	91.36	41.01	53.10	147.45	167.48	
C	Capitalized	40.82	54.58	128.32	54.99	33.43	
D	Closing Balance	197.50	183.93	108.71	201.17	335.22	(A+B-C)
E	Cumulative Balance of Capitalized consumer contribution/grants	133.50	188.08	316.40	371.39	404.82	

* Remaining un-capitalized consumer contribution till FY 2006-07



Based on the year on year consumer contribution capitalized on the basis of EI certificate receipt, cumulative balance of consumer contribution for the purpose of computing Regulated Rate Base works out as follows:

Table 3.8.1.18: Y-o-Y Consumer Contribution/Grants capitalized (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Opening Balance	92.68*	112.64	134.45	181.41	328.06	
B	Addition during the year (including grant)	19.96	21.81	46.96	146.65	61.08	Table 3.8.1.16
C	Closing Balance	112.64	134.45	181.41	328.06	389.14	(A+B)
D	Average Balance	102.66	123.55	157.93	254.74	358.60	(A+C)/2

* Figures as per Table 34 of Tariff Order dated August, 2011

Depreciation (net of consumer contribution)

The MYT Regulations, 2007 specify that

"5.13 Provided that depreciation shall not be allowed on assets funded by any capital subsidy / grant."

Therefore, The Hon'ble Commission is allowing the depreciation on net fixed assets i.e. Gross Addition – Consumer Contribution/capital subsidy/grant. For the purpose of computation of depreciation to be claimed as a part of Annual Revenue Requirement, first depreciation is computed on Gross Block of Assets and average depreciation rate is worked out, which is further applied on average Fixed assets (i.e. net of consumer contribution/grants).

Table 3.8.1.19: Depreciation on Gross Fixed Assets (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Average of Gross Fixed Assets	2,078.85	2,379.22	2,757.37	3,199.62	3,682.83	Table 3.8.1.14
B	Depreciation	76.79	89.19	104.71	122.36	142.00	Form F2a
C	Average Depreciation Rate	3.69%	3.75%	3.80%	3.82%	3.86%	B/A*100

Considering the above depreciation rate the revised computation of Depreciation on Average Assets (net of consumer contribution/grants) is given below:

Table 3.8.1.20: Depreciation on Average Assets (net of consumer contribution/grants)(Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Average GFA	2,078.85	2,379.22	2,757.37	3,199.62	3,682.82	Table 3.8.1.14
B	Average Consumer Contribution	102.66	123.55	157.93	254.74	358.60	Table 3.8.1.18
C	Average GFA (net of average consumer contribution)	1,976.19	2,255.68	2,599.44	2,944.89	3,324.22	(A-B)
D	Average Depreciation Rate	3.69%	3.75%	3.80%	3.82%	3.86%	Table 3.8.1.19
E	Depreciation (Net of Consumer Contribution)*	73.00	84.56	98.71	112.62	128.17	C*D

*rounding off difference

Advance Against Depreciation (AAD)

The Hon'ble Commission in its Tariff Order specify that AAD is dependent on the loans and depreciation and since both these parameters are subject to True-Up at the end of the respective year of the Control Period, hence the AAD has to be trued up at the end of the respective year of the Control Period.

Based on the above, revised computation of AAD is given below:

Table 3.8.1.21: Computation of Advance Against Depreciation* (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	1/10th of Loan(s)	114.31	127.16	142.35	169.17	192.97	
B	Repayment of the Loan(s)	106.06	107.00	119.85	135.03	158.44	Form F3b
C	Minimum of A and B	106.06	107.00	119.85	135.03	158.44	
D	Less: Depreciation routed during the year for repayment of loans	73.00	84.56	98.71	112.62	128.17	Table 3.8.1.20
E	Excess of Min (A,B) over Depreciation	33.06	22.44	21.14	22.41	30.27	
F	Cumulative Repayment of the Loan(s) - C	201.84	308.84	428.69	563.73	722.17	
G	Cumulative Depreciation (D)	837.11	921.67	1,020.38	1,133.00	1,261.17	Table 3.8.1.22

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
H	Depreciation Considered for Capex & WC in Previous years	378.32	378.32	378.32	378.32	378.32	
I	Cumulative Depreciation considered for AAD (D)	458.78	543.35	642.06	754.68	882.85	G-H
J	Excess of repayment (C) over Depreciation (D) (I)	(256.96)	(234.53)	(213.39)	(190.98)	(160.71)	
K	Advance Against Depreciation (Minimum of C & D)	-	-	-	-	-	

*subject to the outcome of appeal pending with the Hon'ble Supreme Court

The accumulated depreciation based on revised depreciation values for the Control Period is shown below.

Table 3.8.1.22: Y-o-Y Cumulative Depreciation on Fixed assets (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Opening Balance	764.11*	837.11	921.67	1,020.38	1,133.00	*Table 3.8.1.3
B	Addition during the year	73.00	84.56	98.71	112.62	128.17	Table 3.8.1.20
C	AAD	-	-	-	-	-	Table 3.8.1.21
D	Closing Balance	837.11	921.67	1,020.38	1,133.00	1,261.17	(A+B+C)

Table 3.8.1.23: Utilization of depreciation (without AAD) (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Depreciation for the year	73.00	84.56	98.71	112.62	128.17	Table 3.8.1.20
B	Utilized for Debt repayment	73.00	84.56	98.71	112.62	128.17	

The Hon'ble Commission has provisionally approved capitalization hence the corresponding depreciation is also provisionally, therefore, the Petitioner is now seeking the difference between the provisionally approved depreciation vis-à-vis revised depreciation based on revised GFA.

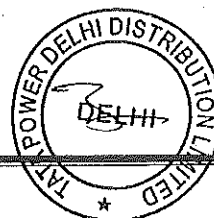


Table 3.8.1.24: Depreciation Sought vis-à-vis allowed

(Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Provisionally Depreciation Allowed	72.74	80.99	90.02	101.21	113.99	Table 3.9 TO July, 2013
B	Revised Depreciation	73.00	84.56	98.71	112.62	128.17	Table 3.8.1.22
C	Difference (Sought)/ offered	(0.26)	(3.57)	(8.69)	(11.41)	(14.18)	(A-B)

Debt/Loans for Capitalization/working capital during 1st Control Period

In the Tariff Order dated July 2013, the Hon'ble Commission has considered cost of debt on provisionally basis for FY 2011-12 and for FY 2007-08 to FY 2010-11 the Commission has considered the cost of debt as specified in MYT Order dated 23.02.2008. Relevant extract is given below;

"3.166 The Commission has analyzed the SBI Prime Lending Rates for the Control period FY 2007-08 to FY 2011-12, there is no variation in the SBI PLR greater than +/- 1% during FY 2007-08 to FY 2010-11 from the SBI PLR as on the date of issue of MYT Tariff Order dated 23rd February 2008 except short period from 12.08.2008 to 10.11.2008. Therefore, the interest rate for calculation of WACC has not been revised for the FY 2007-08 to FY 2010-11.

3.167 For FY 2011-12, the actual weighted average rate of interest submitted by the Petitioner has been taken into consideration on a provisional basis subject to approval of loans"

It is pertinent to mention that the Hon'ble ATE in its Judgment dated 28th November, 2014 BSES vs. DERC has directed to the Hon'ble Commission for truing up of interest on loans in next tariff order as the SBI PLR has deviated by more than 1% during the control period.



Relevant extract of the Judgment is reproduced below:

"On perusal of the data submitted by the Appellant related to SBI PLR, it is clear that SBI PLR has deviated by more than 1% during the control period and accordingly the Commission was required to revise the rate of interest on loan and carry out the required true up. Further, despite admitting that true of Return on Capital Employed (RoCE) would be done at the end of control period, the Delhi Commission has failed on both the counts. The Delhi Commission is directed to revise the rate of interest on loan as well true up of the RoCE in its next tariff exercise."

Based on the above Judgment, the petitioner is now seeking the true up of cost of debt from FY 2007-08 onwards.

The actual movement in the average SBI PLR during the control period is given below:

Table 3.8.1.25: Average SBI PLR during Control Period

Particular	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Weighted average SBI PLR*	11.08%	12.69%	12.79%	11.87%	12.26%	14.40%

*computation attached as Annexure A-4 In Volume II of the Petition

Based on the above table 3.8.1.25, the below given rate of interest is sought for the true up cost of debt for capex loans/working capital loans.

Table 3.8.1.26: Rates considered for New Capex Loans/Working Capital Loan

Year	Base Rate allowed	Average PLR during the year**	Average PLR of Base Year*	Movement	Effective rate for New Loans
	A	B	C	D = B-C	E = A+D
FY 07-08	9.50%	12.69%	11.08%	1.61%	11.11%
FY 08-09	9.50%	12.79%	11.08%	1.71%	11.21%
FY 09-10	9.50%	11.87%	11.08%	0.79%	9.50%***
FY 10-11	9.50%	12.26%	11.08%	1.18%	10.68%
FY 11-12	9.50%	14.40%	11.08%	3.32%	12.82%

* Table 3.8.1.25 – Base Year value as of FY 06-07

** Table 3.8.1.25 – During the year value as of FY 07-08 to FY 11-12

*** as the movement for the FY 09-10 is less than +1%, hence 9.50% interest rate has been considered

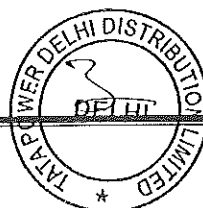


Table 3.8.1.27: Average debt outstanding during Control Period							(Rs Cr)
Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Capex						
(i)	Opening Balance	1,037.90*	941.25	962.83	994.79	1,128.01	Table 3.8.1.7
(ii)	Additions	9.40	128.57	151.81	268.25	237.96	Table 3.8.1.15
(iii)	Repayment	106.05	106.99	119.85	135.03	158.44	Form F3b
(iv)	Closing Balance	941.25	962.83	994.79	1,128.01	1,207.53	(i+ii-iii)
(v)	Average Debt	989.58	952.04	978.81	1,061.40	1,167.77	(i+iv)/2
B	Working Capital						
(i)	Opening Balance	-	144.98	138.13	211.65	235.87	
(ii)	Change in WC. for the year	144.98	(6.85)	73.53	24.22	56.34	Table 3.8.1.33
(iii)	Closing Balance	144.98	138.13	211.65	235.87	292.21	(i+ii)
(iv)	Average Debt	72.49	141.55	174.89	223.76	264.04	(i+iii)/2
Average Debt		1,062.07	1,093.59	1,153.70	1,285.16	1,431.81	{A(v)+B(iv)}

Truing up of provisionally approved R&M Expenses

The Hon'ble Commission in its Tariff Order for FY 2013-14 has considered the R&M Expenses linked to "K" factor which has been applied to gross fixed assets of the year for determination of R&M expenses up to FY 2011-12. As GFA has been provisionally approved hence the Hon'ble Commission has recomputed the R&M expenses based on provisionally revised GFA.

Relevant extracts of the same is given below;

"3.129 The Commission has provisionally allowed the Capitalization based on the Petitioner submission and the audited accounts of the Petitioner. Accordingly, the GFA has been revised for the MYT Control period FY 2007-08 to FY 2011-12. R&M expenses are based on 'K' factor as defined in the MYT regulation, 2007 where K is a constant governing the relationship between R&M costs and GFA. Due to revision in the GFA under the MYT Control Period FY 2007-08 to FY 2011-12, the R&M expenses have also been revised provisionally subject to final true up of capitalization."

As the R&M expenses are directly linked with the value of GFA therefore the Petitioner has recomputed the R&M expenses based on the revised capitalization.

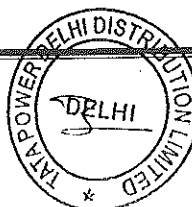


Table 3.8.1.28: Differential Amount of R&M Expenses sought (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Gross Fixed Assets (n-1)	1,997.33	2,160.37	2,598.07	2,916.67	3,482.57	Table 3.8.1.14
B	K factor	2.82%	2.82%	2.82%	2.82%	2.82%	Table 3.8.1.29
C	R&M expenses based on revised capitalization	56.33	60.92	73.27	82.25	98.21	A*B
D	R&M expenses as approved	57.62	61.90	71.17	77.31	92.82	Refer July, 2013 Tariff order
E	Additional R&M expenses now (Sought)/offered	1.30	0.98	(2.10)	(4.94)	(5.39)	D-C
F	Efficiency factor applied on "C"	0	2%	3%	4%	0%*	*see note 1 below
G	Net R&M expenses now (Sought)/offered	1.30	0.96	(2.03)	(4.74)	(5.39)	E - (E*F)

^ considered the same k factor as applicable for the period FY 07-08 to FY 11-12

Table 3.8.1.29: Computation of K factor— in MYT Order dated February, 2008 (table 86 at page no 142)

Particulars	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Opening GFA (Rs Cr)	1,210.00	1,207.62	1,438.43	1,679.43	1,836.43
R&M Expenses (Rs Cr)	21.93	32.16	53.68	51.64	51.99
'K' factor (%)	1.81%	2.66%	3.73%	3.07%	2.83%
Average k factor	2.82%				

4.151 The above analysis substantiates the justification for using a range of values for determination of 'K', due to the large fluctuations in individual 'K' values in the last five years (1.81% to 3.73%). The Commission has, therefore, determined the value of 'K' for the Control Period as 2.82%, Which is the average 'K' for last 5 years.

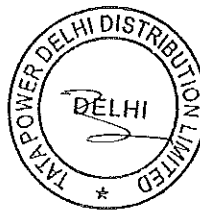
Note 1: Efficiency factor considered for FY 2011-12

Further it is submitted that the Hon'ble Commission in its Judgment dated 28th November 2013 read with its earlier judgment dated 28th November, 2014 has decided the matter in favour of Discoms in relation to arbitrate fixation of efficiency factor by the Hon'ble Commission.

Relevant extract of the APTEL judgment's in Appeal 28 of 2008 on the strength of which the Hon'ble ATE decided the matter in favour of Discoms is reproduce below.

*"However, the efficiency factor has to be determined by the Commission based on licensee's filing, benchmarking, approved cost by the Commission in the past and any other factor that Commission feels appropriate. In the impugned order the Commission has determined the efficiency improvement factor as 2%, 3% and 4% for FY 2009, FY 2010 and FY-2011 respectively arbitrarily without any benchmarking or any analysis and identification of area of inefficiency where the improvement is desired to be carried out. **Such efficiency factor has naturally to be determined only on the basis of material placed before the State Commission and analysis of various factors and not on ad-hoc basis as done by the State Commission.**"*

It is worth to mention that the Petitioner has always shown its efficiency by achieving AT&C loss better than the target as specified over its entire journey and passing the AT&C benefit to the consumers, therefore based on the principle laid down by the Hon'ble ATE, no efficiency factor has been applied for FY 2011-12 by the Petitioner.



Working capital

The concept of normative working capital is applicable to the extent that while truing of RoCE, working capital will be allowed as part of RRB based on the working capital requirement computed in accordance with regulation 5.37.

The Hon'ble Commission has in its Tariff Order dated July 2013 has approved the working capital as mentioned below (Table no 43 of page 163 of the said Tariff Order); however the petitioner has challenged the methodology followed by the Hon'ble Commission in its Appeal No 271 of 2013 before the Hon'ble ATE for computation of working capital.

Table 3.8.1.30: Summary of working capital requirements as approved (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
A	O&M Expenses	219.84	237.75	327.97	282.21	312.79
B	O&M Expenses for 1 Month – A/12	18.32	19.81	27.33	23.52	26.07
C	Annual Revenue Requirement	2,170.07	2,447.42	2,706.81	2,959.19	3,495.63
D	Receivables equivalent to 2 month – C/12*2	361.68	407.90	451.14	493.20	582.61
E	Power Purchase expenses	1,846.15	2,208.28	2,856.74	3,427.65	4,489.24
F	Power Purchase expenses for 1 Month – E/12	153.85	184.02	238.06	285.64	374.10
G	Working Capital approved (B+D-F)	226.15	243.69	240.40	231.08	234.57

Further in compliance of the directive given by the Hon'ble ATE in its order in Appeal no 52/2008 of NDPL vs. DERC, the funding of working capital as mentioned in Table 3.8.1.30 has been considered in debt equity ratio 70:30 in its tariff order dated July, 2013.

Relevant extract of the same is reproduced below:

"(vi) The next issue is with reference to the equity component for margin on working capital requirement. The State Commission has considered the entire Working Capital requirement by way of loan contrary to the norms of debt and equity ratio of 70:30. The State Commission relies on Regulation 5.10 but this Regulation would not support the contention of the State Commission. The MYT Regulations stipulate that Weighted Average cost of capital, as computed in the Regulation 5.10, needs to be applied on Regulated Rate Base which includes the working capital. This apart, Regulation 5.8 and Regulation 5.9 provide for the formula for calculating the Regulated Rate Base for a particular year and for computing

the return on capital employed by multiplying the Weighted Average Cost of capital with Regulated Rate Base.

Under those circumstances, the Delhi Commission is directed to re-compute the Weighted Average Cost of capital for each year of the Control Period, along with the carrying cost."

Given below is the funding of working capital in 70: 30 Debt equity ratio.

Table 3.8.1.31: Summary of change in working capital requirements as approved (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
A	Working Capital approved (Table 3.8.1.30)	226.15	243.69	240.40	231.08	234.57
B	Less Funding through Depreciation in Policy Direction Period	53.15				
C	Change in Working Capital for the year	173.00	17.54	(3.29)	(9.33)	3.49
D	Debt 70% of C	121.10	12.28	(2.30)	(6.53)	2.44
C	Equity 30% of C	51.90	5.26	(0.99)	(2.80)	1.05

The Petitioner in this petition has sought the final true up of capitalization for the first control period and correspondence true up of O&M expenses mainly on account of revised R&M expenses; therefore the Petitioner has recomputed the entire working capital.

Table 3.8.1.32: Revised Working Capital now sought (Rs Cr)

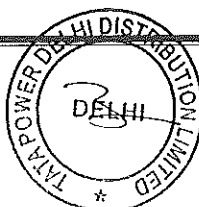
Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Revised O&M expenses	227.53	236.97	339.78	289.71	328.99	Table 3.8.1.32(i)
B	One month O&M expenses	18.96	19.75	28.31	24.14	27.42	A/12
C	Revised Annual Revenue Requirement	2,370.89	2,287.32	3,273.77	3,743.70	4,554.70	Table 3.8.1.32(ii)
D	Receivables equivalent to 2 months ARR	395.15	381.22	545.63	623.95	759.12	C/12*2
E	Power Purchase expenses	1,846.15	1,805.92	2,621.18	*3,095.79	3,791.23	*PP of Rs. 26.32 Cr.
F	Power Purchase expenses for 1 Month	153.85	150.49	218.43	257.98	315.94	E/12
G	Revised Working capital sought	260.26	250.47	355.51	390.11	470.60	(B+D-E)
H	Less- Funded through Depreciation in Policy Direction Period	53.15					
I	Change in working capital for the year	207.11	(9.79)	105.04	34.60	80.49	

MYT Regulations provided that one month O&M expenses should be considered as one of component for computing working capital requirement, therefore revised working of O&M

expenses including impact given in various tariff orders/ now sought in this petition has been considered to re-compute the amount of O&M expenses. Working of the same is given below:

Table 3.8.1.32(i): Revised O&M expenses for the purpose of Working Capital (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	O&M Expenses	228.83	237.76	327.97	282.21	312.79	Approved
B	R&M additionally sought/ (Offered)	(1.30)	(0.96)	2.03	4.74	5.39	Table 3.8.1.28
C	O&M Expenses as per Table 3.42 of Tariff Order Jul,14						
D	Efficiency factor on 6 th Pay commission arrears		0.36	1.11			Table 3.22 of TO July,14
E	Monthly Pension/LTA expenses of VSS employees/6th pay commission arrears for VSS employees		(0.19)	6.68	2.04	0.84	Table 3.24 of TO July,14
F	Impact of 6th Pay Commission in respect of Employees Absconding/Suspended in the Financial Year 2006-07					0.13	Para 3.108 TO July,14
G	6th Pay Commission arrears for employees who have opted for the same after 01.01.2006			1.99	0.71	0.73	Table 3.26 TO July,14
H	Increase due to efficiency factor					9.11	Table 3.8.2.4
I	Total O&M expenses	227.53	236.97	339.78	289.71	328.99	(A+B+C+D+E+F+G+H)



MYT Regulations provided that two months receivables for Annual revenue requirement should be considered as one of component for computing working capital requirement, therefore revised ARR including impact given in various tariff orders/nw sought in this petition have been considered to recomputed the amount of revised ARR. Working of the same is given below:

Table 3.8.1.32(ii): Revised ARR for the purpose of Working Capital							(Rs Cr)
Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Total ARR	2,353.78	2,295.15	3,259.42	3,679.09	4,480.27	as approved
	Add:						
B	Impact given in July, 2013	(3.36)	(91.61)	(47.46)	(46.31)		Table 64 of TO July, 2013
C	Adjustment of power purchase		62.63	(62.63)			Adjustment taken into consideration
D	Impact given in July, 2014	(29.19)	(14.04)	57.80	2.71	(60.93)	Table 3.42
E	Impact additional sought in this petition	49.66	35.19	66.64	108.20	135.36	Table 3.8.2.5
F	Total ARR revised	2,370.89	2,287.32	3,273.77	3,743.70	4,554.70	

Note: Negative Figures reduced ARR, positive figures increased ARR

Further, in compliance with the directions of the Hon'ble ATE in appeal no 52/2008 NDPL vs. DERC, funding of the working capital has to be allowed in 70: 30 Debt Equity ratio, hence funding of the revised working capital as sought in this petition is worked out accordingly.

Table 3.8.1.33: Funding of working capital as approved							(Rs Cr)
Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	change in Working capital for the year	207.11	(9.79)	105.04	34.60	80.49	Table 3.8.1.32
B	Debt	144.98	(6.85)	73.53	24.22	56.34	70% of A
C	Equity	62.13	(2.94)	31.51	10.38	24.15	30% of A

Truing up of RoCE

As specified in the MYT Regulations, 2007 RoCE can be determined only after determination of the Regulated Rate Base (RRB) for any particular year, and the Weighted Average Cost of Capital (WACC) for the year.

The summary of addition in Equity and Free reserve based on revised capitalization is given below:

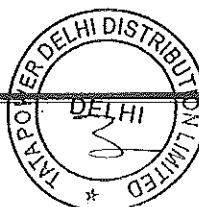
Table 3.8.1.34: Equity (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Opening Balance	609.62*	675.78	727.95	824.52	949.86	*Table 3.8.1.6
B	Addition due to Capitalization	4.03	55.10	65.06	114.97	101.98	Table 3.8.1.15
C	Addition due to change in working capital	62.13	(2.94)	31.51	10.38	24.15	Table 3.8.1.33
D	Closing Balance	675.78	727.95	824.52	949.86	1,075.99	A+B+C
E	Average Equity	642.70	701.87	776.23	887.19	1,012.93	(A+D)/2

The summary of addition in Loan/Debt based on revised capitalization is given below:

Table 3.8.1.35: Loans (net of repayment) (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Opening Balance	1,037.90*	1,086.23	1,100.95	1,206.44	1,363.88	*Table 3.8.1.7
B	Addition due to Capitalization	9.40	128.57	151.81	268.25	237.96	Table 3.8.1.15
C	Addition due to change in working capital	144.98	(6.85)	73.53	24.22	56.34	Table 3.8.1.33
D	Repayment during the year	106.05	106.99	119.85	135.03	158.44	
E	Closing Balance	1,086.23	1,100.95	1,206.44	1,363.88	1,499.74	(A+B+C-D)
F	Average Loan	1,062.07	1,093.59	1,153.70	1,285.16	1,431.81	(E+A)/2

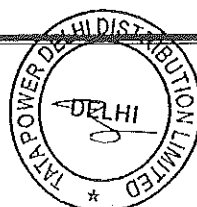


Determination of Regulated Rate Base (RRB)

Based on the revised GFA, Means of Finance, Consumer Contribution, Depreciation and change in working capital, the Petitioner has recomputed Regulated Rate Base (RRB). Computation of the same is given below:

Table 3.8.1.36: Computation of Regulated Rate Base (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Opening Balance of OCFA	1,997.33*	2,160.37	2,598.07	2,916.67	3,482.57	*Table 3.8.1.2
B	Opening Balance of Working Capital	53.15*	260.26	250.47	355.51	390.11	*as approved
C	Opening Balance of Accumulated Depreciation	764.11*	837.11	921.67	1,020.38	1,133.00	*Table 3.8.1.3
D	Opening balance of Accumulated Consumer Contribution capitalized	92.68*	112.64	134.45	181.41	328.06	*as approved
E	RRB Opening	1,193.69	1,470.89	1,792.43	2,070.40	2,411.62	(A+B-C-D)
	Investment during the year						
F	Capitalized during the year	163.04	437.70	318.60	565.90	400.50	Table 3.8.1.13
G	Depreciation for the year	73.00	84.56	98.71	112.62	128.17	Table 3.8.1.20
H	Consumer Contribution, Grants, etc. for the year	19.96	21.81	46.96	146.65	61.08	Table 3.8.1.16
I	Change in Working Capital	207.11	(9.79)	105.04	34.60	80.49	Table 3.8.1.32
J	Closing RRB	1,470.89	1,792.43	2,070.40	2,411.62	2,703.36	(E+F-G-H+I)
K	ΔAB (Change in Regulated Base)	242.16	155.87	191.50	187.91	186.11	(F-G-H)/2+I
L	RRB (I) considered for ROCE	1,435.85	1,626.76	1,983.93	2,258.31	2,597.73	E+K



Determination of Weighted Average Cost of Capital(WACC)

The Petitioner has computed WACC by considering return on Equity (including supply margin) at 16% and cost of debt as mentioned in table 3.8.1.26.

Table 3.8.1.37: Computation of weighted Average cost of Capital

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Average Loan-- (Rs Cr)	1,062.07	1,093.59	1,153.70	1,285.16	1,431.81	Table 3.8.1.35
B	Cost of Debt	11.11%	11.21%	9.50%	10.68%	12.82%	Table 3.8.1.26
C	Average Equity -- (Rs Cr)	642.70	701.87	776.23	887.19	1,012.93	Table 3.8.1.34
D	Return on Equity (including supply margin)	16.00%	16.00%	16.00%	16.00%	16.00%	
E	WACC	12.95%	13.08%	12.11%	12.85%	14.14%	$(A*B+C*D)/(A+C)$

Table 3.8.1.38: Computation of Regulated Rate Base

(Rs Cr)

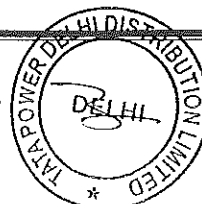
Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	WACC	12.95%	13.08%	12.12%	12.85%	14.14%	Table 3.8.1.37
B	RRB (I) considered for ROCE	1,435.85	1,626.76	1,983.93	2,258.31	2,597.73	Table 3.8.1.36
C	ROCE	185.99	212.82	240.34	290.25	367.26	A*B

As the Hon'ble Commission has provisionally approved the ROCE in its Tariff Order for FY 2013-14, hence the Petitioner is now seeking the difference between the provisionally ROCE approved vis-à-vis revised ROCE as computed in table 3.8.1.38.

Table 3.8.1.39: RoCE Sought vis-à-vis Allowed

(Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	RoCE Allowed in Orders*	166.23	184.97	203.53	226.90	268.77	Table 55 of Tariff Order dated July, 2013
B	Revised RoCE	185.99	212.82	240.34	290.25	367.26	Table 3.8.1.38
C	Difference (Sought)/ offered	(19.76)	(27.85)	(36.81)	(63.35)	(98.49)	A-B



Truing up of Income Tax based on Revised Regulated Rate Base

Regulation 5.22 specify that tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed.

