

Chapter 3

True up of FY 2016-17



Methodology for Truing up of FY 2016-17

Applicability of Multi Year Tariff Regulations, 2011

The Hon'ble Commission issued 2nd MYT Regulation's vide Order dated 02.12.2011 specifying Terms and Conditions for Determination of Tariff for Distribution of electricity under the Multi Year Tariff (MYT) framework for the period FY 2012-13 and FY 2014-15.

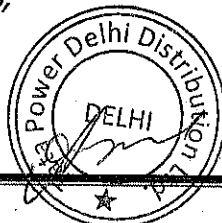
The Hon'ble Commission further vide its Order dated October 22, 2014 has extended the MYT period of FY 2012-13 to FY 2014-15 for a further period of one year till FY 2015-16. The Hon'ble Commission in its Terms and Conditions for determination of Tariff Regulation, 2017 has Specified Norms of Operation and Truing Up under the head "Part 7". In Part 7, Regulations 139 provided that "*Performance review and adjustment of variations in the ARR and Revenue for the Utilities for FY 2016-17 shall be considered in accordance with the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2011, Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011 and Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011.*"

Therefore based on above, Tata Power- DDL now seeking the True up of FY 2016-17 in line with Regulations 4.21 & 5.36 of the Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Regulations, 2011 which has stipulated the methodology for True up. The relevant extract of the same are 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 parameters of ARR:

1. Revenue and Power Purchase
2. Non-Tariff Income including Other Business Income
3. O&M Expenses along with New Initiatives
4. Depreciation and RoCE(including AT&C Incentive) based on the actual Capitalization
5. Income Tax
6. Carrying Cost

The component wise detailed information's are given in relevant paras of this chapter.



Energy Sales
Energy Billed for FY 16-17

During the financial year, the Petitioner has actually billed energy revenue (net of E. tax) of Rs. 6,637.89 Cr. (8,260.52 Mus) at approved Retail Supply Tariffs.

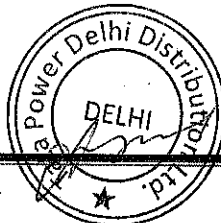
The Hon'ble Commission in its Multi Year Tariff Order for second control period (i.e. FY 2012-13 to FY 2014-15) has introduced a surcharge of 8% which was applicable w.e.f. 01st July 2012 over the approved retail supply tariff for recovery of carrying cost & liquidation of Past Revenue Gap, on account of which the Petitioner has billed Rs 491.32 Cr in FY 2016-17.

Summary of the category wise actual billed energy & revenue are given below:

Table 3.0: Category wise Actual Revenue Billed

Category	For FY 16-17				
	Billed (MU)	Billed revenue other than 8% DRS	8% Billed DRS	Total Billed Revenue (Rs Cr)	ABR (Rs/ KWh)
A. Domestic	3,772.53	2,064.91	165.05	2,229.96	5.91
B. Non-Domestic	1,464.02	1,499.16	119.47	1,618.63	11.06
C. Industrial	2,312.81	2,070.58	165.43	2,236.01	9.67
D. Irrigation & Agriculture	12.64	4.14	0.33	4.47	3.53
E. Public Lighting	148.00	108.21	8.64	116.85	7.89
F. Delhi Jal Board	238.74	188.35	15.06	203.42	8.52
G. Railway Traction	48.06	35.20	2.81	38.01	7.91
H. DMRC	149.50	94.86	7.59	102.45	6.85
I. Own consumption	17.95	-	-	-	-
J. Advertisement & Hoarding	1.18	1.73	0.14	1.87	15.84
K. others	95.08	85.18	6.77	91.95	9.67
L. Open Access charges offered as Non-Tariff Income		(5.75)	0.01	(5.74)	
M. Total	8,260.52	6,146.57	491.32	6,637.89	8.04
N. Add- E. Tax				297.75	
Total Revenue Billed (M+N)	8,260.52			6,935.64	8.40

(Copy of Auditor Certificate for Billed Energy & Revenue billed 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 ARR's. 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.**"*

As explained earlier, the control period of 2nd MYT period has been further extended to FY 2016-17 also, therefore based on the norms issued by the Hon'ble Commission, the Petitioner has sought 17.95 Mus towards the self-consumption on normative basis.

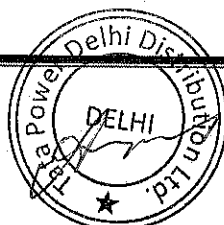
Table 3.1: Own consumption (units) for FY 2016-17

Sl. No.	Particulars	MU	Remark
A	Normative Own consumption for previous year as per Form 2.1.a	17.59	
B	Average One month consumption	1.47	(A/12)
C	Additional 2% per month incremental units	0.03	(B*2%)
D	Average monthly consumption allowed after incremental units	1.50	(B+C)
E	Total Own Consumption for full year considered for FY 2016-17	17.95	(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 Regulations are 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;

The Hon'ble Commission has approved 0.50% loss reduction trajectory over the previous year for each year of 2nd MYT Control period.

The Hon'ble Commission has computed the target AT&C loss level for each year of the second MYT control period based on approved targeted AT&C loss level of 13% for FY 2011-12.

Given below is the table showing the approved AT&C loss level for each year of the second MYT control period based on 13% approved target AT&C loss level.

Sl. No.	Particulars	FY 11-12	FY 12-13	FY 13-14	FY 14-15
A	Base year approved target AT&C loss level	13.00%			
B	Trajectory for reduction		0.50%	0.50%	0.50%
C	AT&C Losses target for each year		12.50%	12.00%	11.50%

However, the Hon'ble Commission in its Tariff Order dated July, 2014 has re-fixed/re-determined the earlier Targeted AT&C loss level of FY 2011-12 (i.e. from 13% to 15.325%) but not given the corresponding impact of the same for second MYT control period.



Aggrieved by the said approach, the Petitioner has filed an appeal before the Hon'ble APTEL to give direction to the Hon'ble Commission to re-determine the target AT&C loss level for each year of the second MYT control period as mentioned below.

Sl. No.	Particulars	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
A	Base year approved target AT&C loss level	15.325%				
B	Trajectory for reduction		0.50%	0.50%	0.50%	0.50%
C	AT&C Losses target for each year		14.825%	14.325%	13.825%	13.325%

The Hon'ble Commission has not specified any AT&C loss target for FY 2016-17, therefore in line with loss reduction trajectory of 0.50% per year, the Petitioner in this petition is seeking AT&C loss target of 12.825% for FY 2016-17 (i.e. 0.50% loss reduction over the previous year Target AT&C loss level of 13.325%).

Table 3.2: AT&C loss target for FY 2016-17

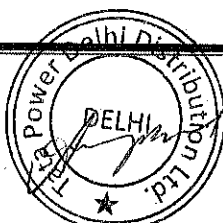
Sl. No.	Particulars	Sought based on the submission made with Hon'ble APTEL	Remarks
A	Previous year AT&C Losses target for FY 2015-16	13.325%	
B	Target reduction for FY 2016-17	0.50%	
C	AT&C Losses target for FY 2016-17	12.825%	(A-B)

Exclusion of DRRS and E. Tax from the Billed Energy Revenue

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 as collection for computation of AT&C losses/ collection efficiency. 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.

The Petitioner would like to mention that Regulation 4.7 (c) clearly stipulated that only Electricity Tax/Late payment surcharge will not form part of collection.



Relevant extract of the said Regulation is reproduced below:

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

It is worth to mention that against the aforesaid MYT Regulations, while truing up the revenue available for FY 12-13 the Hon'ble Commission has reduced the corresponding amount of DRRS and E. tax from the revenue billed/collected while computing collection efficiency for the respective year.

The Petitioner aggrieved with the above methodology of exclusion of DRRS from collection, which is against the MYT Regulation 4.7(c) of 2011, has filed its objections before the Hon'ble APTEL.

Therefore, without prejudice to our right and till the outcome of the decision of the Hon'ble APTEL, the Petitioner has hereby computed the AT&C loss level/Collection efficiency based on the methodology followed by the Hon'ble Commission in its Tariff order dated August, 2017.

Table 3.3: Revenue Billed for AT&C purpose for FY 16-17

(Rs Cr)

Sl. No.	Particular	UoM	Amount	Remark
A	Units Billed	MUs	8,260.52	Table 3.0
B	Total Revenue Billed as per Form2.1a	(Rs Cr)	6,935.64	Table 3.0
C	Less- E Tax	(Rs Cr)	297.75	Table 3.0
D	Less- DRRS 8%	(Rs Cr)	491.32	Table 3.0
E	Less- Rebate on number of bills	(Rs Cr)	16.75	Note 32 of Audited Financial Statement
F	Net Revenue Billed	(Rs Cr)	6,129.82	(B-C-D-E)

Revenue Realization

The Petitioner has been able to realize an amount of Rs 6,118.98 Cr. during the FY 2016-17 after excluding amount realized on account of electricity tax, 8% DRRS, LPSC and Monthly Rebate from the total collection.

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

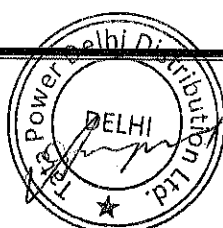


Table 3.4: Amount of revenue available for AT&C Computation for FY 2016-17 (Rs Cr)

Sl. No.	Particular	Amount	Remarks
A	Revenue Realized (Inclusive of E Tax)	6,937.95	Table 3.4(i)
B	Less: 8% Deficit Revenue Recovery Surcharge	491.03	Note 47.2 of Audited Financial Statement
C	Less: Electricity Tax	292.90	Note 47.2 of Audited Financial Statement
D	Less: LPSC	18.29	Note 32 of Audited Financial Statement
E	Less: Monthly Rebate	16.75	Note 32 of Audited Financial Statement
F	Revenue Collected for AT&C purpose	6,118.98	(A-B-C-D-E)

Given below is the collection derived for FY 2016-17 based on debtor's moments as per Audited Balance Sheet;

Table 3.4(i): Collection as per Audited Balance Sheet

Sl. No.	Particular	Amount	(Rs Cr) Remark
	Opening Debtors as on 01.04.16	461.63	Note 12 & 14 of Audited Balance Sheet*
	Less- other Debtors	1.83	
A	Opening Debtors as on 01.04.16	459.80	for AT&C purpose
	Add:		
B	Sale	6,945.69	Note 32 of Audited Balance Sheet*
C	Difference in subsidy billed and collected	0.66	Table 3.4(ii)
	Less:		
D	Doubtful Debts/ Bad Debts	10.25	Table 3.4(iii)
	Closing Debtors as on 31.03.17	465.38	Note 12 & 14 of Audited Balance Sheet*
	Less:- Other Debtors	7.43	
E	Net Closing Debtors as on 31.03.2017	457.94	
F	Total Collection at Gross Level	6,937.95	(A+B+C-D-E)

*(Annexure A-2 in Volume II of the Petition)

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 16-17 has been considered for the purpose of computing revenue realized during FY 16-17. The difference in subsidy billed and collected during FY 16-17 is as follows:

Table 3.4(ii): Subsidy Collections

(Rs Cr)

Sl. No.	Particular	Amount	Remark
A	Subsidy Disbursed during FY 16-17	437.14	
B	Recoverable on account of JJ amnesty Scheme	0.66	
	Total Amount Recoverable	437.81	(A+B)
C	Amount Collected*	437.14	
D	Difference in Subsidy disbursed and collected	0.66	(A+B-C)

It is clarified that pursuant to the methodology adopted by the Hon'ble Commission for Truing Up, Subsidy on disbursement basis has been treated as 100% collection irrespective of the fact whether actual collection from the GoNCTD has been received or not. In other words, if the entire disbursed subsidy is not received from the GoNCTD then the remaining unpaid amount shall be treated 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

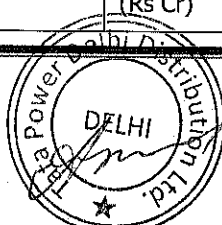
(Rs Cr)

Sl. No.	Particulars	Gross Amount	E. Tax	Net of E. Tax*	Remark *
A	Bad Debts written off (Net of Recovered)	1.05	0.05	1.00	Refer Note no 37 of Audited Balance Sheet (Annexure A-2 in Volume II of the Petition)
B	Provision for Doubtful debts	9.20	5.15	4.05	Refer Note no 37 of Audited Balance Sheet (Annexure A-2 in Volume II of the Petition)
C	Total As per P&L	10.25	5.20	5.05	(A+B)

In line with the methodology adopted by the Hon'ble Commission, the Petitioner has computed AT&C loss level of 8.78% for FY 2016-17. Computation of the same is given below:

Table 3.5: Computation of AT&C Loss Level for FY 16-17

Sl. No.	Particular	UoM	Amount	Remarks
A	Energy Input at TPDDL Periphery	Mu	9,039.68	Table 3.7
B	Units Billed	Mu	8,260.52	Table 3.0
C	Amount Billed	(Rs Cr)	6,129.82	Table 3.3



Sl. No.	Particular	UoM	Amount	Remarks
D	Average Billing Rate	Rs/kWh	7.42	((C/B)*10)
E	Distribution Loss	%	8.62%	(1-B/A)
F	Amount Collected	(Rs Cr)	6,118.98	Table 3.4
G	Collection Efficiency	%	99.82%	(F/C)
H	Units Realized	Mu	8,245.90	(B*G)
I	AT&C Loss Level	%	8.78%	(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."*

As mentioned earlier, the Petitioner in this petition has sought the AT&C loss target/trajectory of 12.825% for FY 16-17 against which TPDDL has actually achieved AT&C loss level of 8.78% 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 - Target for – Current Year	12.825%	as Explained above
B	AT&C Losses - Revised Target for – Previous year	13.325%	as Explained above
C	AT&C Losses - Actual for FY 2016-17	8.78%	Table 3.5
D	Additional Return on Equity (%) = $(X_i - Y_i) / (X_i - 1 - X_i) *$	8.09%	

