

## 6.1 COST OF SERVICE

The Petitioner has considered same approach for determining the cost of supply for different voltage levels as adopted by the Hon'ble Commission in its Tariff Order August, 2017.

The total ARR has been allocated in the Wheeling and Retail Supply business to different voltage levels and the same has been considered along with the energy sales to the respective voltage level to arrive at the per unit Wheeling charge and Retail Supply Charge for that voltage level.

## ALLOCATION OF WHEELING ARR

The Petitioner has considered the gross energy sales (MU) for the FY 2019-20 and has allocated the same to different voltage levels in the proportion of energy sales (MU) to these voltages to total sales. The voltage wise estimated energy sales for FY 2019-20 is as shown in the following table:

**Table 6.1: Estimated Energy Sales for FY 2019-20 (MU)**

Particulars	MUs
Sales above 66 kV level	64.99
Sales at 33/66 kV level	37.40
Sales at 11 kV level	1,132.87
Sales at LT level	8,233.27
<b>Total</b>	<b>9,468.52</b>

The Petitioner has thereafter grossed up the energy sales (MU) at the specific voltage level with the respective distribution losses (%) at that level to arrive at the Energy Input (MU) for that level. The summary of the voltage wise distribution losses considered by the Commission are as follows.

**Table 6.2: Estimated Distribution Loss for FY 2019-20 (%)**

Particulars	%
Loss above 66 kV level	0.00%
Loss at 33/66 kV level	0.79%
Loss at 11 kV level	2.66%
Loss at LT level	8.78%

The Petitioner would like to mention that the voltage wise distribution losses considered above are estimates and based on same the Energy Input (MU) for the respective voltage levels are shown as follows:

**Table 6.3: Estimated Energy Input for FY 2019-20 (MU)**

Particulars	MUs
Input for 66 kV level	64.99
Input for 33/66 kV level	37.69
Input for 11 kV level	1,163.86
Input for LT level	9,025.33
<b>Total</b>	<b>10,291.87</b>

Based on the ratio given in Business Plan Regulations, 2017 Wheeling ARR for FY 2019-20 is computed as below:

Wheeling Business	Ratio	Amount in Rs Cr.
<b>Particulars</b>		
<b>A</b> O&M Expenses	62%	546.73
<b>B</b> Depreciation	77%	187.94
<b>C</b> ROCE	72%	388.88
<b>D</b> Carrying cost	18%	76.06
<b>E</b> Non-Tariff Income	40%	36.71
<b>F Total Wheeling ARR</b>		<b>1,162.89</b>

The Wheeling ARR for the year has been apportioned in proportion of the energy input at different voltage levels. The wheeling cost allocated to different voltage levels is tabulated as follows:

**Table 6.4: Wheeling cost for different voltages for FY 2019-20 (Rs. Crore)**

Particulars	Amount
Above 66 kV level	7.34
At 33/66 kV level	4.26
At 11 kV level	131.51
At LT level	1,019.79
<b>Total</b>	<b>1162.89</b>

Based on the energy sales at the respective voltage levels the Petitioner has determined Wheeling Charge per unit for different voltages for FY 2019-20 as follows:

**Table 6.5: Wheeling Charges for FY 2019-20 (Rs/Unit)**

Particulars	Rs-kWh Per unit
Above 66 kV level	1.13
At 33/66 kV level	1.14
At 11 kV level	1.16
At LT level	1.24
<b>Average</b>	<b>1.23</b>

## ALLOCATION OF RETAIL SUPPLY ARR

Based on the ratio given in Business Plan Regulations, 2017 Wheeling ARR for FY 2019-20 is computed as below:

Retail Business	Ratio	Amount in Rs Cr.
<b>Expenditure</b>		
<b>A</b> Power Purchase Cost	100%	5,651.90
<b>B</b> O&M Expenses	38%	335.09
<b>C</b> Depreciation	23%	56.14
<b>D</b> ROCE including Tax	28%	151.23
<b>E</b> Carrying Cost	82%	346.48
<b>F</b> NTI	60%	55.07
<b>G Total Retail Business ARR</b>		<b>6,485.77</b>

The Petitioner has allocated the Retail Supply ARR in the ratio of energy input determined above for different voltage levels. The Petitioner has thereafter determined the Retail Supply charge for a particular voltage level by considering energy sales at that voltage level. The summary of Retail supply ARR Allocation to different voltage levels for FY 2019-20 is given as follows:

**Table 6.6: Retail Supply cost for different voltages for FY 2019-20 (Rs. Crore)**

Particulars	Amount
Above 66 kV level	40.96
At 33/66 kV level	23.75
At 11 kV level	733.45
At LT level	5,687.61
<b>Total</b>	<b>6,485.77</b>