The Hon'ble Commission has trued up the Income Tax by considering the RoE at 16% in its calculation for arriving at the Return on Equity for the purpose of allowable tax on RoE.

As The Hon'ble Commission has trued up of Income tax based on provisionally approved RRB and now the RRB has been changed hence the Petitioner is seeking the true up of Income Tax based on revised Equity.

Table 3.8.1.40: Computation of Income Tax on ROE allowed as part of RoCE (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	RRB (i) considered for ROCE	1,435.85	1,626.76	1,983.93	2,258.31	2,597.73	Table 3.8.1.36
B	Average Equity	642.70	701.87	776.23	887.19	1,012.93	Table 3.8.1.34
C	Average Debt	1,062.07	1,093.59	1,153.70	1,285.16	1,431.81	Table 3.8.1.35
D	% of Equity	37.70%	39.09%	40.22%	40.84%	41.43%	B/(B+C)
E	Equity in Average RRB	541.32	635.92	797.95	922.30	1,076.32	A*D
F	Post Tax Return on Equity (%)	16%	16%	16%	16%	16%	
G	Return on Equity	86.61	101.75	127.67	147.57	172.21	E*F
H	Income Tax Rate *	11.33%	11.33%	17.00%	19.93%	20.01%	
I	Tax on Equity	11.07	13.00	26.15	36.73	43.08	{G/(1-H)-G}

*Table no 3.41 of Tariff Order dated July, 2014

Further the Hon'ble Commission has held that in case of any tax paid due to arrears of past year's income; same may be claimed in the ARR. Relevant extract of the Tariff Order dated July, 2013 is reproduced below

"3.196 However, if the tax assessed / paid in any financial year is Higher than the tax allowed due to the reason that the Higher tax is on account of any arrears of income tax pertaining to the past years, the utility may claim this in the ARR for the relevant year subject to producing documentary evidence establishing the claim towards arrears."

The Petitioner has claimed in its previous petition the additional income tax paid on account of below mentioned reasons.

- a) Tax paid on account of depreciation of policy direction period allowed in FY 08
- b) Tax pursuant to change in section 115JB of Income Tax Act

As the Hon'ble Commission has not considered the same at the time of true of FY 2012-13, therefore the Petitioner is again requesting to the Hon'ble Commission to consider the same and allow with carrying cost. Detailed description of additional tax as sought is given below:

A) Tax paid on account of Depreciation of policy direction period allowed in FY 08

It is submitted that the pursuant to the judgment of the Supreme Court, the Hon'ble Commission has allowed the additional depreciation pertaining to the policy direction period in its MYT order dated February 2008 resulting additional income of Rs 253.33 Cr. on this additional income the petitioner has to pay additional tax of Rs 28.70 Cr which has to be allowed based on the above extract of Tariff Order. Computation of Rs 28.70 Cr. is given below:

Table 3.8.1.40(i): Computation of Additional Income in pursuant of the Hon'ble Commission Judgment (Rs Cr)

Particulars	Amount	Remark
Opening Tariff Adjustment a/c payable in books of accounts – A	114.39	Refer schedule no. 12 of Audited Financials of FY 2007-08
Add- Revenue Gap approved in MYT Order dated, Feb 2008 -B	138.94	Refer table no 149 of MYT Order page no 186
Total	253.33	(A+B)

Table 3.8.1.40(ii): Computation of Tax Liability on Additional Income (Rs Cr)

Particulars	Amount	Remark
Total Income at which Tax has been paid	253.33	3.8.1.40(i)- A
Tax Rate - %	11.33%	B
Income tax Liability	28.70	A*B

B) Tax pursuant to change in section 115JB of Income Tax Act

Section 115JB of Income Tax Act which deals with Minimum Alternate Tax was amended retrospectively w.e.f financial Year 2000-01 so as to include any provision for diminution in value of any assets. As the provision for doubtful debts which was not added at the time of computation of MAT in earlier years was added back pursuant to retrospective change in law resulting in additional liability of 15.26 Cr (including interest of 234 A/B/C).

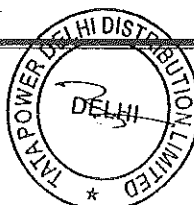


Table 3.8.1.40(iii): Summary of Y-o-Y tax additionally paid u/s 115JB of Income Tax Act

Year	Amount (Rs Cr)
FY 02-03	3.35
FY 03-04	2.85
FY 04-05	5.05
FY 05-06	2.32
FY 06-07	0.60
Interest due to amendment	1.10
Total	15.26

In pursuant of above tables, the Petitioner is now seeking the difference between the income tax as approved in Tariff Order for FY 2014-15 vis-à-vis now sought based in this petition.

Table 3.8.1.41: Income Tax sought based on above computation (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Return on Equity as part of RoCE	11.07	13.00	26.15	36.73	43.08	Table 3.8.1.40
B	Past arrears allowed in FY 08	28.70					Table 3.8.1.40(ii)
C	Retrospective change in law (115JB)			15.26			Table 3.8.1.40(iii)
D	Total to be allowed	39.77	13.00	41.41	36.73	43.08	(A+B+C)
E	Income tax approved by the Hon'ble Commission as per Tariff Order FY 2014-15 – "A" (refer table no 3.41 of Tariff Order July, 2014)	10.02	10.76	18.78	25.32	28.49	
F	Additional Tax now (sought) / offered	(29.75)	(2.24)	(22.63)	(11.41)	(14.59)	E-D

Further, It is submitted that TPDDL has been paying Income Tax in its financial books of accounts based on return on equity earned on capitalization as per financial books of accounts, therefore Income tax payable amount has been more in financial books of accounts as compared to allowed by the Hon'ble Commission as the Hon'ble Commission is allowing capitalization based on EI certificates. The capitalization in financial books of accounts is more but in ARR is less in beginning but will pick up year on year basis from 07-08 onwards and to that extent Income Tax allowance is less in ARR. Hence, it is suggested

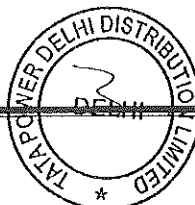
that the Hon'ble Commission should allow Income Tax on cumulative basis which is a correct and a justified approach and not on standalone yearly basis as the Regulation provides that Income Tax shall be limited to tax on return on the equity. It is clarified that in later years, the Hon'ble Commission should not restrict the Income Tax lower of actual paid/payable and Income Tax on RoE as the TPDDL has already paid more income tax in initial years but shall claim in ARR in later years based on EI certificates.

Deferred Tax and Current Tax after Holiday period

The Petitioner is entitled for Income tax including Deferred Tax. At present the Petitioner is making provision for deferred tax as required by Accounting Standard -22—issued by the Institute of Chartered Accountant of India and reversing the same on the premises that the same is recoverable from consumers as and when it became payable after Tax holiday period is over. It is submitted that Deferred tax liability is a liability which will arise in future due to temporary differences or timing differences between the accounting value of assets and liabilities and their value *for tax purposes*. Therefore the Hon'ble Commission is requested to clarify the mechanism / methodology for treatment of deferred tax once the stand is clarified by the Hon'ble Commission on deferred tax, the petitioner shall submit the claim of remaining Income Tax accordingly as the working of deferred tax would depend on the stand taken by the Hon'ble Commission.

It is respectfully submitted that there is a deferred tax liability of Rs 453 Cr as on 31.03.2014 as per audited financial statements which pertains to primarily on account of claiming tax depreciation at an accelerated rate relative to accounting depreciation.

Further it is submitted that TPDDL's Tax Holiday period will be over in FY 15-16 and TPDDL's tax liability is likely to assessed under normal provision of law of Income Tax Act, therefore, the Hon'ble Commission is requested to clarify at what rate of Income Tax shall be allowed from FY 16-17 onwards so that TPDDL can change accounting of Deferred Tax accordingly from now onwards.



Claim for Additional Demand of Income Tax by Various authorities of Income Tax

The Petitioner is paying the income tax under MAT provisions; however as the actual assessment of all the years are pending at various levels in the Income tax department; hence the actual liability will be ascertained only after finalization of assessment and the tax holiday period is over. The additional demands raised by income tax department are statutory in nature. These demands though have been paid by the petitioner/adjusted by the department against the refunds of earlier year but not claimed in the ARR as the Petitioner is taking up the matter with Higher Income Tax Authorities. On finalization of assessments, any additional liability (if any) will be claimed in the ARR along with the carrying cost.

Table 3.8.1.42: Year Wise Demand raised by Income Tax Authorities

Financial Year	Additional demand by Income Tax Authorities * - (Rs Cr)
2002-03	5.52
2005-06	22.60
2008-09	13.34
2009-10	0.00
2010-11	0.05
Total additional demand raised by the Income tax department	41.51

* excludes penalty proceedings etc. particularly under section 271(c) of the Income Tax Act.

Against the aforesaid additional demand the petitioner has made payment of Rs 10.50 Cr
Year wise payment break up is given below:

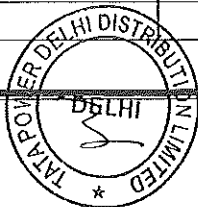
Table 3.8.1.43: Year Wise payment made against above demand

Financial Year in which payment has been made	Amount Paid (Rs Cr)
2008-09	4.00
2009-10	3.50
2011-12	3.00
Total	10.50

In addition to above payment, the Income Tax authorities have adjusted refund against the aforesaid additional demand. Year wise break-up of the same is given below

Table 3.8.1.44: Year Wise amount adjusted

Financial Year for which refund have been adjusted against additional demand	Amount Paid (Rs Cr)
2002-03	0.04
2003-04	3.99
2004-05	0.34
2005-06	5.20
2007-08	5.85
2009-10	5.20
Total	20.62



Carrying Cost

The Hon'ble Commission in its tariff order dated July, 2013 has implemented the judgment of the Hon'ble ATE to allow the carrying cost in the debt: equity ratio of 70:30. The Hon'ble Commission has allowed the return on equity in accordance with the clause 5.10 of MYT Regulation 2007.

Clause 5.10 of MYT Regulations 2007 is reproduced below:

5.10 The cost of equity for the Wheeling Business shall be considered at 14% post tax.

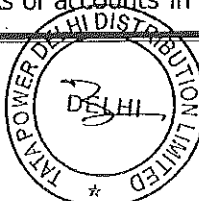
However while allowing the return on equity, the Hon'ble Commission has allowed the simple 14% return on equity whereas it should have to be considered on pretax basis.

The Hon'ble ATE in its Judgment dated 28th November, 2014 BSES vs. DERC has referred back the matter to the Hon'ble Commission and directed the Hon'ble Commission to implement this tribunal judgment reported as 2010 ELR (APTEL) 0891 in Appeal No. 153 of 2009 in letter and spirit. Relevant extract of the same is reproduced below:

"reported as 2010 ELR (APTEL) 0891 in Appeal No. 153 of 2009 related to debt/ equity ratio of 70:30 for financing of the working capital during first control period comprising of FY 2007-08 to FY 2011-12. On the 70% debt portion, the carrying cost has to be allowed at the prevalent market rate considering SBI PLR and on 30% equity portion, the rate of return on equity as specified by the Delhi Commission in the MYT Regulation, 2007 has to be allowed."

The Hon'ble Commission has considered only 14% of Return on equity for the wheeling business but failed to considered the fact that DISCOM are doing both wheeling and retail business and revenue gap is arisen from the business as a whole, therefore the petitioner has requested to the Hon'ble Commission to consider the return on equity @ 16% post tax (i.e. 14% for Wheeling business and 2% for Retail supply Business.)

Further, it is clarified that the judgment of the Hon'ble ATE was passed in FY 10-11. Though the Hon'ble Commission has implemented the said judgment in FY 13-14 but TPDDL has accounted for impact of the same in its books of accounts in FY 11-12 and has accordingly



paid the tax in that year; hence for the purpose of tax, MAT rate applicable in FY 11-12 is considered.

Based on the aforesaid submissions, while computing carrying cost, ROE is considered on pre-tax basis.

Table 3.8.1.45: Carrying cost rate based on pretax RoE

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Equity	16.00%	16.00%	16.00%	16.00%	16.00%	
B	Tax Rate	20.01%	20.01%	20.01%	20.01%	20.01%	
C	Equity (pretax)	20.00%	20.00%	20.00%	20.00%	20.00%	
D	Debt rate - SBI PLR	12.69%	12.79%	11.87%	12.26%	14.40%	Annexure A-4 in Volume II of the Petition
E	Revised Carrying Cost Rate	14.88%	14.95%	14.31%	14.58%	16.08%	(C*30%+D*70%)

Consumers Security Deposits

Considering the revised carrying cost rate as mentioned above, the Petitioner is offering differential amount in ARR towards interest on consumer security deposit. Computation of the same is given below:

Table 3.8.1.46: Revised computation of interest on Consumer Security Deposit (Rs Cr)

Sl. No.	Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Average consumer security deposit*	146.45	179.27	218.53	260.13	326.42	Table 59 of Tariff Order dated July, 2013
B	Interest Rate	14.88%	14.95%	14.31%	14.58%	16.08%	Table 3.8.1.45
C	Interest on CSD	21.80	26.81	31.27	37.93	52.49	A*B
D	Interest on CSD	15.53	20.29	22.23	27.08	39.83	as per TO, July, 13
E	Difference now (sought)/ offered	6.27	6.52	9.04	10.85	12.66	C-D

LPSC Financing Cost

Based on the Hon'ble ATE Judgment dated 28th November, 2014 BSES vs. DERC, the Petitioner is now sought the true up of working capital interest rate. It is submitted that LPSC financing cost is directly linked with the working capital interest rate and the Petitioner is seeking the true up of working capital interest rate in 70:30 Debt Equity ratio where cost of debt is considered equal to the rate now sought for true up and for 30% equity portion rate of return on equity is considered which is further grossed up for tax.

It is worth to mention that LPSC financing cost is having direct impact on AT&C overachievement incentive, hence the Petitioner has offered its share of overachievement incentive due to change in LPSC financing cost.

Computation of revised LPSC financing cost and impact on AT&C incentive is given below:

Table 3.8.1.47: Revised computation of LPSC Financing Cost (Rs Cr)

Sl. No.	Particulars	UoM	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	LPSC collected	(Rs Cr)	15.28	14.12	16.09	17.44	21.14	
B	Principal amount on which LPSC charged	(Rs Cr)	84.89	78.44	89.39	96.89	117.44	A/18%
C	LPSC financing cost approved by the Hon'ble Commission	(Rs Cr)	8.06	7.45	8.49	9.20	13.42	
D	Financing cost based on revised working capital interest rate	(Rs Cr)	11.70	10.86	11.31	13.06	17.59	B*I
E	Difference now (sought)	(Rs Cr)	(3.63)	(3.41)	(2.82)	(3.86)	(4.17)	C-D
F	corresponding share in Overachievement incentive offered back to consumer	(Rs Cr)	1.82	1.71	1.41			
Computation of Interest Rate								
G	Cost of Working Capital-70% Debt ratio	%	11.11%	11.21%	9.50%	10.68%	12.82%	Table 3.8.1.26
H	Return on Equity- 30% Equity - grossed up for tax	%	20.00%	20.00%	20.00%	20.00%	20.00%	Sl. No C of Table 3.8.1.45
I	Weighted Average Rate	%	13.78%	13.85%	12.65%	13.48%	14.97%	70%*11.11%+30%*20%

3.8.2 Impact of ATE Judgment dated 28th November, 2013 in appeal no 14/2012 TPDDL vs. DERC

A) Financing cost of Power Banking

In relation to the issue of financing cost of power banking, the Hon'ble Commission in its submission to the Hon'ble APTEL mentioned that the Banking contracts have to be revenue neutral in nature and hence if power has been bought under "banking arrangement", then the same power will be sold back by the utility with 4% extra power. This extra power that is sold at the rate at which it had bought power at the first place serves like the financing cost of the power banked. Relevant extract of the same is given below:

"3.283 With respect to the financing cost of power banking, the Commission believes that banking contracts are revenue neutral. The electricity industry follows a practice wherein in case of forward/ advance banking, the utility demands additional power @ 4% to be returned and in case of backward banking, the utility has to return 4% extra power. The Commission considers the power banked in advance by the utility as energy sale at Rs 4 per unit because if it does not consider it then it would be burdening present consumers for future consumption, which the Commission deems inappropriate. The utility will be receiving the power banked along with 4% additional power in the next year. The Commission considers total power received as power purchase @ Rs 4 per unit. This allows the utility power purchase cost on additional 4% power received by them @ Rs 4 per unit, which is equivalent to the financing cost of this banking."

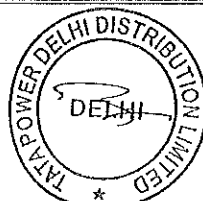
As the Petitioner has not kept the benefit of extra 4% power but offered in the ARR by reduction of power purchase cost on account of power banking hence based on the above submission, the Petitioner now seeks the financing cost of power banking as computed below subject to the Judgment of the Hon'ble Supreme Court.

Table 3.8.2.1: Computation of impact of power banking

(Rs Cr)

Particulars	Unit banked by TPDDL	Normative units @4%	Amount to be retained @ Rs 4/unit "A"	Unit banked with TPDDL	Normative units @4%	Amount to be retained @ Rs 4/unit - "B"	Difference sought / (offered)
FY 2007-08	352.48	14.10	5.64	0	0.00	0.00	5.64
FY 2008-09	435.46	17.42	6.97	0	0.00	0.00	6.97
FY 2009-10	233.18	9.33	3.73	6.86	0.27	0.11	3.62
FY 2010-11	12.76	0.51	0.20	171.44	6.86	2.74	-2.54
FY 2011-12	0.00	0.00	0.00	0	0.00	0.00	0.00
Total	1033.88	41.36	16.54	178.30	7.13	2.85	13.69

(copy of relevant documents are attached as Annexure A-5 in volume II of the Petition)



B) Computation of Revised AT&C Incentive on account of adjustment of CISF expenses against AT&C incentive

The Appellant Tribunal in its Judgment has stated that the CISF should not be reduced from AT&C over achievement which is reproduced below:

"93. This aspect has clearly established that the CISF was deployed only on the directions of the Hon'ble Supreme Court and it cannot be linked with the incentive for over achievement of loss reduction. It cannot be held, with any degree of certainty that the Appellants could over achieved only due to presence of CISF personnel. More so when the other two distribution licensees could not perform and meet the loss reduction targets in spite of presence of CISF. The issue is decided in favour of the Appellant. (Emphasis supplied)"

Based on the Hon'ble ATE direction, the Petitioner is re computing the sharing of AT&C incentive without considering the adjustment of CISF expenses against the AT&C incentive.

Table 3.8.2.2: Differential amount on account of CISF reversal now sought (Rs Cr)

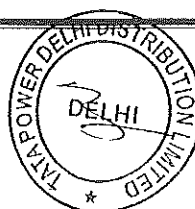
Sl. No.	Particulars	Amount FY 2011-12	Remark
A	Difference now sought	0.60	
B	CISF Expenses to be allowed as New Initiative	0.60	Aptel Judgment
C	Total amount sought	1.20	(A+B)
D	CISF expenses already allowed in ARR**	0.36	
E	Difference now sought	0.84	C-D

* In its tariff Order July 13, the Hon'ble Commission on one side reduced the amount from over-achievement and on another side, has not reduced the same from revenue available. Therefore, additional amount of Rs:0.60 Cr also sought along with the change in incentive for FY 11-12.

c) Expenses relating to Income from other business

Regulation 5.26 of MYT Regulation, 2007 specify that income from other sources to be worked out by deducting expenditure from the revenue. Based on the above regulation the Hon'ble ATE has directed to consider the net revenue (i.e. Revenue minus expenditure in relation to other Income) to be shared in 80:20 ratio. It is worth to mention that the Hon'ble ATE in its Judgment dated 28.11.2013 also relies on the aforesaid regulation. Relevant para in the said Judgment is reproduced below:

"47. Whereas the main Regulation 5.26 has used the words 'income from other businesses, 2nd Proviso to the section has used the word 'revenue from such other business. Thus, it



clear from plain wording of the Regulation 5.26 that 'income' is different from 'revenue'. Income in main regulation is the profit earned by the Appellant from other business and is equal to revenue earned from other business minus the expenditure incurred on the other business.

8. It is clear from the plain reading of Regulation 5.26 itself that income from other sources to be worked out by deducting expenditure from the revenue.

49. Accordingly the same is decided in favor of the Appellant".

3.118 Therefore it is requested that expenses incurred to generate business be allowed by The Hon'ble Commission along with additional income tax paid/payable on net revenue on post-tax basis.

In compliance of the Hon'ble ATE's direction, the Commission has directed the Petitioner to submit the audited financial statement of other business during the prudence check. The Petitioner has not submitted the same and the audited financial statement of the Petitioner do not indicate the expenses directly attributable to such other business. In absence of separate expenditure with respect to these other business, it is observed that the expenditure incurred is included in the licensed business.

The Commission therefore has not considered the claim of the Petitioner regarding the expenditure incurred on other business in the absence of audited financial statement of such other business or segmental reporting in the Petitioner's audited financial statement indicating different business verticals under different segments.

The Commission will consider these expenditure whenever audited financial statement will be made available in respect of these business without any carrying cost. If such expenditure is allowed separately then it will tantamount to double recovery of such expenditure once under normative O&M expenses of the licensed business and also as expenditure against other business.

It is submitted that the petitioner has already submitted the auditor certificate in respect of claim for FY 2011-12 (Copy of the Auditor certificate is attached as Annexure A-6 in volume II of the Petition) and further clarified that the financial statements are prepared on legal entity basis and there is no separate legal entity for other business income and in accordance with the Generally Accepted Accounting Principles in India and comply with the accounting standards prescribed by the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act and under various other status/laws. It is worth to mention that TPDDL has prepared its financial statements under these status/ laws and comply all the necessary compliance required for preparation of financial statements, hence it is not probable to provide the separate audited financial statements as required by the Hon'ble Commission.

Based on the above submission and to comply with the Judgment of the Hon'ble ATE as given in Appeal no 14 of 2012 TPDDL Vs. DERC, the petitioner again requested to the Hon'ble Commission to allow the expenses (as given in below table) related to Income from other business.

Given below is the relevant extract of Tariff order dated July, 2014 showing the y-o-y claim as sought by the Petitioner:

Tata Power Delhi Distribution Limited		Tariff Order for FY 2014-15			
Additional Amount to be allowed to Petitioner (A+C-D+E)	0.33	0.49	0.50	1.26	

d) Reversal of Efficiency factor as applied on O&M expenses for FY 2011-12

It is submitted that the Hon'ble Commission in its Judgment dated 28th November 2013 read with its earlier judgment dated 28th November, 2014 has decided the matter in favour of Discoms in relation to arbitrate fixation of efficiency factor by the Hon'ble Commission.

Relevant extract of the APTEL judgment's in Appeal 28 of 2008 on the strength of which the Hon'ble ATE decided the matter in favour of Discoms is reproduce below.



*"However, the efficiency factor has to be determined by the Commission based on licensee's filing, benchmarking, approved cost by the Commission in the past and any other factor that Commission feels appropriate. In the impugned order the Commission has determined the efficiency improvement factor as 2%, 3% and 4% for FY 2009, FY 2010 and FY-2011 respectively arbitrary without any benchmarking or any analysis and identification of area of inefficiency where the improvement is desired to be carried out. **Such efficiency factor has naturally to be determined only on the basis of material placed before the State Commission and analysis of various factors and not on ad-hoc basis as done by the State Commission.**"*

It is worth to mention that the Petitioner has always shown its efficiency by achieving AT&C loss better than the target as specified over its entire journey and passing the AT&C benefit to the consumers, therefore based on the principle laid down by the Hon'ble ATE, no efficiency factor has been proposed for FY 2011-12 by the Petitioner. Therefore the Petitioner is now sought the additional O&M expenses due to reversal of efficiency factor.

Given below is the additional amount of Rs. 9.11 Cr now sought on account of reversal of efficiency factor for FY 2011-12.

Table 3.8.2.4: Additional amount now sought on account of reversal of Efficiency factor

Particulars	Amount (Rs Cr)	Remarks
Efficiency to be considered in the year of payment- 6th pay commission arrears	0.04	Refer Tariff Order dated July, 2013
Employee Expense	7.58	
A&G expenses	1.49	
Total	9.11	

Based on the above submission for truing up of capitalization and its corresponding impact along with the Impact of ATE Judgment dated 28th November, 2013 in Appeal no 14 of 2012 the petitioner has sought additional ARR Rs 395 Cr. Given below is the component wise break up:



Table 3.8.2.5: Summary of year wise Additional ARR now sought (Rs Cr)

Sl. No.	Summary of Expenses (Sought)/offered	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Remark
A	Impact of ATE judgment						
B	Power Banking	(5.64)	(6.97)	(3.62)	2.54	-	Table 3.8.2.1
C	Reversal of CISF expenses	-				(0.84)	Table 3.8.2.2
D	Income from other sources		(0.33)	(0.49)	(0.50)	(1.26)	table 3.8.2.3
E	Efficiency factor					(9.11)	Table 3.8.2.4
F	Provision for PP				(26.32)		
G	R&M Expenses	1.30	0.96	(2.03)	(4.74)	(5.39)	Table 3.8.1.28
H	Depreciation	(0.26)	(3.57)	(8.69)	(11.41)	(14.18)	Table 3.8.1.24
I	RoCE	(19.76)	(27.85)	(36.81)	(63.35)	(98.49)	Table 3.8.1.39
J	Income Tax	(29.75)	(2.24)	(22.63)	(11.41)	(14.59)	Table 3.8.1.41
K	Consumer Security Deposit	6.27	6.52	9.04	10.85	12.66	Table 3.8.1.46
L	LPSC Financing cost	(3.64)	(3.41)	(2.82)	(3.86)	(4.17)	Table 3.8.1.47
M	Reduction in AT&C overachievement on account of LPSC financing cost	1.82	1.71	1.41			Table 3.8.1.47
N	Total	(49.66)	(35.19)	(66.64)	(108.20)	(135.36)	sum (B to M)

3.8.3. Revision sought in computation of Carrying cost

A) Provisional impact considered in Tariff Order dated July, 2013

As the Petitioner is seeking carrying cost on pretax basis, therefore the petitioner has now offering the difference between the carrying cost calculated on pretax basis vis-à-vis carrying cost considered by the Hon'ble Commission in its Tariff Order for FY 2013-14 for the revenue surplus which has been adjusted by the Hon'ble Commission at the time of determination of ARR of FY 2011-12.

Table 3.8.3.1: Revised computation of Revenue surplus trued up by the Hon'ble Commission for FY 08 to FY 11 in its Tariff Order dated July 2013 order (Rs Cr)

Sl. No.	Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	Remarks
A	Opening		3.61	35.30	158.31	
B	Additions*	3.36	28.98	110.09	46.31	
C	Interest Rates for carrying cost	14.88%	14.95%	14.31%	14.58%	Table 3.8.1.45
D	Carrying Cost during FY	0.25	2.71	12.93	26.46	
E	Closing – "B"	3.61	35.30	158.31	231.09	
F	Considered in Tariff Order dated July, 2013 – "A"*	3.54	100.73	160.85	226.31	
G	Difference to be offered (B-A)				4.78	E-F

* Table no 65 of the Tariff Order dated July, 2013, further adjustment of Rs 62.36 cr is considered for the purpose of computation of carrying cost.