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

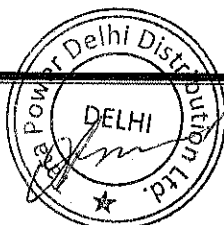
Where as

X_i = Target AT&C loss level for i th year, i.e. *Revised Target AT&C loss 12.825% for FY 2016-17

X_{i-1} = Target AT&C loss level for $(i-1)$ th year, i.e. *Revised Target AT&C loss 13.325% for FY 2015-16

Y_i = Actual AT&C Loss level for i th year;, i.e. for FY 2016-17

* at Revised Target



Power Purchase

The summary of actual power purchase cost for FY 2016-17 as incurred by the Petitioner is given as follows:-

Table 3.7: Power Purchase Cost for FY 2016-17

Particulars	Amount (Rs Cr)	Reference
Power Purchase - CSGS*	3,322.33	Table 3.12
Short Term Power Purchase	557.64	Table 3.16
Power Purchase – Delhi Gencos#	650.85	Table 3.13
RPO Obligations	58.96	Table 3.15
Cost of REC certificate – towards RPO	25.00	Table 3.15(i)
Gross Power Purchase Cost	4614.78	
Add: Transmission Charges		
PGCIL charges	474.28	Table 3.19
DTL charges	329.14	Table 3.19
Other transmission charges (Including Pension Trust)	231.06	Table 3.19
Less: Surplus Power sold / Banked / UI sales	(487.76)	Table 3.17
Power Purchase Cost (Audited)	5161.50	
Less- Net Normative Rebate on power purchase	82.72	Table 3.20
Less- Rebate on account of Transmission charges	16.94	Table 3.20
Add back- Cost towards Rithala plant (to be treated separately)	128.18	Table 3.13
Add- Normative additional units of power Banking @ 4/unit	7.05	Table 3.18
Net Power Purchase Cost	5197.07	
Energy Input (MU)	9039.68	Table 3.8(i)
Average Power Purchase Rate – Rs/unit	5.75	

Note: *Excludes cost of BTPS, # Includes cost of BTPS
(Copy of Auditor Certificate is attached as Annexure A-3 in Volume II of the Petition)

Power Purchase Quantum

During FY 2016-17, the Petitioner has purchased 11202.12 MUs out of which 1829.78 MUs of surplus energy was sold as short term sale of surplus power.

Deducting the Inter-State transmission loss of 300.07 MUs and Intra-State transmission loss of 32.60 MUs, the Petitioner has submitted a net power purchase quantum of 9039.68 MUs delivered at TPDDL distribution periphery.



The summary of power purchase quantum for FY 2016-17 as per Auditor certificate is given below:

Table 3.8: Power Purchase Quantum for FY 2016-17 as per Auditor's certificate

Sl. No.	Particulars	Actual Power Purchase (MUs)	Remarks /Ref
A	Power Purchase:		
i	Gross Power Purchase Quantum	11202.12	
ii	Short term sale of Power	(1829.78)	
iii	Net Power Purchase	9372.35	(i+ii)
B	Transmission Loss:		
I	Inter-State Transmission Loss	(300.07)	
II	Intra-State Transmission Loss	(32.60)	
III	Total Transmission Loss	(332.67)	(I+II)
C	Net Power Available after Transmission Loss	9039.68	(A-B)

Actual consumption

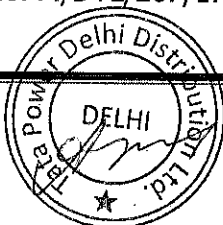
It is submitted that Delhi SLDC issues weekly UI bills from where the actual drawl by a utility is finalized. It may be noted that there is a time lag of approx. 2-3 months in issuing of the UI bills by Delhi SLDC and at the time of finalizing of accounts for FY 2016-17, the UI bills were not issued for the period 9th January 2017 to 31st March 2017. Hence TPDDL had taken a provision of the actual consumption MUs for the months for which bills were not issued. The breakup of consumption in FY 16-17 is as under:

Table 3.8(i): Input as per Auditor Certificate for FY 2016-17

Particulars	MU
Actual demand of FY 16-17 as per Delhi SLDC UI bills	7,278.48
Open Access consumer	(18.84)
Solar generation	2.17
Provisional	1777.80
Net metering	0.07
Total consumption	9,039.68

Hence, consumption certified by the statutory auditors for FY 16-17 is 9,039.68 MU.

It is further submitted that with reference to the SLDC letter No. F./DTL/207/16-17/GM(SLDC)/F41/157 dated 6th Mar 2017 and letter No. F./DTL/207/17-18/GM(SLDC)/F41/30 dated 7th June



2017 addressed to the Hon'ble Commission, Tata Power- DDL has requested the Hon'ble commission to instruct Delhi SLDC to carry out revision in UI bills w.e.f from 17th Feb 2014.

Short Term Power Purchase

During this financial year the Petitioner has purchased 1473.49 MU through bilateral/exchange/UI/Intrastate/Banking under short-term purchase.

The summary of sources wise short term power purchase from FY 2014-15 onwards are shown below:

Table 3.9: Details of Short term Power Purchase

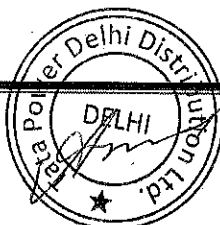
Sl. No.	Particulars	FY 14-15		FY 15-16		FY 16-17	
		Energy (MU)	(%)	Energy (MU)	(%)	Energy (MU)	(%)
A	Bilateral	0.14	0.02%	-	-	-	-
B	Banking	526.18	82.79%	627.28	56%	1387.53	94.17%
C	Exchange	61.35	9.65%	367.20	33%	44.16	3.00%
D	Intra state	8.81	1.39%	96.45	9%	6.41	0.44%
E	UI	39.06	6.15%	29.38	3%	35.39	2.40%
F	Total	635.54	100.00%	1,120.31	100%	1,473.49	100%

Short Term Power Sale

During the year the Petitioner has sold 1,829.78 MU of surplus energy out of which 15.93 (1%) MUs was sold through Bilateral, 148.14 MU (8%) UI, 440.58 MU (24%) was banked, 888.23 MU (49%) was sold through exchange and 336.89 MU (18%) through intra-state arrangements. The summary of source wise short term power sales from FY 2014-15 onwards are shown below:

Table 3.10: Details of Short term Power Sales

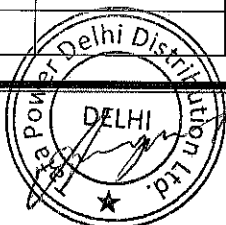
Sl. No.	Particulars	FY 14-15		FY 15-16		FY 16-17	
		Energy (MU)	(%)	Energy (MU)	(%)	Energy (MU)	(%)
A	Bilateral	357.60	22%	-	-	15.93	1%
B	Banking	527.54	33%	1,461.44	74%	440.58	24%
C	Exchange	445.14	28%	123.57	6%	888.23	49%
D	Intra state	159.31	10%	257.19	13%	336.89	18%
E	UI	115.78	7%	122.37	6%	148.14	8%
F	Total	1605.36	100%	1,964.57	100%	1829.78	100%



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

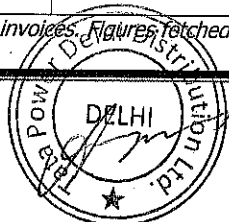
Table 3.11: Details of Power Purchase Quantum Station wise (MU)

Sl. No.	Stations	Total Generation#	Energy Received at Delhi Periphery	Petitioner Share* 2016-17
Central Sector Generating Stations (CSGS)				
A	NTPC			
I	Anta Gas Power Station			0.10
II	Aravali Jhajjar			473.43
iii	Auraiya Gas Power Station			1.64
iv	Farakka Super Thermal Power Station			22.82
V	Feroze Gandhi Unchahar TPS 1			26.00
vi	Feroze Gandhi Unchahar TPS 2			59.58
vii	Feroze Gandhi Unchahar TPS 3			38.33
viii	Kahalgaoon STPS 1			57.24
ix	Kahalgaoon STPS 2			211.17
X	Koldam Hydro Power Station			-
xi	National Capital Therm Pwr - Dadri 1			517.75
xii	National Capital Therm Pwr - Dadri 2			1,067.08
xiii	Rihand Super Therm Pwr Stn 1			146.60
xiv	Rihand Super Therm Pwr Stn 2			227.00
xv	Rihand Super Therm Pwr Stn 3			240.41
xvi	Singrauli Super Thermal Power Station			294.07
xvii	Talcher Super Thermal Power Station			-
xviii	Total			3,383.23
B	NHPC			
I	Bairasiul			21.63
II	Chamera-I			51.93
iii	Chamera-II			56.95
iv	Chamera-III			34.88
v	Dhauliganga			37.28
vi	Dulhasti			86.55
vii	Parbati-III			25.73
viii	Salal			115.53
ix	Sewa-II			21.71
x	Tanakpur			10.92
xi	Uri			92.53
xii	Uri-II			59.40
xiii	NHPC Water Cess			-
xiv	Total			615.03



Sl. No.	Stations	Total Generation#	Energy Received at Delhi Periphery	Petitioner Share* 2016-17
C	THDC			
I	Tehri HEP			59.95
II	Koteshwar			36.56
iii	Total			96.52
D	DVC			
I	Mejla Unit 6			160.59
II	CTPS 7 & 8			545.31
III	Total			705.91
E	NPCIL			
I	NAPS			99.40
II	RAPS			97.36
III	Total			196.76
F	SJVNL			
I	Total			203.07
G	Others			
I	Tala HEP			29.83
II	Sasan Power limited			866.13
III	Maithon Power Limited			1,947.89
IV	CLP, Jhajjar			222.21
v	Total			3,066.07
H	Total CSGS (A+B+C+D+E+F+ G)			8,266.59
I	State Generating Stations (SGS)			
I	BTPS			367.47
II	Dadri			3.28
III	Rajghat			(3.44)
IV	Gas Turbine			202.18
V	Pragati-I			345.30
VI	Pragati-III			452.63
vii	Solar - Own			2.17
viii	Solar Net Metering			0.07
IX	Solar - SECI			43.19
X	TOWMCL			45.64
XI	DMSWSL			3.57
xii	Rithala			0.00
xii	Total			1,462.05
J	Grand Total (H+I)			9,728.64

* MU scheduled to the petitioner in FY 16-17 as per invoices. Figures fetched from Audited Power Purchase Certificate



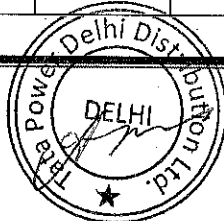
Power Purchase Cost

The Petitioner has incurred gross power purchase cost of Rs. 4,589.78 Cr (excluding cost of RE Certificates) for the gross power purchase quantum of 11202.12 MU in FY 2016-17 from all sources including intra-state, bilateral, UI and exchange. The revenue of Rs. 487.76 Cr on account of sale of 1829.78 MU surplus energy through bilateral, intra-state, UI and exchange.

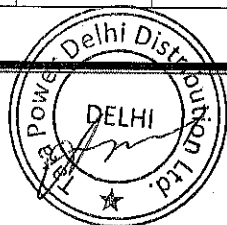
Further, the Petitioner has incurred total transmission charges of Rs. 855.40 Cr which includes SLDC charges, NRLDC charges, Reactive Energy charges etc. and further Rs 179.08 Cr towards Pension Trust Payment and Rs 25 Cr. towards cost of RE certificates in order to comply RPO obligations. Thus, arrived at total audited power purchase cost of Rs. 5,161.50 Cr for FY 2016-17.

Table 3.12: Details of Power Purchase Cost Station wise for FY 2016-17 (Rs Cr)

Sl No.	Name of Stations	Units Billed (MU)	Fixed Cost (Rs. Cr.)	Variable Cost (Rs. Cr.)	Others Charges (Rs. Cr.)	Total Cost (Rs. Cr.)	Average cost (Rs. Cr.)
	Central Sector Generating Stations (CSGS)						
A	NTPC						
i	Anta Gas Power Station	0.10	0.42	0.21	0.43	1.06	102.67
ii	Aravali Jhajjar	473.43	253.32	150.95	(2.60)	401.66	8.48
iii	Auralya Gas Power Station	1.64	0.67	0.67	0.00	1.34	8.22
iv	Farakka Super Thermal Power Station	22.82	4.04	6.00	(0.04)	10.00	4.38
v	Feroze Gandhi Unchahar TPS 1	26.00	3.66	7.68	0.06	11.39	4.38
vi	Feroze Gandhi Unchahar TPS 2	59.58	7.25	17.70	0.03	24.97	4.19
vii	Feroze Gandhi Unchahar TPS 3	38.33	7.16	11.37	1.48	20.00	5.22
viii	Kahalgaon STPS 1	57.24	11.21	13.57	0.45	25.23	4.41
ix	Kahalgaon STPS 2	211.17	34.31	47.61	3.55	85.46	4.05
x	Koldam Hydro Power Station	-	-	0.00	(0.00)	0.00	
xi	National Capital Therm Pwr - Dadri 1	517.75	107.25	175.13	(4.38)	278.00	5.37
xii	National Capital Therm Pwr - Dadri 2	1,067.08	233.64	339.95	(4.28)	569.31	5.34
xiii	Rihand Super Therm Pwr Stn 1	146.60	16.74	23.93	0.67	41.34	2.82
xiv	Rihand Super Therm Pwr Stn 2	227.00	19.28	36.52	(0.47)	55.33	2.44
xv	Rihand Super Therm Pwr Stn 3	240.41	38.56	38.20	0.87	77.64	3.23
xvi	Singrauli Super Thermal Power Station	294.07	20.71	44.92	0.01	65.65	2.23
xvii	Talcher Super Thermal Power Station	-	-	-	0.00	0.00	
xviii	Total	3,383.23	758.21	914.40	-4.21	1,668.41	4.93