Based on the energy sales at the respective voltage levels, the Petitioner has determined retail supply charges per unit for different voltages for FY 2019-20 as follows:

**Table 6.7: Retail Supply Charges at different voltages for FY 2019-20 (Rs/Unit)**

Particulars	Rs-kWh/unit
Above 66 kV level	6.30
At 33/66 kV level	6.35
At 11 kV level	6.47
At LT level	6.91
<b>Average</b>	<b>6.85</b>

The cost of supply determined by the Commission for the different voltage levels is shown as follows:

**Table 6.8: Tariff at different voltages for FY 2019-20 (Rs/Unit)**

Particulars	Rs-kWh/unit
Above 66 kV level	7.43
At 33/66 kV level	7.49
At 11 kV level	7.64
At LT level	8.15
<b>Average</b>	<b>8.08</b>

## 6.2 Measures for Tariff Rationalization

At the outset, TPDDL wishes to clarify that while proposing tariff rationalization measures, the intention is not to earn net extra revenue in the process but to make structure simpler, balanced, Consumer friendly and more realistic.

TPDDL, would, therefore, request the Hon'ble Commission to determine Tariff structure in such a manner that the impact on the total revenue requirement merely on account of the rationalization is 'Nil', and allow such revenue to meet the approved expenditure of the Licensee.

TPDDL proposals on "Tariff Rationalization" are as follows:

### **1. Time Bound Recovery of Regulatory Assets / Revenue Gap**

The Hon'ble Commission since its tariff order dated 13<sup>th</sup> July 2012 and till date has allowed for an additional surcharge of 8% **towards recovery of past accumulated deficit /regulatory assets.**

It is pertinent to mention that the said surcharge is not sufficient to ensure recovery of entire Revenue Gap in stipulated timeframe.

We would further like to draw your kind attention to the Judgment dated 11<sup>th</sup> Nov 2011 in OP No. 1 of 2011 of Hon'ble Appellate Tribunal for Electricity (APTEL) regarding *Tariff Revision (Suo-Moto action on the letter received from Ministry of Power)* where-in the Hon'ble APTEL has emphasized on timely recovery of regulatory assets.

The relevant observation of the Hon'ble Tribunal in the said matter is as under:

**"65 (iv).....The recovery of the Regulatory Asset should be time bound and within a period not exceeding three years at the most and preferable within Control period. Carrying Cost of the Regulatory Asset should be allowed to utilities in the ARR of the year in which the Regulatory Assets are created to avoid problem of cash flow to the Distribution Licensee."**

The concern on creation of regulatory assets in future and the need for timely liquidation of the Regulatory has also been emphasized in the amendments to the National tariff Policy. The relevant extracts have been reproduced below:

*"8.2.2 The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as a very rare exception in case of natural calamity or force majeure conditions and subject to the following:*

*a. Under business as usual conditions, no creation of Regulatory Assets shall be allowed;*

*b. Recovery of outstanding Regulatory Assets along with carrying cost of Regulatory Assets should be time bound and within a period not exceeding seven years. The State Commission may specify the trajectory for the same."*

It may be appreciated that the major part of the regulatory asset has been hovering on the petitioner for more than 7 years and recovery of the high accumulated gap continues to remain a concern for the financial health of the Petitioner, given that there is no clear roadmap stipulated for recovery of the same.

Credit rating agency ICRA in its last rating has also expressed his concerns on the liquidation prospects of regulatory assets. Even a one notch down in credit rating from existing level will impact our interest rate by around 70-90 basis points. Also, absence of clear cut roadmap for the liquidation of regulatory asset severely impacts the future lending rates. Therefore, an early amortization of such huge built up Revenue Gap would further help in sustenance of the current credit rating of the Petitioner, ultimately resulting into lower cost of debt and saving of the carrying cost in the benefit of the consumers.

The Hon'ble Commission is requested to give an amortization schedule with annual recovery of the accumulated Revenue Gap along with Carrying Costs.

## 2. Revised Power Purchase Cost Adjustment Charge (PPAC) Formula

The Petitioner once again would like to draw the attention of the Hon'ble Commission on existing Power Purchase Adjustment Charge (PPAC) Formula. It is worth to mention that the power purchase adjustment mechanism is to ensure that the impact of change in power purchase cost of the Distribution Companies is passed on to the consumers in a timely manner on a quarterly basis.