B) Net Impact considered in Tariff Order dated July, 2014

The Hon'ble Commission in its Tariff Order dated July, 2014 has approved Rs 29.48 Cr on account of net impact of the past year truing up for FY 2004-05 to FY 2011-12. Details of the same are given below:

Table 3.8.3.2: Net impact computed by the Hon'ble Commission in its Tariff Order July, 2014

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
A	Opening		(10.88)	(20.98)	(30.62)	(69.69)	(93.86)	(45.80)	15.51*
B	Additions	(10.41)	(8.73)	(7.42)	(34.01)	(15.41)	54.81	2.71	11.38
C	Interest Rates	9.00%	9.00%	9.00%	10.61%	11.32%	10.17%	10.41%	12.20%
D	Interest during FY	(0.47)	(1.37)	(2.22)	(5.05)	(8.76)	(6.76)	(4.63)	2.59
E	Closing	(10.88)	(20.98)	(30.62)	(69.69)	(93.86)	(45.80)	(47.72)	29.48

* (63.23-47.72) Rs. 63.23 Crore on account of AT&C Loss incentive for FY 2011-12 has been added to opening balance of FY 2011-12.

However while computing the net impact of the truing up for FY 2004-05 to FY 2011-12, the Hon'ble Commission has not wrongly computed/adjusted

- Carrying cost for Policy Direction Period
- An amount of Rs. 63.23 Cr on account of AT&C Loss incentive for FY 2011-12 against the opening balance of FY 2011-12

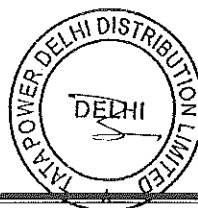
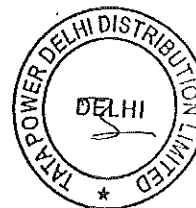


Table 3.8.3.3: Revised computation of net impact of past period trued up for FY 2004-05 to FY 2011-12
(Rs Cr)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
A	Opening		(10.41)	(20.08)	(29.30)	(70.21)	(97.27)	(52.45)	10.64
B	Additions	(10.41)	(8.73)	(7.42)	(34.01)	(15.41)	54.81	65.94*	11.38
C	Interest Rates#	9.00%	9.00%	9.00%	14.88%	14.95%	14.31%	14.58%	16.08%
D	Interest during FY	-	(0.94)	(1.81)	(6.89)	(11.65)	(10.00)	(2.84)	2.63
E	Closing	(10.41)	(20.08)	(29.30)	(70.21)	(97.27)	(52.45)	10.64	24.65

* Based on the methodology followed AT&C Incentive for FY 2010-11 of Rs 63.23 Cr. should be added as an addition in Revenue Gap for FY 2010-11

Table 3.8.1.45



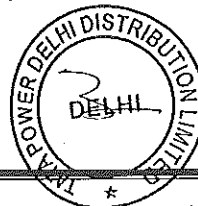
3.8.4 Capitalization for FY 2012-13 (First year of Second MYT Control Period)

The Hon'ble Commission in its previous tariff orders dated July 2013 & July 2014 has trued up the various parameters such as capitalization, AAD, working Capital and RoCE for the Period FY 07-08 to FY 12-13 on provisional basis. As submitted earlier also in the present petition, the petitioner is seeking the final truing up of Capitalization, depreciation, ROCE, Income tax, R&M based on revised GFA etc. for FY 2012-13 also. It is submitted that the while seeking the truing up, petitioner has used the methodology as adopted by the Hon'ble Commission in 1st MYT Period has been followed for capitalization; however the said approach is subject to the outcome of the various appeals filed before the Hon'ble Appellate Tribunal for Electricity/ Hon'ble High Court and the Hon'ble Supreme Court.

In its previous order dated 31st July 2013, the Hon'ble Commission had trued up the capitalization on provisional basis.

3.139 The Commission is also in the process of undertaking a true-up of the capitalization during the first MYT period from FY 2007-08 to FY 2011-12 which also involves physical verification of assets with the procurement and accounting records of the utilities. While the final true-up on this basis will be possible only after the exercise of physical verification is completed, the Commission has observed the audited accounts of the utilities indicate a significantly lower level of capitalization than the anticipated capitalization considered in the tariff orders passed by the Commission for the first MYT for FY 2007-08 to FY 2011-12.

*3.140 Pending completion of the physical verification of assets and final true-up of capitalization on that basis, the Commission proposes to adopt the details of year-wise capitalization as per audited accounts for undertaking a provisional true-up in respect of the distribution companies. This will result in reduction in the provision for depreciation and return on capital employed on account of the lower level of the capitalization actually undertaken by these utilities during the above MYT period as reflected in their audited accounts. **This would, however, be subject to the final figures of capitalization based on the final outcome of the ongoing physical verification of assets.***



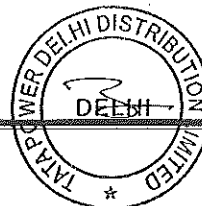
In the petition for True up of RoCE for the 1st MYT Control period (FY 07-08 to FY 11-12) & True up of FY 12-13 & ARR for FY 14-15, TPDDL had requested the Hon'ble Commission that the physical verification exercise as conducted by the Hon'ble Commission would have been over; therefore the Petitioner is requested to the Hon'ble Commission for true up the capitalization. However, the Hon'ble Commission had proceeded based on the provisional true up of FY 07-08 to FY 2011-12 on the ground that the asset verification of the petitioner for Capitalization is under progress. Further, the Hon'ble Commission provisionally approved the capitalization for FY 2012-13 at Rs 200.88 Cr, which is lower of the projected capitalization in its MYT Order dated July 13, 2012 and the audited financial statement for FY 2012-13. Relevant extract from the Tariff Order, July 2014 is reproduced below:

3.236 The asset verification of the Petitioner for capitalization during FY 2006-07 to FY 2011-12 is under progress. The Commission has approved capitalization for FY 2012-13 at Rs.200.88 Crore in its MYT Order dated July 13, 2012. However, pending physical verification of the fixed assets of the Petitioner, the Commission has provisionally considered the capitalization of Rs.200.88 Crore, which is lower of the projected capitalization in MYT Order dated July 13, 2012 and the audited financial statement of the Petitioner for FY 2012-13.

3.239 The Commission has considered closing GFA at Rs.3627.21 Crore for FY 2011-12 in the Tariff order dated July 31, 2013. Accordingly, the Commission considers the same as opening GFA as on 1st April 2012 and capitalization of CWIP of Rs.200.88 Crore considered in the preceding paragraph and arrived at the closing GFA value for FY 2012-13 as detailed in the Table below:

Table 3.8.4.1: Gross Fixed Assets FY 2012-13 (Rs Cr)

Sl. No.	Particulars capitalization	Now approved	Remarks
A	Opening GFA (as per Tariff order dated July 31, 2013)	3627.21	
B	Capitalization during the year	200.88	Para 3.237
C	Closing GFA	3828.09	A+B
D	Average GFA	3727.65	(A+C)/2



In respect of capitalization for each year MYT Regulations, 2011 states that

4.17 The Commission shall review actual capital expenditure incurred and capitalization at the end of each year of the Control Period vis-à-vis the approved capital expenditure and capitalization schedule. Based on trued up capital expenditure and capitalization, the Commission shall true up Return on Capital Employed (RoCE) and depreciation while truing up for any year of the Control Period. The Commission may also revise the capital expenditure and capitalization for remaining years of the Control Period based on trued up capital expenditure and capitalization for any year.

Further 4.21(b)(ii) of MYT Regulations, 2011 provided that Depreciation and Return on Capital Employed shall be trued up every year based on the actual capital expenditure and actual capitalization vis-à-vis capital investment plan (capital expenditure and capitalization) approved by the Commission:

It is submitted that the physical verification is a prolong process and may require significant time to complete and during such period the distribution licensee cannot be put to such difficult position where it will not be able to service the debt taken for capitalization or recover its guaranteed RoCE under the existing regulatory framework. The delay caused in timely true up of the capitalization of assets due to pending physical verification has a severe effect on the cash flow of the company, thereby making it difficult for the Appellant to operate on a commercially viable manner.

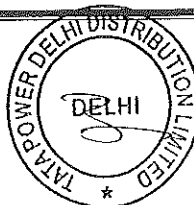
In accordance with the MYT Regulations, 2011 the Petitioner has now sought the true up of capitalization based on EI certificate received during the year.

Capitalizations based on EI Certificate

The actual Capitalization of fixed assets (Distribution business) as per books of accounts for FY 2012-13 is as follows:

Table 3.8.4.2: Detail of Actual Capitalization (Rs Cr)

Sl. No.	Particulars	FY 12-13	Remark
A	capitalization as per Audited Accounts	349.80	
B	Less- Generation Capitalization	1.25	
C	Distribution Capitalization	348.55	A-B
D	Intra unit Transfer	8.72	
E	Total	357.28	C+D



For the purpose of capitalization given below is the summary showing the year wise amount of EI certificate received during FY 2012-13.

Table 3.8.4.3: Detail of EI Certificate (Rs Cr)

Year of capitalization	Opening Pending EI certificates (Table no 3.8.1.12)	Total Capitalization/ Opening O/S EI certificates	EI certificate not required - D	FY 12-13	Pending
FY 05-06	8.35			0.22	8.13
FY 06-07	16.29			0.00	16.29
FY 07-08	12.89			0.06	12.83
Capitalization Prior to 01.04.2007 - "A"	37.53			0.28	37.25
FY 08-09	15.07			0.07	15.00
FY 09-10	12.74			1.26	11.48
FY 10-11	5.96			2.09	3.87
FY 11-12	44.88			15.59	29.29
Capitalization 1st MYT Period - "B"	78.65			19.02	59.63
FY 12-13 - "C"		357.28	235.45	61.46	60.37
Total Capitalization (A+B+C+D)				316.21	

Based on the receipt of EI certificate for capitalization the Petitioner has considered Rs 316.21 Cr towards the capitalization. The summary of Gross Fixed Assets for FY 2012-13 is works out as follows:

Table 3.8.4.4: Gross Fixed Assets for FY 2012-13 (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought**	**Remark
A	Opening Balance	3627.21	3,883.07	Table 3.8.1.14
B1	Capitalization out of CWIP prior to 01.04.2007		0.28	Table 3.8.4.3
B2	Capitalization out of CWIP after to 01.04.2007		315.93	Table 3.8.4.3
B	Total Capitalization during the year	200.88	316.21	Table 3.8.4.3
C	Deletion during the year**			
D	Closing Balance	3828.09	4,199.28	(A+B-C)
E	Average Fixed Assets	3727.65	4,041.18	(A+D)/2

* figures are as per table no 3.64 of Tariff Order for FY 2014-15.

** pending the final true up of capitalization, no retirement has been considered



Financing of capitalization

The Hon'ble Commission in its MYT Regulation, 2011 has allowed the net financing of capitalization based on Debt: Equity ratio of 70:30.

Based on the same financing required for net capitalization for FY12-13 works out as follows:

Table 3.8.4.5: Financing of Capitalization (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought**	**Remark
A	Total Capitalization	200.88	315.93	Table 3.8.4.4
B	Consumer Contribution	46.62	48.12	Table 3.8.4.6
C	Balance Capitalization	154.26	267.80	A-B
D	Loan – 70 %	107.98	187.46	70% of C
E	Equity – 30%	46.28	80.34	30% of C

*Tariff Order for FY 2014-15

** The Total capitalization of Rs. 315.93 cr is exclusive of Rs 0.28 Cr for which financing has already been allowed in Policy direction period; hence the same is not considered for financing.

Consumer Contribution/Grant

MYT Regulation stipulated that for the purpose of computation of Regulated Rate Base, consumer contribution corresponding to the amount of assets capitalized has to be deducted.

As the capitalization has been considered based on EI certificate received, therefore the corresponding consumer contribution based on EI certificate received has been computed. Further capitalization of consumer contribution has been broken into two parts for the purpose of computation of financing, as the Hon'ble Commission has already used consumer contribution as a means of finance on receipt basis in policy direction period towards financing of capital expenditure incurred till FY 2006-07.

Breakup of the same for the purpose of financing of capitalization is given below:

1. Received prior to 01.04.07
2. Received after 01.04.2007

Based on the above, the consumer contribution works out as follows:



Table 3.8.4.6: Consumer Contribution for FY 2012-13
(Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought**	**Remark
A	Opening Balance	325.25	389.14	Table 3.8.1.18
B	Capitalized out of Opening till 31.03.07		0.25	
C	Capitalized out of Consumer Contribution received after 01.04.07		48.12	
D	Addition during the year	46.62	48.37	(B+C)
E	Closing Balance	371.87	437.51	(A+D)
F	Average Consumer Contribution	348.56	413.33	(A+E)/2

* figures are as per table no 3.68 of Tariff Order for FY 2014-15.

It is submitted that against the capitalization consumer contribution of Rs 48.37 Cr., the Hon'ble Commission has considered an amount of Rs 46.62 Cr. based on the audited financial statement for FY 2012-13.

TPDDL would like to highlight that the Hon'ble Commission has considered an amount of Rs.200.88 Cr for assets capitalized for FY 12-13 on a provisional basis based on figures approved in the MYT Order where Rs 29.40 Cr was the amount approved by the Hon'ble Commission as the addition to Consumer Contribution for FY 12-13. It is submitted that the Commission has used two different methods wherein the capitalization figure has been considered as the figure approved in MYT order and Consumer Contribution on actuals as per audited financial statements.

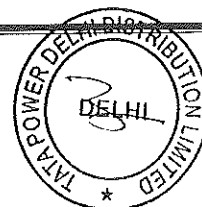
It is submitted that since the Hon'ble Commission is considering capitalization etc. based on EI certificates, therefore, the Commission should have also considered Consumer Contribution corresponding to capitalization as per EI Certificates by following a uniform approach.

Depreciation (net of consumer contribution)

As per MYT Regulations,

"Depreciation shall not be allowed on assets funded by any capital subsidy / grant."

Based on the above, the petitioner has been seeking the depreciation on net fixed assets i.e. Gross Addition – Consumer Contribution/capital subsidy/grant. For the purpose of



computation of final depreciation to be claimed as a part of Annual Revenue Requirement, first depreciation is computed on Gross Block of Assets and average depreciation rate is worked out which is applied on Fixed assets (net of consumer contribution).

Table 3.8.4.7: Depreciation on Gross Fixed Assets for FY 2012-13 (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought**	**Remark
A	Average of Gross Fixed Assets	4122.63	4,041.18	Table 3.8.4.4
B	Depreciation	150.30	156.83	Form F2a
C	Average Depreciation Rate	3.645%	3.88%	B/A*100

* figures are as per table no 3.73 of Tariff Order for FY 2014-15.

It is submitted that against the average depreciation rate of 3.88% which has worked out as per MYT Regulation, 2011, the Hon'ble Commission has considered average depreciation rate of 3.645% based on the audited financial statement for FY 2012-13. Since the Hon'ble Commission is considering capitalization etc. based on EI certificates, therefore, the Commission should have also considered rate of depreciation based on depreciation corresponding to amount of capitalization as per EI Certificates by following a uniform approach.

Considering the above depreciation rate, computation of Depreciation on Average Assets (net of consumer contribution/grants) is given below:

Table 3.8.4.8: Depreciation on Net Fixed Assets for FY 2012-13 (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought**	**Remark
		(1)	(2)	
A	Opening Assets (Net of Consumer Contribution)		3,493.93	(Table 3.8.4.4) – (Table 3.8.4.6)
B	Closing Assets (Net of Consumer Contribution)		3,761.77	(Table 3.8.4.4) – (Table 3.8.4.6)
C	Average Assets	3379.09	3,627.85	(A+B)/2
D	Average Depreciation Rate	3.645%	3.88%	Table 3.8.4.7
E	Depreciation (Net of Consumer Contribution)	123.17	140.79	C*D
F	Difference to be sought in this Petition		17.62	(2)-(1)

* figures are as per Table 3.74 of Tariff Order for FY 2014-15

It is submitted that against the net depreciation of Rs. 140.79, the Hon'ble Commission has considered net depreciation of Rs 123.17 Cr. based on the average depreciation rate of audited financial statement for FY 2012-13.

Table 3.8.4.9: Cumulative Depreciation on Fixed assets for FY 2012-13 (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought	Remark
A	Opening Balance	1223.71	1,261.17	Table 3.8.1.22
B	Addition during the year	123.17	140.79	Table 3.8.4.8
C	Closing Balance	1346.88	1,401.96	(A+B)

* figures are as per Table 3.75 of Tariff Order for FY 2014-15

Table 3.8.4.10: Utilization of depreciation (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought	Remark
A	Depreciation	123.17	140.79	Table 3.8.4.8
B	Utilized for Debt repayment	123.17	140.79	

* figures are as per Table 3.76 of Tariff Order for FY 2014-15

Advance Against Depreciation (AAD)

The Hon'ble Commission specify that AAD is dependent on the loans and depreciation and since both these parameters are subject to True-Up at the end of the respective year of the Control Period, hence the AAD has to be trued up at the end of the respective year of the Control Period.

Based on the above, revised computation of AAD is given below:

Table 3.8.4.11: Advance Against Depreciation for FY 2012-13* (Rs Cr)

Sl. No.	Particulars	Now sought	Remark
A	1/10th of Loan - A	219.86	
B	Repayment of the Loan(s) as considered for working out Interest on Loan - B	184.57	Form F3b
C	Minimum of A and B	184.57	
D	Less: Depreciation routed during the year for repayment of loans	140.79	Table 3.8.4.8
E	Excess of Min (A,B) over Depreciation	43.79	
F	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan (C)	906.71	
G	Less: Total Cumulative Depreciation	1,401.96	Table 3.8.4.9
H	Depreciation Considered for Capex & WC in Previous years	378.34	
I	Cumulative Depreciation considered for AAD (D)	1,023.64	
J	Excess of (C) over (D) D ¹	(116.93)	
K	Advance Against Depreciation (Minimum of C & D)	-	

*subject to the outcome of appeal pending with the Hon'ble Supreme Court

The aforesaid issue has already been challenged in the Hon'ble Supreme Court, till the outcome of decision on the same, the Petitioner has proposed the above computation of advance against depreciation.

Revision in AT&C Trajectory based on revision in AT&C Target for FY 2011-12

The Hon'ble ATE in its Appeal no 14 of 2012 has directed the Hon'ble Commission to adopt a methodology either on normative basis or on actual basis for fixation of various controllable parameters. The relevant extract of the same is as below

*"This approach taken by the Delhi Commission is not correct. **It should have adopted either the normative AT&C losses trajectory or O&M expenditure as per 2007 MYT Regulations or actual.** The Delhi Commission cannot adopt a method under which the Appellant is at loss under all the circumstances. Accordingly, this issue is decided in favour of the Appellant."*

In compliance to the Judgment of the Hon'ble ATE in Appeal no. 14 of 2012, the Hon'ble Commission in its Tariff Order dated July 2014 has taken of the view that **the AT&C Loss target is now revised on normative basis at 15.325%, instead of revising the O&M expenditure on actual basis as claimed by the Petitioner.**

It is further clarified that while setting the AT&C loss trajectory for second control period (i.e. for FY 2012-13 to FY 2014-15) in its second MYT order dated July 2012, the Hon'ble Commission has taken the base year AT&C loss target of 13% which has to be further reduced by 1.50% over the next MYT control period (i.e. 0.50% reduction for each year of the second control period)

Table 3.8.4.12: Given below is the approved AT&C loss trajectory as per Tariff order 2012

Sl. No.	Particulars	FY 11-12	FY 12-13	FY 13-14	FY 14-15	Remark
A	Base year AT&C Target		13.00%	12.50%	12.00%	
B	Approved reduction in y-o-y AT&C loss over the previous year AT&C loss		0.50%	0.50%	0.50%	
C	Approved AT&C Target	13.00%	12.50%	12.00%	11.50%	A-B

It is submitted that while computing the AT&C overachievement incentive for FY 2012-13 in its Tariff order dated July, 2014, the Hon'ble Commission has not given the subsequent impact of such revision in AT&C loss trajectory for next control period and computed the AT&C overachievement incentive (i.e. additional return on equity) as given below:

Table 3.8.4.13: Approved additional return on equity as per Tariff Order July 2014

Sl. No.	Particulars	Approved for FY 12-13(%)
A	Target AT&C loss level for ith year (Xi)	12.50
B	Actual AT&C Loss level for ith year (Yi)	10.73
C	Target AT&C loss level for (i-1)th year (Xi-1)	15.325
D	Additional Return on Equity (%)	0.63

Now due to revision in Base year AT&C target for FY 2011-12 i.e. from 13% to 15.325% by the Hon'ble Commission, the AT&C loss trajectory for second control period should also be revised, as the y-o-y AT&C loss targets has to be reduced from the previous year AT&C loss target. The revised AT&C trajectory as now sought is given below:

Table 3.8.4.14: Revised AT&C loss reduction trajectory due to revision in base year AT&C loss

Sl. No.	Particulars	FY 11-12	FY 12-13	FY 13-14	FY 14-15	Remark
A	Revised Base year AT&C Target		15.325%	14.825%	14.325%	
B	Approved reduction in y-o-y AT&C loss over the previous year AT&C loss		0.50%	0.50%	0.50%	
C	Revised AT&C Target should be	15.325%	14.825%	14.325%	13.825%	A-B

Based on the above submission, revised AT&C overachievement incentive is now sought in the form of additional return on equity. Computation of the same is given below

Table 3.8.4.15: Revised additional Return on Equity now sought

Sl. No.	Particulars	Approved for FY 12-13 (%)
A	Revised Target AT&C loss level for ith year (Xi) -	14.825
B	Actual AT&C Loss level for ith year (Yi)	10.73
C	Target AT&C loss level for (i-1)th year (Xi-1)	15.325
D	Additional Return on Equity (%) - now sought	8.19

Disallowance of Power Purchase Provision of Rs. 27.40 Cr

The Hon'ble Commission while allowing the power purchase cost for FY 2012-13 has disallowed an amount of Rs 27.40 Cr towards the provision for Power Purchase.

The Petitioner wants to clarify that the approach of the Learned Commission is erroneous in as much as the provision made for the expected bills for the month of March of a financial year forms part of the expenses incurred towards power procurement for such financial year. Since the Petitioner is entitled to recover the entire power procurement cost for a tariff year, the same being uncontrollable in nature, the expenses incurred in that regard in

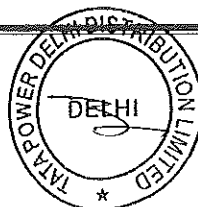
a particular financial year have to be trued up along with truing up of other expenses pertaining to such financial year. The provision made for the expected bills of March, 2013 have no bearing with the power procurement cost for FY 13-14 and hence cannot form part of the truing up exercise for FY 13-14. It is submitted that having regard to the principles of determination of tariff which allows the ARR of the distribution licensee for its expenses in a particular year against the revenue earned from the sale of electricity, the non-allowance of the provisions for power purchase cost for the month of March in a particular year, will distort the expenses for the year and will not allow the Petitioner to book his entire expenses for power purchase for the year. This will not be consistent with the principles of tariff determination as envisaged in the MYT Regulations.

As the Hon'ble Commission has not finally trued up FY 2012-13, therefore in line with above submission the provision for power purchase cost is now sought for the respective year for which it has been created.

It is also submitted that the above methodology is also inconsistent with the approach of allowing power purchase cost up to FY 09-10. Further it is submitted that if the provision for power purchased during March of any particular year is considered as part of next year's ARR, it allows only six months carrying cost though the bills of provision for March are not spread equally for payment during next year. The above approach is also inconsistent to the extent that whenever there was a negative provision for power purchase cost in earlier years, the Hon'ble Commission has never grossed up the same and increased the power purchase cost of that year.

O&M Expenses

That the petitioner in Appeal No. 14 of 2014 had challenged non allowance of O&M cost of for FY 2011-12 on the basis of actual O&M cost but fixation of AT&C loss trajectory based on likely actual AT&C loss level achieved in FY 2010-11 before this Hon'ble Tribunal. This Hon'ble Tribunal dated 28.11.2013 in Appeal No.14 of 2012 held that the approach adopted by the Commission in determining AT&C loss levels on actual basis and O&M on normative basis as incorrect. The Learned Commission in the impugned order re-determined the AT&C loss target for year 2011-12 at 15.325% instead of 13% that was allowed in the tariff order



dated 26.08.2011. The relevant extract of the impugned order are reproduced herein below:

"3.143 The Hon'ble ATE has directed in the Appeal no 14 of 2012 and the relevant extract is as below

"This approach taken by the Delhi Commission is not correct. It should have adopted either the normative AT&C losses trajectory or O&M expenditure as per 2007 MYT Regulations or actual. The Delhi Commission cannot adopt a method under which the Appellant is at loss under all the circumstances. Accordingly, this issue is decided in favour of the Appellant."

The Hon'ble Commission in compliance of the Hon'ble ATE order has taken the view as under in tariff order of July 2014 vide para no 3.144 reproduced below:

3.144 In compliance to the Judgment of Hon'ble ATE in Appeal no. 14 of 2012, the Commission is of the view that the principles adopted in the MYT Distribution Regulations, 2007 shall be extended to the FY 2011-12. The Commission has determined the O&M expenses for FY 2011-12 as per principle adopted in MYT Regulations, 2007 on normative basis whereas, AT&C loss targets has been fixed at 13.00% after considering the actual AT&C Loss achievement. In line with the direction of Hon'ble ATE and MYT Regulations, the AT&C Loss target is now revised on normative basis at 15.325%, instead of revising the O&M expenditure on actual basis as claimed by the Petitioner. Since, the MYT Regulations specify that O&M expenditure shall not be trued up and surplus/deficit shall be to the account of Petitioner.

However, the Learned Commission while re-determining the AT&C loss for year 2011-12 failed to consider that that AT&C loss trajectory for the present control period (2012-13 to 2014-15) was supposed to be determined from the revised target of FY 11-12 i.e. 15.32% and not from the original target of 13%.

By doing so the Hon'ble Commission has unilaterally determined the AT&C loss reduction target for next MYT (FY 2012-13 to FY 2014-15) by taking the original base figure in the MYT Order in which AT&C loss target for the previous year 2011-12 was fixed at 13%.

It is submitted that since the Hon'ble Commission has fixed the target for current MYT period from the actual AT&C loss reduction target of FY 11-12 which has already been achieved then correspondingly O&M expenses for current MYT period should also have been fixed based on actual O&M expenses of FY 11-12.

It is submitted that the TPDDL has already incurred O&M expenses in FY 11-12 to achieve the original target of 13% and now to sustain the same and for further reduction O&M expenses of FY 11-12 are required to be taken as base year and be further increased by inflation and other parameters.

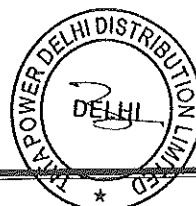
It is respectfully submitted that, in order to achieve and maintain the AT&C loss levels that have already been achieved by the petitioner, it would be necessary for the respondent Commission to consider the actual O&M costs incurred by the petitioner for this purpose. However this has not been done.

Further TPDDL has been regularly requesting the Hon'ble Commission to modify the norms for allowance of O&M expenses so as to meet the actuals costs required to provide/maintain better service to the consumers. It is also pertinent to mention that the revised expenses for FY 2011-12 should be considered by the Hon'ble Commission while considering the base cost for Discoms for FY 12-13.

Based on the above the Petitioner has recomputed the O&M Expenses based on the O&M expenses of FY 2011-12. The revised computation of O&M expenses is given below;

a) Employee Expenses

Further in light of the above submission, it is submitted that In the Distribution Tariff regulations issued in December 2011, extended for FY 15-16 the Hon'ble Commission has approved the basis of Employee cost as inflation (INDEX) over the base cost ($EMP_n - 1 * INDEX$). INDEX has been defined as average of CPI/WPI of previous 5 years which is further reduced by efficiency factor so as not to allow even inflation factor.