Sl No.	Name of Stations	Units Billed (MU)	Fixed Cost (Rs. Cr.)	Variable Cost (Rs. Cr.)	Others Charges (Rs. Cr.)	Total Cost (Rs. Cr.)	Average cost (Rs. Cr.)
B	NHPC						
i	Bairasul	21.63	2.66	2.13	0.12	4.91	2.27
ii	Chamera-I	51.93	4.71	5.41	0.66	10.78	2.08
iii	Chamera-II	56.95	5.29	4.44	1.38	11.11	1.95
iv	Chamera-III	34.88	9.24	7.40	0.01	16.65	4.77
v	Dhauliganga	37.28	6.76	5.96	1.53	14.24	3.82
vi	Dulhasti	86.55	18.92	19.03	3.15	41.10	4.75
vii	Parbati-III	25.73	4.49	4.96	0.01	9.46	3.68
viii	Salal	115.53	7.08	6.40	10.21	23.69	2.05
ix	Sewa-II	21.71	5.40	4.70	0.25	10.34	4.76
x	Tanakpur	10.92	2.68	1.62	0.23	4.52	4.14
xi	Uri	92.53	8.49	6.65	4.00	19.14	2.07
xii	Uri-II	59.40	17.88	13.52	5.22	36.62	6.17
xiii	NHPC Water Cess	-	-	-	8.32	8.32	
xiv	Total	615.03	93.58	82.24	35.07	210.89	3.43
C	THDC						
i	Tehri HEP	59.95	17.07	16.61	(0.02)	33.66	5.61
ii	Koteshwar	36.56	7.15	6.94	(0.01)	14.09	3.85
iii	Total	96.52	24.21	23.56	(0.03)	47.74	4.95
D	DVC						
i	Mejia Unit 6	160.59	28.45	35.83	0.07	64.35	4.01
ii	CTPS 7 & 8	545.31	100.26	106.18	0.15	206.60	3.79
iii	Total	705.91	128.72	142.01	0.22	270.95	3.84
E	NPCIL						
i	NAPS	99.40	-	25.57	0.45	26.02	2.62
ii	RAPS	97.36	-	34.23	1.02	35.26	3.62
iii	Total	196.76	-	59.80	1.48	61.28	3.11
F	SJVNL	203.07	31.90	28.55	(0.00)	60.45	2.98
I	Total	203.07	31.90	28.55	(0.00)	60.45	2.98
G	Others						
i	Tala HEP	29.83	-	6.04	-	6.04	2.03
ii	Sasan Power limited	866.13	15.33	97.41	2.61	115.35	1.33
iii	Maithon Power Limited	1,947.89	331.04	379.53	10.91	721.49	3.70
iv	CLP, Jhajjar	222.21	86.27	70.30	3.16	159.73	7.19
v	Total	3,066.07	432.64	553.28	16.69	1,002.61	3.27
H	Total CSGS	8,266.59	1,469.27	1,803.85	49.21	3,322.33	4.02



Energy availability from State based Gencos

The energy scheduled along with total cost to TPDDL during FY 16-17 from the generating stations based in Delhi is summarized in the table below:

Table 3.13: Details of Power Purchase Cost Station wise for FY 2016-17 (Rs Cr)

Sl No.	Name of Stations	Units Billed (MU)	Fixed Cost (Rs. Cr.)	Variable Cost (Rs. Cr.)	Others Charges (Rs. Cr.)	Total Cost (Rs. Cr.)	Average cost (Rs. Cr.)
I	State Generating Stations (SGS)						
i	BTPS	367.47	39.55	134.35	1.71	175.61	4.78
ii	Dadri	3.28	0.87	1.40	(0.04)	2.23	6.79
iii	Rajghat	(3.44)	0.00	(1.30)	-	(1.30)	3.79
iv	Gas Turbine	202.18	57.78	60.54	-	118.33	5.85
v	Pragati-I	345.30	40.43	105.37	-	145.80	4.22
vi	Pragati-III	452.63	223.64	114.71	-	338.35	7.48
xii	Rithala	0.00	(127.51)	0.00	(0.68)	(128.18)	
xii	Total	1,367.42	234.77	415.07	0.99	650.85	4.76

Renewable Purchase Obligation

The Petitioner would like to submit that the Hon'ble Commission vide notification dated 01st Oct' 2012 mandated that all the obligated entities has to meet certain specified percentage of energy through renewable energy. The Hon'ble Commission has prescribed the given below RPO trajectory to be meet by Delhi Discom's during FY 16-17.

Table 3.14 - Minimum Quantum of Purchase (in %age) from Renewable Energy Sources of Total Consumption of the Year

Particulars	Solar	Total
2012-13	0.15%	3.40%
2013-14	0.20%	4.80%
2014-15	0.25%	6.20%
2015-16	0.30%	7.60%
2016-17	0.35%	9.00%

The guidelines for meeting RPO obligation provided that the utilities can purchased RE certificates without taking any physical delivery of energy units.

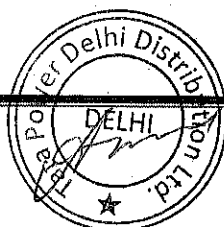


Table 3.15: Energy Availability to meet RPO obligations for FY 16-17

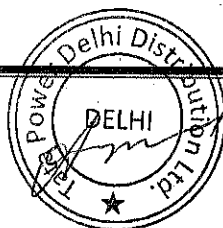
Sl No.	Name of Stations	Units Billed (MU)	Fixed Cost (Rs. Cr.)	Variable Cost (Rs. Cr.)	Others Charges (Rs. Cr.)	Total Cost (Rs. Cr.)	Average cost (Rs. Cr.)
I	Solar – Own	2.17	0.00	3.28	-	3.28	15.15
II	Solar Net Metering	0.07	0.00	0.03	-	0.03	5.03
III	Solar – SECI	43.19	0.00	23.75	0.02	23.78	5.51
IV	TOWMCL	45.64	0.00	29.37	-	29.37	6.44
V	DMSWSL	3.57	0.00	2.51	-	2.51	7.03
	Total	94.63		58.94	0.02	58.96	

Table 3.15 (i): RPO obligations for FY 16-17

Generating Stations	Actual cost		
	Energy (MU)	Amount (Rs Cr)	Av. Rate (Rs/unit)
A. Solar			
TPDDL Generation	2.17	3.28	15.15
Net metering	0.07	0.03	5.03
SECI	43.19	23.78	5.51
RPO met through Solar	45.42	27.10	5.96
B. Non Solar			
TOWMCL	45.64	29.37	6.44
DMSWSL	3.57	2.51	7.03
RPO obligation met through Non Solar	49.21	31.88	6.47
C. REC Purchase	166.67	25.00	
TOTAL (A+B+C)	261.30	83.97	8.87

The Petitioner has taken all necessary measure to procure renewable power at the most affordable rates. In addition to its efforts Tata Power- DDL has regularly clarified about

- Shortage of non-renewable generating stations in delhi and NCR region
- The consumers of Delhi are unnecessarily required to bear the burden of RECs which is an instrument to cross subsidize and harness the Renewable potential in other states. The Petitioner's approach is in harmony with National Tariff Policy (NTP) which states that the Appropriate Commission must fix RPO obligations, only after taking into account the availability of the renewable power in the region and impact on retail tariff.



The relevant part of NTP is reproduced herein below:

"6.4 Non-conventional sources of energy generation including Co-generation:

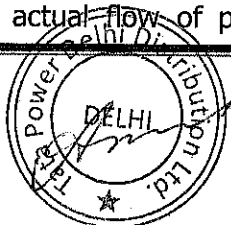
(1) Pursuant to provisions of section 86(1)(e) of the Act, the Appropriate Commission shall fix a minimum percentage for purchase of energy from such sources taking into account availability of such resources in the region and its impact on retail tariffs. Such percentage for purchase of energy should be made applicable for the tariffs to be determined by the SERCs latest by April 1, 2006."

It may be noted that concerns regarding the availability of renewable power in the region were also raised by this Hon'ble Commission in its statutory advice to Government of NCT of Delhi, dated 11.09.2012, wherein this Hon'ble Commission suggested that Government of NCT of Delhi initiate policy for putting up rooftop solar power and MSW power.

The Hon'ble Commission has also initiated the process of making Delhi a Greener and Cleaner city through issuance of the Net Metering Guidelines.

With the implementation of Net Metering guidelines during FY 2016-17, the gross generation of energy through rooftop solar was 2.58 MUs, out of which 1.84 MUs was self-consumed by the consumers and 0.73 MUs are injected into the Petitioner's Network against which the respective consumer can get the benefit of setoff of his/her upcoming self-consumption upto the end of that financial year. The consumers has set off 0.66 MUs against its self-consumption and for balance 0.07 MUs the Petitioner has booked the power purchase cost @ 5.03 per unit and adjusted an amount Rs. 0.03 Cr in consumers account towards the purchase from roof top solar generation. As per Net Metering Guidelines, the DISCOMs has to claim the amount of such power purchase cost in its ARR. Therefore, it is requested to allow Rs. 0.03 Cr for FY 2016-17 as sought in table no 3.15 as a part of power purchase cost.

The Petitioner would again like to bring to the Hon'ble Commission's notice that the Petitioner had negligible option of renewable power in its area and therefore had to rely on renewable sources established in other states. In order to contribute to development of renewable resources and meet the RPO obligation, the Petitioner has sought to tie up renewable power from other states as it will provide actual power to the Petitioner which it needs in upcoming years in view of its surging demand. However, meeting RPO obligation by purchasing REC will only impose financial burden without actual flow of power. It will also amount to cross



subsidizing other state consumers for development of renewable power in their states. The Petitioner firmly believes that the burden on account of purchasing REC shall be avoided and means to fulfill the RPO obligation should be devised so as to benefit the consumers of the Petitioner's area in holistic manner.

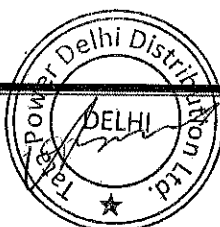
It is submitted that Hon'ble Commission at Para 3.421 of Tariff Order dated 31.08.2017 has imposed penalty of 10%, of the cost of REC for quantum of shortfall in RPO to the tune of Rs. 25.13 crores, on the company.

The Hon'ble Commission may appreciate the fact that the Petitioner has always remained committed towards fulfilment of RPO and has taken various steps in this regard including three rounds of competitive bidding for procurement of renewable power. Further, The Petitioner had also initiated the procurement of RECs to meet its RPO in Feb' 2017. However, the same could not be completed due to constraints raised on account of stay on REC trading.

Moreover, the Hon'ble Commission may kindly note that deferment in purchase from March 2017 was on the premise and informed understanding in larger consumer interest, that prices of REC was being reduced to Rs. 1 per certificate from 30.03.2017 and the saving in purchase of REC would have benefited the consumers of Delhi as the net outgo for purchase of REC would have been reduced drastically.

Thus the Hon'ble Commission is aware to the situation where the REC's are not available to enable an obligated entity to comply with its RPO targets. It is submitted that the Hon'ble Commission may treat the case of the Petitioner as falling under "genuine difficulty in complying with RPO".

Tata Power- DDL has filed a Petition with Hon'ble Commission seeking relaxation of strict application of Regulation 4 of RPO Regulations, 2012 and waiver of the penalty of Rs. 25.13 crores imposed by the Hon'ble Commission. The hearing against this petition was conducted on 10th October 2017. Based on the direction of the Hon'ble Commission in the hearing dated 10th Oct 2017, the Petitioner has also submitted an Affidavit on 6th November, 2017 with the Hon'ble Commission for fulfilment of the RPO obligation upto FY 2016-17 by 31st December 2017.



Therefore, in view of the affidavit filed by the Petitioner, the Hon'ble Commission is requested not to impose any penalty for non-compliance of RPO obligations.

Details of Short Term Power Purchase

During this financial year the petitioner has purchased 1473.49 MU through bilateral/exchange/UI/Intrastate/Banking under short-term purchase. The Petitioner has purchased only 6.41 MU (0.44%) from intra-state arrangements, 35.39 MU (2.40%) of energy from UI, 44.16 MU (3.0%) from exchange and majority purchase of 1387.53 MU (94.17%) through Banking.

Table 3.16: Details of Short term Power Purchase

Sl. No.	Particulars	FY 16-17		
		Units (MU)	Rate per Unit	Amount (Rs Cr)
A	Bilateral			
B	Banking	1,387.53	3.82	530.39
C	Exchange	44.16	3.29	14.52
D	Intra state	6.41	4.98	3.19
E	UI	35.39	2.70	9.54
F	Total	1,473.49	3.78	557.64

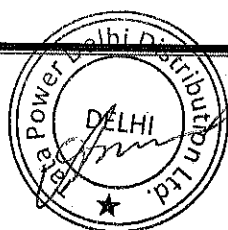
Details for Short Term Surplus Power Sale

During the year the petitioner has sold 1829.78 MU of surplus energy out of which 148.14 MU (8.10%) was sold through UI, 440.58 MU (24.08%) was banked, 888.23 MU (48.54%) was sold through exchange, 15.93 MU (0.87%) through bilateral arrangements and 336.89 MU (18.41%) through intra-state arrangements.

The source wise summary of sale of surplus power from FY 2016-17 is as shown below:

Table 3.17: Details of Short term Power Sales

Sl. No.	Particulars	FY 16-17		
		Units (MU)	Rate per Unit	Amount (Rs Cr)
A	Bilateral	15.93	3.70	5.89
B	Banking	440.58	3.88	170.90
C	Exchange	888.23	2.20	195.05
D	Intra state	336.89	3.14	105.86
E	UI	148.14	0.68	10.07
F	Total	1,829.78	2.67	487.76



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 by the Hon'ble Supreme Court.