The main short comings of said PPAC Formula is that it factors only the variance in Long Term power purchase cost (Generation and Transmission) and not the variance in sale rate (which is also a part of power purchase cost) . Accordingly, the Hon'ble Commission is requested to incorporate the suggestion so that any gain/loss on account of sale of surplus power may also be allowed in a timely manner. The same will ensure timely recovery / adjustments on a quarterly basis and prevent doing the same at the end of the year at the time of true-ups which will result in savings of carrying cost burden on consumers.

It will also ensure that in the situation when the sale rate is more than the approved base cost, PPAC may not get computed/ may get nullified on account of increase in Fuel charges/ Transportation costs

To remove the above shortcoming, TPDDL in its previous year tariff Petitions has also suggested revision in the PPAC formula to the Hon'ble Commission. It is further submitted that the Hon'ble APTEL in its Judgment in Appeal no 177 & 178 of 2012 has directed the State Commission to consider the variation in sale price of surplus power in the PPA formula. Relevant extract of the same is given below:

*"The Hon'ble Tribunal agreed with the prayer of the Appellant that Power sales constitute a major component of power purchase cost and the power purchase cost is trued up only after 2 years, putting additional burden on consumers by way of interest charges which have to be borne by the consumers additionally. The Hon'ble Tribunal agreed that any short term power purchase due to unforeseen outages would require prudence check. Keeping in view small amount of short term power procurement cost, the Hon'ble Commission may not include short term power procurement in PPCA.*

***However, the Hon'ble Tribunal also agreed that Sale of short term power is volatile and may vary from what has been considered in determining the net power purchase cost in ARR. Therefore, State Commission should have considered the variation in sale price of surplus power in the PPCA formula."***

The Hon'ble Commission in its previous Tariff Order dated September 2015 in para no 3.37 on page no 141 has mentioned that

*"The observation of Hon'ble APTEL in Appeal 177 & 178 of 2012 regarding PPAC formula will be taken into consideration while formulating PPAC formula in next MYT Control period."*

However, the same has yet not been considered by the Hon'ble Commission.

Based on the above facts, the Petitioner is once again reproducing the revised formulae for PPAC.

***Proposed Formula for consideration is suggested as below:***

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

***Where,***

***A = Total units procured in (n-1)th Qtr. (in kWh) from power stations having long term PPAs to be taken from the bills of Gencos issued to distribution licensees (No change from existing formula)***

***B = Proportionate bulk sale of power from Power stations having long term PPAs in (n-1)th Qtr. (in kWh) (No change from existing formula)***

***= Total bulk sale in (n-1)th Qtr. (in kWh) \* A***

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***Gross Power Purchase including short term power in (n-1)th Qtr. (in kWh)***

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

**C** = **C** actual – **C** projected (Change from existing formula)

**C** actual = Actual average Power Purchase Cost (PPC) from power stations having long term PPAs in (n-1)th Qtr. excluding fixed cost of regulated stations (Rs./kWh).

**C** projected = Projected average Power Purchase Cost (PPC) from power stations having long term PPAs including new long term PPAs Added and excluding regulated stations / surrendered stations (Rs./kWh) (from tariff order) (Base Rate)

Regulated/Added/Surrendered stations to be taken from SLDC/DERC. DISCOMs will provide audited figures for not paid stations.

**D** = Actual Transmission Charges paid in the (n-1) th Qtr (no change)

**E** = Base Cost of Transmission Charges for (n-1) th Qtr= (Approved Transmission Charges/4) (no change)

**F** (new) = Actual average Power Sale Rate in the (n-1)th Qtr. (Rs./kWh) – Projected Average Sale Rate by DERC (from tariff order) (Change from existing formula).

DISCOMs will provide duly audited average sale rate.

DISCOMs will provide duly audited figures.

**Z** = [{Actual Power purchased from Central Generating Stations having long term PPA in (n-1)th Qtr. (in kWh) \* (1 – PGCIL losses in %/100) + Power from Delhi Gencos including BTPS (in kWh)} \* (1 - DTL losses in %/100) } – B ] in kWh (No change from existing formula)

Power from Delhi Gencos including BTPS to be taken from provisional accounts to be issued by SLDC by 10th of each month.