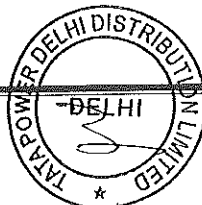


The proposed methodology of allowance of Employees expenses based on the formula of $EMPn-1 \times INDX$ only addresses the increase required in employees cost due to inflation reduced further by efficiency factor but fails to address the increase required for following :

- a) There are two structures of employees with the Licensee TPDDL i.e.
- i) FRSR Structure – comprising of the employees who were transferred from erstwhile Delhi Vidyut Board and whose terms of service are governed by FRSR Rules (Govt. Rules) and their service conditions are protected by the Tri-partite agreement in pursuance to the Transfer Scheme. Any increase in the salary of FRSR employees is uncontrollable in the hands of licensee.

Thus the FRSR structure salary should be kept out of the above employee expenses indexation formula which provides for escalation and should be additionally allowed on actuals basis since it is uncontrollable in the hands of DISCOMs.

- ii) Non-FRSR Structure – The proposed formula of allowance in increase in the salary of Non-FRSR structure employees does not addresses the increase required for the factors beyond average inflation like current inflation, career growth/promotions, increase required in proportion to increase in electricity demand growth , increasing social commitments. These factors have been deliberated in detail in the relevant portion of Non-FRSR employees salary cost.
- a) Current Inflation formula which is a combination of CPI and WPI is not appropriate and only CPI should be used for inflation index for manpower costs as individuals (i.e. employees) are affected by changes in CPI and Wholesale Price is irrelevant for household consumers. Further, annual salary increments have to be allowed exceeding the inflation numbers, to allow for a real increase based on performance of employees to keep them motivated. Hence, it is imperative that the allowance of employee expense should also have a factor for such increase.
- b) TPDDL has reduced AT&C loss level below 11% as on 31.03.2014 and has reached a stage where further reduction in AT&C loss and sustaining the same is possible only with help of skilled and talented manpower. The infusion of such



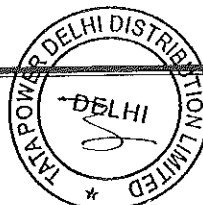
talented and skilled manpower is possible only at competitive salary levels, which should be allowed to licensee.

- c) The proposed formula does not factor any increase necessitated due to increase in units handled which has been possible by allowing industry comparable increments against better employee engagement level, better efficiency, etc.
- d) Replacement of manpower against retirement/resignation is available in market at salaries 20-30 higher than the last drawn salary of the retiree/resignee.

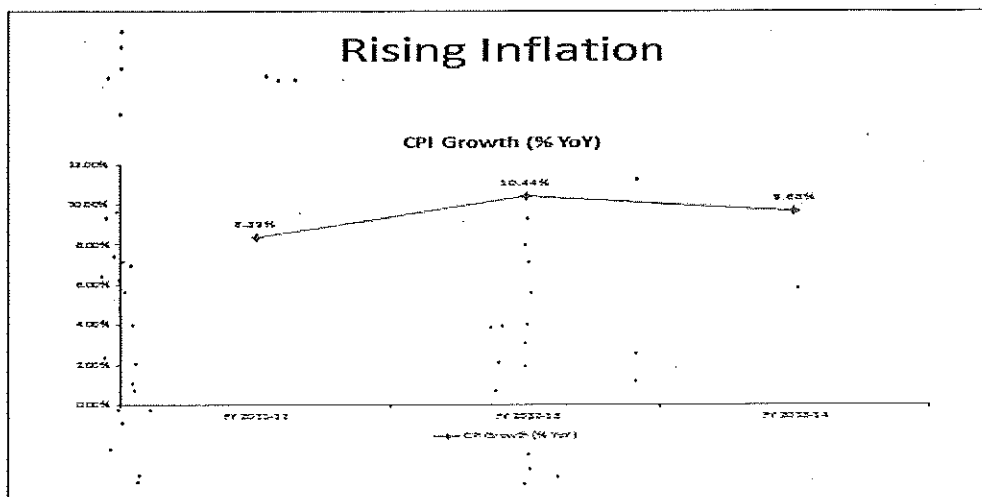
Further the Hon'ble Commission while arriving at the value of indices for 'n' th year according to previous MYT Regulation, had taken the period for average indexation which was presumed to be static and not on rolling basis. The interpretation of 'n' is imperative. 'n' in Regulation 5.4(a) represents first year of the Control Period i.e., Financial Year 2012-13 and 'n-1' represents the year preceding 'n' year i.e. Financial Year 2011-12. Indexation for the year 'n', i.e., Financial Year 2012-13 (first year of the Control Period) is not constant for future years of the Control Period and shall change each successive year. In Financial Year 2013-14, 'n' would be Financial Year 2013-14 and 'n-1' would be 2012-13 and not Financial Year 2011-12. It is reiterated that 'n' represents the relevant year of the Control Period and not the entire Control Period which means that the expenses to be computed would be applicable for a relevant year only and not for the succeeding years i.e. 'n' is not constant.

Therefore as stated above, indexation is required to be done on rolling basis and not on static basis because that is the whole purpose of allowing the increase close to actual inflation on formula based in absence of actual numbers. This proposed approach is also in line with National tariff policy though in the current petition, TPDDL has worked the revised O&M expenses based on the inflation factored by the Hon'ble Commission it is 2nd MYT order.

Accordingly, in light of the APTEL judgement in appeal no 14 and above submissions, for computation of employees expenses for FY 12-13 to FY 15-16 actual employees expenses of FY 11-12 being the base year has been considered.



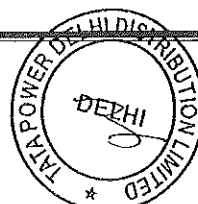
It is submitted that the Hon'ble Commission has allowed 8% inflation on the base expenses which has been further reduced by efficiency factor thereby allowing only 6%, 5% and 4% increase in O&M expenses for FY 12-13, 13-14 and 14-15 respectively as against 9.05% and 7.99% actual increase in inflation during FY 12-13 and FY 13-14 respectively. It can be observed that the increase allowed by the Hon'ble Commission is not even close to actual inflation irrespective of the fact that increase is also required beyond the factor of inflation as enumerated above in the paragraph.

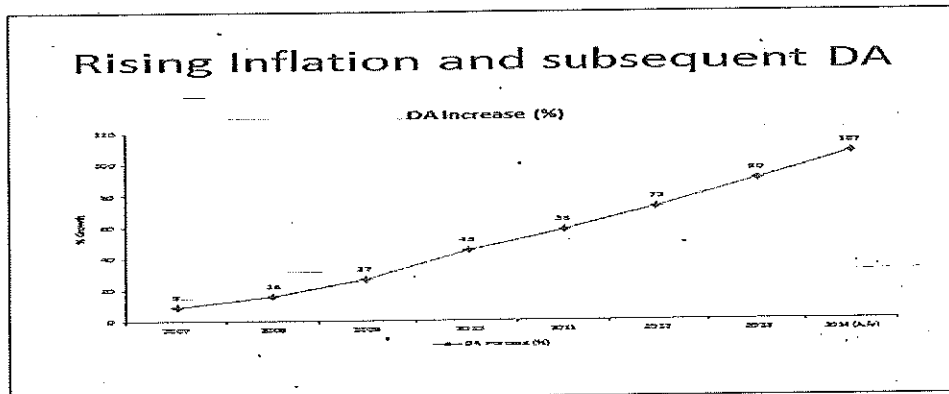


a) FRSR structure employees

It is submitted that as against the increase allowed in employees cost, given here under is the rise in salary of FRSR Salary Structure, which totally uncontrollable in the hands of petitioner.

Increase in DA in July 2011	7 (From 51% to 58%)
Increase in DA in Jan 2012	7 (From 58% to 65%)
Increase in DA in July 2012	7 (From 65% to 72%)
Increase in DA in Jan 2013	8 (From 72% to 80%)
Increase in DA in July 2013	10 (From 80% to 90%)
Increase in DA in Jan 2014	10 (From 90% to 100%)
Increase in DA in July 2014	7 (From 100% to 107%)





Further promotions impact of 1.5% is considered during the year.

Retirement of FRSR employees is considered based on retirement age i.e. 60 years. The retiring employees are replaced with employees under new pay structure.

No increase in rate of Uniform Allowance of Rs 4,600/ per employee is estimated.

No increase in rate of Ex-gratia of Rs 3,467/ per employee is estimated.

The increment considered for FRSR Structure employee for FY 12-13 is considered based on above assumptions works out as follows:

On an average a FRSR structure employee having basic salary of Rs. 100 & total salary of Rs 337.66 in 2011-12 becomes Rs. 368 in FY 12.13 and Rs. 443 in FY 14-15 showing an overall increase in the salary in the range of 10% as against increase allowed by the Hon'ble Commission in the range of 4% to 6% with further reduction by efficiency factor, the breakup of same comes as follows:.. It is evident that if the increase in salary is grossly insufficient for FRSR structure employees, it leaves no increase in salary to CTC structure employee.

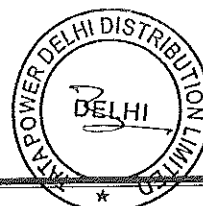


Table 3.8.4.16: Impact of increase in Dearness Allowance & increment & Promotions

FRSR Salary	FY 11-12 (Actual)	FY 12-13	FY 13-14	FY 14-15
Basic Salary	100	103.72	107.55	111.49
Grade Pay	24.02	23.90	23.78	23.66
DA	71.93	92.21	118.20	144.61
HRA	37.21	38.29	39.40	40.55
Pension	22.32	22.97	23.64	24.33
Leave Salary	6.20	6.38	6.57	6.76
TPA	11.16	11.49	11.82	12.16
DA on TPA	6.47	8.30	10.64	13.02
Other Allowance/Costs	58.34	60.97	63.71	66.58
Total Cost	337.66	368.22	405.30	443.15

(B) Salary of employees covered under Non-FRSR Structure

Annual Increment

The formula adopted by the Hon'ble Commission for increase in salary in its current MYT Regulation is grossly inadequate as the same does not address realities of the business and current scenarios prevailing in the market:

- The Hon'ble Commission has prescribed increase in employee's salary based on 5 yrs. average increase in CPI/WPI which is not the true reflection of current increase in inflation. Inflation is a rate at which the general level of prices for goods and services is rising, and as a consequence purchasing power is on decline. An average of 5 years may not be true reflection of the current rate of inflation, as inflation has been consistently high in recent few years. While for FRSR structure employees and Govt servants are covered thru a DA mechanism, it is compensated as a component of increment in case of others especially the CTC structure employees.
- Current Inflation rate is not the sole and true reflection of a dynamic and liberal economy as it covers only certain basic items of necessities as the basis in arriving at such index, and does not recognize or provide for the rise in living standards of common man/employees as well as factors such as increase in the

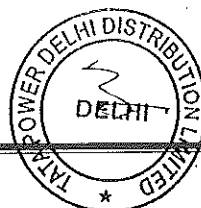
employee costs due to hike allowed in 6th pay Commission, increase due to career growth and increasing personal and social liabilities and obligations.

- c) Increments are required to cover not only the inflation but also some increase to award the performance of an employee and to keep them motivated. If only inflation factor is covered in inflation that would mean that real salary of an employee would be stagnant. In addition, for promotions cases some hike in salary is also required to be given.
- d) TPDDL has reduced AT&C loss level below 11% as on 31.03.2014 and has reached a stage where further reduction in AT&C loss and sustaining the same is a big challenge along with increasing expectations of consumers and working of Discoms under stringent performance standard.

Further it is submitted that as the tariff is moving upward due to increase in uncontrollable power purchase cost, there are likely chances of an increase in theft of electricity and to curb the same, high level of vigilant efforts would be required not only to sustain the achieved levels of AT&C loss but also to further reduce the same in line with targets set.

Achieving these challenges is possible only with ensuring that skilled and talented manpower is available with TPDDL. The infusion of such talented and skilled manpower is possible only at salary levels higher than generally prevailing in the market.

- e) Replacement against retirement/resignation is available in market at least 20-30% higher than the last drawn salary of retiree/resignee.
- f) Power sector is a specialised/technical sector for which efficient and trained manpower is generally not available in the market as is available for other businesses; hence poaching manpower from the same sector/ industry entails higher costs.



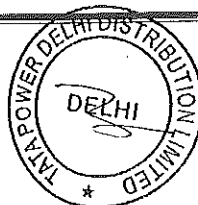
- g) The Hon'ble Commission in its MYT Regulation has allowed prescribed increase in salary based on 5 yrs. average CPI/WPI but subject to a reduction due to implementation of efficiency factor. The actual effective increase in salary after reduction by efficiency factor remains completely inadequate even to give mandatory hike in salary to FRSR Structure employees and leaves NIL for Non FRSR employees. The Hon'ble Commission may observe that at gross level there has been an actual increase of approximately 10% year on year in the salary of FRSR Structure employee. While the increase in salary of FRSR structure has been more than 10% p.a. (over and above the 6th Pay Commission), in such a scenario allowing increase in salary based on 5 yrs. average CPI/WPI with further reduction by efficiency factor would be insufficient and is devoid of the harsh reality that with such minimal increase, no efficient manpower would be available for deployment in a regulated business where stringent AT&C loss reduction and performance standards need to be consistently achieved .

As mentioned above that TPDDL has already reduced AT&C loss level below 11% as on 31.03.2014 and has reached at a stage where further reduction in AT&C loss and sustaining the same is possible only when skilled and talented manpower is available with TPDDL. Apart from this, keeping factors in mind like replacement is available at 20%-30% more salary than existing salary, specialised manpower required for power sector etc., average y-o-y increment of 5% over and above inflation (net of Efficiency factor) is considered.

Career Growth/ Promotions:

In any of the organisation, the growth of the employees is necessary as it is directly link to the increasing knowledge and experience of the employee. As the knowledge and experience of an employee increases with the passes of tenure in any organisation, there is corresponding commitment/growth expectation also increases in personal/ social life and to match the same career progression/ promotions are necessary for employees.

Apart from above career progression is also necessary for any of the organisation for succession planning.



Promotion as entry level or junior level are given little faster than middle/higher management employees as opportunities in market are plenty at junior levels and the aspirations of young professionals are generally high and in absence of a career progression path it is difficult to stop them from jumping the jobs. To retain employees every organisation has to incur costs in the form of recruitment costs, and functional and non-functional trainings etc.

It is submitted that in TPDDL promotions are given in every 3rd year on an average basis. Though on promotion TPDDL allows higher percentage on promotions but keeping in mind efficiency, promotions at higher level are given after a period of more than 3 years. Keeping in mind all above factors TPDDL has considered only 3% increment in every third year beginning from FY 12-13. For example if the first increment has been considered in FY 12-13, the next increment has been projected in FY 15-16.

Minimum Wages Act

Under 'The Minimum Wages Act, 1948', there had been very steep increases resulting in higher compensation at the junior most level. The table given below indicates an increase of up to 34.25% in case of Graduate and 33.89% and 34.43% in case of Semi-skilled and skilled workers respectively. This increase in Minimum Wages Act has forced to increase the salary at junior level of which cascading effect was required to be given.

Table 3.8.4.17: Revision under "The Minimum Wages Act, 1948" since 2011

Minimum Rates w.e.f:	Un-skilled	Semi-Skilled	Skilled	Clerical and Non-technical and Supervisory Staff		
				Non matriculates	Matriculates	Graduate
1-4-2011 along with VDA	6422	7098	7826	7098	7826	8502
1-10-2014 along with VDA	8632	9542	10478	9542	10478	11414
Cumulative increase from 01st April '11 up to 01st Oct 2014	34.41%	34.43%	33.89%	34.43%	33.89%	34.25%



It is submitted that Deloitte has done a survey on Annual Compensation and benefit trend for FY 14-15 of which some of the highlights are submitted for the consideration of the Hon'ble Commission. According to the survey report average increments for FY 14-15 are expected to be in the range of 10% as against merely 4% allowed by the Hon'ble Commission which is grossly insufficient due to the reasoning as enumerated above in the paragraphs.

A) Sector wise increase projected

Executive Summary Industry Snapshot						
Sectors	Average Increments			Average Variable Pay		
	Actual FY 2013-14	Projected FY 2014-15	Change	Actual FY 2013-14	Projected FY 2014-15	Change
Auto & Auto components	10.3	9.9	-0.4	17.3	17.6	0.3
Banking & Financial Services	9.7	9.5	-0.2	15.8	20.2	4.4
Chemical	11.9	11.6	-0.3	17.4	17.8	0.4
Consumer Business	10.3	10.6	0.3	19.4	19.8	0.4
Engineering & Manufacturing	11.2	10.9	-0.3	17.8	18.2	0.4
Energy	10.0	9.7	-0.3	17.2	17.4	0.2
Hi-Tech	11.7	11.5	-0.2	18.6	18.8	0.2
Information Technology Enabled Services	12.3	12.0	-0.3	18.7	18.5	-0.2
Infrastructure & Real Estate	9.7	9.4	-0.3	16.9	17.1	0.2
Logistics	9.4	9.2	-0.2	16.6	16.9	0.3
Media & Advertising	9.5	9.6	0.1	17.2	17.5	0.3
Pharmaceutical, Life Sciences & Health Care	12.5	12.4	-0.1	18.7	18.4	-0.3
Retail	9.2	9.1	-0.1	16.3	16.5	0.2
Overall Industry	10.3	10.3	0.0	17.3	18.5	1.2

Average Projected Increments for Key Positions and Performers	
13.8%	High Potentials
16.2%	Top Performers
14.7%	Key Positions

Average Projected Increments based on Organization Revenue	
9.8%	< 100 Crore
10.1%	100 - 300 Crores
10.3%	300 - 500 Crore
10.2%	500 - 1000 Crore
10.6%	> 1000 Crore

Energy & Natural Resources Annual Increments FY 2014-15 (Projections)

Level-wise Increment Percentiles

In %	10P	25P	50P	75P	90P	Avg
Clerical	7.2	8.5	9.4	11.6	13.3	9.2
JM	7.5	8.4	9.6	11.7	13.4	9.8
MM	7.4	8.4	9.8	11.5	13.6	9.9
SM	7.7	8.8	10.2	12.0	14.2	10.3
TM	8.0	9.5	10.5	12.6	15.0	10.7

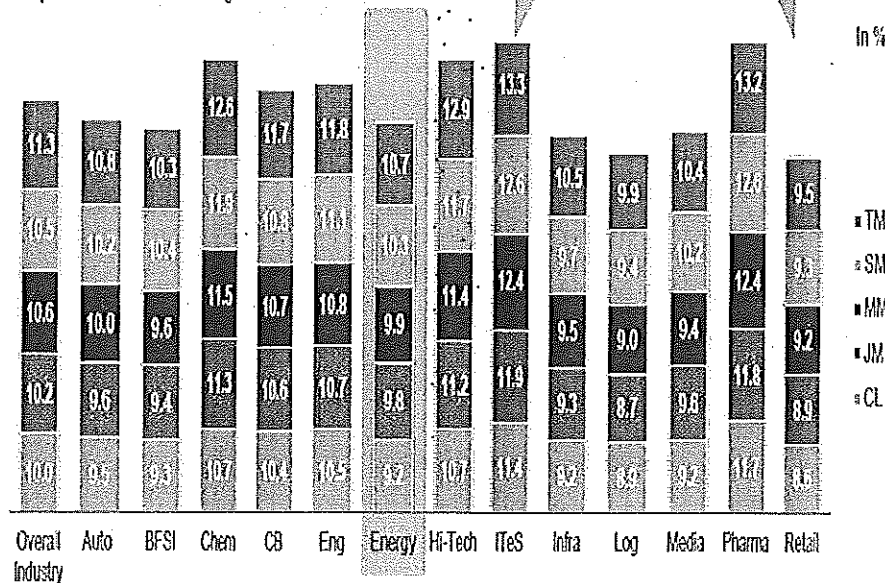
The average increment at Clerical Cadre is expected to be lower than the overall average increment at 9.7% in this sector

The average increment at Top Management level is higher than the overall industry average increment (10.3%)

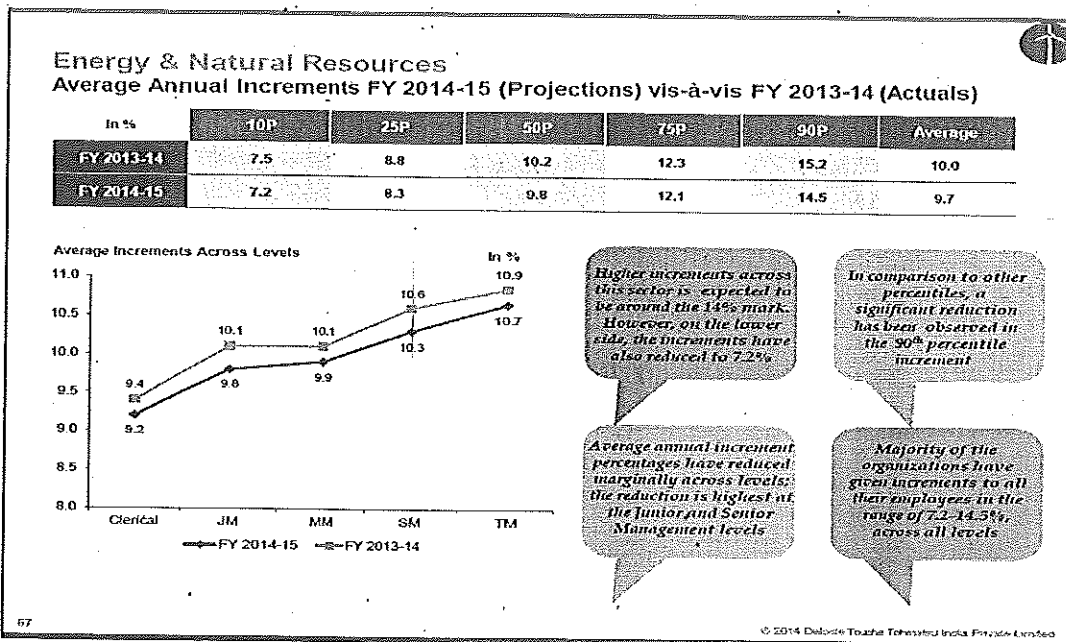
The Clerical Cadre and all the Management levels reported decrease in average increments compared to the overall industry

The Senior Management level reported minimum decrease in average increments compared to the overall industry

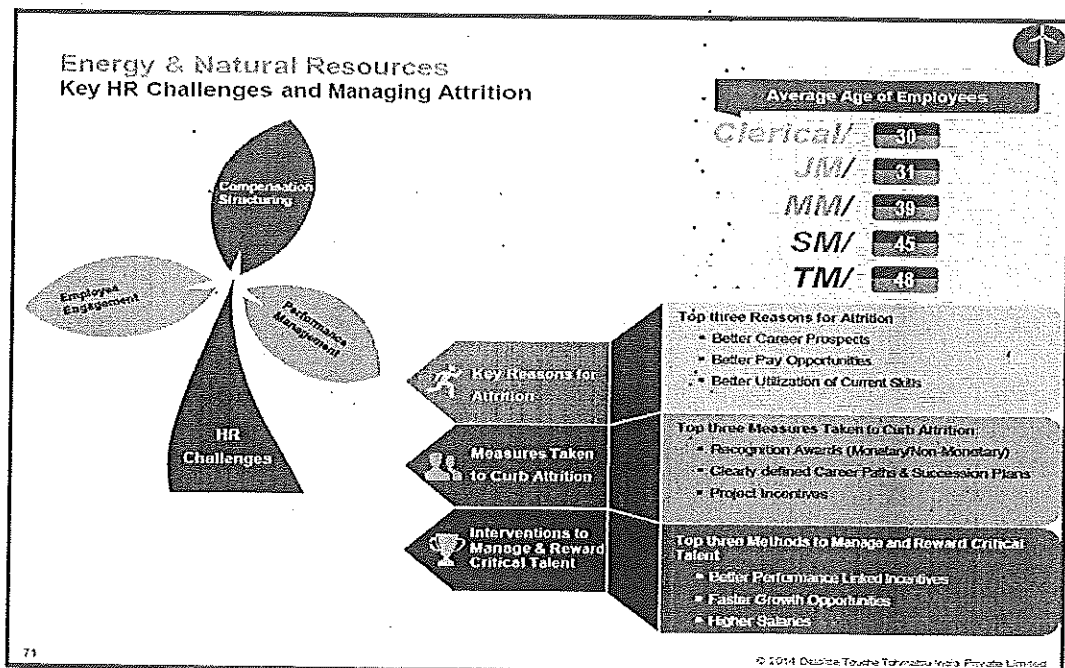
Comparison of Level-wise Average Increments Across Sectors



B) Level wise Annual Increments projected during FY 14-15



C) Key Challenges faced by HR



In light of the above, computation of the Employee Expenses and A&G expenses for second control period is given below:

Employee Expenses

The revised computation of the Employee Expenses for second control period is given below:

Table 3.8.4.18: Table No 64 Revised Employee Expenses now sought

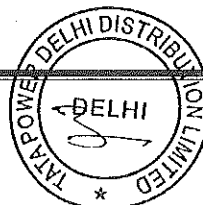
Sl. No.	Particulars	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
A	Actual Employees Expenses (including outsource and meter reading expenses shown as R&M expenses in BS)	317.49				
B	Add: Increased due to Growth in sale as projected		4%	4%	4%	4%
C	Add: Add: Promotions impact		3.00%	0.00%	0.00%	3.00%
D	Add: Inflation factor of 1.08 as per table 78 of July 2012 tariff order		8.04%	8.04%	8.04%	8.04%
E	Revised Employee expense		365.24	409.22	458.48	527.44
F	Less- capitalization @ 10%		36.52	40.92	45.85	52.74
G	Employee Expenses net of capitalization		328.72	368.29	412.64	474.70
H	Efficiency factor		2%	3%	4%	
I	Less- Efficiency improvement		6.57	11.05	16.51	-
J	Employee Expenses net of efficiency		322.14	357.25	396.13	474.70
K	Add- SVRS Pension Trust (subject to true up on actual basis)		5.20	3.53	3.14	3.14
L	Total		327.34	360.78	399.27	477.84
M	Trued up for FY 2012-13		252.25			
N	Balance now sought (M-L)		(75.09)			

* Efficiency factor subject to the outcome of Appeal.

Liability towards VSS optees with respect to retiral dues and Savings accruing due to VSS

TPDDL introduced a Voluntary Separation Scheme in December, 2003 which was implemented in January-February, 2004. 1798 employees opted for the scheme.

TPDDL has paid Rs 95 Cr. under Golden handshake Scheme which was allowed in the ARR. A dispute arose between the GNCTD, Pension Trust and TPDDL regarding liability towards payment of pension and terminal Benefits to SVRS optees. TPDDL and SVRS optees approached the Hon'ble Delhi High Court in Writ petitions and the Hon'ble High Court vide its detailed judgment in Writ petition No. 4827/2005 dated July 2, 2007 prescribed exercise of either of the two options by TPDDL for way forward, the options being:



(i) IPGCL Model (as adopted by IPGCL):

Full terminal benefits to be paid by TPDDL to SVRS Optees till normal retirement/ death of such VRS optees, which shall be reimbursed to Discoms by the Pension Trust (ETBF-2002) without any interest on such amounts.

Discoms to pay Residual Pension till date of normal retirement, after which the Pension Trust (ETBF-2002) shall take over disbursement of pension payments.

(ii) Actuarial Model:

Pension trust to pay the Terminal Benefits subject to Discoms competency for the additional burden on the trust

Additional Contribution required from Discoms on account of premature payout by the Trust to be computed by Arbitral Tribunal comprising of Actuaries.