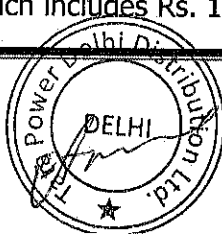
Table 3.18: Computation of cost of financing of power banking

Particulars	MU banked by TPDDL	Normative units @4%	Amount to be retained @ Rs 4/unit -"A"
FY 2016-17	440.58	17.62	7.05
Total	440.58	17.62	7.05

(Refer Note no 34.1 of the Annexure A-2 of Volume II of the Petition)

Transmission Charges:

The total transmission charges, as also mentioned in the energy balance table above, incurred in FY 16-17 are Rs.1034.48 Crores which includes Rs. 179.08 Crore of DTL Pension Trust.



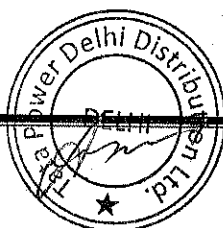
The breakup of transmission costs is given in the following table:

Table 3.19: Summary of Transmission charges for FY 16-17

Sl. No.	Description	Amount (Rs Cr)	Remark
PGCIL Charges			
1	PGCIL POC BILL	474.55	
2	PGCIL Non PoC	(0.28)	
DTL Charges			
3	DTL-Wheeling Charges	329.14	
Other Transmission charges including Pension Trust			
4	DTL-Application fee	0.01	
5	DTL-NRLDC Charges	1.28	
6	DTL-Pension trust	179.08	
7	DTL-Reactive Energy Charges	1.34	
8	DTL-SLDC Charges	2.92	
9	DTL-STOA	(81.64)	
10	BBMB Charges	0.43	
11	Chandrapura Thermal Power Station - Unit 7 & 8 Tx Charges	5.65	
12	CLP Jhajjar-Txm Charges	10.13	
13	Mejia Thermal Power Station - Unit 6 Tx Charges	1.78	
14	NTPC Transmission Charges	5.00	
15	SECI- SLDC	0.01	
16	SECI- Transmission	1.85	
17	THEP (Koteshwar)- NRLDC Charges	0.00	
18	THEP (Tehri)-NRLDC Charges	0.01	
19	Aravali Jhajjar-TX	0.36	
20	STOA	102.87	
	Total	1034.48	

Power Purchase Cost of Rithala

The Hon'ble Commission in the Tariff Order for FY 2017-18, August 2017 on the consideration of true up of the power purchase cost Rithala has stated that "3.403 The Petitioner has not scheduled any power from its Rithala Generating Station in FY 2014-15 and FY 2015-16. Further, the Commission has issued an Order for Rithala Power Plant dated. 31/08/2017 wherein the Commission has directed the Petitioner to file the details for True up of Generation Cost of Rithala. Accordingly this issue shall be dealt up in subsequent Tariff Orders based on the True up filed by the Petitioner."



As per the direction of the Hon'ble Commission, the Petitioner has already filed the true up petition on 3rd October 2017.

Based on the Order of the Hon'ble Commission for consideration of power purchase cost of Rithala in the subsequent tariff order on the basis of Rithala true tariff Order, the Petitioner is not claiming any cost towards Rithala Plant based on audited books of accounts for FY 2016-17.

However, the Hon'ble Commission is requested to kindly consider the cost towards Rithala Plant for FY 16-17 based on the approved true up tariff order for Rithala in future.

Normative Rebate on Power Purchase

In the MYT Regulation, 2011 in Para No 5.24, the Hon'ble Commission has specified 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 2016-17, the Petitioner has earned actual net rebate of Rs 62.63 Cr 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 99.66 Cr on account of normative rebate.

It is further clarified that the amount of Rs 99.66 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:

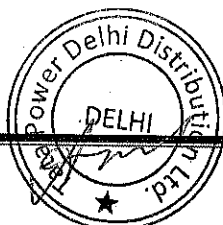


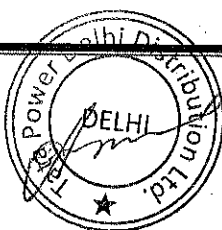
Table 3.20: Computation of Normative Rebate for FY 2016-17 (Rs Cr)

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%	1,442.86		28.86
B	NHPC	2%	213.65		4.27
C	DVC	2%	278.37		5.57
D	SJVNL	2%	60.45		1.21
E	APCPL	2%	406.35		8.13
F	NPCIL	2.50%	59.83		1.50
G	THDC	2%	47.75		0.96
I	TPTCL	2%	869.97		17.40
J	TOWMCL	2%	29.37		0.59
K	PTC	0.01paisa/KWh for energy from tala & Other's 2%			0.03
L	Sasan	2%	115.26		2.31
From Delhi Gencos					
M	IPGCL	2%	117.03		2.34
N	PPCL	2%	484.32		9.69
Towards Transmission					
O	PGCIL	2.00%	518.11		10.36
P	DTL	2.00%	329.14		6.58
Sub Total -(i)					99.78
Towards Power Sale –(ii)					
A	PTC	2.00%	5.91		0.12
Sub Total –(ii)					0.12
Normative Rebate (i)-(ii)					99.66

Given below is the summary of power purchase cost sought for trued up for FY 2016-17.

Table 3.21: Net Power Purchase Cost sought for Trued up for FY 2016-17 (Rs Cr)

Sl. No.	Particulars	Amount	Remarks/Ref
A	Power purchase cost as per Audited certificate	4,102.02	(net of sales)
B	Rebate on Power purchase	(99.66)	Table 3.20
C	Cost of REC	25.00	Table 3.15(i)
D	Transmission Charges	1034.48	Table 3.19
E	Add back Power Purchase cost of Rithala	128.18	



Sl. No.	Particulars	Amount	Remarks/Ref
F	Normative Power Banking	7.05	Table 3.18
G	Trued up gross Power purchase cost	5197.07	(A+B+C+D+E+F)

Truing up of Operation & Maintenance Expenses for FY 2016-17

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).

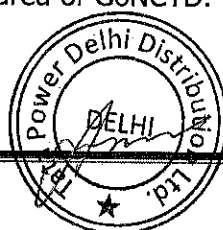
The Hon'ble Commission in its Tariff Order Dated July 2012 has approved normative O&M expenses for 2nd MYT control Period (i.e. FY 2012-13 to FY 2015-16) based on assumptions against the Tariff Regulations. Aggrieved by the said methodology, the Petitioner has raised its contention before the Hon'ble APTEL in appeal no 171 of 2012.

Based on the Petitioner contentions/ submission the Hon'ble APTEL in its Judgment dated February, 2015 has remanded back the matter in relation to determination of O&M expenses for 2nd MYT control period.

Relevant extract of the Judgment is given below:

"10.12 We find that the employees cost and A&G expenses have been determined in violation of the Tariff Regulations and, therefore, these are set aside along with the methodology used in determination of these expenses with direction to re-determine the same as per the Regulations."

In order to comply with the above directions, the Hon'ble Commission in its Tariff Order dated has re-determined the O&M expenses for 2nd MYT Control Period without comparing with other Distribution Licensees operating in the area of GoNCTD.



The base year (FY 2011-12) O&M Expenses have been determined considering the actual O&M expenses incurred by the Petitioner during 1st MYT Control Period (FY 2007-08 to FY 2011-12).

The actual growth in individual parameters (Employee Expenses, A&G Expenses and R&M Expenses) has been analyzed with the:

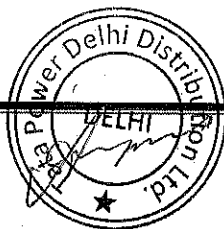
- 1) Actual Sales growth,
- 2) Increase in CPI and WPI,
- 3) Increase in Consumer Base and
- 4) Performance on account of reduction in AT&C Loss levels.

Given below is the comparative information of O&M expenses of three DISCOMs

Table 3.22 Comparative information of O&M Expenses of three DISCOMs

Particulars	TPDDL		BRPL		BYPL	
	Actual FY 2011-12 (As per Audited Accounts)	Escalated Expenses based on new methodology	Actual FY 2011-12 (As per Audited Accounts)	Escalated Expenses based on new methodology	Actual FY 2011-12 (As per Audited Accounts)	Escalated Expenses based on new methodology
Employee Exp.	318.31 (70.06%)	264.66	282.20 (61.42%)	278.03	206.51 (62.02%)	219.21
A&G Exp.	48.81 (10.74%)	49.80	86.38 (18.80%)	93.26	60.29 (18.10%)	64.84
R&M Exp	87.21 (19.20%)	77.58	90.86 (19.78%)	113.40	66.16 (19.87%)	62.75
Total	454.33	392.04	459.44	484.69	332.96	346.80
Hit/(surplus)		62.29		(25.25)		(13.84)
K factor		2.58%		2.62%		3.37%

From the above table, it can be seen that by adopting new methodology only the Petitioner (TPDDL) has to face the deficit of Rs 62.29 Cr (i.e. Escalated Exp. are lower than the Actuals expenses). However against the above, the escalated expenses for remaining two DISCOMs are higher than the actuals.



Further, given below is the comparative information in relation to actual sales growth, increase in consumer base and AT&C loss level for 1st MYT control period for three DISCOMs.

Table 3.23: Comparative information other parameters FY 2011-12

(Rs. Cr)

Particulars	TPDDL		BRPL		BYPL	
	FY 2007-08	FY 2011-12	FY 2007-08	FY 2011-12	FY 2007-08	FY 2011-12
Billed Units	4975	6672	6408	8844	3518	4794
CAGR		8%		8%		8%
Consumer base	922,911	1,276,462	1,171,772	1733007	975,042	1,227,755
CAGR		8%		10%		6%
AT&C Reduction Target at the end of MYT period	15.33%		15.00%		18.00%	
Actual AT&C Reduction achieved at the end of 1 st MYT Period	11.49%		18.11%		22.07%	
Overachieved/ (underachieved)	3.84%		(3.11%)		(4.07%)	

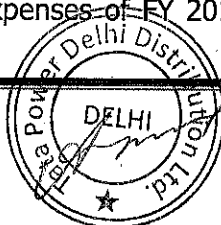
From the above table, it can be seen that TPDDL is the only utility which has actually achieved the lower AT&C loss level by 3.84% over the targeted AT&C loss Level resulting into higher saving to the consumers.

Considering the above facts and data, the Petitioner has requested to the Hon'ble Commission to consider the actual expenses of base year for determinations of O&M expenses for 2nd MYT control Period.

Employee Expenses for FY 2016-17

The Hon'ble Commission in its para no 3.160 of Tariff Order Sep, 2015 has mentioned that the actual expenses of FY 2011-12 is less than the escalated employee expenses by considering sales growth, increase in CPI & WPI indices and performance on account of reduction in AT&C loss level.

However while computing the base year expenses, the Hon'ble Commission has inadvertently mentioned the amount of employee expenses of FY 2010-11 of Rs. 264.66 Cr as normative



escalated expenses vis-a-vis the actual expenses of FY 2011-12 of Rs 318.31 Cr and thus wrongly considered lower of actuals vis-à-vis normative escalated expenses.

Based on the actual employee expense of Rs 275.84 Cr as submitted by the Petitioner for FY 2010-11, the Hon'ble Commission in its Tariff Order dated July 2012 has recomputed the employee expenses of Rs 264.70 Cr. for FY 2010-11 in table 82.

The Petitioner vide its letter dated May 24, 2012 has provided the breakup of audited employee expenses for entire 1st MYT control period. It is pertinent to mention that the Petitioner has included meter reading expenses and outsource expenses as a part of employee expenses; however the aforesaid expenses are shown as part of R&M expenses in audited accounts.

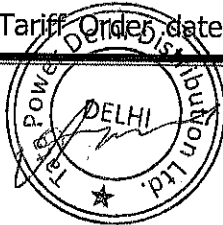
The Hon'ble Commission has considered R&M expenses of Rs 87.21 Cr. as submitted by the Petitioner against the actual R&M expenses of Rs. 129.65 Cr. as mentioned in balance sheet, but for employee expenses the Hon'ble Commission has considered the figures of balance sheet instead of Petitioner submission.

Given below is the reconciliation of Employee Expense and R&M expenses for FY 2011-12.

Table 3.24: Computation of Revised Employee Expenses for FY 2011-12 (Rs. Cr)

Particulars	Employee Expenses		R&M Expenses	
	As per Balance Sheet	As considered by Hon'ble Commission	As per Balance Sheet	As considered by Hon'ble Commission
Gross Employee Expenses	307.91		129.65	
Adjusted towards				
Meter Reading Exp.	7.59		(7.59)	
Outsource	5.87		(5.87)	
Loss on sale of Retirement			(0.04)	
Total	321.37		116.15	
Less- Adjustment for Rithala	(3.06)		(28.94)	
Net Expenses to be considered for distribution purpose	318.31		87.21	

Based on aforesaid submission/ facts, the Petitioner has requested to the Hon'ble Commission to rectify the said errors and give the impact of the same from 1st year of 2nd MYT Control Period in its earlier true up petition. However, the Hon'ble Commission is doing true up based on approved employee expenses as per Tariff Order dated September, 2015. Based on above



submission and aggrieved by the Hon'ble Commission methodology for allowing O&M expenses based on September Tariff Order, the Petitioner has challenged the issue before APTEL. Therefore till the outcome of said issue, the Petitioner is seeking O&M expenses based on above facts and computations.

It is further submitted that while applying the indexation factor the Hon'ble Commission has not considered indexation factor upto two decimal digits. Thus, the Petitioner requests to the Hon'ble Commission to consider the indexation factor upto two decimal digits in line with the methodology used in MYT Order dated July 2012.

Based on above submission, revised computation of the Employee Expenses for FY 2016-17 is given below:

Table 3.25: Employee Expenses sought for FY 2016-17

(Rs Cr)

Sl. No.	Particulars	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
A	Employees Expenses (including outsource and meter reading expenses shown as R&M expenses in BS) (Table 3.24 above)	318.31					
B	Add: Inflation factor upto two digit		8.01%	8.02%	8.03%	8.04%	8.04%
C	Revised Employee expense		343.81	371.38	401.20	433.46	468.31
D	Less- capitalization @ 10%		34.38	37.14	40.12	43.35	46.83
E	Employee Expenses net of capitalization		309.43	334.24	361.08	390.11	421.48

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.