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

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

**PGCIL Losses (in %)** =  $100 \times \text{Approved PGCIL losses in Tariff Order (kWh)}$   
Approved Long Term Power Purchase from  
Central Generating Stations having long term  
PPA in the Tariff Order (kWh)

**DTL Losses (in %)** =  $100 \times \text{Approved DTL Losses (from the Tariff Order)}$   
Power available at Delhi periphery  
(from energy balance table-tariff order)

### 3. Upward revision in Credit Card / Debit Card Payment Limit

Recently, Ministry of Power, Govt. of India vide D.O. letter no. 1/10/2016-IT dated 09.12.2016 issued direction regarding digital cashless transaction in country. The clause (b) of MoP, Govt. of India in the said matter is as under:

*b)- All convenience fee/charges for digital payment should be waived from customer.*

In view of above direction, Hon'ble Commission is requested that no processing fee should be charged from customer for payment through credit card / debit card irrespective of bill amount and same should be pass through in ARR on actual Basis.

### 4. Cash transaction for theft bills

The Hon'ble Commission has directed that no revenue collection above Rs.4,000/- should be collected through cash for theft charges.

In this regard it is pertinent to mention that the Petitioner is facing certain problems in collection of theft bills in the mode other than cash. Following are some area of concerns which requires the immediate attention of the Hon'ble Commission in order to comply with the said directive:

- a) Theft bills are generally of big amounts raised at double the tariff for 12 months. Most of the theft cases are presently detected in JJ clusters and villages where the consumers do not always have bank accounts to issue cheques.
- b) Even if applied, acceptance of cheques itself poses problems of bounced cheques and further requirements of notices and litigation under Negotiable Instruments Act.
- c) Recovery in theft cases is very difficult and there are frequent defaults. A very large number of consumers of JJ Clusters and villages seek installments for payments and there is lot of default and such consumers are less educated. Asking such persons to go to banks for preparation of drafts every month (due to installments) will be a strong dissuading factor and would involve inconvenience, extra formalities, delays and loss of work for such consumers.
- d) Private banks do not issue drafts unless the applicant has an account with the bank and the public sector banks require PAN No. for transactions above Rs.50,000/-. The consumers of such areas would not be able to meet such requirements.
- e) The Hon'ble Commission has issued the direction mainly due to an apprehension of cash collection without issuing receipts. The Petitioner follows a SAP based transparent process of recovery and unless a bill is issued, no payment can be accepted. Also, payment of only exact amount of the installment bill can be accepted and no one can make or accept any payment less or more than the amount of the bill. Therefore, there is absolutely no possibility of any collection without being accounted for in SAP or without issuing receipts. Both the activities of accounting for and issuing receipts are instant. Also, collections of theft bills are not carried out through any contractor or commission agent and all payments have to be made only at the collection counters of the company. The Petitioner further assures to the Hon'ble Commission that neither such transactions are carried out nor any such transactions is possible.

The Hon'ble Commission has considered and issued direction to DISCOMS vide letter No. F.3(427)/Tariff fin/DERC/2015-16/13784 dated 22/01/2016 to comply the direction issued by Hon'ble Special Electricity Court, Rohini in Case No. 652/14 dated 31/3/2015 to accept the cash payment towards theft Bill.

For the reasons cited above, the Hon'ble Commission may kindly exempt/exclude theft collections transactions from the said directive.

### **5. Penalty (ADSM – Additional Deviation Settlement Mechanism) on account of transmission line tripping**

Under the Deviation Settlement Mechanism and Related Matters Regulations, 2014 effective from 17.02.2014, the Hon'ble CERC has assigned the responsibility of maintaining the grid discipline on the Buyers and Sellers only. It however needs to be noted that there are certain factors which are not under the control of the sellers/buyers but under the direct control of Transmission Utility and concerned Load Dispatch Centers. These mainly include tripping of transmission system and scheduling of power within four time block, which has considerable impact on execution of scheduling and dispatch plan set up by sellers/buyers. Tata Power DDL has filed a petition number 10 of 2014 with Hon'ble Delhi Electricity Regulatory Commission (DERC) which also has details mentioned on the same including the issue of forced scheduling.

#### **A) Tripping of transmission lines:**

As per the Deviation Settlement Mechanism (DSM) Regulations 2014, penalty is imposed on DISCOM if it under draws at high grid frequencies (above 50.1 Hz). One of the reasons due to which the DISCOMs under draw is when a section of the load is disconnected due to tripping of transmission lines or power transformers maintained by Central Transmission Utility(CTU) or State Transmission Utility(STU) due to faults. Further, the problem is compounded by the fact that Delhi DISCOMs procure bulk of the power from generating stations situated outside Delhi, except for some distributed solar (less than 2 MW), and are thus completely dependent on the STU and CTU for delivery of power. Any subsequent corrective action to revise our schedule to the altered demand will take at least 4 time blocks.