Tribunal to publish its award within six months from date of constitution

TPDDL, BSES, Pension Trust (ETBF-2002) post examination of the two options offered by the Hon'ble High Court sought certain clarifications in the order, which the Hon'ble High Court was pleased to allow vide order dated 08.10.2007 in CM Nos. 11099 and 10963/2007. TPDDL confirmed exercising option-II from the judgment dated 02.07.2007 and accordingly informed the other parties. The actuarial nominee for TPDDL was also confirmed and communicated to the parties concerned. However there was no development in appointment of the Pension Trust and GNCTD's actuarial Nominee to complete the mandatory quorum of the Arbitral tribunal in compliance of the Hon'ble High Court's judgment in the matter. TPDDL made repeated follow ups with GNCTD and Pension Trust seeking appointment of their Nominee to the Arbitral Tribunal, but no response came forth from the GNCTD. It was only in Appeal No. 36/2008 filed by BRPL in the Hon'ble Appellate Tribunal for electricity against the Hon'ble Commission's MYT order dated 23.02.2008, that GNCTD categorically confirmed that no obligation is cast on GNCTD to appoint any Nominee to Arbitration Tribunal. TPDDL has moved an application No. 15596/2009 seeking clarification and directions in the Hon'ble high Court, to direct GNCTD, Pension Trust for appointing its

nominee to the Arbitral Tribunal or in the alternative, the Hon'ble High Court may proceed with appointing a person as nominee to the Arbitral Tribunal. In response to the same, Pension Trust has opposed the maintainability of the said clarification application. The said application is pending disposal before the Hon'ble High Court for directions. Pending the said application, the present petition has been prepared based on the Option 1 i.e. Pension till the date of normal retirement shall be paid by TPDDL i.e. Rs 5.20 Cr for FY 12-13, Rs 3.53 Cr for FY 13-14 and Rs 3.14 Cr for FY 14-15 (since the terminal benefits payments of Rs 80 Cr were made upfront by the TPDDL voluntarily pursuant to interim order passed in the High Court writ petition proceedings) and along with other terminal benefits paid to such optees, be refunded by the pension Trust without interest at superannuation age/or death of the VSS Optees.

Capitalization of Salary Cost

The salary cost of Employees deployed on projects is capitalized along with the cost of scheme. Presently Based on the Order of the Hon'ble Commission dated 26th June 2003, 10% of the overall salary cost is capitalized towards projects.

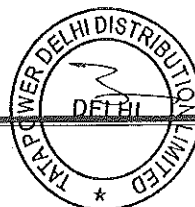
A&G Expenses

The revised computation of the A&G Expenses for second control period is given below:

Table 3.8.4.19: Revised A&G Expenses now sought

Sl. No.	Particulars	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
A	Actual A&G Expenses	48.32				
B	Add: Increased due to Growth in sale – 50% of 5 year CAGR		4%	4%	4%	4%
C	Add: Add: Promotions impact		3.00%	0.00%	0.00%	3.00%
D	Add: Inflation factor of 1.08 as per table 78 of July 2012 tariff order		8.04%	8.04%	8.04%	8.04%
E	Revised A&G cost now sought		55.59	62.28	69.78	80.27
F	Efficiency factor		2%	3%	4%	
G	Less- Efficiency improvement		1.11	1.87	2.79	
H	A&G expenses now sought		54.48	60.41	66.99	80.27
I	Trued up for FY 2012-13		44.49			
J	Balance now sought (I-J)		(9.99)			

* Efficiency factor subject to the outcome of Appeal



c) Revised R&M Expenses based on Capitalization

The Hon'ble Commission has provisionally allowed R&M expenses of Rs. 94.67 Cr. at the time of truing up of FY 2012-13, based on provisionally approved closing GFA at the end of FY 2011-12 and by multiplying k factor of 2.61% as approved in MYT Order dated July, 2012.

While determine the k factor the Hon'ble Commission has followed the methodology given below:

"4.235 The Commission has determined the R&M Expenses for each year of the Control Period, considering the opening level of GFA as approved by the Commission for each year of the Control Period and the K' factor of 2.61%"

Table 3.8.4.20: Computation of K' factor as considered by the Hon'ble Commission

Particular	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Opening Gross Fixed Assets	2,043.23	2,563.23	2,963.23	3,188.23	3,388.23
R&M expenses	57.20	66.36	77.27	85.26	87.21
k factor	2.80%	2.59%	2.61%	2.67%	2.57%
Average			2.61%*		

*The Commission observed that the K'-factor for FY 2007-08 was Higher than the average K' from FY 2008-09 to 2011-12 and an outlier relative to the trend. Therefore, the Commission has determined the value of K' factor for the Control Period on the basis of the average K factor observed for the Petitioner during FY 2008-09 to FY 2011-12. The Commission has thus decided to allow the value of K' factor at 2.61% for each year of the Control Period. (Extract of Tariff Order dated July, 2012)

It is clarified that the Hon'ble Commission has determined the "K" factor based on the provisionally approved GFA for the First Control Period. As the final truing up of GFA of FY 07-08 to FY 11-12 is also sought in this truing up; hence based on the same "K" factor has been reworked.

Table 3.8.4.21: Computation of revised K' factor (Rs Cr)

Particular	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Opening Gross Fixed Assets	1,997.33	2,160.37	2,598.08	2,916.67	3,482.57
R&M expenses	57.20	66.36	77.27	85.26	87.21
k factor	2.87%	3.07%	2.97%	2.92%	2.50%*
Average		2.96%			

* From the above table it can be seen that R&M expenses are in the range of 2.87% to 3.07% except for FY 2011-12 in which k factor is exceptionally low i.e. 2.50%. As the k factor for FY 2011-12 was

relatively very low than the average k factor from FY 2007-08 to FY 2010-11, hence the same is not considered for computation of average k factor on the premise which has been assumed by the Hon'ble Commission in its order

Based on the revised opening GFA & revised K factor, the revised R&M expenses for FY 12-13 works out as follows:

Table 3.8.4.22: R&M expenses sought for FY 2012-13 due to capitalization (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought	Remark
		(1)	(2)	
A	Gross Fixed Assets	3627.21	3,883.07	Table 3.8.1.14
B	k factor	2.61%	2.96%	Table 3.8.4.21
C	R&M expenses- now sought	94.67	114.94	A*B
D	Difference		20.27	(2)-(1)
E	Efficiency factor		2.00%	
F	R&M expenses additional sought		19.86	D-D*E

*Tariff Order for FY 2014-15

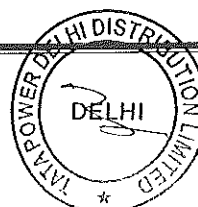
Adjustment in Non-Tariff Income

Service Line Charges

The Hon'ble Commission while truing up the Non-Tariff Income for FY 2012-13; has considered the entire amount of service charges as available for non-tariff income. The Relevant extract of the same is given below:

"3.223 The Commission is of the view that service line charges were actually received by the utility and deferring certain portion of these charges for future years is not justifiable in terms of Accounting Standards/principles. Hence, the Commission has considered the service lines charges of Rs.32.67 Crore as per the audited accounts for FY 2012-13. Further, the Commission has considered an amount of Rs.38.94.Crore deferred pertaining to FY 2010-11 (Rs.11.85 Crore) and FY 2011-12 (Rs.27.09 Crore) and added to non-tariff income in the truing up for FY 2012-13."

The Petitioner is hereby respectfully submits that the existing approach as adopted in previous tariff order is against the approach followed by the Hon'ble Commission since policy direction period. In the earlier approach, The Hon'ble Commission treats the service line charges as an income over a period of 3 years. Relevant extract of the Tariff Order on ARR and Tariff Petition of NDPL for FY 2004-05 is reproduced below for reference



".....the Petitioner has highlighted that in the event of the Commission disallowing the charging off the meters as a revenue expense, the Service Line Charges, which have been considered as part of the Non-Tariff Income shall need to be treated as a capital receipt. For FY 2003-04, the Commission has considered the Non-Tariff Income of Rs 20.30 Crore while estimating the ARR after treating the Service Line Charges as an income over a period of 3 years."

Based on the above submission and the different approach followed for other disoms, the Petitioner now requests to the Hon'ble Commission to rectify the same in line with its earlier approach as adopted up to FY 2011-12.

It is further submitted while changing the approach for treating service line charges, the Hon'ble Commission has not applied the same approach and treated different approach for other disoms which is against the set methodology, past practice, MYT order and not justified.

Revised computation of Service line charges required to be deferred from FY 2012-13 is given below.

Table 3.8.4.23: Revised service line charges to be adjusted from NTI (Rs Cr)

Particulars	3 rd installment of FY 2010-11	2 nd installment of FY 2011-12	1 st installment of FY 2012-13	Total
Amount to be considered (based on 1/3 rd of Service line charge) – "A"	11.85	13.54	10.89	36.28
Amount considered by the Hon'ble Commission – "B"	11.85	27.09	32.67	71.61
Difference now sought C= B-A		13.55	21.99	35.33



Working capital

MYT Regulation, 2011 specify that

- " 5.14 Working capital for wheeling business of electricity shall consist of,
(a) Receivables for two months of Wheeling Charges.

Working capital for retail supply of electricity shall consist of

- (a) Receivables for two months of revenue from sale of electricity;
(b) Less: Power purchase costs for one month;
(c) Less: Transmission charges for one month; and
(d) Less: Wheeling charges for two month."

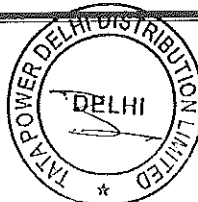
Further the new MYT regulation provided that working capital will be allowed on normative basis, hence not to be trued up.

In this regard, the Petitioner wants to submit that working capital is determined and directly linked with actual receivables and power purchase of the Petitioner rather than projected, which is based on the concept that tariff determined for the year is sufficient to recover ARR for the year and there is no revenue gap; whereas both the components are uncontrollable in nature hence liable for trued up on actual basis. The above methodology is also in accordance with the MYT order.

Based on the above, the revised computation of working capital is given below:

Table 3.8.4.24: Computation of working capital

Sl. No.	Particulars	Amount (Rs Cr)	Remark
A	Annual Revenue Requirement as per Tariff Order dated July 2014	4,718.84	Table 3.91 of TO July, 14
B	Less- Provision for Power Purchase creditors for FY 2010-11 included in ARR of FY 2012-13	26.32	
C	Add- Power Purchase provision for FY 2012-13	27.40	
D	Add- on account of service line charges	35.33	
E	Additional amount sought due to capitalization/overachievement incentive/revised O&M expenses	294.30	
F	Receivables for Annual Revenue Requirement	5,049.55	sum(A to E)
G	Receivables equivalent to 2 months average billing – "A"	841.59	F/12*2
H	Power Purchase expenses (inclusive of Transmission	4,013.01	



	charges and provision for Rs 27.40 Cr., but excluding provisions of Rs 26.32 Cr)		
I	1/12th of power purchase expenses – "B"	334.42	H/12
J	Total (G-I)	507.17	
K	Less- Opening Working Capital	470.60	Table 3.8.1.32
L	Change in working capital for the year	36.58	J-k

Further the working capital has to be considered as 100% debt financed in accordance with the MYT Regulation, 2011 which is subject to outcome of writ petition as the matter is already challenged by the Petitioner.

It is further clarified that The Hon'ble ATE in Appeal No. 52 of 2008 has already decided that working capital to be allowed in 70:30 debt equity ratio. Based on the Hon'ble ATE judgment funding of the working capital for each year is considered in 70:30 debt equity ratio but for the purpose of cost of working capital, the return on equity portion is considered equal to the cost of debt.

The same is reproduced below:

" (vi) The next issue is with reference to the equity component for margin on working capital requirement. The State Commission has considered the entire Working Capital requirement by way of loan contrary to the norms of debt and equity ratio of 70:30-. The State Commission relies on Regulation 5.10 but this Regulation would not support the contention of the State Commission. The MYT Regulations stipulate that Weighted Average cost of capital, as computed in the Regulation 5.10, needs to be applied on Regulated Rate Base which includes the working capital. This apart, Regulation 5.8 and Regulation 5.9 provide for the formula for calculating the Regulated Rate Base for a particular year and for computing the return on capital employed by multiplying the Weighted Average Cost of capital with Regulated Rate Base. Under those circumstances, the Delhi Commission is directed to re-compute the Weighted Average Cost of capital for each year of the Control Period, along with the carrying cost."

It is submitted that the Hon'ble Commission while determining the working capital requirement for FY 2012-13 has sought to erroneously consider the Receivables from sale of

electricity as per True up. It is submitted that the Working Capital is required to finance the expenses of the distribution licensee, which are incurred by the licensee on the basis of the ARR approved by the Commission and not on the basis of billed revenue. The Hon'ble Commission further reduced the Billed Revenue by E tax and Deficit Recovery Surcharge. The relevant extract of the impugned order is reproduced herein below:

3.249 The Commission has examined the Working capital submitted by the Petitioner which is based on the O&M Expenses, Power Purchase and revenue submitted in the Petition. The Commission has recomputed the Working Capital considering the actual power purchase cost and revenue from sale of electricity approved in the truing up for FY 2012-13. The approved working capital and change in the working capital are given in the Table below:

Approved Working Capital Requirement for FY 2012-13 (Rs Cr)

Sl. No.	Particulars	Now Approved	Remarks
A	Receivables from sale of electricity	4446.44	Table 3.5
B	Receivables equivalent to 2 month of revenue from sale of electricity	741.07	A/6
C	Power Purchase expenses (incl. transmission charges)	4011.93	Table 3.20
D	Power Purchase expenses for 1 Month	334.33	B/12
E	Working Capital Requirement	406.75	B-D
F	Less: Opening Working Capital	234.57	Tariff order dated July 31, 2013
G	Change in working capital for FY 2012-13	172.18	E-F

The difference between such calculations leads to a deficit in the working capital requirements which will cause an adverse impact on the viability of the distribution licensee.

Therefore, the Hon'ble Commission is humbly requested to apply the receivable for ARR while determining the working capital requirement.

Cost of Debt

As per para no 4.21(b)(ii) of MYT Regulation 2011, the Hon'ble Commission shall not true up the interest rate, if variation in State Bank of India Base Rate as on April 1, 2012, is within +/- 1% during the Control Period. Any increase / decrease in State Bank of India Base Rate beyond +/- 1% only shall be trued up.



Table 3.8.4.25: Movement in Base Rate of State Bank of India

Sl. No.	Particulars	SBI	
		FY 2011-12	FY 2012-13
A	Weighted average Base Rate of SBI	9.65%	9.86%
B	Opening Base Rate on 1 st April	8.25%	10.00%
C	Closing Base Rate on 31 st March	10.00%	9.70%
D	% change in weighted average Base rate		0.21%

From the above table it can be seen that the change in SBI Base Rate is within the limit of 1% +/- hence the interest rate for capex loans/ working capital loans has been considered as 11.21% and 11.62% respectively as against the interest rates allowed in Tariff Order dated July 2012

Table 3.8.4.26: Cost of Debt

Particulars	Capex	Working Capital
Interest Rate (as approved in Tariff Order dated July, 2012)	11.21%	11.62%

Truing up of RoCE

As specified in the MYT Regulations, RoCE can be determined only after determination of the Regulated Rate Base (RRB) for any particular year, and the Weighted Average Cost of Capital (WACC) for the year.

Computation of Average Equity & Average Debt

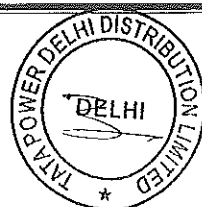
The summary of addition in Equity on account of addition in capitalization and Free Reserve/Equity which has already deployed up to FY 2011-12 is given below. It is further clarified that no adjustment on account of working capital has been made in opening balance of equity as the portion of equity has already been deployed in the business before the applicability of MYT Regulations, 2011 hence eligible for getting return equal to the return allowed on the equity deployed in the capitalization.

Table 3.8.4.27: Equity deployed in Fixed Assets

(Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought	Remark
A	Opening Equity	924.30	1,075.99	Table 3.8.1.34
B	Less- Equity deployed in working capital	(70.37)	-	
C	Revised opening Equity towards capital assets	853.93	1,075.99	
D	Additions- for Capex	46.28	80.34	Table 3.8.4.5
E	Closing Equity	900.21	1,156.34	C+D
F	Average Equity	877.07	1,116.16	(C+E)/2

* Figures as per table 3.80 of Tariff Order for FY 2014-15



The summary of addition in Debt/Loan – capex up to FY 2012-13 is given below:

Table 3.8.4.28(i): Debt/ Loan – Approved for Capex

(Rs Cr)

Sl. No.	Particulars	FY 2012-13	Remark
A	Opening Debt – Capex	1,207.53	Table 3.8.1.27
B	Additions- Capex Loan	187.47	Table 3.8.4.5
C	Less- Repayment	184.57	Form F3b
D	Closing Debt- Capex	1,210.42	A+B-C
E	Average Debt	1,208.98	(A+D)/2

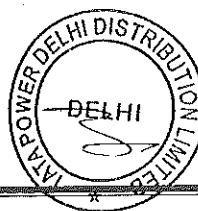
The MYT Regulations, 2011 stipulated that for the purpose of computation of WACC, cost of debt will be considered 100% debt financed.

It is further clarified that The Hon'ble ATE in Appeal No. 52 of 2008 has already decided that working capital to be allowed in 70:30 debt equity ratio. Based on the Hon'ble ATE judgment funding of the working capital for each year is considered in 70:30 debt equity ratio. It is worth to mention that for the purpose of cost of working capital, the return on equity portion is considered equal to the cost of debt.

Table 3.8.4.28(ii): Working Capital funding through loan and equity

(Rs Cr)

Sl. No.	Particulars	Now sought		Remark
A	Approved working capital through Debt	292.21		
B	Approved working capital through Equity	-		
C	Total Approved opening working capital		292.21	Table 3.8.1.27
	Addition for the year			
D	through Debt -70% of F	25.60		
E	through Equity -30% of F	10.97		
F	Adjustment for the year		36.58	Table 3.8.4.24
G	Closing working capital through Debt	317.82		
H	Closing working capital through Equity	10.97		
I	Closing Debt- Working Capital		328.79	(C+F)
K	Average working capital - Debt	305.01		
L	Average working capital -Equity	5.49		
J	Average Working Capital		310.50	(C+I)/2



Regulated Rate Base

"For the 2nd MYT control period, the return allowed to the Petitioner shall be as per the methodology specified in the MYT Regulations, 2011. As per Regulation, the return for the year shall be determined by multiplying the weighted average cost of capital employed to the average of —Net Fixed Asset for each year. Thus, the return allowed each year is determined based on the values of assets capitalized (net of depreciation and consumer contribution) in the respective year. The addition in equity/ free reserves and debt during each year of the Control Period is also to the extent of assets capitalized in that year.

Based on the assets capitalization, depreciation, consumer contribution and working capital for the FY 2012-13, the computation of Regulated Rate Base is given below:

Table 3.8.4.29: Computation of Regulated Rate Base for the period FY 12-13 (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought**	**Remarks
A	Opening Balance of OCFA	3627.21	3,883.07	Table 3.8.1.14
B	Opening Balance of Working Capital	234.57	470.60	Table 3.8.1.32
C	Opening Balance of Accumulated Depreciation	1223.71	1,261.17	Table 3.8.1.22
D	Opening balance of Accumulated Consumer Contribution	325.25	389.14	Table 3.8.1.18
E	RRB - for the year		2,703.36	(A+B-C-D)
F	Investments in capital expenditure during the year	200.88	316.21	Table 3.8.4.4
G	Depreciation for the year (Including AAD)	123.17	140.79	Table 3.8.4.8
H	Consumer Contribution, Grants, etc. for the year	46.62	48.37	Table 3.8.4.6
I	Change in Working Capital	172.18	36.58	Table 3.8.4.24
J	RRB —Closing	2516.09	2,866.99	E+F-G-H+I
K	Δ AB (Change in Regulated Base)	187.72	100.10	(F-G-H)/2+I
L	RRB(I)	2500.54	2,803.46	E+J

* Figures as per table 3.84 of Tariff Order for FY 2014-15



Determination of WACC

For determining the WACC, the Petitioner has followed the approach adopted in line with the Hon'ble ATE Judgment dated 28th November, 2014 BESE vs. DERC, where the Hon'ble ATE direct the Commission to consider the repayment of loans while computing average debt.

Table 3.8.4.30: Computation of WACC (Rs Cr)

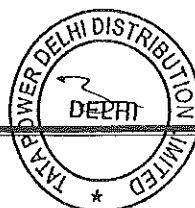
Sl. No.	Particulars	Now sought	Remarks
A	Equity (Average)- capex	1,116.16	Table 3.8.4.27
B	Equity (Average)- working capital	5.49	Table 3.8.4.28(ii)
C	Debt- Capex (Average)	1,513.99	
E	Debt- Capex	1,208.98	Table 3.8.4.28(i)
F	Debt- working capital	305.01	Table 3.8.4.28(ii)
G	Rate of Return on Equity	16.00%	
H	Cost of Debt	11.29%	Form F3b
I	WACC	13.29%	

Considering the WACC of 13.29% for FY 2012-13; Return on capital employed is worked out as follows. The Hon'ble Commission has provisionally approved the capitalization in Tariff Order for FY 2014-15, therefore the Petitioner now sought the difference between the amount as provisionally approved vis-à-vis now sought based on revised capitalization.

Table 3.8.4.31: Computation of Return on Capital Employed (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission*	Now sought	Remarks
		(1)	(2)	
A	WACC		13.29%	Table 3.8.4.30
B	RRB(i)		2,803.44	Table 3.8.4.29
C	RoCE	294.06	372.49	A*B
D	Difference now additionally sought		78.43	(2)-(1)

The Hon'ble Commission in its tariff order dated July, 2014 has approved the additional return on equity of 0.63% on account of AT&C overachievement incentive. The Petitioner in this petition is seeking revision in AT&C target for second control period, hence the additional return on equity has recomputed. It is further clarified that additional return is directly linked with Regulated Rate Base, therefore any change in Regulated rate base will impact the amount of incentive, hence the petitioner is seeking revised true up of AT&C incentive based on revised RRB.



Additional Return on Equity due to AT&C overachievement

During the FY 2012-13, The Petitioner has achieved AT&C loss target of 10.73%, therefore entitled for getting overachievement incentive in the form of additional return on equity.

Computation of the same is given below:-

Table 3.8.4.32: Additional Return on Equity due to overachievement incentive

Sl. No.	Particulars	Capital employed in Fixed Assets	Capital employed in Working capital	Now sought	Remark
A	RRB (Average)	-	-	2,803.44	Table 3.8.4.29
B	Equity (Average)	1,116.16	5.48	1,121.65	Table 3.8.4.27 & Table 3.8.4.28(ii)
C	Debt (Average)	1,208.98	305.01	1,513.98	Table 3.8.4.28(i) & Table 3.8.4.28(ii)
D	% of Equity	48.00%	1.77%	42.56%	$B/(B+C)*100$
E	Additional Return due to AT&C overachievement			8.19%	Table 3.8.4.15
F	Additional Return due to AT&C overachievement			97.71	$A*D*E$
G	Return allowed in Tariff Order dated July, 2014			4.68	
H	Difference now sought			93.03	F-G

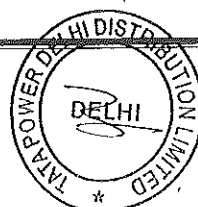
Income Tax

Regulation 5.32 of DERC MYT Regulations, 2011 specified that Tax on Income, if any liable to be paid on the licensed business of the distribution Licensee shall be limited to tax on return on the **equity component** of capital employed.

Relevant extracts of the same is given below;

"5.32 Tax on income, if any, liable to be paid on the licensed business of the Distribution Licensee shall be limited to tax on return on the equity component of capital employed. Any additional tax other than this shall not be a pass through, and it shall be payable by the Distribution Licensee itself.

5.33 The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.."



Based on the above regulation, the Petitioner has sought additional Income tax of Rs. 17.99 Cr as a tax on return on the entire equity component of capital employed (i.e. equity deployed towards capitalization and working capital).

Table 3.8.4.33: Income tax sought for FY 2012-13

Sl. No.	Particulars	Approved by the Hon'ble Commission	Amount			Remark
A	RRB (average)	2500.54	-		2,803.44	Table 3.8.4.29
B	Average Equity					
	Deployed in Capex		1,116.16		1,116.16	Table 3.8.4.27
	Deployed in working capital	877.07		5.48	5.48	Table 3.8.4.28(ii)
C	Average Debt					
	Deployed in Capex.		1,208.98			Table 3.8.4.28(i)
	Deployed in working capital	2078.41		305.01	1,513.98	Table 3.8.4.28(ii)
D	% of Equity	29.68%	48.00%	1.77%	42.56%	Average Equity/(Average Debt + Average Equity)
E	Cost of Equity considered	16.00%	16.00%	11.62%	15.98%	
F	RoE	118.73			190.63	A*D*E
G	Grossed up after Tax rate @ 20.96%				238.32	F/(1-tax rate)
H	Tax	29.70			47.69	
I	Income Tax additionally sought				(17.99)	

Impact of ATE Judgment dated 28th November, 2013

Financing cost of Power Banking –

In relation to the issue of financing cost of power banking, the Hon'ble Commission in its submission to the Hon'ble APTEL mentioned that the Banking contracts have to be revenue neutral in nature and hence if power has been bought under "banking arrangement", then the same power will be sold back by the utility with 4% extra power. This extra power that is sold at the rate at which it had bought power at the first place serves like the financing cost of the power banked. Relevant extract of the same is given below:

"3.283 With respect to the financing cost of power banking, the Commission believes that banking contracts are revenue neutral. The electricity industry follows a practice wherein in

case of forward/ advance banking, the utility demands additional power @ 4% to be returned and in case of backward banking, the utility has to return 4% extra power. The Commission considers the power banked in advance by the utility as energy sale at Rs 4 per unit because if it does not consider it then it would be burdening present consumers for future consumption, which the Commission deems inappropriate. The utility will be receiving the power banked along with 4% additional power in the next year. The Commission considers total power received as power purchase @ Rs 4 per unit. This allows the utility power purchase cost on additional 4% power received by them @ Rs 4 per unit, which is equivalent to the financing cost of this banking."

As the Petitioner has not kept the benefit of extra 4% power but offered in the ARR by reduction of power purchase cost on account of power banking hence based on the above submission, the Petitioner now seeks the financing cost of power banking as computed below subject to the Judgment of the Hon'ble Supreme Court.

Table 3.8.4.34: Computation of impact of power banking (Rs Cr)

Particulars	MU banked by TPDDL	Normative units @4%	Amount to be retained @ Rs 4/unit "A"	MU banked with TPDDL	Normative units @4%	Amount to be retained @ Rs 4/unit - "B"	Difference
	1	2	3	4	5	6	3-6
FY 2012-13	67.89	2.72	1.09	24.00	0.96	0.38	0.70
Total	67.89	2.72	1.09	24.00	0.96	0.38	0.70

(Copy of relevant documents are attached as Annexure A-7 in Volume II of the Petition)

Expenses relating to Income from other business

Regulation 5.37 of MYT Regulation, 2011 specify that income from other sources to be worked out by deducting expenditure from the revenue. Based on the above regulation the Hon'ble ATE has directed to consider the net revenue (i.e. Revenue minus expenditure in relation to other Income) to be shared in 80:20 ratio. It is worth to mention that the Hon'ble ATE in its Judgment dated 28.11.2013 also relies on the aforesaid regulation. Relevant para in the said Judgment is reproduced below:

"47. Whereas the main Regulation 5.26 has used the words 'income from other businesses, 2nd Proviso to the section has used the word 'revenue from such other business. Thus, it clear from plain wording of the Regulation 5.26 that 'income' is different from 'revenue'.

Income in main regulation is the profit earned by the Appellant from other business and is equal to revenue earned from other business minus the expenditure incurred on the other business.

8. It is clear from the plain reading of Regulation 5.26 itself that income from other sources to be worked out by deducting expenditure from the revenue.

49. Accordingly the same is decided in favor of the Appellant".

3.118 Therefore it is requested that expenses incurred to generate business be allowed by . The Hon'ble Commission along with additional income tax paid/payable on net revenue on post- tax basis.