SVRS Related Expenses

The Hon'ble Commission has followed the methodology of allowing SVRS related expense on actual basis at the time of true up. During the FY 2016-17, the Petitioner has incurred expenses of Rs. 2.95 Cr. towards SVRS related expenses and therefore requested to the Hon'ble Commission to allow the actual expenses towards SVRS employees.

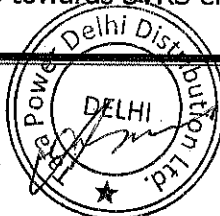


Table 3.26: SVRS Pension
(Rs. Cr)

Particulars	Amount	Remark
SVRS Pension	2.95	Refer Note no 35 of the Audited Balance Sheet

Administrative and General Expenses

The Petitioner has sought A&G expense of Rs 66.47 Cr for FY 2015-16 based on inflation factor of 8.04%. However the Hon'ble Commission in its Tariff Order dated August, 2017 has considered inflation factor 8% thus trued up the A&G expenses for Rs 66.41 Cr.

It is worth to mention that as the Petitioner has challenged the issue before the Hon'ble APTEL for non-consideration of inflation factor upto two digit as adopted by the Hon'ble Commission itself for computation of A&G expenses in its 2nd MYT Order the Petitioner is seeking Rs. 71.81 Cr as A&G expenses for FY 2016-17.

Table 3.27: A&G Expenses for FY 2016-17
(Rs. Cr)

Sl. No.	Particulars	Amount	Remark
A	A&G Expenses	66.47	
B	Indexation	8.04%	
C	A&G Expenses after indexation	71.81	(A+A*B)

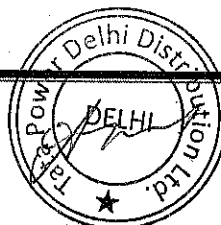
R&M Expenses based on Capitalization

The Hon'ble Commission in its Tariff Order Dated Sep, 2015 has recomputed R&M expenses considering k factor @ 2.58% for 2nd MYT Control Period.

It is worth to mention that while determine the k factor the Hon'ble Commission has not followed the directions given by the Hon'ble APTEL. Hence the Petitioner has re-computing the k factor based on average of 5 years k factor as directed by the Hon'ble Commission.

Relevant extract of Aptel Judgment 171 of 2012 is reproduced below:

11.2.....The State Commission has determined the 'K' factor for the control period 2012-13 to 2014-15 as average of 'K' factor for the period 2008-09 to 2011-12 ignoring the FY 2007-08 Therefore the 'K' factor for the control period has to be recalculated on the basis of 'K' factor for the FY 2007-08 to 2011-12."



Computation of revised K factor

Particular	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Opening Gross Fixed Assets	1,997.32	2,160.36	2,598.06	2,916.66	3,482.56
R&M expenses	57.20	66.36	77.27	85.26	87.21
k factor	2.86%	3.07%	2.97%	2.92%	2.50%
Average	2.87%				

Based on the revised opening GFA & revised K factor, the R&M expenses for FY 16-17 works out as follows:

Table 3.28: R&M Expenses for FY 2016-17
(Rs Cr)

Sl. No.	Particulars	Amount	Remark
A	Gross Fixed Assets	5,380.91	Table 3.39
B	K factor	2.87%	Computed Above
C	R&M Expenses	154.43	(A*B)

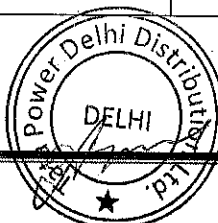
Efficiency Factor:

Tata Power- DDL is doing all its efforts to give the best service to its consumers along with achieving better AT&C loss level against the target AT&C loss level. Tata Power DDL has raised its concern of higher disallowance in O&M expenses before the Hon'ble Commission and proposed that efficiency factor should be fixed on some rational basis. Therefore till the time to compute some rational basis for fixation of efficiency factor, Tata Power- DDL propose 1% efficiency factor for FY 2016-17.

Based on above submission, the Petitioner is seeking O&M Expenses for FY 2016-17 as given in Table below.

Table 3.29: O&M Expenses
(Rs. Cr)

Sl. No.	Particulars	Amount	Remark
A	Employee Cost (net of Capitalization)	421.48	Table 3.25
B	A&G Expenses	71.81	Table 3.27
C	R&M Expenses	154.43	Table 3.28
D	Total O&M expenses	647.72	(A+B+C)
E	Efficiency factor (%)	1.00%	
F	Less: Efficiency Improvement	6.48	(D*E)
G	Add: SVRS Pension	2.95	Table 3.26
H	Net O&M Expenses	644.20	(D-F+G)



d) Other Expenses: Truing up of Statutory Levies and Taxes, other Miscellaneous Expenses, other uncontrollable expenses as per Regulation 5.3 of MYT Regulations, 2011

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.

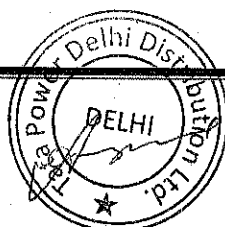
Table 3.30: Computation of License fee to be allowed on actual basis

		(Rs Cr)	
Sl. No.	Particulars	Amount	Remark
A	Base year Exp. of License fee (FY 2011-12)	1.49	
B	Y-o-Y Incremental (%)	8%	
C	License fee allowed as a part of total A&G Exp. for FY 2016-17	2.18	
D	Efficiency factor (%)	4%	
E	Less- amount adjusted towards Efficiency	0.09	
F	License fee (net of efficiency) approved as a part of A&G	2.09	
G	Billed Sale for Previous Year – as per P&L accounts	6,567.42	
H	License fee (0.05%) based on billed Sale of previous year	3.28	
I	Amount of License fee paid	3.28	
J	Differential amount now sought	1.19	(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. 1.19 Cr may be allowed as part of ARR for FY 2016-17.



2. Land Licensee fees towards Grid

The license fee is applicable as per the rates decided by GoNCTD for using Land. During FY 16-17 the Petitioner has paid Rs. 4.42 Cr towards land licensee fee which is uncontrollable in the hands of the Petitioner.

Accordingly, the Petitioner is requesting to the Hon'ble Commission to allow the said amount of Rs 4.42 Cr towards payment of Land licensee fee under the head statutory levies and shall be treated as uncontrollable.

3. CSR Expenses

The Ministry of Law and Justice (Legislative Department) vide its notification dated 30th August, 2013 in "The Gazette of India" has published the Companies Act, 2013.

The Petitioner wants to clarify that due to implementation of new Companies Act, 2013 the company has to incur additional expenditure in relation to some of the heads (major one is CSR) which was not considered to be the part of Base Year expenses, owing to later developments, hence all legitimate expenditure in relation to these is to be allowed on actual basis.

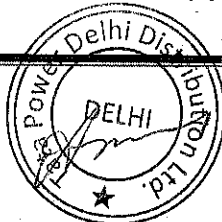
Based on the above it is respectfully submitted that any expenses due to change in law or any statutory levies should also be allowed on actual basis being uncontrollable in nature.

The said expenses now sought to be incurred and are to be covered under the head statutory levies/change in law which has to be allowed on actual basis. The major one is CSR expenditure.

Section 135 of new the Companies Act, 1913 stipulates that

"(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the



Composition of the Corporate Social Responsibility Committee.

- (3) *The Corporate Social Responsibility Committee shall,—*
- (a) *formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;*
- (b) *recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and*
- (c) *monitor the Corporate Social Responsibility Policy of the company from time to time.*
- (4) *The Board of every company referred to in sub-section (1) shall,—*
- (a) *after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and*
- (b) *ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.*
- (5) *The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:*

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.—For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198."

Accordingly to comply with the above statutory provision, the Petitioner has incurred a sum of Rs. 8.12 Cr towards CSR expenses which are reflected in note no 37 of the audited financial accounts. (Refer Annexure A2 of the Volume II of the Petition).



The aforesaid expenses were not forming part of the base expenses of FY 11-12 and the Petitioner has incurred these expenses being uncontrollable in nature, hence the Hon'ble Commission is requested to allow the same.

B) Other Statutory Levies/ 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 rates were increased to 12.36% from 10.30% w.e.f 01.04.2012. Further the service tax which was applicable on few services; were also 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 from FY 12-13 onwards being uncontrollable in nature.

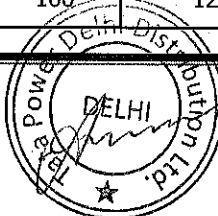
It is submitted that any addition/deletion or new enactment of statutory levy is totally uncontrollable in the hands of the Petitioner and is required to abide by the same. It is further submitted that statutory levies are treated uncontrollable by various other regulatory bodies like Kolkata, Gujarat,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



Particulars	Basic Cost of Service	Service Tax Rate as applicable	Service Tax amount	Total Landed cost
01-06-2015 onwards	100	14.00%	14.00	114.00
15-11-2015 onwards	100	14.50%	14.50	114.50
01-06-2016	100	15%	15%	115.00
Difference			4.70	4.70

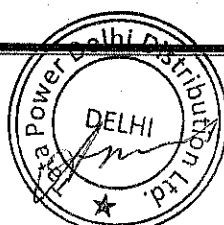
From the above it is clear that due to change in service tax rate, the landed cost has increased from the existing cost of Rs. 110.30 to Rs. 115 at the end of FY 2016-17 resulting into increase in value of services by Rs. 4.70. It is pertinent to mention that the said increase was not factored in base value because change in law has happened only after setting and approval of targeted O&M expenses for the second MYT control period. Therefore on account of change in service tax rate, the Petitioner has to bear additional amount of Rs. 7.18 Cr. (computation given in Annexure A-4 in Volume II of the Petition) 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 %
01-06-2015 onwards	100	14.00%	114.00%
15-11-2015 onwards	100	14.50%	114.50%
01-06-2016 onwards	100%	15.00%	115.00
Difference			15%

From the above it is clear that the landed cost has increased from the existing cost of Rs. 100.00 % to Rs. 115 % resulting into increase in value of service by Rs. 15 %.

Based on the aforesaid amendments in Service Tax law, the Petitioner has to pay additional service tax of Rs. 4.44 Cr (computation given in Annexure A-4 in Volume II of the Petition) which has to be allowed separately as a part of O&M expenses.



C) Other Miscellaneous Expenses

1. Allowance of Financing Charges

Regulation 5.3(b) of MYT Regulations, 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, the Petitioner 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 not to create Revenue Gap as per order of APTEL in OP-1 and the National Tariff Policy and even if created, the Petitioner as a responsible utility had made arrangement to fund the Revenue Gap so that it can serve the consumers. During the process of funding of the Revenue Gap if some charges like processing fee etc. are required to be paid, which is uncontrollable in nature despite of hard negotiation, it 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 3.31: Total amount of financing charges

Particulars	Amount (Rs Cr)
Total Financing charges	0.21

(Refer Note no 36 of Audited Financial Statements attached as Annexure A-2 in Volume II of the Petition)



It is respectfully submitted to the Hon'ble Commission to allow an amount of Rs 0.21 Cr on account of financing charges.

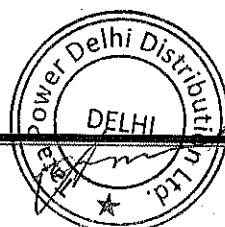
It is submitted that Regulation 4.21(b)(ii) does not say anything about finance charges. It may be appreciated that due to insufficient or non-cost reflective tariff, drawing power does not work out equal to the working capital requirement during the year; hence to bridge the mismatch in cash flow, the 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. The Petitioner always try for best negotiation with lenders but with the given scenario where the Revenue Gap had touched unmanageable level, there are not many lenders available and whatever best way of funding is available, the Petitioner 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) the Petitioner has sought financing charges of Rs. 0.21 Cr as mention in Table 3.31 of True up Petition of FY 2016-17 towards rising of loans.

2. Property Tax

TPDDL has been subjected to and held liable for payment of property tax in respect of properties which were transferred to it as licensee through Delhi Electricity Reforms Act-Transfer Scheme Rules 2001, after a protracted legal battle. The dispute involved determination of liability for bearing property tax in respect of properties which reflected in respective schedules of the Transfer Scheme Rules 2001.



A brief background of the said dispute is explained below for reference:

The Assessment & Collection department of the MCD vide its order dated 26.03.2003 determined the rateable value of a vacant land measuring 8080 sq. meter near sub-station, Civil Lines at Rs. 58,53,960/-. TPDDL challenged such order of the MCD under section 169 of the MCD Act, 1957 before the District Judge (House Tax Tribunal), Delhi.

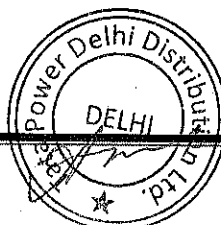
The Hon'ble House Tax Tribunal vide its Judgment dated 03.01.2004 in HTA no. 164/2003 held that the land is owned by the Delhi Govt. and that TPDDL was a licensee to the land, hence quashed the aforesaid Assessment Order.

Aggrieved by the said Judgment of the Hon'ble House Tax Tribunal, MCD approached to the High Court by filing a Writ Petition No 3193/2004. The Single Judge of the Delhi High Court vide its order dated 25.07.2005 held that TPDDL is liable to pay the property tax as

- i) it is entitled to let out the properties
- ii) TPDDL is successor in respect to matters relating to all liabilities and assets, and
- iii) the transfer scheme do not rule out liability of TPDDL to pay Municipal Taxes.

The Single Bench Order of the Hon'ble Delhi High Court was then challenged by TPDDL in its LPA No.2630/2005 on the ground that the Distribution Licence issued by the Ld. State Commission to TPDDL under Section 20 of the DERA, 2000 is distinct from the Licence for land granted in its favour and therefore, TPDDL is not the owner of the land hence is not liable to pay the property tax.