In compliance of the Hon'ble ATE's direction, The Hon'ble Commission has considered net income of Rs.5.01 Cr in the profit sharing ratio of 80% to consumers and 20% to the Petitioner in terms of DERC Treatment of Income from Other Business of Transmission Licensee and Distribution Licensee Regulations, 2005 and considered Rs.4.01 Cr. to be passed on to the regulated business and balance Rs.1.00 Cr is to the Petitioners account. Accordingly, the Commission has reduced Rs.1.00 Cr from the total non-tariff income.

Given below is the computation done by The Hon'ble Commission

Particulars	Total income (Rs Cr)	Petitioners share: ARR	Amount to be retained by the Petitioner	Amount to be passed on to the consumers	Remarks
Consultancy	4.67				
Training	2.35				
Distribution Assets	0.63				
Total Income	7.66				
Less: Direct Expenses	0.99				A
Less: Income Tax	1.67				B
Net Income	5.01	20 : 80	1.00	4.01	

From the above table it is clear that the Hon'ble Commission has considered net income (gross income minus direct expenses / income tax) on the basis of auditor certificate (copy attached as Annexure A-8 of the Volume II of the Petition), therefore the expenses of Rs. 2.66 Cr. that were subtracted should be allowed in addition to petitioner's share. Given below is the component wise break up.

Table 3.8.4.35: Amount of Expenses in relation to other business income to be allowed separately (Rs Cr)

Particulars	Total income	Remark
Direct Expenses – A	0.99	Auditor certificate attached as Annexure A-8 in Volume II of the Petition
Income Tax – B	1.67	
Total Expenses to be allowed separately	2.66	(A+B)

Carrying Cost

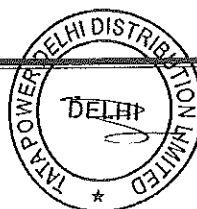
The Hon'ble Commission based on the judgment of the Hon'ble ATE allowed the carrying cost in the debt: equity ratio of 70:30. The Hon'ble Commission has allowed the return on equity in accordance with the clause 5.11 of MYT Regulation 2007.

Clause 5.11 of MYT Regulations 2007 is reproduced below:

5.10 The return on equity and shall be considered at 16% post tax.

However while allowing the return on equity, the Hon'ble Commission has allowed the simple 16% return on equity whereas it should have to be considered on pretax basis.

The Hon'ble ATE in its Judgment dated 28th November, 2014 BSES vs. DERC has referred back the matter to the Hon'ble Commission and directed the Hon'ble Commission to implement this tribunal judgment reported as 2010 ELR (APTEL) 0891 in Appeal No. 153 of 2009 in letter and spirit. Relevant extract of the same is reproduced below:



"Reported as 2010 ELR (APTEL) 0891 in Appeal No. 153 of 2009 related to debt/ equity ratio of 70:30 for financing of the working capital during first control period comprising of FY 2007-08 to FY 2011-12. On the 70% debt portion, the carrying cost has to be allowed at the prevalent market rate considering SBI PLR and on 30% equity portion, the rate of return on equity as specified by the Delhi Commission in the MYT Regulation, 2007 has to be allowed."

Based on the aforesaid submissions and principle laid down by the Hon'ble ATE, rate of carrying cost is revised on pre-tax basis.

Table 3.8.4.36: Carrying cost rate based on pretax RoE

Sl. No.	Particulars	FY 12-13	Remark
A	Equity	16.00%	
B	Tax Rate	20.01%	
C	Equity (pretax)	20.00%	
D	Debt rate - SBI PLR	14.62%	attached as Annexure A- 9 in Volume II of the Petition
E	Revised Carrying Cost Rate	16.23%	$(C*16\% + D*70\%)/100$

LPSC Financing Cost

The Hon'ble Commission in its tariff Order dated July, 2014 has considered the weighted average cost of capex and working capital of 9.97% as allowed in MYT Tariff order for the purpose of computation of LPSC financing cost for FY 2012-13.

It is worthwhile to mention that LPSC financing cost is to be allowed based on the cost of debt for working capital only. As the Petitioner is seeking the cost of working capital as 100% debt financed and further entitled to get tax on the equity portion as per MYT Regulations, 2011 therefore for the purpose of computing financing cost the petitioner has grossed up the debt rate by applicable income tax rate for 30% portion of equity.

Based on the above the petitioner is now sought additional amount of Rs. 3.60 Cr.

Computation of revised LPSC financing cost and impact on AT&C incentive is given below:

Table 3.8.4.37: Revised computation of LPSC Financing Cost (Rs Cr)

Sl. No.	Particulars	UoM	FY 12-13	Remark
A	LPSC collected	(Rs Cr)	25.66	
B	Principal amount on which LPSC charged	(Rs Cr)	142.56	A/18%
C	LPSC financing cost approved by the Hon'ble Commission	(Rs Cr)	14.21	
D	Financing cost based on revised working capital interest rate	(Rs Cr)	17.81	B*H
E	Difference now sought	(Rs Cr)	3.60	D-C
F	Cost of Working Capital-70% Debt	%	11.62%	Table 3.8.1.26
G	Return on Equity- 30% Equity - grossed up for tax	%	14.53%	11.62% p.a. / (1-tax rate of 20.01%)
H	Weighted Average Rate	%	12.49%	(70%*11.62%+ 30%*14.53%)

Consumers Security Deposits

In line with the APTEL Judgment dated 28th November, 2014 BESE vs. DERC, the Petitioner is seeking revised carrying cost in 70:30 Debt: Equity Ratio. *On the 70% debt portion, the prevailing SBI PLR* and on 30% equity portion, the rate of return on equity which is further grossed up for Tax is considered.

It is further submitted that difference between the interest on consumer security deposit paid/payable and interest computed at equivalent to carrying cost rate are offered in ARR. Revised computation of the same is given below:

Table 3.8.4.38: Revised computation of interest on Consumer Security Deposit (Rs Cr)

Sl. No.	Particulars	FY 12-13	Remark
A	Average consumer security deposit*	394.27	
B	Interest Rate**	16.23%	Table 3.8.4.36
C	Interest on CSD	63.98	
D	Less already passed	25.76	
E	Interest on CSD	38.22	C-D
F	approved in Tariff order July 2014	13.55	
G	Difference to be offered (B-A)	24.67	E-F

* as considered by the Hon'ble Commission in table no 59 of Tariff Order dated July, 2013

Summary of Additional amount now sought for FY 2012-13

Based on the submissions made above in relation to truing up of FY 2012-13, the Aggregate Revenue Requirement for FY 2012-13 will further increased by Rs. 294.30 Cr. Component wise breakup is given below:

Table 3.8.4.39: Summary of additional amount now sought as ARR (Rs Cr)

Sl. No.	Particulars	Differential	Remark
A	Employee Expenses	(75.09)	Table 3.8.4.18.(ii)
B	A&G Expenses	(9.99)	Table 3.8.4.19.(ii)
C	R&M Expenses	(19.86)	Table 3.8.4.22
D	Power Banking	(0.70)	Table 3.8.4.34
E	Other Business Income	(2.66)	Table 3.8.4.35
F	LPSC	(3.60)	Table 3.8.4.37
G	Interest on security deposit	24.67	Table 3.8.4.38
H	Depreciation	(17.62)	Table 3.8.4.8
I	Return on Capital Employed	(78.43)	Table 3.8.4.31
J	Additional Return on AT&C overachievement	(93.03)	Table 3.8.4.32
K	Income tax	(17.99)	Table 3.8.4.33
L	Additional Aggregate Revenue Requirement now sought	(294.30)	

Carrying Cost & Revised Closing Revenue Gap

Based on the true up sought for (MYT control period i.e. FY 07-08 to FY 11-12), summary of revised revenue gap along with carrying cost is given below:

Table 3.8.4.42: Summary of Y-o-Y Revised Revenue Gap along with Carrying Cost (Rs Cr)

Particulars	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	Remark
Opening Gap- "A"	(156.34)						
Less: Adjusted for Policy Direction period	0.60						
Adjusted/Opening level of Gap (A-B)	(155.74)	(432.83)	(482.24)	(1,364.17)	(2,567.45)	(4,140.75)	
Contingency Reserve Adjusted towards Meeting Revenue Gap				45.51			
Difference in carrying cost					4.78*	^(24.65)	*Table 3.8.3.1 & ^ Table 3.8.3.3
Surplus/ (Gap) for the year as approved by the Hon'ble Commission	(186.66)	49.44	(692.00)	(876.49)	(943.85)	(312.32)	as approved in Tariff Orders
Surplus/ (Gap) for the year as adjusted further							
for net impact for prior period						29.48	Table 3.8.3.2
for provision for PP FY 2013-14						(27.40)	
for service line charges						(35.33)	
Additional sought in the Petition	(49.66)	(35.19)	(66.64)	(108.20)	(135.36)	(294.30)	
Rate of Carrying Cost	14.88%	14.95%	14.31%	14.58%	16.08%	16.23%*	Table 3.8.1.45 & *Table 3.8.4.36
Carrying Cost	(40.77)	(63.66)	(123.29)	(264.09)	(498.87)	(728.87)	
Less- Recovery through DRRS						237.32	
Closing Balance of (Gap)/ Surplus	(432.83)	(482.24)	(1,364.17)	(2,567.45)	(4,140.75)	(5,295.82)	



True up of Controllable Expenses for FY 2013-14

Operation & Maintenance Expenses

Regulation 5.3 of MYT Regulations, 2011 stipulate that the Operation and Maintenance (O&M) expenses for a licensee shall include:

- (a) Salaries, wages, pension contribution and other employee costs;
- (b) Administrative and General expenses which shall also include expense related to raising of loans;
- (c) Repairs and Maintenance; and
- (d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax).

Based on the justification which has already been given for allowance of O&M expenses for FY 2012-13 the summary of total O&M Expenses approved by the Commission/ as sought by the Petitioner for FY 2013-14 is provided in the table below.

Table 3.18: O&M Expenses

(Rs Cr)

Sl. No.	Particulars	FY 2013-14 approved by the Commission	FY 2013-14 sought by the Petitioner	Remark
A	Employee Cost	272.36	368.29	Table no 3.18(i)
B	A&G Expenses	49.05	62.28	Table 3.18(iii)
C	R&M Expenses	100.77	124.30	Table 3.18(vi)
D	Total O&M expenses	422.17	554.87	(A+B+C)
E	Efficiency factor (%)	3%	3%	
F	Less: Efficiency Improvement (Rs)	12.67	16.65	D*E
G	Add: SVRS Pension	4.01	3.53	Table 3.18(ii)
H	Net O&M Expenses	413.51	541.75	D-F+G

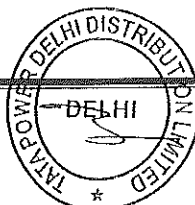
a) Employee Expenses

The Hon'ble Commission has allowed Rs 264.19 Cr as employee expense in its Tariff Order dated July, 2012 against which the Petitioner is seeking Rs 357.25 Cr as employee expenses for FY 2013-14.

Table 3.18(i): Employee Expenses

(Rs Cr)

Sl. No.	Particulars	FY 2013-14 as approved by the Hon'ble commission	Now sought	Remark
A	Employee Expenses	272.36	368.29	Table 3.8.4.18
B	Efficiency factor	3%	3%	
C	Employee Expenses	264.19	357.25	A-A*B



SVRS Related Expenses

The Hon'ble Commission has provisionally allowed Rs 4.01 Cr as SVRS related expense in its Tariff Order dated 13th July, 2012. Relevant extract of the same is given below:

"4.197 The Commission provisionally allows the monthly pension provisionally subject to the outcome of the Tribunal Order with the condition that any refund/relief provided on this account to the Petitioner by the Trust will be available for adjustment in the future employee expenses."

Pending the outcome of the Tribunal Order Judgment, the Hon'ble Commission is requested to true up the same based on actual.

Table 3.18(ii): SVRS Pension (Rs Cr)

Particulars	Amount	Remark
SVRS Pension	3.53	Refer Note no 29 of the Audited Financial statement

Administrative and General Expenses

The Hon'ble Commission has allowed Rs 47.58 Cr as A&G expense in its Tariff Order dated July, 2012 against which the Petitioner is now seeking Rs 60.41 Cr as A&G expenses for FY 2013-14.

Table 3.18(iii): A&G Expenses (Rs Cr)

Sl. No.	Particulars	Approved by the Hon'ble Commission FY 13-14	Now sought	Remark
A	A&G Expenses	49.05	62.28	Table 3.8.4.19
B	Efficiency factor	3%	3%	
C	A&G Expenses (net of Efficiency)	47.58	60.41	A-A*B

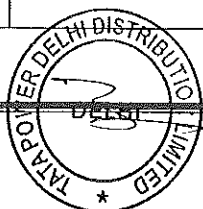
Repairs and Maintenance Expenses

The Hon'ble Commission has allowed Rs 97.74 Cr (net of efficiency) as R&M expense in its Tariff Order dated July, 2012. While determine the R&M expenses the Hon'ble Commission has followed the methodology given below:

"4.235 The Commission has determined the R&M Expenses for each year of the Control Period, considering the opening level of GFA as approved by the Commission for each year of the Control Period and the K' factor of 2.61%"

Table 3.18(iv): Computation of K' factor as considered by the Hon'ble Commission

Particular	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening Gross Fixed Assets	2,043.23	2,563.23	2,963.23	3,188.23	3,388.23
R&M expenses	57.20	66.36	77.27	85.26	87.21
k factor	2.80%	2.59%	2.61%	2.67%	2.57%
Average			2.61%*		



* The Commission observed that the K-factor for FY 2007-08 was Higher than the average K from FY 2008-09 to 2011-12 and an outlier relative to the trend. Therefore, the Commission has determined the value of K 'factor' for the Control Period on the basis of the average K factor observed for the Petitioner during FY 2008-09 to FY 2011-12. The Commission has thus decided to allow the value of K 'factor' at 2.61% for each year of the Control Period. (Extract of Tariff Order dated July, 2012)

It is clarified that the Hon'ble Commission has determined the "K" factor based on the provisionally approved GFA for the First Control Period. As the final truing up of GFA of FY 07-08 to FY 11-12 is also sought in this petition; hence based on the same "K" factor has been reworked.

Table 3.18(v): Computation of revised K' factor

					(Rs Cr)
Particular	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening Gross Fixed Assets	1,997.33	2,160.37	2,598.08	2,916.67	3,482.58
R&M expenses	57.20	66.36	77.27	85.26	87.21
k factor	2.87%	3.07%	2.97%	2.92%	2.50%*
Average	2.96%				

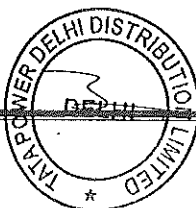
* From the above table it can be seen that R&M expenses are in the range of 2.87% to 3.07% except for FY 2011-12 in Which k factor is exceptionally low i.e. 2.50%. As the k factor for FY 2011-12 was relatively very low than the average k factor form FY 2007-08 to FY 2010-11, hence the same is not considered for computation of average k factor on the premise which has been assumed by the Hon'ble Commission in its order

Based on the revised opening GFA & revised K factor, the revised R&M expenses for FY 13-14 works out as follows:

Table 3.18(vi): R&M Expenses

				(Rs Cr)
Sl. No.	Particulars	FY 2013-14 As approved by the Commission	Based on Actual GFA	Remark
A	Gross Fixed Assets	3,858.11	4,199.28	Table 3.8.4.4
B	K factor	2.61%	2.96%	Table 3.18(v)
C	R&M Expenses	100.77	124.30	A*B
D	efficiency factor	3%	3%	
E	R&M expense (net of Efficiency)	97.74	120.57	C-C*D

Based on the above submission, the petitioner has sought the R&M expenses as mentioned above.



Other Expenses: Truing up of Statutory Levies and Taxes, other Miscellaneous Expenses, other uncontrollable Expenses

A) Statutory Levies

1. License Fees

As per clause 12.1, of the Distribution and Retail Supply License, the Petitioner is required to pay annually 0.05% of amount billed of previous year as license fees to the Hon'ble Commission. Since the same is linked to sales which is uncontrollable and is trued up, the license fee too needs to be trued up.

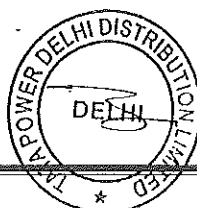
Table 3.19(i): Computation of License fee to be allowed on actual basis (Rs Cr)

Sl. No.	Particulars	Amount	Remark
A	Base year Exp. of License fee (FY 2010-11)	1.35	
B	Y-o-Y Incremental (%)	8%	
C	License fee allowed as a part of total A&G Exp. for FY 2013-14	1.70	
D	Efficiency factor (%)	3%	
E	Less- amount adjusted towards Efficiency	0.05	
F	License fee (net of efficiency) approved as a part of A&G	1.64	
G	Billed Sale for Previous Year – as per P&L accounts	4,935.99	
H	License fee (0.05%) based on billed Sale of previous year	2.47	
I	Amount of License fee paid	2.47	
J	Differential amount now sought	0.82	I-F

It is worth to mention here that as per clause 12.4 of the Distribution & Retail Supply License, the licensee shall be entitled to recover actual license fees paid to the Hon'ble Commission. The relevant para of the same is reproduced below:

"The Licensee shall be entitled to take into account any fee paid by it under this Clause 12 as an expense in the determination of aggregate revenues made in accordance with Clause 24, but shall not take into account any interest paid pursuant to Clause 12.3." (emphasis supplied)

Thus, the additional amount spent on this account of Rs. 0.82 Cr may be allowed as part of ARR for FY 2013-14.



B) Taxes (other than corporate Income Tax)

1. Amendments in Service tax as notified in the Finance Act, 2012

It is submitted that the Service Tax rate has been increased to 12.36% from 10.30% w.e.f 01.04.2012. Further the service tax which was applicable on few services; has been extended to all services except specifically covered in negative list. It shall be appreciated that the Hon'ble Commission has allowed the above normative expenses for FY 12-13 onwards based on expenses of FY 11-12 which doesn't include the impact on account of above changes; hence the Hon'ble Commission is requested to allow the same on actual basis at the time of truing up of FY 12-13 onwards being uncontrollable in nature.

It is submitted that any addition/deletion or new enactment of statutory levy is totally uncontrollable in the hands of petitioner and is required to abide by the same. It is further submitted that statutory levies are treated uncontrollable by various other regulatory bodies like Kolkata, Gujarat, Maharashtra and many others.

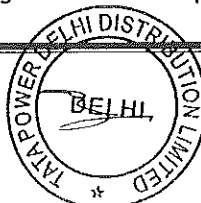
The aforesaid amendments as notified in the Finance Act, 2012 have impacted the Petitioner in two ways i.e. due to change in service tax rate and introduction of Reverse Charge Mechanism & Negative List.

- i) Increase in Service Tax Rate from 1.4.2012 (TPDDL landed cost has increased due to increase in rate of Service Tax):

The impact of the same is clarified through an example

Particulars	Basic Cost of Service	Service Tax Rate as applicable	Service Tax amount	Total Landed cost
Up to 31.03.2012	100	10.30%	10.30	110.30
01-04-2012 onwards	100	12.36%	12.36	112.36
Difference			2.06	2.06

From the above it is clear that due to change in service tax rate, the landed cost has increased from the existing cost of Rs. 110.30 to Rs. 112.36 resulting into increase in value of services by Rs. 2.06 which was not factored in base value because change in law has happened after the first MYT period



values. Therefore TPDDL has to bear additional amount of Rs. 2.67 Cr. on account of the aforesaid notification.

- ii) Introduction of concept of Negative List and Reserve Charge Mechanism (due to introduction of negative list, services which were earlier exempted from applicability of service tax till June, 2012 are now chargeable under service tax):

Particulars	Basic Cost of Service	Service Tax Rate as applicable	Total Landed cost (in %)
Up to 31.03.2012	100	0%	100.00 %
01-07-2012 onwards	100	12.36%	112.36 %
Difference			12.36 %

From the above it is clear that the landed cost has increased from the existing cost of Rs. 100.00 % to Rs. 112.36 % resulting into increase in value of service by Rs. 12.36 %

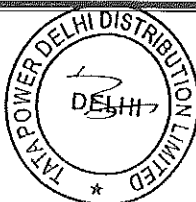
Based on the aforesaid amendments in Service Tax law, TPDDL has to pay additional service tax of Rs 1.50 Cr due to introduction of concept of Reverse Charge Mechanism.

2. Registration Fees for creating charge due to change in The Registration Act, 1908 of Delhi

TPDDL vide its letter dated June 3, 2012 (copy attached as Annexure A-11 in Volume II of the Petition) has informed to the Hon'ble Commission about the change in registration fee levied by Delhi Government for registration of mortgage deed executed for the purpose of availing credit facilities.

As per the said notification the registration fee which was earlier payable at the 1% of the consideration amount as per circle rate whichever is higher subject to maximum of Rupees Rs 50,000/- has been changed subject to minimum of Rupees one thousand or one percent of the consideration amount set forth or the value as per the circle rate, which-ever is higher.

Registration of Mortgage Deed with the Registrar is one of the post disbursement covenants of availing secured loan and failing to comply with such covenant attracts penalty.



Incase Registration of Mortgage Deed is not executed for the enhanced amount, there is a penalty equal to 2% of the interest, therefore, in the interest of consumers, TPDDL is required to abide by the law and pay the required registration fee, being uncontrollable, which shall be pass through in the tariff.

It is to bring to the notice of the Hon'ble Commission that if these charges are not allowed over base expenses the consumers are liable to borne extra interest cost as TPDDL may opt to pay Registration fee only to the extent of normative increase allowed by the Hon'ble Commission. The increase in Registration fee is due to change in law, being uncontrollable in the hands of petitioner and petitioner is paying this increased fee in the interest of consumers.

It is further submitted that the Hon'ble Commission in its written submission before the Hon'ble ATE has mentioned that the Commission shall allow the expenses incurred towards registration charges at the time of truing up of the expenses. (Refer issue no 26 of Appeal no 171 of 2012 TPDDL vs. DERC)

Due to aforesaid amendments, to abide by the law being uncontrollable in nature the Petitioner has paid Rs 0.58 Cr in FY 13-14 for creation of mortgage fee which was not part of Base year expenses and to be allowed at the time of truing up.

c) Other Miscellaneous Expenses

1. Financing expenses/charges paid for arranging credit facilities

Regulation 5.3(b) of DERC MYT Regulation, 2011 specify that expenses related to raising of loans will form part of A&G expenses. As the financing charges has not formed part of base year A&G expense, therefore the Petitioner now sought the financing charges on actual basis.

Further Regulation 5.6 provides for that while providing RoE, all the financing cost shall be allowed.



Further to bridge the mismatch in cash flow due to insufficient or non-cost reflective tariff, the petitioner has been raising funds through Commercial paper for which certain financing charges are required to be paid over and above interest. Apart from this, while arranging loans from lender some finance charges in the form of processing fee or upfront fee etc. has to be paid by the Petitioner. Hence the Petitioner is respectfully submitting to the Hon'ble Commission to allow these financing charges on actual basis. Since the quantum of loans varies year to year basis and lender to lender basis, hence it is appropriate also to allow these charges on actual basis.

Further it is submitted that as a licensee, TPDDL is required to make all arrangements to provide uninterrupted electricity to the consumers. To provide the same, the Hon'ble Commission at first stage was supposed to create revenue gap as per order of APTEL in OP-1 and national tariff policy and even if created, TPDDL as a responsibility utility had made arrangement to fund the revenue gap so that it can serve the consumers. During the process of funding the revenue gap if some charges like processing fee etc. are required to be paid, which are uncontrollable in nature despite of hard negotiation, should be allowed as other expenses in the interest of consumers. Have these charges not being paid, the utility would not have been in such a position to arrange the funds and serve the consumers.

Table 3.19(ii): Total amount of Financing charges

Particulars	Amount (Rs Cr)
Total Financing charges net of Registration charges	1.04

It is respectfully submitted to the Hon'ble Commission to allow an amount of Rs 1.04 Cr on account of financing charges.

It is submitted that Regulation 4.21(b)(ii) says about working capital that it shall not be trued up. This regulation does not say anything about finance charges. It may be appreciated that due to insufficient or non-cost reflective tariff, drawing power does not work out equal to the working capital requirement during the year, hence to bridge the mismatch in cash flow, the petitioner has been raising funds through Commercial paper for which certain financing charges are required to be paid over and above interest. Apart from this, while sanctioning the loan to finance the revenue gap and or capex, some lenders charge some finance charges in the form of processing fee or upfront fee etc. which have to

be paid though TPDDL always try for best negotiation with lenders but with the given scenario where Revenue Gap had touched to the level of Rs. 4000 Cr, there are not many lenders available and whatever best way of funding is available, TPDDL has to opt for it to provide regular services to consumers.

Further Regulation 5.6 states that Return on Capital Employed (RoCE) shall be used to provide a return to the Distribution Licensee, and shall cover all financing costs, without providing separate allowances for interest on loans and interest on working capital.

Further Regulation 5.3(b) states that Administrative and General expenses which shall also include expense related to rising of loans, hence in view of regulation 5.6 & 5.3(b) TPDDL has sought financing charges of Rs. 1.04 Cr as mention in table no 3.19(ii) of True up Petition of FY 2013-14 towards rising of loans.

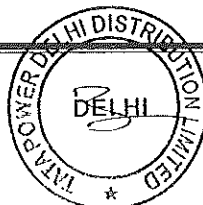
It is also clarified that the Hon'ble Commission in its Tariff Order dated July, 2014 has mentioned that it will allow the financing charges as a part of cost of Debt, but at the time of computing cost of debt did not factored the same and consider the cost of debt as per MYT order dated July, 2012.

Based on the MYT Regulations, 2011 as explained aforesaid and difficulty to consider the financing cost as cost of debt, TPDDL hereby again respectfully submit to the Hon'ble Commission to allow these financing charges on actual basis without making the same as a part of cost of debt.

It is to the notice of Hon'ble Commission that if these charges are not allowed over base expenses the consumers are to borne extra interest cost as TPDDL is always working in the interest of consumers.

2. Increase in LC charges

The Petitioner has provided Letter of credit as a security mechanism to Gencos/ Transco and for claiming rebate towards the payment made on account of power purchase cost/ transmission charges. For arranging the letter of credit facility (i.e. non- fund based facility) the petitioner has tied up with various bank and paid commission charges at the time of



opening of the LC for the period for which it is arranged. The commission charges are directly linked with the value of Letter of Credit. The value of letter of credit is directly linked to Power purchase cost and consequentially rebate is taken back by the Hon'ble Commission for reduction in ARR.

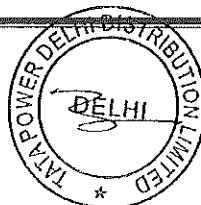
As per MYT Regulation, 2011 the concept of normative rebate has been introduced.

It is worthwhile to note that Letter of credit is a pre-condition for availing the rebate; hence the petitioner has sought an amount of Rs.0.59 Cr as LC charges as entire rebate is offered in the ARR.

It is further submitted that LC charges are a part of A&G expenses which are allowed on normative basis but LC charges are directly linked to Power purchase cost which is uncontrollable in nature. Therefore, if the Hon'ble Commission wish to allow LC charges as part of normative A&G expense, TPDDL also wishes to offer rebate in proportion to normative A&G expense and if the Hon'ble Commission wish to take normative rebate on actual power purchase cost then it is requested to the Hon'ble Commission to allow actual LC Charges. It is a settled principle of law that either two component of one issue can't be on different principles. If the rebate is taken on actual basis than LC charges should also be allowed on actual basis and if the LC charges are allowed on normative basis as a part of A&G expense, than rebate should also be taken on normative basis as a part of ARR. The petitioner can't be loser on both the fronts. It is clarified that if the petitioner choose not to provide actual LC required to be provided to generators/transmitters but on normative basis, in such a scenario, rebate on power purchase is not available and hence same would not be available for the purpose of ARR.