The Division Bench vide its Judgment dated 09.12.2013 held that Delhi Govt. was not the owner of the land, instead DPCL was the owner of the land under the Transfer Scheme and that it was the power companies that were liable to pay the property tax even though they held the land as licensees of the Govt. and passed certain directions remanding the matter back to North-MCD to decide whether it was TPDDL or DPCL which was liable to pay the property tax.



This Judgment of the Division Bench was then challenged by TPDDL, MCD and GoNCTD before the Apex Court through CA no. 5654/2014 wherein the Hon'ble Supreme Court vide its judgment dated 10.08.2016 inter alia reversed the findings of the Division Bench of the High Court with respect to the liability of payment of property tax and held that if the Distribution Licence empowers the distribution company to let out the land, then it will have to pay the property tax even if it is only a licensee to the land. The Court directed the incidence of property tax to be decided by the MCD and hence, the matter was again remanded back to MCD. It was directed that the assessing authority (North Delhi Municipal Corporation – NDMC) should consider the provisions of Delhi Municipal Corporation Act, Delhi Electricity Reforms Act, Transfer Scheme Rules and Distribution License issued under section 20 of the Delhi Electricity Reform Act for deciding the incidence of property tax in regard to the property i.e. Land Measure 8080 sq. meter near sub-station, civil lines.

In compliance of the above directions of the Hon'ble Supreme Court, proceedings were carried on before MCD wherein submissions were made by TPDDL and DPCL and a written opinion was submitted by GoNCTD. After examining the provisions of Delhi Electricity Reforms Act, Transfer Scheme Rules 2001, DMC Act and its bye-laws framed there under and Distribution License issued under section 20 of the Delhi Electricity Reforms Act, NDMC held that property tax is liable to be paid by the NDPL/TPDDL.

Therefore, MCD on 16.02.2017 passed an order directing TPDDL to pay the property tax amount of Rs. 1,65,90,259/- (including interest and penalty) for the period FY 2002-03 to FY 2016-17 pertaining to 8080 sq. mtr. of vacant land near sub-station, Civil Lines.

The said demand pertained to the property in question which was subject matter of dispute before the House Tax Tribunal, the Delhi High Court and the Hon'ble Supreme Court as stated above. **TPDDL has paid property tax amount of Rs. 67,56,440/- on 31.03.2017 (Receipt attached as Annexure A-5 of the Volume II of the Petition) to settle and close the arrears and demand in respect of the said property.** As the payment was made under Amnesty Scheme floated by NDMC the interest and penalty components were waived by the Corporation, TPDDL has paid an amount of Rs 67,56,440/- as mentioned in table given below.

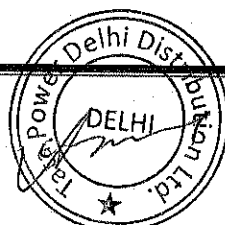


Table 3.32: Property Tax for FY 2016-17 (Rs Cr)

Financial Year	Property Tax Amount in Rs
From FY 2002-03 to FY 2016-17*	Rs. 67,56,440/-

**It is further mentioned in the Assessment Order that as the aforesaid computation is being made based on the available information, documents and records. In case any information/document is found to be contrary in future, the aforesaid computed demand may change.*

3. SMS Charges

The Hon'ble Commission vide its letter dated 13.01.2016 (Copy attached as Annexure A-6 in Volume II of the Petition) had issued directive to send the SMS to consumer on various occasions. In order to comply the said directive, Tata Power DDL has incurred an amount of Rs 0.35 Cr toward SMS charges in FY 2016-17. The said expenses are incurred on the direction of this Hon'ble Commission therefore it is requested to allow the same as a part of other expenses.

4. Water Charges

The Petitioner has paid an amount of Rs 1.60 Cr towards water charges to Delhi Jal Board under the scheme for waiver of 100% LPSC (Copy attached as Annexure A- 7 of Volume II of the Petition) due on accumulated arrears in respect to Commercial Connections. It is worth to mention that the aforesaid payment to DJB is related to those connections which were pending for settlement from DVB period. Thus, to avail the benefit of Waiver Scheme, the Petitioner has paid Rs 1.60 Cr in FY 2016-17 (Detailed breakup of the same will be submitted in due course). It is worth to mention that by availing the benefit of LPSC wavier scheme the Petitioner has worked in the interest of consumer by saving in O&M expenses.

As these expenses are not covered in base year expenses, hence the Petitioner is requesting to the Hon'ble Commission to allow Rs 1.60 Cr over and above the normative O&M Expenses.



5. DSM Expenses

The Petitioner has submitted that the Commission vide its letter dated 13th May, 2015 has given its approval for implementation of AC replacement scheme in the Petitioner region to be read with DERC other letter No. F. 17(23)/DERC/Engg./2014-15/4604/288. The Commission in its Tariff Order dated September, 2015 has approved the DSM budget of Rs 20 Cr.

The Petitioner has incurred an amount of Rs. 6.16 Cr. in FY 2015-16 & FY 2016-17 towards implementation of rebate scheme. The Petitioner has already submitted a letter to the Hon'ble Commission mentioning the status of AC scheme from FY 2015-16 to till August, 2017 (Copy of the letter is attached as Annexure- A-8 in Volume II of the Petition).

Given below is the head wise bifurcation of Expenses

Item	Amount in Rs Cr.
For FY 2015-16 (AC Rebate expenses + Promotional activities expenses)	1.38
Add- Carrying Cost for FY 2015-16	0.08
Total	1.46
For FY 2016-17	
Year on Year Rebate amount released to the vendor	4.62
Expenditure incurred towards promotional activities	0.05
DSM Led Expenses	0.03
Total DSM Expenses for FY 2016-17	4.70
Grant Total	6.16

Considering the Hon'ble Commissions own directive to allow DSM expenses, the Petitioner is requesting to the Hon'ble Commission to allow Rs 6.16 Cr on account of DSM initiatives.

Based on the above submissions, the Petitioner is seeking Rs. 34.35 Cr towards new initiative/additional expense for FY 2016-17.

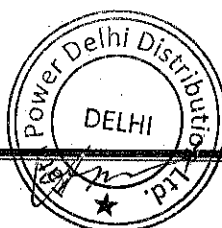


Table 3.33: Summary of New initiative/Additional Expenses FY 2016-17 (Rs Cr)

Sl. No.	Nature	(Amount)	Remark
Statutory Levis, Taxes etc			
A	License Fee	1.19	Table 3.30
B	Change in Service Tax	7.18	Explanation given above
C	Reverse Charge Mechanism	4.44	Service tax Notification attached as Annexure A-4 in Volume II of the Petition
D	Land Licensee Fees	4.42	Explanation given above
E	CSR Expenses	8.12	Explanation given above
Additional Expenses/ Other Expenses – in line with APTEL Judgment			
F	Other Financing charges	0.21	Table 3.31
G	Property Tax	0.68	Table 3.32
H	SMS charges	0.35	Explanation given above
I	Water Charges	1.60	Explanation given above
J	DSM Fund	6.16	Explanation given above
	Total	34.35	

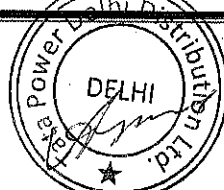
Non-Tariff Income (NTI)

The other uncontrollable parameter/factor is Non-Tariff Income. The Non-Tariff Income for the purposes of Truing Up for FY 2016-17 is Rs. 111.12 Cr. Break-up of the same is given below:

Table 3.34: Non-Tariff Income for FY 16-17

Sl. No.	Particular	(Rs Cr)	Remarks
A	Other Operating Income	107.90	Note 32 of Audited Accounts
B	Other Income	57.06	Note 33 of Audited Accounts
C	Open Access Charges	5.74	Table 3.0
D	Interest on Consumer Security Deposit	27.54	Table 3.36
E	Income from other business	(45.56)	Table 3.38
F	Service Line Charges	4.04	Explanation given below
G	Total Income	156.70	(A+B+C+D+E+F)
Less: Income included in above, not passed as Non-Tariff Income			
H	Transfer from capital grants	0.50	Note 32 of Audited Accounts
I	Transfer from cons. Cont. Capital work	28.58	Note 32 of Audited Accounts
J	Interest/Short term capital gain	3.11	Note 33 of Audited Accounts
K	Financing Cost of LPSC	11.81	Table 3.35
L	Incentive towards Street Light	1.60	Note 32 of Audited Accounts
M	Total	45.59	(H+I+J+K+L)
N	Sub- Total	111.12	(G)-(M)

(Audited Accounts attached as Annexure A-2 in Volume II of the Petition)



The detailed explanation for each item of Income additionally offered as Non-tariff Income for tariff determination is as follows:

i. Open Access charges

Regulation 5.2 of MYT Regulations, 2011 provides that "The Aggregate Revenue Requirement for the Retail Supply Business of the Distribution Licensee, for each year of the Control Period, shall contain the following items;

.....
(j) Less: Receipts on account of cross subsidy surcharge and additional surcharge from open access customers."

In FY 2016-17, the Petitioner has billed an amount of Rs. 5.74 Cr (net of E. tax) towards open access charges.

Therefore, in accordance with the above MYT Regulations, 2011, the Petitioner has offered Rs. 5.74 Cr as non-tariff income towards the ARR of FY 2016-17.

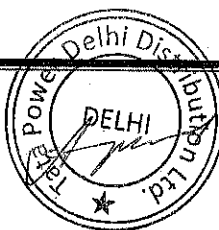
The detailed explanation for each item of Income not to be considered as Non-tariff Income for tariff determination is as follows:

ii. 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 also.

iii. Interest on Surplus Funds out of Shareholder's money

The Hon'ble Commission has in its recent Tariff order for FY 2017-18 dated 31st August, 2017 has excluded income arising from surplus funds of shareholder's money from non-tariff income on the following principles:



- a) The Hon'ble APTEL in Judgment against appeal no 153/2009 has decided that interest on surplus funds out of shareholder's money is not a part of NTI
- b) Regulation 5.35 of MYT Regulations 2011 also excludes the income arising from Shareholder's fund to be treated as a part of NTI.

The Petitioner has earned Rs. 3.11 Cr in FY 2016-17 on shareholder's funds invested during different period of the year.

Therefore, in line with the APTEL Judgment and applicable Regulations, the Hon'ble Commission is requested to kindly exclude Rs 3.11 Cr from Non-Tariff Income.

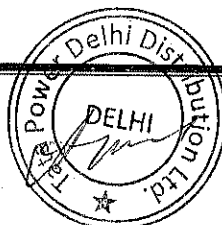
iv. Financing Cost for LPSC

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 APTEL 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 APTEL 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 APTEL 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)

The Hon'ble Commission in its MYT Tariff Order, July 2012 has allowed 11.62% towards the working capital. Therefore, the financing cost for LPSC is computed as follows:

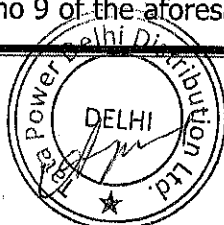
Table 3.35: Computation of financing cost for earning LPSC

Sl. No.	Particular	UoM	Amount (Rs Cr)
A	LPSC earned (Note 32 of Audited Financial Statement)	(Rs Cr)	18.29
B	Late payment surcharge rate as prescribed by the Hon'ble Commission	%	18% p.a.
C	Principal Amount (i.e. energy & other applicable charges) on which the above LPSC was levied (A/B)	(Rs Cr)	101.63
D	Financing Cost Rate	%	11.62%
E	Financing Cost (C*D)	(Rs Cr)	11.81

v. 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:

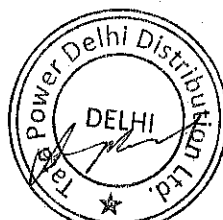
Performance level achieved	Incentive	Example
Between 90-95%	1% of the maintenance cost for each percentage in over achievement from target of 90%	Actual Performance 93% Incentive 93-90 = 3%
Between 95-97%	1.5% of the maintenance cost for each percentage in over achievement from target of 95%	Actual Performance 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."

As mentioned in the State Commission Order, the incentive earned by the Petitioner would not be a pass through in the ARR, hence, the Petitioner has kept with itself Rs. 1.60 Cr as incentive earned towards the maintenance of Street Light. It is further clarified that the total amount of maintenance charges under the head Operating Income as appearing in Note No 32 of Audited Balance Sheet is inclusive of aforesaid incentive of Rs 1.60 Cr therefore the Petitioner has deducted the amount of Rs 1.60 Cr from the Non-Tariff Income.



vi. Interest on Consumer Security Deposit

Regulation 5.34 of MYT Regulations, 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

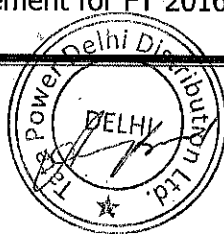
"vi The amount of security deposit shall be as per the Regulation 29 or as approved by the Commission from time to time. The Licensee shall pay interest to the consumer at the rate of 6% per annum, or any other rate prescribed by the Commission payable annually on such deposit w.e.f. date of such deposit 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."

The Hon'ble Commission used the consumer security deposit as a means of finance to fund the revenue gap, hence in order to compute the net interest on consumer security deposit, interest rate equivalent to cost of debt @ 11.31% has been considered for FY 2016-17.

Table 3.36: Computation of Interest on Consumer Security Deposit

Sl. No.	Particulars	Amount (Rs Cr)	Remarks
A	Opening balance of consumer security deposit as on 01.04.2016	549.45	
B	Closing balance of consumer security deposit as on 31.03.2017	522.98	
C	Average balance	536.22	(A+B)/2
D	Interest Rate (%)	11.31%	
E	Interest amount	60.67	(C*D)
F	Less- adjustment for Interest on Consumer security deposit already passed to the consumers in their bills	33.14	Note no 36 of Audited Balance Sheet
G	Differential amount of interest offered in ARR for FY 2016-17	27.54	(E-F)

Based on the above computation, the Petition is offering Rs. 27.54 Cr as interest on CSD while computing the Annual Revenue Requirement for FY 2016-17.



vii. 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, the Petitioner is exploring the possible avenues for revenue growth through various activities in addition to Distribution of power to consumers.