Table 3.19(iii): Computation of LC charges to be allowed on actual basis (Rs Cr)

Sl. No.	Particulars	Amount	Remark
A	Base year LC charges (FY 2010-11)	0.83	
B	Y-o-Y Incremental (%)	8%	
C	LC charges allowed as a part of total A&G Exp. for FY 2013-14	1.05	
D	Efficiency factor (%)	3%	
E	Less- Amount adjusted towards Efficiency	0.031428	
F	LC charges approved (net of efficiency) as a part of A&G	1.02	
G	LC charges Actual	1.6067	
H	Differential amount required to be allowed	0.59	G-F



3. Cost of Auditor Certificates

From the year FY 12-13, the Hon'ble Commission has directed to get the veracity of certain figures, information like power purchase cost, Billing Data, Subsidy certificates, cash flow certificates, bank loan details etc. to be certified from the Auditor of the company. TPDDL has incurred cost towards obtaining these certificates to meet the requirement of the Hon'ble Commission which were not there in the base expenses, therefore, TPDDL request to allow these additional expenses incurred, else the Hon'ble Commission may go away these additional requirements.

The Petitioner has incurred an amount of Rs 0.12 Cr towards arranging the certificate desired by the Hon'ble Commission. As the said expenses are directly linked with requirement of the Hon'ble Commission hence the petitioner is respectfully submitted to the Hon'ble Commission to allow the cost of auditor's certificate of Rs. 0.09 Cr on actual basis which is the differential amount between base year cost and actual cost.

It is clarified that normative increase in expense is permitted to meet inflation for same set of requirement but in case requirement keep on increasing, either additional expenses are required to be allowed to meet increased requirement or normative increase can be allowed but without any further additional requirement.

Table 3.19(iv): Computation of Auditor Certificates

(Rs Cr)

Sl. No.	Particulars	Amount	Remark
A	Base year – cost of auditor certificate (FY 2010-11)	0.03	
B	Y-o-Y Incremental (%)	8%	
C	Cost of auditor certificate as a part of total A&G Exp. For FY 2013-14	0.03	
D	Efficiency factor (%)	3%	
E	Less- Amount adjusted towards Efficiency	0.00	
F	Cost of Auditor expenses approved (net of efficiency) as a part of A&G	0.03	
G	Cost of Auditor Certificate	0.12	
H	Differential amount required to be allowed	0.09	G-F

4. Credit Rating fees

It is worthwhile to note that RBI issued guidelines for implementation of a New Capital Adequacy Framework in April, 2007 which allowed commercial banks to allocate capital in relation to the credit risk embedded in their exposures. Credit Risk in this case would be measured by the rating assigned to such exposures by external credit rating agencies like

ICRA, CRISIL, etc. The rate of interest charged by the lenders would have been higher, had the company not got the credit rating done from credit rating agency.

In light of the above, it is requested that differential amount of Rs 0.22 Cr incurred towards surveillance fees as approved vis-à-vis actually paid be allowed as part of ARR for FY 2013-14. The Hon'ble Commission has recognized the credit rating expenses as additional expense as the same are directly linked with borrowing cost of the Petitioner.

Table 3.19(v): Credit Rating Expenses

Sl. No.	Particulars	Amount (Rs Cr)	Remark
A	Base year – Credit Rating Exp. (FY 2010-11)	0.21	
B	Y-o-Y Incremental (%)	8%	
C	Credit Rating expenses as a part of total A&G Exp. for FY 2013-14	0.26	
D	Efficiency factor (%)	3%	...
E	Less- Amount adjusted towards Efficiency	0.01	
F	Credit Rating expenses (net of efficiency) as a part of A&G	0.25	
G	Credit Rating expenses –Actual	0.4751	
H	Differential amount required to be allowed	0.22	G-F

It is submitted that in the tariff order of July 2014, the Hon'ble Commission has disallowed extra credit rating fee over and above normative A&G expenses paid by TPDDL on the plea that credit rating fee forms part of A&C expense, being normative, hence not allowed.

It is submitted that though the revenue gap is not required to be created as per order of OP-1 in APTEL judgment and National Tariff Policy but due to non-availability of cost reflective tariff in previous tariff orders, as indicated in prayer part, TPDDL had to raise fund to meet revenue gap which has been created by the Hon'ble Commission.

It is submitted that if the Hon'ble Commission wish to allow credit rating fee as part of A&G expenses being normative, in such a case TPDDL offers not to go for rating of loans beyond normative limit and the extra burden of interest due to non-rated loans shall be passed on in tariff which is approx. 2% higher than the applicable rate of interest.

It is further submitted that if the Hon'ble Commission wish to allow normative fee of credit rating as a part of A&G expense, then TPDDL reserve the right to claim rate of interest 2% more than applicable rate of interest and bear credit rating fee from the normative A&G expenses allowed by the Hon'ble Commission.

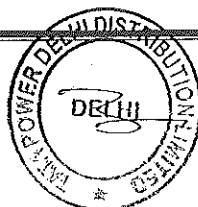
It is submitted that it is not sustainable where TPDDL is working in the interest of consumers by incurring extra expenses over and above the base line for the reasons not attributable to petitioner and the same is not allowed. In such a scenario TPDDL should be allowed applicable rate of interest had loans over and above normative be not rated by credit rating agency

It is worthwhile to note that RBI has issued guidelines for implementation of New Capital Adequacy Framework in April 2007 which allowed commercial banks to allocate capital in relation to the credit risk embedded in their exposure. Credit Risk in this case would be measured by the rating assigned to such exposure by external credit rating agencies like ICRA, CRISIL, etc. The rate of interest charged is directly linked with the rating assigned by credit rating agency and the lenders would have charged higher rate of interest, had the company not got the credit rating done from credit rating agency.

To avail loans, external credit rating is required for assessing the score of credit worthiness of the company. The score of credit worthiness is used as a parameter while determining the cost of funding. If there is no external credit risk rating, the banks charge higher cost of debt ultimately impacting the customers. To save the consumer from higher cost of debt, the Company has incurred credit rating expenses of Rs 0.48 Cr for the FY 2013-14, out of which Rs. 0.25 Cr has already been allowed as a part of A&G expenses and therefore the balance amount of Rs. 0.22 Cr is sought in the Petition.

It is further clarified that in past TPDDL has already informed to the Hon'ble Commission about the consequences for noncompliance of RBI guidelines issued towards Capital Adequacy Framework. Considering such consequences and based on cost benefit analysis, it is requested to allow the credit rating expenses on actual basis as consumer got benefited by the lower interest.

The Summary of Statutory Levies and Taxes, other miscellaneous expenses as claimed above by the Petitioner are given below;



Financing cost of Power Banking

In relation to the issue of financing cost of power banking, the Hon'ble Commission in its submission to the Hon'ble APTEL mentioned that the Banking contracts have to be revenue neutral in nature and hence if power has been bought under "banking arrangement", then the same power will be sold back by the utility with 4% extra power. This extra power that is sold at the rate at which it had bought power at the first place serves like the financing cost of the power banked. Relevant extract of the same is given below:

"3.283 With respect to the financing cost of power banking, the Commission believes that banking contracts are revenue neutral. The electricity industry follows a practice wherein in case of forward/ advance banking, the utility demands additional power @ 4% to be returned and in case of backward banking, the utility has to return 4% extra power. The Commission considers the power banked in advance by the utility as energy sale at Rs 4 per unit because if it does not consider it then it would be burdening present consumers for future consumption, which the Commission deems inappropriate. The utility will be receiving the power banked along with 4% additional power in the next year. The Commission considers total power received as power purchase @ Rs 4 per unit. This allows the utility power purchase cost on additional 4% power received by them @ Rs 4 per unit, which is equivalent to the financing cost of this banking."

As the Petitioner has not kept the benefit of extra 4% power but offered in the ARR by reduction of power purchase cost on account of power banking hence based on the above submission, the Petitioner now seeks the financing cost of power banking as computed below subject to the Judgment made by the Hon'ble Supreme Court.

Table 3.19(vi): computation of cost of financing of power banking

Particulars	MU banked by TPDDL	Normative units @4%	Amount to be retained @ Rs 4/unit - "A"	MU banked with TPDDL	Normative units @4%	Amount to be retained @ Rs 4/unit - "B"	Difference sought/ (offered)
FY 2013-14	569.71	22.79	9.12	226.39	9.06	3.62	5.49
Total	569.71	22.79	9.12	226.39	9.06	3.62	5.49

(copy of relevant document is attached as Annexure A-12 in Volume II of the Petition)

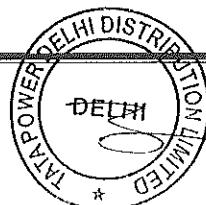


Table 3.19: Summary of New initiative/Additional Expenses

(Rs Cr)

Sl. No.	Nature	(Amount) Sought	Remark
Statutory Levis, Taxes etc.			
A	License Fee	0.82	Table 3.19(i)
B	Change in Service Tax	2.67	
C	Reverse Charge Mechanism	1.50	Service tax Notification attached as Annexure A-10 in Volume II of the Petition
D	Registration charges as per GOI notification	0.58	
Additional Expenses now sought			
E	Increase in LC charges	0.59	Table 3.19(iii)
F	Cost of Auditor Certificate	0.09	Table 3.19(iv)
G	Credit Rating Fees	0.22	Table 3.19(v)
H	other Financing charges	1.04	Table 3.19(ii)
Other Expenses – in line with APTEL Judgment			
H	Power Banking	5.49	Table 3.19(vi)
	Total	13.01	

Non-Tariff Income (NTI)

The other uncontrollable parameter/factor is Non-Tariff Income. The Non-Tariff Income for the purposes of Truing Up for FY 2013-14 is Rs.70.81 Cr as against Rs. 74.28 Cr estimated by the Hon'ble Commission in Tariff Order dated 31st July, 2013.

Table 3.20: Non-Tariff Income for FY 13-14

Sl. No.	Particular	(Rs Cr)	(Rs Cr)	Remarks
A	Other Operating Income		139.19	Note 25 of Audited Accounts
B	Other Income		30.27	Note 26 of Audited Accounts
C	Less- Income from other business (shown separately)		(8.31)	
D	Income		161.51	
Less: Income included in above, not passed for Tariff Determination				
E	Transfer from capital grants	0.59		Note 25 of Audited Accounts
F	Transfer from consumer contribution for capital works(only as a book entry)	17.47		Note 25 of Audited Accounts
G	Interest/Short term capital gain	0.77		Note 25 of Audited Accounts
H	Interest received due to late payment on account of UI	18.86		Note 25 of Audited Accounts
I	Service Line Charges offered	(4.99)		working given below table 3.20(i)
K	Financing Cost of LPSC	12.22		Working given below table 3.20(iii)
L	Rebate of power purchase	46.78		Note 25 of Audited Accounts
M	Incentive towards Street Light	1.58		Working given below table 3.20(iv)
N	Income of Generation Business	0.16		Note given below

Sl. No.	Particular	(Rs Cr)	(Rs Cr)	Remarks
O	Cash discount/ Misc. emp Deduction	0.12	93.56	Note given below
P	Sub- Total		67.59	D-O
Q	Add – Income from other Source to be offered to consumers		3.22	Table 3.21
R	Total non-tariff income		70.81	(P+Q)

Audited Accounts attached as Annexure A-2 in Volume II of the Petition

The items of Incomes not to be considered as Income for tariff determination are as follows:

a. Grant/Consumer Contribution:

As the Hon'ble Commission is utilizing the Gross Capital Grant/Consumer Contribution for financing of the Capitalization, amortization of the same in accounts is only a book entry which cannot be treated as Non-tariff Income after once taking it as a capital receipt for capex/capitalization financing. The above treatment is in accordance with the principles accepted and implemented by the Hon'ble Commission in its previous Tariff Orders.

b. Interest on Surplus Funds out of Shareholder's money

It is submitted that in July 2014 tariff order, the Hon'ble Commission has treated income arising from surplus funds of shareholder's money as non-tariff income which is against the following principles:

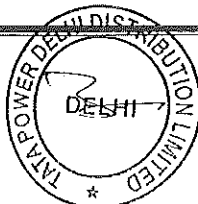
- The Hon'ble Commission itself own acceptance in the tariff order for FY 05-06 as reproduced below
- The Hon'ble ATE order in appeal no 153/2009, where the APTEL has decided that interest on surplus funds out of shareholder's money is not a part of NTI
- Sudden and different approach taken by the Hon'ble Commission against the MYT regulation and precedent creating uncertainty for shareholders
- Against the principle of Transfer scheme

a) The Hon'ble Commission itself in the tariff order FY 05-06 has accepted that TPDDL in its ARR and Tariff Petition for FY 2005-06 has submitted that the company has invested short terms surpluses in the Debt Based Mutual funds and these investments have been made out of surpluses which have arisen due to the disallowance 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, hence any interest/dividend on the same shall not constitute non-tariff Income. Relevant extract

of the Petitioners submission as mentioned in *DERC Tariff Order for FY 2005-06* is given below

- b) *"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. "*
- c) The Hon'ble Commission has upheld the TPDDL contention by considering the view that in case the petitioner distributes the free reserve arising out of return on equity, not allowed to invest in the business as dividend to shareholders, the company will not earn any income, therefore any interest/ short term capital gain earned on the free reserve which was not allowed to invest in the business shall not be treated as a part of non-tariff income, hence not considered an amount of Rs 3.36 Cr as non-tariff income for FY 2004-05.
- d) *Relevant extract of the DERC Tariff Order for FY 2005-06 is given below (refer page no 3-39 of the Tariff Order)*
- e) *"As regard to the Petitioner's submission on treatment of income from investments made out of surpluses due to the dis-allowance of ploughing back the entire Return on Equity, the Commission agrees with the Petitioner's views. In case, the Petitioner distributes the free reserves arising out of Return on Equity not allowed to invest in the business as dividend to shareholders, the Company will not earn any income. Therefore, the Commission has not considered income on these investments as part of non-tariff income."*
- f) *It is further submitted that based on the above, the Hon'ble commission has not considered the interest/ short term capital gain as non-tariff Income from FY 2004-05 onwards.*

Apart from the TPDDL's view upheld by the DERC as mentioned above, It is worth to mention that Hon'ble ATE also upheld the Petitioner view in its Judgment in Appeal no 153/2009 that interest on surplus funds should be allowed to the company.



Relevant extract of the same is given below

" the state commission cannot erode the benefit to be derived by the distribution company by considering such interest income as part of non-tariff income to be deducted from ARR. Therefore finding on this issue by state commission is wrong.

Interest Income on surplus on account of retail supply tariff except the consumer 'share in incentive on overachievement of AT&C losses cannot be deducted from the ARR."

For example relevant extracts of the Tariff orders are given below; whereas the Hon'ble Commission has not considered interest/ short term capital gain as non-tariff income.

Extracts from the Tariff order for FY 2011-12

NORTH DELHI POWER LIMITED

Tariff Order for FY 2011-12

Table 105: Trued-up Non Tariff Income approved (Rs. Cr)

Particulars	Now Approved
Non Tariff Income as per audited accounts	116.39
Less:	
Transfer from capital grants	0.29
Transfer from consumer contribution for capital works	4.92
Provision for doubtful debts/ advances	1.10
Gain on sale/retirement of fixed Assets (net)	4.55
Service Line Charges to be deferred in future years	8.05
Interest on Investment of Contingency Reserve	0.65
Interest/Short term capital gain	5.22

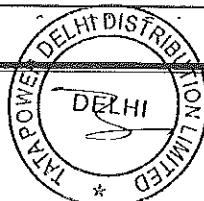
NORTH DELHI POWER LIMITED

Tariff Order for FY 2011-12

4.142 Hence, the Commission has approved the amount of Non Tariff Income as summarised below:

Table 145: Trued-up Non Tariff Income approved (Rs. Cr)

Particulars	Petitioner's Submission
Non Tariff Income as per audited accounts	102.25
Less:	
Transfer from capital grants	0.36
Transfer from consumer contribution for capital works	7.53
Interest/Short term capital gain	1.22
Service Line Charges to be deferred in future years	5.11
Interest on Investment of Contingency Reserve (to be reinvested in reserves)	1.23



3.171 Hence, the Commission has approved the amount of Non Tariff Income as summarised below:

Table 37: Trued-up Non Tariff Income approved by Commission (Rs. Cr)

Particulars	Petitioner's Submission
Non Tariff Income as per audited accounts	134.82
Less:	
Transfer from capital grants	0.38
Transfer from consumer contribution for capital works	12.01
Provision for doubtful debts / advances	16.18
Interest/Short term capital gain	1.58
Service Line Charges to be deferred in future years	3.77

Tata Power Delhi Distribution Limited

Tariff Order for FY 2013-14

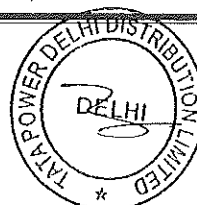
Sl. No	Particulars	Amount
a	Other Operating Income	139.41
b	Other Income	21.49
1	Non Tariff Income as per Audited Accounts	160.90
	Less: Income Included in above, not passes for Tariff determination	
a	Transfer From Capital grants	0.40
b	Transfer from consumer contribution for capital works.	14.05
c	Interest / short term capital gain	11.41

Regulation 5.35 of MYT regulations 2011 excludes the income arising from Shareholder's fund from being treated as an NTI.

During the FY 13-14, TPDDL has earned Rs 0.77 Cr on shareholder's funds invested during different period of the year.

It is worthwhile to note that the TPDDPL is claiming the carrying cost on revenue gap only after adjusting the consumer's share of surplus on account of overachievement. In other words interest income on the consumers' share of surplus has already been adjusted while computing the revenue gap, therefore carrying cost to that extent has been claimed on lower side.

It is also to bring to the notice of the Hon'ble Commission that TPDDL has already offered LPSC amount (i.e. interest on delayed payment surcharge) for the purpose of ARR.



Further the Hon'ble Commission has already directed TPDDL to pay interest @ 6% p.a. on the security deposit to the consumers. The Hon'ble Commission is considering the differential of carrying cost rate vis-à-vis interest rate paid on security deposit in ARR; to that extent any interest income if earned on security deposit has been offered in the ARR.

Therefore the interest income arising out of surplus funds is what is earned after offering all legitimate dues to the consumers in the ARR.

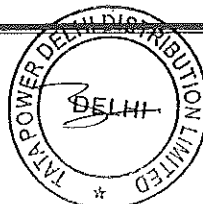
c. Interest received on late payment of UI

As per Regulation 10 of the UI Regulations (The Central Electricity Regulatory Commission (Unscheduled Interchange charges and related matters) Regulations, 2009) **payment of UI charges which enjoys highest priority shall be made within 10 days of the issue of the UI statement by the Regional Power Committee and for delay in payment beyond 12 days, the defaulting entity shall be liable to pay interest @ 0.04% per day.**

During FY 2013-14, TPDDL has received an amount of Rs. 18.86 Cr on account of late payment of UI charges. In this regard, it is respectfully submitted that the aforesaid amount was realized as a result of non-payment by the defaulting constituents resulting in undue financial hardship to the petitioner as the legitimate dues of the petitioner towards principal amount dues and interest accrued thereon have remained unpaid.

It is further submitted that till date The Hon'ble Commission does not allowed the LPSC paid to generators for delay in payment and therefore any LPSC received on account delay in payment of UI charges is not offered as Non-Tariff Income.

It is further submitted that the interest on working capital is allowed on normative basis, hence any fund deployed from the own resources and interest earned on it compensates the normative interest on working capital, not liable to be offered in ARR.



d. Financing Cost for LPSC

LPSC is levied on consumers who do not make payment within the credit period allowed for payment. This compensates the Utility for the additional interest cost that gets incurred on the additional working capital requirements due to non-payment for timely payments of such dues by the consumers by the respective due dates.

LPSC received by the distribution licensee is treated as Non-Tariff Income under Regulation 5.23 of the MYT Regulations and the same is deducted to arrive at the ARR. Regulation 5.23 provides as follows:

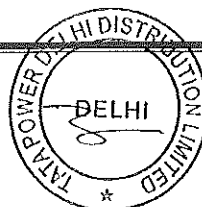
"5.23 All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers and income to the licensee's business from the other Business of the Distribution Licensee shall constitute Non-Tariff Income of the Licensee."

The Hon'ble ATE in Appeal No. 153 of 2009 has held that the distribution licensee is entitled to the cost of financing the entire outstanding principal amount that attracts LPSC at prevalent market lending rates. The Hon'ble ATE categorically held that "the financing cost relating to the late payment surcharge" must be derived from the "prevalent market lending rates." This is imperative because the Petitioner is required to finance working capital requirement arising out of delayed payment throughout the year.

The Hon'ble ATE vide its judgment dated July 12, 2011 in Appeal No. 142 of 2009 had held that the Petitioner is entitled to the compensation for additional financing cost of outstanding dues limited to late payment surcharge amount at the prevalent market lending rate during that period keeping in view the prevailing Prime Lending Rate. The relevant portion of the judgment is reproduced below:

"19.5...

Accordingly, the Appellant is entitled to the compensation for additional financing cost of outstanding dues limited to late payment surcharge amount at



the prevalent market lending rate during that period keeping in view the prevailing Prime Lending Rate."

(Emphasis added)

However, it is submitted that the commission has used the approach that LPSC financing cost is to be allowed based on the cost of debt for working capital only. Further MYT Regulations, 2011 stipulates that working capital should be considered as 100% debt financed, therefore the Petitioner is seeking the cost of working capital as 100% debt financed and further entitled to get tax on the equity portion as per MYT Regulations, 2011 hence for the purpose of computing financing cost the petitioner has grossed up the debt rate by applicable income tax rate for 30% portion of equity.

The financing cost for LPSC is computed as follows:

Table 3.20(i): Computation of financing cost for earning LPSC

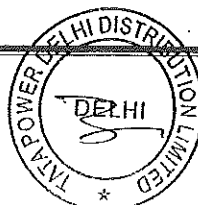
Sl. No.	Particular	UoM	Amount (Rs Cr)
A	LPSC earned	(Rs Cr)	17.53
B	Late payment surcharge rate as prescribed by DERC	%	18% p.a.
C	Principal Amount (i.e. energy & other applicable charges) on which the above LPSC was levied (A/B)	(Rs Cr)	97.38
D	Financing Cost Rate*	%	12.54%
E	Financing Cost (C*D)	(Rs Cr)	12.22
F	Cost of Working Capital-70% Debt	11.62%	
G	Return on Equity- 30% Equity - grossed up for tax	14.70%	11.62% p.a. /(1-tax rate of 20.96%)
H	Financing cost Rate	12.54%	(70%*11.62%)+ (30%*14.70%)

e. Incentive towards Street Light

It is respectfully submitted that in order to evolve a performance driven system that the Hon'ble Commission vide its order dated 22.09.2009 has put up the incentive/disincentive mechanism for maintaining street lights.

Relevant extract of para no. 20 on page no 9 of the aforesaid order is given below:

"On going through the relevant submission made by the Discoms and MCD/PWD etc., it is decided that the performance level/ efficiency for the purpose of incentive shall be reviewed



during next control period till such time the same arrangement for incentive/ disincentive shall continue as under:

Performance level achieved	Incentive	Example
Between 90-95%	1% of the maintenance cost for each percentage in over achievement from target of 90%	Actual Performance 93% Incentive $93-90 = 3\%$
Between 95-97%	1.5% of the maintenance cost for each percentage in over achievement from target of 95%	Actual Performance 97% Incentive $= 5 + 3 = 8\%$
Above 97%	2.0% of the maintenance cost for each percentage in over achievement from target of 97%	Actual Performance 99% Incentive $= 8 + 4 = 12\%$

Performance less than 90% shall attract disincentive for the DISCOMS according to the following table:

Performance level achieved	Disincentive	Example
Between 80-90%	1% of the maintenance cost for each percentage in shortfall to achieve target of 90%	Actual Performance 83% Disincentive $90-83 = 7\%$
Between 70-80%	1.5% of the maintenance cost for each percentage in shortfall to achieve target of 80%	Actual Performance 77% Disincentive $= 10+4.5 = 14.5\%$
Below 70%	2% of the maintenance cost for each percentage in shortfall to achieve target of 70%	Actual Performance 60% Disincentive $= 25 + 20 = 45\%$

The incentive or disincentive would not be a pass through in the calculation of the Annual Revenue Requirement and the payment would be made by the 15th day of the following month."

Based on the aforesaid Order, the Petitioner has sought Rs. 1.58 Cr as incentive towards the maintenance of Street Light. It is clarified that the amount of maintenance charges billed as appearing in Note No 25 of Audited Financial statements are inclusive of incentive which has been billed based on better functioning.

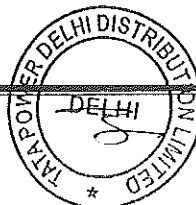


Table 3.20(ii): Computation of Incentive of Street Light for FY 2013-14 (Rs Cr)

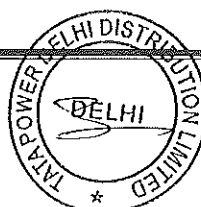
Month	Incentive
April	0.1236
May	0.1239
Jun3	0.1240
July	0.1299
August	0.1357
September	0.1358
October	0.0075
November	0.2654
December	0.1365
January	0.13.66
February	0.1420
March	0.1236
Total Incentive	1.5844

f. Income pertaining to cash discount

It is submitted that during FY 13-14, TPDDL has earned cash discount of Rs 0.11 Cr due to early discharge of liability. Further an amount of Rs 0.01 Cr was recovered from employees hence the same is not offered as non-tariff income.

g. Service Line Charges

Prior to issuance of Tariff Order dated July 2014, The Hon'ble Commission has considered the service line charges as an income over a period of 3 years. However, while truing up for FY 2012-13, the Hon'ble Commission has considered the entire amount of service line charges as non-tariff income by mentioning that deferment of certain portion of these charges for future years is not justifiable in terms of Accounting Standards/ principles and therefore, considered the entire amount as nontariff income only for the Petitioner while for the other two discoms the Hon'ble Commission has stay with its earlier approach. Thus, the approach of applying different set of principle on the same issue creates uncertainty in the minds of stakeholders and also reduces transparency, consistency of approach and predictability of tariff determination process. Therefore, adding the whole amount of service line charges received in a particular year as non-tariff income of that year is an arbitrary deviation from past practice and hence unjustifiable.



It is further submitted while changing the approach for treating service line charges, the Hon'ble Commission has not applied the same approach and treated different approach for other discoms which is against the set methodology, past practice, MYT order and not justified.

The said issue has already been challenged by the petitioner and till the outcome of decision of Hon'able APTEL the petitioner has offered the 1/3rd amount of the service line charges of Rs. 9.72 Cr (i.e. 1/3rd of Rs. 29.16 Cr received during the year) as nontariff Income.

Table 3.20(iii): Service line charges for FY 2013-14

(Rs Cr)

Particulars	3 rd Installment of FY 2011-12	2 nd Installment of FY 2012-13	1 st Installment of FY 2013-14	Total
Amount to be considered (based on 1/3 rd of Service line charge) – "A"	13.55	10.89	9.72	34.16
Amount Received during FY 14 C= B-A			29.17	29.17
Amount offered as service line charges				4.99

h. Income from Generation Business

Income pertaining to Generation Division

It is submitted that during FY 13-14, TPDDL has earned other income of Rs 0.16 Cr from its generation division.

It is clarified that separate tariff petition for generation division is being filed with the Hon'ble Commission; hence the same will be offered in tariff petition pertaining to generation division as per the generation MYT regulations.

Therefore it is respectfully submitted to the Hon'ble Commission to excluded generation income for the purpose of computation of Non-Tariff Income of Distribution business..



i. Income from Consumer Security Deposit

Regulation 5.34 of DERC MYT regulation, 2011 specify that

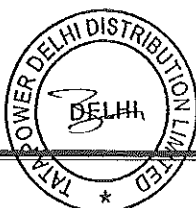
"Interest paid on consumer security deposits shall be based on the rate specified by the Commission in the "Delhi Electricity Supply Code and Performance Standards Regulations, 2007", and shall be a pass through in the ARR."

Regulation 16(vi) of Delhi Electricity Supply Code and Performance Standards Regulations, 2007", specify that

"vi The amount of security deposit shall be as per the Regulation 29 or as approved by the Commission from time to time. The Licensee shall pay interest to the consumer at the rate of 6% per annum, or any other rate prescribed by the Commission payable annually on such deposit w.e.f. date of such deposit in cases of new connection energized after the date of this notification or in other cases, from the date of notification of these regulations. The interest accrued during the year shall be adjusted in the bill for the first billing cycle of the ensuing financial year."

Table 3.20(iv): Computation of Interest on Consumer Security Deposit

Sl. No.	Particulars	Amount (Rs Cr)	Remarks
A	Opening Balance of security Deposit as on 01.04.2013	416.24	.
B	Closing Balance of security Deposit as on 31.03.2014	458.83	.
C	Average Balance	437.53	(A+B)/2
D	Interest Rate (%)	16.28%	Annexure A-13 in volume II of the Petition
E	Interest amount	71.23	C*D
F	Less- adjustment for Interest on Consumer security deposit - Refer Note no 29 of Audited Financial Statement	28.08	
G	Differential amount of interest offered in ARR for FY 2013-14	43.15	E-F



Income from Other than Licensed Business

With the objective of creating additional avenues for growth, sharing of knowledge & best practices across utilities, and most importantly, in line with its strategy of providing power at competitive rates to consumers, TPDDL is exploring the possible avenues for revenue growth through various activities in addition to Distribution of power to consumers.

TPDDL has built up considerable expertise in various areas relating to change management, business processes reengineering, implementation of IT Solutions, etc.

TPDDL has earned Rs 8.31 Cr from other than licensed business. Breakup of the same is given below;

- (a) Training (Rs 0.34 Cr), which includes training to outsiders (Programme covered – APDRP, Drum Training etc. provided to Employees of other state utilities).
- (b) Optimal utilization of Distribution Assets (Rs 0.76 Cr); and
- (c) Consultancy (Rs. 7.21 Cr) which includes consultancy relating to Data porting, Service- Development of software application wherein substantial amount of expenses are incurred by Petitioner towards travelling expenses.

The Hon'ble Commission vide its letter dated May 25, 2007 has clarified that the income from other business shall be shared on net of expenses basis.

It is further submitted that the Hon'ble ATE in Appeal no 14/2012 has also upheld that income from other business should be allocated net of expenses incurred to earn the income from other business. For ready reference the same is reproduced below:

"47. Whereas the main Regulation 5.26 has used the words 'income from other businesses, 2nd Proviso to the section has used the word 'revenue from such other business. Thus, it clear from plain wording of the Regulation 5.26 that 'income' is different from 'revenue'. Income in main regulation is the profit earned by the Appellant from other business and is equal to revenue earned from other business minus the expenditure incurred on the other business.

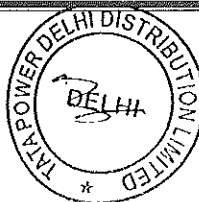
8. It is clear from the plain reading of Regulation 5.26 itself that income from other sources to be worked out by deducting expenditure from the revenue.

49. Accordingly the same is decided in favor of the Appellant".

It is submitted that though the Hon'ble Commission has taken the entire 80% of revenue generated from other business, but has not allowed Income Tax separately on the same as the revenue from other business is benefiting consumers and revenue has been generated additionally for the benefit of consumers. Any associated tax expense on additional revenue generated for the benefit of consumers should be allowed and burden on the same should not erode 16% assured RoE of shareholders as additional net revenue is for the benefit of consumers and not detrimental to the interest of consumers. Therefore, it is the contention of the Petitioner that Income Tax @ 20.96% on Rs. 8.30 Cr (on grossed up basis Rs. 2.20 Cr) on additional revenue should have been allowed separately over and above Income Tax on RoE of Distribution business.

It is submitted that where there was optimal utilization of Distribution Assets, the Petitioner itself is submitting before the Ld. Delhi Commission that the revenue from the same should be considered in the ratio of 80:20. However, with regard to Training and Consultancy activity the Petitioner is claiming the revenue to be divided in the ratio of 50:50. The primary reasons for claiming sharing at the ratio of 50:50 was that:

- (a) In case of Training and Consultancy there was no utilization of distribution assets and other income has been generated purely for use of distribution business manpower for which normative Establishment expenses are allowed. Even though the other income from Training and Consultancy had not been generated (or realized), Distribution manpower expenses would have been allowed on normative basis. Therefore, Distribution business manpower has worked in the interest of consumers by generating extra revenue.
- (b) In case the sharing is allowed in the ratio of 50:50 the same will also cover, apart from direct expenses, unallocable/indirect expenses like printing and stationery, telephone and other A&G expenses of Petitioner as Petitioner was not claiming the expenses separately.

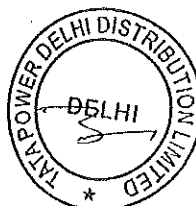


The Hon'ble Commission in its Tariff Order dated July, 2012 has directed the Petitioner to float a separate subsidiary for consultancy service. The Petitioner has constituted its subsidiary "NDPL INFRA Limited" for the consultancy business however as there are certain pre-requisition conditions (i.e. Minimum Net Worth, Turnover etc.) to be met for participation in tenders and NPDL Infra Limited being a new entity does not qualify for the same, hence TPDDL is bidding for consultancy business with the objective of benefiting the TPDDL consumers as share of consultancy income is adjusted against the ARR.

It is submitted that based on the above justifications, the Hon'ble Commission is requested to allow sharing of other business income as explained above and computation given below:

Table 3.21: Break-up of sharing of other business Income for FY 2013-14

Particulars	Rs Cr	Sharing ratio	Consumer's Share	Petitioner's Share
(A) Consultancy				
Consultancy Income	7.2076			
Training Income	0.3441			
Sub Total	7.5517			
Less: Income Tax (i.e. on Grossed up basis)	2.0026			
Net Revenue (A)	5.5491			
(B) Distribution of Assets				
Distribution of Assets	0.7550			
Less: Income Tax (i.e. on Grossed up basis)	0.2002			
Net Revenue (B)	0.5548			
Sharing of Income from A above		50:50	2.7746	2.7746
Sharing of Income from B above		80:20	0.4438	0.1110
Income Tax to be paid by petitioner				2.2028
Total (Rs Lacs)	8.3067		3.2184	5.0883



Capitalization and capital expenditure

Based on the receipt of EI certificate for capitalization, the Gross Fixed Assets for FY 2013-14 is works out as follows:

Table 3.22: Gross Fixed Assets

(Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Opening Balance	4,199.28	Table 3.8.4.4
B1	Capitalization out of CWIP prior to 01.04.2007	0.12	Table 3.22(ii)
B2	Capitalization out of CWIP after to 01.04.2007	387.10	Table 3.22(ii)
B	Total Capitalization during the year	387.22	Table 3.22(ii)
C	De-Capitalization*		
D	Closing Balance	4,586.50	(A+B-C)
E	Average Fixed Assets	4,392.89	(A+D)/2

*Pending the final true up of capitalization of assets, no retirement has been considered

Capitalization

The actual Capitalization of fixed assets (Distribution business) as per books of accounts for FY 2013-14 is as follows (Refer Annexure A-2 in volume II of the Petition):

Table 3.22(i): Detail of Actual Capitalization

(Rs Cr)

Particulars	FY 13-14
capitalization as per Audited Accounts	342.97
Less- Generation Capitalization	
Distribution Capitalization	342.97

However the Hon'ble Commission has considered the capitalization based on the receipt of Electrical Inspector (EI) certificate, which means the year in which EI certificate is received has been considered as year of capitalization. Year wise detail of receipt of EI certificate is given as follows:

Table 3.22(ii): Detail of Actual Capitalization

(Rs Cr)

Year of capitalization	Opening Pending EI certificates (Table 3.8.4.3)	Total Capitalization/ Opening O/S EI certificates	EI certificate not required - D	FY 13-14	Pending
FY 05-06	8.13			0.03	8.10
FY 06-07	16.29			0.00	16.29
FY 07-08	12.83			0.09	12.74
Capitalization Prior to 01.04.2007 - "A"	37.25			0.12	37.13
FY 08-09	15.00			0.14	14.86
FY 09-10	11.48			0.08	11.40
FY 10-11	3.87			0.01	3.86
FY 11-12	29.29			13.51	15.78
Capitalization 1st MYT Period - "B"	59.63			13.74	45.89
FY 12-13 - "C"	60.37			38.06	22.31
FY 13-14 - "E"		342.97	122.18	213.12	7.67
Total Capitalization (A+B+C+D+E)				387.22	

Financing of capitalization

The Hon'ble Commission in its MYT Regulation, 2011 has allowed the financing of capitalization based on Debt: Equity ratio of 70:30. Based on the same financing for FY13-14 onwards works out as follows:

Table 3.23: Financing of Capitalization

(Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Total Capitalization	387.10	Table 3.22
B	Consumer Contribution	89.87	Table 3.24
C	Balance Capitalization	297.23	A-B
D	Loan	208.06	70% of C
E	Equity	89.17	30% of C

Consumer Contribution/Grant

MYT Regulation stipulated that for the purpose of computation of Regulated Rate Base, consumer contribution corresponding to the amount of assets capitalized has to be deducted.

As the capitalization has been considered based on EI certificate received, therefore the corresponding consumer contribution based on EI certificate received has been computed. Further capitalization of consumer contribution has been broken into two parts for the purpose of computation of financing, as the Hon'ble Commission has already used consumer contribution as a means of finance on receipt basis in policy direction period towards financing of capital expenditure incurred till FY 2006-07.

Breakup of the same for the purpose of financing of capitalization is given below:

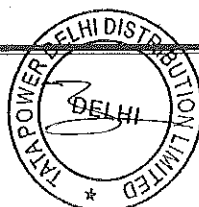
1. Received prior to 01.04.07
2. Received after 01.04.2007

Based on the above, the consumer contribution works out as follows:

Table 3.24: Consumer Contribution/grants

(Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Opening Balance	437.51	Table 3.8.4.6
B1	Capitalized out of Opening till 31.03.07	0.16	
B2	Capitalized out of Consumer Contribution received after 01.04.07	89.87	
B	Addition during the year	90.03	
C	Closing Balance	527.54	(A+B)
D	Average Consumer Contribution	482.53	(A+C)/2



Depreciation (net of consumer contribution)

As per MYT Regulations,

"Depreciation shall not be allowed on assets funded by any capital subsidy / grant."

Based on the above, the Hon'ble Commission is allowing the depreciation on net fixed assets i.e. Gross Addition – Consumer Contribution/capital subsidy/grant. For the purpose of computation of final depreciation to be claimed as a part of Annual Revenue Requirement, first depreciation is computed on Gross Block of Assets and average depreciation rate is worked out which is applied on Fixed assets (net of consumer contribution).

Table 3.25: Computation of Average rate of Depreciation on Gross Fixed Assets (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Average of Gross Fixed Assets	4,392.89	Table 3.22
B	Depreciation	171.05	Form F2a
C	Average Depreciation Rate	3.89%	B/A*100

Considering the above depreciation rate, computation of Depreciation on Average Assets (net of consumer contribution/grants) is given below:

Table 3.26: Depreciation on Net Fixed Assets (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Opening Assets (Net of Consumer Contribution)	3,761.77	
B	Closing Assets (Net of Consumer Contribution)	4,058.96	
C	Average Assets	3,910.37	(A+B)/2
D	Average Depreciation Rate	3.89%	Table 3.25
E	Depreciation (Net of Consumer Contribution)	152.26	C*D

Table 3.27: Cumulative Depreciation on Fixed assets (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Opening Balance	1,401.96	Table 3.8.4.9
B	Addition during the year	152.26	Table 3.26
C	Impact of De-capitalization*		
D	Closing Balance	1,554.22	(A+B-C)

*Pending the final true up of capitalization of assets, no retirement has been considered

Table 3.28: Utilization of depreciation (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Depreciation	152.26	Table 3.26
B	Utilized for Debt repayment	152.26	



Advance Against Depreciation (AAD)

The Hon'ble Commission specify that AAD is dependent on the loans and depreciation and since both these parameters are subject to True-Up at the end of the respective year of the Control Period; hence the AAD has to be trued up at the end of the respective year of the Control Period.

Based on the above, revised computation of AAD is given below:

-(Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	1/10th of Loan(s) - A	223.13	
B	Repayment of the Loan(s) as considered for working out Interest on Loan - B	203.33	Form F3b
C	Minimum of A and B	203.33	
D	Less: Depreciation routed during the year for repayment of loans	152.26	Table 3.26
E	Excess of Min (A,B) over Depreciation	51.07	
F	Cumulative Repayment of the Loan(s) as considered for working out Interest on Loan (C)	1,110.04	
G	Less: Total Cumulative Depreciation	1,554.22	Table 3.27
H	Depreciation Considered for Capex & WC in Previous years	378.32	
I	Cumulative Depreciation considered for AAD (D)	1,175.90	
J	Excess of (C) over (D) D ¹	(65.86)	
K	Advance Against Depreciation (Minimum of C & D)	-	

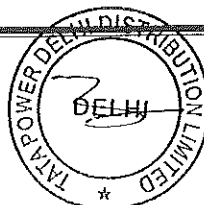
**subject to the outcome of appeal pending with the Hon'ble Supreme Court*

Working capital

MYT Regulation, 2011 specify that

- " 5.14 Working capital for wheeling business of electricity shall consist of
- (b) Receivables for two months of Wheeling Charges.
- Working capital for retail supply of electricity shall consist of.
- (a) Receivables for two months of revenue from sale of electricity;
 - (b) Less: Power purchase costs for one month;
 - (c) Less: Transmission charges for one month; and
 - (d) Less: Wheeling charges for two month."

Further the new MYT regulation provided that working capital will be allowed on normative basis, hence not to be trued up.



In this regard, the Petitioner wants to submit that working capital is determined and directly linked with actual receivables and power purchase of the Petitioner rather than projected, which is based on the concept that tariff determined for the year is sufficient to recover ARR for the year and there is no revenue gap; whereas both the components are uncontrollable in nature hence liable for true up on actual basis. The above methodology is also in accordance with the MYT order.

Based on the same, the revised computation of working capital is given below:

Table 3.30: Computation of working capital

Sl. No.	Particulars	Amount (Rs Cr)	Remark
A	Receivables for Annual Revenue Requirement	5,612.94	
B	Receivables equivalent to 2 months average billing	935.49	A/12*2
C	Power Purchase expenses (inclusive of Transmission charges)	4,459.53	
D	Less: 1/12th of power purchase expenses	371.63	C/12*1
E	Total	563.86	B-D
F	Less- Opening Working Capital	507.17	Table 3.8.4.24
G	Change in working capital for the year	56.69	E-F

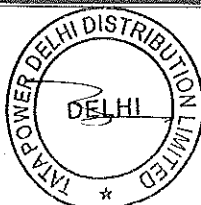
Further the working capital has to be considered as 100% debt financed in accordance with the MYT Regulation, 2011 which is subject to outcome of writ petition as the matter is already challenged by the Petitioner.

It is further clarified that The Hon'ble ATE in Appeal No. 52 of 2008 has already decided that working capital to be allowed in 70:30 debt equity ratio. Based on the Hon'ble ATE judgment funding the working capital for each year is considered in 70:30 debt equity ratio but for the purpose of cost of working capital, the return on equity portion is considered equal to the cost of debt.

Table 3.31: Debt/ Loan – Approved for Working Capital

(Rs Cr)

Sl. No.	Particulars	Now sought		Remark
A	Approved working capital through Debt	317.82		Table 3.8.4.28(ii)
B	Approved working capital through Equity	10.97		Table 3.8.4.28(ii)
C	Total Approved opening working capital		328.79	(A+B)
	Change for the year			
D	through Debt -70% of F	39.68		
E	through Equity -30% of F	17.01		
F	Total		56.69	Table 3.30



Sl. No.	Particulars	Now sought	Remark	Sl. No.
G	Closing working capital through Debt	357.50		
H	Closing working capital through Equity	27.98		
I	Closing Debt- Working Capital		385.48	(C+F)
K	Average working capital - Debt	337.66		
L	Average working capital -Equity	19.48		
J	Average Working Capital		357.13	(A+I)/2

Cost of Debt

Cost of Debt- Based on Approved Capex Loan

As per para no 4.21(b)(ii) under True up of MYT Regulation 2011, the Hon'ble Commission shall not true up the interest rate, if variation in State Bank of India Base Rate as on April 1, 2012, is within +/- 1% during the Control Period. Any increase / decrease in State Bank of India Base Rate beyond +/- 1% only shall be trued up.

Table 3.32: Movement in Base Rate of State Bank of India

Sl. No.	Particulars	SBI		Remark
		FY 2011-12	FY 2013-14	
A	Weighted average Base Rate of SBI	9.65%	9.82%	
B	Opening Base Rate on 1 st April	8.25%	9.70%	
C	Closing Base Rate on 31 st March	10.00%	10.00%	
D	% change in weighted average Base rate		0.17%	

From the above table it can be seen that the change in SBI Base Rate is within the limit of 1% +/- hence the interest rate considered for capex loans availed other than policy direction period are taken as per Tariff Order July, 2012.

Cost of Debt for approved capex loans for FY 2013-14 is considered as 11.21% and cost of working capital which has to be considered as 100% debt in MYT Regulation, 2011 are taken as per Tariff Order July, 2012, the same are subject to true up of + 1% in SBI Base Rate.

Table 3.32(i): Interest Rate considered for FY 2013-14

Particulars	FY 2013-14	
	capex	working capital
Weighted average Base Rate of SBI	11.21%	11.62%



Truing up of RoCE

As specified in the MYT Regulations, RoCE can be determined only after determination of the Regulated Rate Base (RRB) for any particular year, and the Weighted Average Cost of Capital (WACC) for the year.

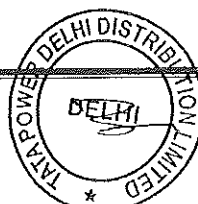
Regulated Rate Base

"For the 2nd MYT control period, the return allowed to the Petitioner shall be as per the methodology specified in the MYT Regulations, 2011. As per Regulation, the return for the year shall be determined by multiplying the weighted average cost of capital employed to the average of, —Net Fixed Asset for each year. Thus, the return allowed each year is determined based on the values of assets capitalized (net of depreciation and consumer contribution) in the respective year. The addition in equity/ free reserves and debt during each year of the Control Period is also to the extent of assets capitalized in that year.

Based on the assets capitalization, depreciation, consumer contribution and working capital for the FY 2013-14, the computation of Regulated Rate Base is given below:

Table 3.33: Computation of Regulated Rate Base for the period FY 13-14 (Rs Cr)

Sl. No.	Particulars	FY 13-14	Remarks
	RRB - Base Year		
A	Opening Balance of OCFA	4,199.28	Table 3.8.4.4
B	Opening Balance of Working Capital	507.17	Table 3.8.4.24
C	Opening Balance of Accumulated Depreciation	1,401.96	Table 3.8.4.9
D	Opening balance of Accumulated Consumer Contribution (in proportion of OCFA to total : OCFA + CWIP + Stores)	437.51	Table 3.8.4.6
E	RRB opening	2,866.99	
	RRB - for the year		
G	Investments in capital expenditure during the year	387.22	Table 3.22(ii)
H	Depreciation for the year (Including AAD)	152.26	Table 3.26
I	Consumer Contribution, Grants, etc. for the year	90.03	Table 3.24
J	Change in Working Capital	56.69	Table 4.30
K	RRB — Closing	3,068.61	
L	ΔAB (Change in Regulated Base)	129.15	
M	RRB(i)	2,996.14	



Computation of Average Equity & Average Debt

The summary of addition in Equity and Free Reserve for the FY 2013-14 is given below:

Table 3.34(i): Equity (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Opening Equity	1,156.34	Table 3.8.4.27
B	Additions- for Capex	89.17	Table 3.23
C	Closing Equity	1,245.50	(A+B)
D	Average Equity	1,200.92	(A+C)/2

The summary of addition in Debt/Loan for the FY 2013-14 is given below:

Table 3.34(ii): Debt/ Loan Capex (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Opening Debt – Capex	1,210.42	Table 3.8.4.28(i)
B	Additions- Capex Loan	208.06	Table 3.23
C	Repayment	203.33	Form F3b
D	Closing Debt- Capex	1,215.15	(A+B-C)
E	Average Debt	1,212.79	(A+D)/2

Table 3.34(iii): Average Working Capital (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Opening working capital	328.79	Table 3.30
B	Addition- Working Capital	56.69	Table 3.30
C	Closing working Capital	385.48	(A+B)
D	Average working capital	357.13	(A+C)/2

Determination of WACC

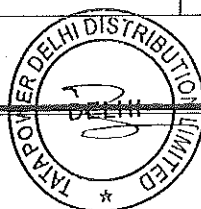
For determining the WACC, the Commission has followed the methodology specified in MYT Regulations, 2011. Debt to equity ratio has been considered on the average values of debt and equity (including free reserves) approved by the Commission for funding of the asset capitalized.

Table 3.35: Computation of WACC (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	Equity (Average)	1,200.92	Table 3.34(i)
B	Debt (Average)	1,569.92	Table 3.34(ii) + Table 3.31(iii)
C	Rate of Return on Equity	16.00%	
D	Rate of Return on Debt	11.30%	Form F3b
E	WACC	13.34%	(A*C+B*D)/(A+B)

Table 3.35(i): Computation of Return on Capital Employed (Rs Cr)

Sl. No.	Particulars	FY 2013-14	Remark
A	WACC	13.34%	Table 3.35
B	RRB(i)	2,996.14	Table 3.33
C	RoCE	399.65	A*B



Additional Return due to overachievement of AT&C incentive

During the FY 2013-14, the Petitioner has achieved the AT&C Target of 10.35%, therefore entitled to get overachievement incentive in the form of additional return on equity. Computation of overachievement incentive is given below:

Table 3.35(ii): overachievement incentive sought for FY 2013-14

Sl. No.	Particulars			Amount (Rs Cr)	Remark
A	RRB (Average)			2,996.14	Table 3.33
B	Equity (Average)	1,200.92	19.47	1,220.40	Table 3.34(i) & Table 3.31
C	Debt (Average)	1,212.79	337.65	1,550.44	Table 3.34(ii) & Table 3.31
D	% of Equity			44.04%	
E	Additional Return			7.95%	Table 3.6
F	Additional Return			104.95	A*D*E

Income Tax

Regulation 5.32 of DERC MYT Regulations, 2011 specified that Tax on Income, if any liable to be paid on the licensed business of the distribution Licensee shall be limited to tax on return on the equity component of capital employed.

Relevant extracts of the same is given below;

"5.32 Tax on income, if any, liable to be paid on the licensed business of the Distribution Licensee shall be limited to tax on return on the equity component of capital employed. Any additional tax other than this shall not be a pass through, and it shall be payable by the Distribution Licensee itself.

5.33 The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.."

Based on the above regulation, the Petitioner has sought Income tax of Rs. 55.75 Cr as a tax on return on the equity component of capital employed against the income tax of Rs 31 Cr approved by the Hon'ble Commission in its Tariff Order dated July, 2013.

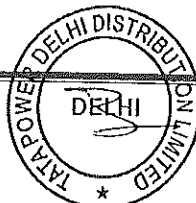


Table 3.36: Income tax sought for FY 2013-14

Sl. No.	Particulars	Amount (Rs Cr)			Remark
A	RRB (Average)			2,996.14	Table 3.33
B	Equity (Average)- Capex	1,200.92		1,200.92	Table 3.34(i)
	Equity (Average)- working Capital		19.48	19.48	Table 3.30(i)
C	Debt (Average)- Capex	1,212.79			Table 3.31
	Debt (Average)- Working capital		337.66	1,550.45	Table 3.34(ii)
D	% of Equity	49.75%	5.45%	44.04%	Average Equity/(Average Debt + Average Equity)
E	Rate of Return on Equity	16.00%	11.62%	15.93%	A*D*E
G	Return on Equity			210.22	F/(1-tax rate)
G	MAT / Income Tax Rate			20.96%	
H	Income Tax			55.75	G-F

Based on the submission made above for truing up of FY 2013-14, the Aggregate Revenue Requirement comes to Rs. 5,612.94 Cr Computation of the same is given below:

Table 3.37: Summary of Aggregate Revenue Requirement (Rs Cr)

Sl. No.	Particulars	Tariff Order July, 2013	Trued up Sought	Remark
A	Power Purchase Cost	3,505.83	4,118.24	
B	Inter-State Transmission Charges	321.35	299.33	
C	Intra-State Transmission Charges	152.85	138.16	
D	Less- Normative Rebate	96.56	96.21	
E	O&M Expenses	413.51	541.75	Table 3.18
F	Other statutory levies/New initiatives	-	13.01	Table 3.19
G	Depreciation	128.40	152.26	Table 3.26
H	Return on Capital Employed	310.51	399.65	Table 3.35(i)
I	Additional Return on Capital employed- AT&C overachievement		104.95	Table 3.35(ii)
J	Income tax	31.01	55.75	Table 3.36
K	Less: Non-Tariff Income	74.28	70.81	Table 3.20
L	Less: Interest on CSD		43.15	Table 3.20(iv)
M	Aggregate Revenue Requirement	4,692.62	5,612.94	

Table 3.38: Revenue available towards ARR for FY 2013-14

Sl. No.	Particulars	Submission	Remark
A	Total Amount Realized	5611.42	
B	Less- 8% DRRS	390.70	
C	Less: Electricity Duty	232.22	
D	Revenue Available for Expenses	4,988.50	Table 3.4



Revenue Surplus /(Gap) for FY 2013-14

Against the Revenue Surplus of Rs 477.94 Cr as estimated by the Hon'ble Commission, there is revenue gap of Rs 624.44 Cr computation of the same is given below:

Table 3.39: Computation of Revenue Gap of FY 13-14

(Rs Cr)

Sl. No.	Particular	Estimated by the Hon'ble Commission	Sought by the Petitioner	Remarks
A	Revenue Available	5,170.56	4,988.50	Table 3.38
B	Revenue Requirements	4,692.62	5,612.94	Table 3.37
C	Revenue Surplus/(Gap)	477.94	(624.44)	A-B

Carrying Cost & Closing Revenue Gap

The rate of carrying cost for FY 2013-14 has been considered based on the Hon'ble ATE Judgment dated 28th November, 2014 BESE vs. DERC where the Hon'ble ATE has decided the matter in favour of the Appellant in line with the aforesaid judgment the Petitioner is entitled on the 70% debt portion, at the prevalent market rate considering SBI PLR and on 30% equity portion, the rate of return on equity.

Based on the above carrying cost rate and Closing revenue gap for FY 13-14 is computed below:

Table 3.40: Computation of carrying cost & closing Revenue Gap for FY 2013-14

Sl. No.	Particulars	Amount (Rs Cr)	Remarks
A	Revised Opening Gap	(5,295.82)	Table 3.8.4.42
B	Add: Revenue Gap sought for the year	(624.44)	Table 3.39
C	Carrying Cost Rate	16.28%	Annexure A-13 in Volume II of the Petition
D	Add: Carrying Cost	(913.03)	(A+B/2)*C
E	Less- Realization from Deficit recovery surcharge	390.70	
F	Carrying cost net of DRRS	(522.33)	D-E
G	Closing Revenue Gap (including carrying cost)	(6,442.58)	A+B+F