The Petitioner has built up considerable expertise in various areas relating to change management, business processes reengineering, implementation of IT Solutions, etc.

The Petitioner has earned Rs 52.58 Cr (Gross Receipts) from other than licensed business. Breakup of the same is given below;

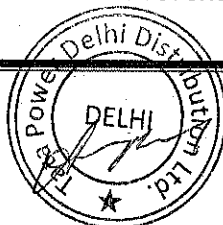
- (a) Training (Rs. 0.19 Cr), which includes training to outsiders (Programme covered APDRP, Drum Training etc. provided to Employees of other state utilities).
- (b) Optimal utilization of Distribution Assets (Rs. 1.48 Cr); and
- (c) Consultancy Income (Rs. 50.85 Cr)
- (d) Income from DSM fund of Rs. 0.06 Cr.

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 APTEL 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 regulations 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.

48. 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".

To generate such income, the Petitioner has incurred net direct expenditure of Rs. 39.29 Cr during the FY 2016-17 which has to be deducted while computing the net income available for sharing between consumers and the Petitioner. Computation of the net direct expenditure is given below:

Table 3.37: Computation of Net direct expenses to be deducted from Other Business Income

Particulars	Rs. Cr	Remark
Total Direct Expenses incurred to earn Consultancy Income	40.38	
Less- Allowed on normative basis*	1.09	
Net direct expenses	39.29	

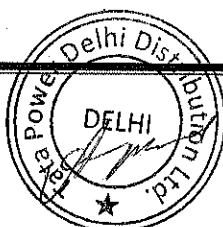
*Extrapolated on Rs 0.77 Cr for base year for FY 2011-12

It is submitted that the net revenue from the Other Business Income should be considered in the ratio of 80:20 (Consumer: Petitioner).

On the basis of above submission, the Petitioner is computing the sharing from other business income as under:

Table 3.38: Break-up of sharing of other business Income for FY 2016-17

Particulars	Rs. Cr	Sharing ratio	Consumer's Share	Petitioner's Share
(A) Consultancy				
Consultancy Income	50.85			
Training Income	0.19			
Sub Total	51.04			
Less- Direct Exp- other than Income tax	39.29		-	39.29
Less: Income Tax (i.e. on Grossed up basis)	3.99		-	3.99
Net Revenue (A)	7.76			
(B) Distribution of Assets				
Distribution of Assets	1.48			
Less- Direct Exp- other than Income tax			-	-
Less: Income Tax (i.e. on Grossed up basis)	0.50		-	0.50
Net Revenue (B)	0.97			
(C) Income from DSM Fund (LED Scheme)	0.06			
Less: Income Tax (i.e. on Grossed up basis)	0.02			0.02
Net Revenue (C)	0.04			
Sharing of Income from A above		20% Petitioner	6.20	1.55
Sharing of Income from B above		80% Consumer	0.81	0.20
Total	52.58		7.02	45.56



viii. Service Line Charges

The Petitioner would like to bring in the kind attention of the Hon'ble Commission about the change in accounting treatment of Service Line Charges due to implementation of Ind-As. As per Indian GAAP, service line charges were treated as income upfront upon installation of connections, therefore entire income is treated as non-tariff income for the purpose of ARR. However under Ind-As since the consumers does not get any identified asset or service upon payment of upfront service line charges, service line charges should be recognized as a revenue over the useful life of asset provided to consumers. Hence any income on account of Service Line is shown as receipt and thereafter amortized over the useful life of Asset. Due to aforesaid change, in profit and loss statement the amortized balance of service line charges are shown under the head other operating income instead of receipt amount of service line charges. Therefore, for the purpose of Tariff determination receipt of service line charges has been considered and offered as a part of non-tariff income instead of amortized amount as shown in profit and loss statement for FY 2016-17.

Given below is the amount additionally considered as a part of Non-Tariff Income.

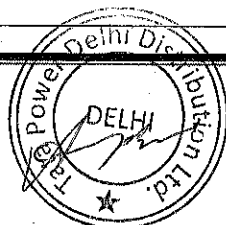
Particulars	Rs. Cr	Remark/ Ref.
Receipt on account of Service Line charges	31.42	Note 23(b) of the Audited Financial Statement of FY 17
Amortized and transferred to Profit & Loss	27.38	Note 32 of the Audited Financial Statement of FY 17
Amount additionally offered as NTI	4.04	(i.e Rs. 31.42 – Rs. 27.38)

Capitalization and capital expenditure

The Hon'ble Commission has not yet tried up the final capitalization since FY 2005-06 onwards. In Tariff Order Aug, 2017 the Hon'ble Commission has considered capitalization based on Audited Financial Statements for the year. Therefore, in line with the methodology followed by the Hon'ble Commission and to save the consumers from carrying cost, Tata Power – DDL has re-casted the opening capitalization plus addition based on yearly audited financial statements.

Table 3.39: Computation of opening balance of gross capitalization for FY 2016-17

Particulars	Amount Rs Cr.
Opening Balance of GFA as on 01.07.2002	1,210.00
Capitalization in PDP period	1076.19
Capitalization in 1 st MYT period	1713.07
Capitalization from FY 12-13 onwards to FY 15-16	1381.65
Closing Balance	5380.91



Therefore, the Revised Gross Fixed Assets for FY 2016-17 based on audited financial statement is given below:

Table 3.40: Gross Fixed Assets

(Rs. Cr)

Sl. No.	Particulars	Amount	Remark
A	Opening Balance	5,380.91	Table 3.39
B	Total Capitalization during the year	455.11	Table 3.41
C	De-Capitalization*		
D	Closing Balance	5,836.01	(A+B-C)
E	Average Fixed Assets	5,608.46	(A+D)/2

*As the matter is sub-judice, no retirement has been considered

Capitalization

The actual Capitalization of fixed assets (Distribution business) as per books of accounts for FY 2016-17 is as follows (Refer Annexure A-2 in volume II of the Petition):

Table 3.41: Detail of Actual Capitalization

(Rs. Cr)

Particulars	Amount
Capitalization as per Audited Accounts *	455.11
Less- Generation Capitalization	
Distribution Capitalization	455.11

*(Refer Note no 4 & 6 of the Audited Financial Statements)

Consumer Contribution/Grant

MYT Regulations 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 audited financial statement, therefore the corresponding consumer contribution has been considered.

Table 3.42: Computation of opening balance of Consumer Contribution/grants for FY 2016-17

Particulars	Amount Rs Cr.
Opening Balance of GFA as on 01.07.2002	Nil
Capitalization in PDP period	92.68
Capitalization in 1 st MYT period	312.15
Capitalization from FY 12-13 onwards to FY 15-16	335.15
Closing Balance	739.98

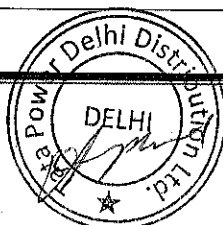


Table 3.43: Consumer Contribution/grants

			(Rs. Cr)
Sl. No.	Particulars	Amount	Remark
A	Opening Balance	739.98	Table 3.42
B	Total Addition during the year	110.47	Note 23(a) of Audited Financial Statement
C	Closing Balance	850.45	(A+B)
D	Average Consumer Contribution	795.21	(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."

As specified in the MYT Regulations 2011, 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 rate prescribed in MYT Regulations 2011 is applied on average Gross Block of Assets in order to compute the total depreciation and thereafter based on such total depreciation and average Gross Block of Assets, average depreciation rate is worked out which is further applied on Fixed assets (net of consumer contribution) to compute the allowable depreciation for the year.

Based on above methodology, average depreciation rate is worked out as follow:

Table 3.44: Computation of Average rate of Depreciation on Gross Fixed Assets (Rs. Cr)

Sl. No.	Particulars	Amount	Remark
A	Average of Gross Fixed Assets	5,608.46	Table 3.40
B	Average Depreciation Rate	3.91%	

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

Table 3.45: Depreciation on Net Fixed Assets

			(Rs. Cr)
Sl. No.	Particulars	Amount	Remark
A	Average Assets	4,813.25	Table 3.40(E) - 3.43(D)
B	Average Depreciation Rate	3.91%	Table 3.44
C	Depreciation (Net of Consumer Contribution)	188.20	(C*D)

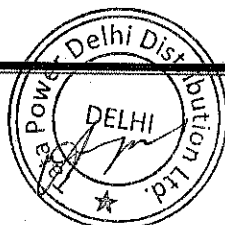


Table 3.46: Cumulative Depreciation on Fixed assets

(Rs. Cr)

Financial year	Opening GFA	Addition	Closing GFA	Average GFA	Average Consumer Contribution	Deprecation Rate	Depreciation Amount	Remark
						Opening Dep	290.00	
FY 02-03	1210.00	4.41	1214.41			6.69%	60.71	
FY 03-04	1214.41	230.81	1445.22			6.69%	81.24	
FY 04-05	1445.22	241.00	1686.22			6.69%	96.69	
FY 05-06	1686.22	147.35	1833.57			6.69%	112.81	
FY 06-07	1833.57	163.75	1997.32			6.69%	122.67	
FY 07-08	1997.32	163.04	2160.36	2078.84	102.67	3.60%	71.14	
FY 08-09	2160.36	437.70	2598.06	2379.21	123.55	3.60%	81.20	
FY 09-10	2598.06	318.59	2916.65	2757.36	157.94	3.60%	93.58	
FY 10-11	2916.65	565.91	3482.56	3199.61	254.74	3.60%	106.01	
FY 11-12	3482.56	400.50	3883.06	3682.81	358.61	3.60%	119.67	
FY 12-13	3883.06	316.20	4199.26	4041.16	413.33	3.65%	132.42	
FY 13-14	4199.26	387.52	4586.78	4393.02	482.53	3.62%	141.56	
FY 14-15	4586.78	355.47	4942.25	4764.52	571.52	3.91%	163.95	
FY 15-16	4942.25	389.95	5332.20	5137.23	673.84	3.91%	174.52	
Add- Adjusted capitalization towards Pending EI	5332.20	48.72	5380.92					
Total	1210.00	4170.92					1848.17	

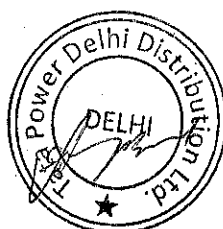
Sl. No.	Particulars	Amount	Remark
A	Opening Balance	1,848.17	
B	Addition during the year	188.20	Table 3.45
C	Impact of De-capitalization*		
d	Closing Balance	2,036.36	(E+F-G)

*As the matter is sub-judice, hence no retirement has been considered

Table 3.47: Utilization of depreciation

(Rs. Cr)

Sl. No.	Particulars	Amount	Remark
A	Depreciation	188.20	Table 3.45
B	Utilized for Debt repayment	188.20	



Working capital

MYT Regulations, 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 MYT Regulations 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 the 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. Therefore the revised computation of working capital is given below:

Table 3.48: Computation of working capital

Sl. No.	Particulars	Amount (Rs Cr)	Remark
A	Receivables for Billed Revenue excluding E.TAX	6,637.89	Table 3 (Rs. 6935.64 – Rs. 297.75)
B	Receivables equivalent to 2 months average billing	1,106.31	(A/12*2)
C	Power Purchase expenses	5,197.07	Table 3.7
D	Less: 1/12th of power purchase expenses	433.09	(C/12*1)
E	Total working capital for the year	673.23	(B-D)

Table 3.49: Computation of Change in working capital

Sl. No.	Particulars	Amount (Rs Cr)	Remark
A	Total working capital for the year	673.23	Table 3.29
B	Less- Opening Working Capital	632.68	Tariff Order Aug,2017
C	Change in working capital for the year	40.55	(A-B)



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 3.50: Movement in Base Rate of State Bank of India

Sl. No.	Particulars	SBI		Remark
		FY 2011-12	FY 2016-17	
A	Weighted average Base Rate of SBI	9.65%		
B	Opening Base Rate on 1 st April	8.25%	9.30%	Annexure A-9 in Volume II
C	Closing Base Rate on 31 st March	10.00%	9.30%	

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 and working capital loans are taken on normative basis as mentioned in Tariff Order dated July, 2012.

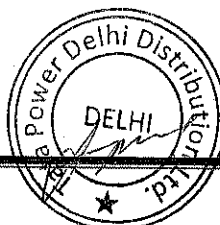
Table 3.51: Interest Rate considered for FY 2016-17

Particulars	FY 2016-17	
	Capex	Working capital
Normative Cost of Debt as approved by the Hon'ble Commission in its MYT Tariff Order, July 2012	11.21%	11.62%

Considering the above interest rate, the cost of debt has been computed @ 11.31% considering the debt (i.e. working capital +capex loans) deployed in RRB.

Truing up of RoCE (Return on Capital Employed)

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 requirement for FY 2016-17, the computation of Regulated Rate Base is given below:

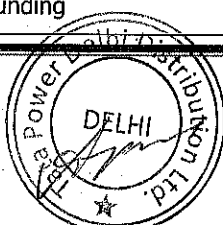
Table 3.52: Computation of Regulated Rate Base for the period FY 16-17 (Rs. Cr)

Sl. No.	Particulars	Amount	Remarks
A	Opening Balance of OCFA	5,380.91	Table 3.39
B	Opening Balance of Working Capital	632.68	Table 3.49
C	Opening Balance of Accumulated Depreciation	1,848.17	Table 3.46
D	Opening balance of Accumulated Consumer Contribution	739.98	Table 3.42
E	RRB opening	3,425.44	
	RRB - for the year		
F	Investments in capital expenditure during the year	455.11	Table 3.41
G	Depreciation for the year	188.20	Table 3.45
H	Consumer Contribution, Grants, etc. for the year	110.47	Table 3.43
I	Change in Working Capital	40.55	Table 3.49
J	RRB – Closing	3,622.43	
K	ΔAB (Change in Regulated Base)	118.76	
L	RRB(i)	3,544.21	

Means of Finance

The Petitioner has considered 70:30 Debt Equity ratio for the purpose of computation of Means of Finance for FY 2016-17.

Sl. No	Particulars	Amount (Cr.)	Remark/ Ref
A	Investments in capital expenditure during the year	455.11	Table 3.41
B	Less- Consumer Contribution, Grants, etc. for the year	110.47	Table 3.43
C	Balance Capitalization required to be funding	344.64	



Sl. No	Particulars	Amount (Cr.)	Remark/ Ref
	Funding through – Debt @ 70%	241.24	
	Funding through – Equity @ 30%	103.40	

Determination of WACC

For the purpose of computation of WACC, the Petitioner has

- computed average equity deployed in the business and
- computed average outstanding Debt (net of loan repayment)

In order to compute the average equity and average outstanding debt, the Petitioner has relied upon various Judgment of the Hon'ble APTEL / Other Judicial Court. Relevant extract of the said Judgments are given below along with Justification.

- As per MYT Regulations, 2011 opening investment for the fixed assets as on 01.07.2002 was allowed in debt equity ratio of 60:40 as per transfer scheme.
- It is further submitted that the subsequent investments from FY 2002-03 onwards in fixed assets always have been allowed in the debt equity ratio of 70:30 only. However, with the passage of time, repayment of debt has been allowed by the Hon'ble Commission in the form of depreciation, without any repayment of equity invested by the Petitioner in the fixed assets, resulting into automatic reduction in debt equity ratio of assets lower than 70:30 due to such repayment of debt. In other words, though the quantum of debt included in the capital reduces constantly due to repayment of debt through depreciation and would be lower than that at the time of capitalization, the amount of equity invested in the capital would remain constant. Therefore while computing the WACC, during any subsequent year actual equity and actual outstanding debt has to be considered.
- The Hon'ble APTEL has also upheld the Petitioners contentions in its Judgment dated 28.11.2014 and 02.03.2015 passed in Appeal no 61 & 62 of 2012 and Appeal no 177 & 178 of 2012 respectively. Relevant extracts of the said Judgments is given below:



Extract of the Judgment dated 28.11.2013 passed in Appeal No. 61 & 62 of 2012:

"92. The 22nd Issue is related to wrong computation of WACC. The Appellant in this Appeal has submitted that the Delhi Commission has not considered the repayment while calculating average loan balance for the year which has resulted in lower weighted average cost of capital (WACC). This lower weighted average cost of capital when applied to Regulated Rate Base is resulting in lesser RoCE.

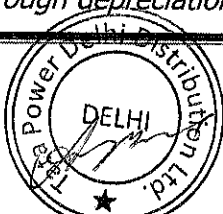
101. The concept of Return on Capital Employed also includes the working capital loans which are short term loans and repaid within the year itself. Non-consideration of repayment of working capital is contrary to the practice adopted by the Commission in earlier orders. There is no concept of date of commercial operation in case of working capital loans.

102. In the light of above discussions we find force in the contentions of the Appellant and direct the Commission to re-evaluate the WACC considering the repayment of loans during the period and recomputed RoCE payable to the Appellant. The issue is decided in favour of the Appellant."

Judgment dated 02.03.2015 passed in Appeal No. 177 & 178 of 2012:

"34. The 26th issue is regarding wrongful computation of ROCE (WACC).

34.1 The Appellant has stated that the computation of WACC is wrong because it has been calculated without considering the repayment of debt by the Appellant. As a consequence, the computation of weighted average of Return on Equity and Return on Debt has become flawed. As the rate of Return on Debt was much less than the rate of Return on Equity, the direct effect of Debt being taken at higher figure without deducting debt repayments is that the WACC gets depressed. As per Regulation 5.8 of MYT Regulations, the Regulatory Rate Base is to be computed after deducting the depreciation and consumer contribution from investment made during the year. As per Regulations, depreciation is to be used for loan repayment. Therefore, while calculating RRB, State Commission is reducing the investment by depreciation i.e. loan repayment. However, while calculating WACC, the commission is taking contrary stand and is considering loan repayment through depreciation.



34.2 Let us examine the MYT Regulations, 2011.

....

34.9 The Appellant has contended that depreciation is to be used for repayment of loan and after repayment of loans, the ratio of equity has changed and the changed position of debt:equity ratio has to be considered for calculating WACC. There is a point in the contention of the Appellant. This issue has been dealt with by this Tribunal in Appeal no. 61 and 62 of 2012 wherein the Commission was directed to re-evaluate the WACC considering the repayment of loans during the period and re-compute ROCE payable to the Appellants. Accordingly, this issue is decided in favour of the Appellant in terms of the above decision."

4. It is worth to mention that equity once deployed in the business towards working capital in 1st MYT control period with the permission of the Hon'ble Commission cannot be reduced while computing the available equity for the computation of WACC.

Computation of Average Debt and Average Equity is given below:

Computation of Means of Finance for PDP period

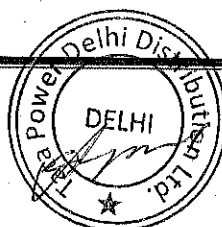
(Figures in Rs. Cr.)

Financial year	Capex	Means of Finance (Capex)							Capitalization Based on EI certificates
		Consumer Contribution	Depreciation	APDRP grants	APDRP Loans	Creditors	Equity @ 30%	Debt @ 70	
FY 02-03	48.51	11.56	36.95				-	-	4.41
FY 03-04	299.40	30.85	71.42	17.91	17.91		48.39	112.91	230.81
FY 04-05	338.20	108.48	75.82				46.17	107.73	241.00
FY 05-06	431.00	35.99	96.29			25.32	82.02	191.38	147.35
FY 06-07	271.00	34.85	44.68			(25.32)	65.04	151.75	163.75
Total	1388.11	221.73	325.18	17.91	17.91	-	241.61	563.77	1997.32

Computation of Equity/ Debt balance for PDP period

(Figures in Rs. Cr.)

Financial year	Opening Equity	Addition Equity	Closing Equity	Opening Debt	Addition	Repayment	Closing Debt
FY 02-03	368.00	-	368.00	552.00	-	-	552.00
FY 03-04	368.00	48.39	416.39	552.00	130.82	-	682.82
FY 04-05	416.39	46.17	462.56	682.82	107.73	1.29	789.26
FY 05-06	462.56	82.02	544.58	789.26	191.38	16.51	964.12
FY 06-07	544.58	65.04	609.61	964.12	151.75	77.98	1037.89



Computation of Means of Finance upto FY 2015-16

(Figures in Rs. Cr.)

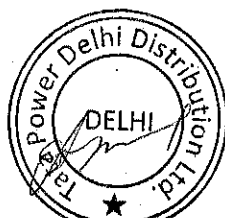
Financial year	Total Capitalization Based on EI certificates	Capitalization out of PDP CWIP	Capitalization out on CWIP Incurred after 01.04.2007	Means of Finance for Capitalization done from CWIP 01.04.2017			Capitalized consumer contribution received in PDP period
				Consumer Contribution	Equity @ 30%	Debt @ 70	
FY 07-08	163.04	149.61	13.43	-	4.03	9.40	19.96
FY 08-09	437.70	241.89	195.81	12.14	55.10	128.57	9.67
FY 09-10	318.59	82.99	235.60	18.74	65.06	151.80	28.22
FY 10-11	565.91	64.00	501.91	118.68	114.97	268.26	27.97
FY 11-12	400.50	5.50	395.00	55.06	101.98	237.96	6.02
FY 12-13	316.20	0.28	315.92	48.12	80.34	187.46	0.25
FY 13-14	387.52	0.12	387.40	89.87	89.26	208.27	0.16
FY 14-15	355.47	16.82	338.65	72.16	79.95	186.54	15.78
FY 15-16	389.95		389.95	116.32	82.09	191.54	0.38
Total	3334.88	561.21	2773.67	531.09	672.77	1569.81	108.41

Computation of Equity/ Debt balance upto FY 2015-16

(Figures in Rs. Cr.)

Financial year	Opening Equity	Addition Equity	Working Capital Equity*	Closing Equity	Opening Debt	Addition	Repayment	Working capital Debt*	Closing Debt
FY 02-03	368.00	-		368.00	552.00	-	-		552.00
FY 03-04	368.00	48.39		416.39	552.00	130.82	-		682.82
FY 04-05	416.39	46.17		462.56	682.82	107.73	1.29		789.26
FY 05-06	462.56	82.02		544.58	789.26	191.38	16.51		964.12
FY 06-07	544.58	65.04		609.61	964.12	151.75	77.98		1037.89
FY 07-08	609.61	4.03	59.69	673.33	1037.89	9.40	71.14	139.27	1115.42
FY 08-09	673.33	55.10	7.39	735.82	1115.42	128.57	81.20	17.25	1180.03
FY 09-10	735.82	65.06	(3.36)	797.52	1180.03	151.80	93.58	(7.84)	1230.42
FY 10-11	797.52	114.97	(1.50)	910.99	1230.42	268.26	106.01	(3.51)	1389.15
FY 11-12	910.99	101.98	7.25	1020.22	1389.15	237.96	119.67	16.93	1524.37
FY 12-13	1020.22	80.34		1100.56	1524.37	187.46	132.42	125.05	1704.46
FY 13-14	1100.56	89.26		1189.82	1704.46	208.27	141.56	65.66	1836.84
FY 14-15	1189.82	79.95		1269.77	1836.84	186.54	163.95	70.22	1929.65
FY 15-16	1269.77	82.09		1351.86	1929.65	191.54	174.52	87.04	2033.72

*Figures are as per Sep, 2015 Tariff Order



Computation of Equity/ Debt balance for FY 2016-17 (Figures in Rs. Cr.)

Financial year	Opening Equity	Addition Equity	Working Capital Equity*	Closing Equity	Opening Debt	Addition	Repayment	Working capital Debt*	Closing Debt
Opening Equity	1351.86				2033.72				
Add- Adjustment for Pending EI capitalization	12.28				28.65				
Revised Opening Balance	1364.14	103.39		1467.53	2062.37	241.24	188.20	40.55	2155.96
Average Equity	1415.83				2129.44				

Based on the above submission, the Petitioner has computed WACC of 16.42% for FY 2016-17.

Table 3.53: Computation of WACC

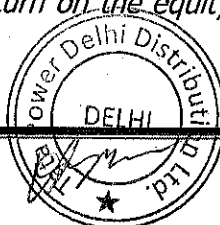
		(Rs. Cr)	
Sr. No.	Particulars	Amount (Rs Cr)	Remark/Ref
A	RRB (i)	3,544.21	Table 3.52
B	Average Equity deployed in the business	1,415.83	Above Table
C	Average Debt including working capital	2,129.44	Above Table
D	Rate of return on equity (re)	16.00%	
E	Additional return on equity due to over achievement in AT&C loss	8.09%	Table 3.6
F	Effective return on equity	24.09%	(D+E)
G	Rate of interest on debt (rd)	11.31%	
H	WACC	16.42%	
I	RoCE	581.81	A*H

Income Tax

Regulation 5.32 of 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. 116.65 Cr as a tax on return on the equity component.

Table 3.54: Income tax sought for FY 2016-17

Sl. No.	Particulars	Amount (Rs Cr)	Remark/Ref
A	RRB (Average)	3,544.21	Table 3.52
B	Equity (Average)- Capex	1415.83	Table 3.53
C	Return on Equity	226.53	
D	Income Tax Rate for the year	33.99%	
E	Income Tax sought for the year	116.65	H/(1-D) - H

Based on the submission made above for truing up of FY 2016-17, the total Aggregate Revenue Requirement for the year comes to Rs. 6,651.16 Cr. Components wise amount sought for true up is given below:

Table 3.55: Summary of Aggregate Revenue Requirement

Sl. No.	Particulars	(Rs. Cr) Amount	Remark
A	Power Purchase cost (incl. Transmission charges)	5,197.07	Table 3.7
B	O&M Expenses	644.20	Table 3.29
C	Other expenses/Statutory levies	34.35	Table 3.33
D	Depreciation	188.20	Table 3.45
E	Return on Capital Employed (RoCE)	581.18	Table 3.53
F	Income Tax	116.65	Table 3.54
G	Less: Non-tariff income	111.12	Table 3.34
H	Aggregate Revenue Requirement	6,651.16	

Revenue Surplus /(Gap) for FY 2016-17

The Petitioner based on above submission has computed actual Revenue Gap for FY 2016-17 as computed in the table below;



Table 3.56: Computation of Revenue surplus/ (Gap) for FY 16-17 (Rs. Cr)

Sl. No.	Particular	Actual as per Petitioner	Remarks
A	Revenue Available	6,118.98	Table 3.4
B	Aggregate Revenue Requirement	6,651.16	Table 3.55
C	Revenue Surplus/(Gap)	(532.19)	(A-B)

Carrying Cost & Closing Revenue Gap

The rate of carrying cost for FY 2016-17 has been computed based on cost of debt of 11.31% as considered for computation of WACC also. The Petitioner has computed carrying cost rate of 12.72% (i.e. $11.31\% \times 70\% + 16\% \times 30\%$) for FY 2016-17.

Considering the above carrying cost rate, the Closing Revenue Gap for FY 16-17 is computed as below:

Table 3.57: Computation of carrying cost & closing Revenue Gap for FY 2016-17

Sl. No.	Particulars	Amount (Rs. Cr)	Remarks
A	Opening Provisional trued up Revenue Gap	(2,454.10)	As per Tariff Order, Aug 2017
B	Add: Revenue Gap sought for the year	(532.19)	Table 3.56
C	Carrying Cost Rate	12.72%	As per Tariff Order, Aug 2017
D	Add: Carrying Cost	(346.02)	$(A+B/2) \times C$
E	Less- Realization from Deficit recovery surcharge	491.03	Table 3.4(b)
F	Closing Revenue Gap (including carrying cost)	(2,841.27)	$(A+B+D+E)$