The Hon'ble Commission may therefore appreciate that, unless intimated beforehand, the DISCOM/Buyer cannot account for these events in Scheduled planning. By their inherent nature, a tripping or fault cannot be predicted. Also as the fault has occurred in a system not maintained by the DISCOM/Buyer, the DISCOM/Buyer cannot take any action to reduce them by predictive or preventive maintenance. Therefore, any ADSM charges/penalty on account of the same should be made pass through in the ARR of the DISCOM and the DISCOM should not be held

liable for any under-drawl on account of any unforeseen failure of a CTU or STU equipment, which resulted in such under-drawl and may be excluded from liability in case of such events. Alternatively the DSM penalty imposed upon Discoms on account of transmission line tripping's be imposed upon the STU as DISCOMs have no direct control over issues related to transmission line/ equipment tripping's .

**B) Scheduling/revision of power in four time block**

IEGC 2010 and subsequent amendments stipulates that the scheduling/revision of power should be executed in four time blocks. This timeline is adhered to incase when revision is within region however, the process takes approx. 6 time blocks or more in cases when seller and buyer are located in different region. Further, the scheduling of URS takes more than stipulated 4 time blocks as consent of multiple parties is involved in the same. The Petitioner in the past has already brought this to the notice of the Hon'ble Commission by filing of an affidavit.

These discrepancies between regulation and execution restrict the immaculate planning and execution required to meet such a stringent norm.

Hence, the Petitioner request the Hon'ble Commission to consider suspension of Additional Deviation Settlement Mechanism (ADSM), penalty applicable on DISCOMs for reasons beyond their control such as transmission outages/ scheduling errors of third parties such as SLDC and NRLDC. In the event, suspension of Additional Deviation Settlement Mechanism (ADSM) is not possible; the responsibility for penalty and revenue loss by DISCOMs on account of transmission constraints must be borne by the CTU/STU and not by Distribution Utilities.

**6. Flat Tariff for Pre-Paid connections (Domestic Category)**

Due to complex slab based tariff structure for domestic category and logics involved in billing of Pre-paid connections, the Hon'ble Commission may consider allowing separate tariff for billing of such prepaid consumers under domestic category.

## **7. Value Added Services on Paid Basis**

The Petitioner would like to inform the Hon'ble Commission that based on our interaction with various institutional consumers and other consumers having multiple connections, TPDDL has been receiving from time to time the following requests

- a. Sharing of load survey data,
- b. Sharing of yearly account statement,
- c. Tool for consumption analysis and helping in demand side management etc.

This is also pertinent to mention that many services of similar nature, offered by banks / financial institutes, like issuance of detailed account statement, duplicate statement etc. are on paid basis. Similarly, railways issue duplicate tickets on chargeable basis.

Considering the increasing consumer requirement for data stored in meter in form of load survey data, a consumer ledger providing detailed billing and payment history over a period time, it is requested to the Hon'ble Commission to allow the DISCOMs to initiate such value added services on paid basis.

## **8. Levy of Surcharge on all residential connections under temporary supply**

In recent tariff orders issued by Hon'ble Commission, surcharge on residential connection under temporary supply category has been removed in line with residential co-operative group housing connections. While the applicability of the same for residential co-operative group housing connections is understandable, however including "other" residential connections in this category may be avoided due to following reasons.

- a) Apparently now, there is no motivation for residential consumers to switch from temporary to permanent connection as he is availing temporary connection at the same tariff.
- b) Also it will create a lot of safety concerns, since, there is no standardization of cables used by consumers. Also, there is chance of theft by tapping the service cable used by consumer.

- c) Further, there is a scope of misuse of existing permanent connection as consumer will not ask for temporary connection for construction of additional floor/units by consumer as there is no fear of any penalty etc. on account of misuse. *(being on same tariff)*.
- d) Temporary connection cannot be denied as per supply code, and there is possibility that consumer will use the same and will not go for permanent connection which is provided subject to feasibility.
- e) Already domestic consumer is subsidized and excluding surcharge from long term temporary connection is like providing them double benefit.
- f) Also, TPDDL procures long term power based on the demand of the existing consumers and for the temporary connections (based on load demanded), for which TPDDL has to make temporary arrangement in terms of procuring additional power on short term basis, which is at much higher rates as compared to long term power being procured on a regular basis.

Considering above points it is requested to allow levy of surcharge on all residential connections under temporary supply category.

#### 9. Revised methodology for LPSC

It has been observed that few consumers are taking undue benefit of change in the methodology for calculation of LPSC on daily basis as well as regulation of 15 days' notice period before disconnection. Some frequently defaulting consumers has made the habit of paying the bill after due date but well before completing the 15 days of notice period as a result of which TPDDL is neither able to disconnect consumer supply nor able to charge full month LPSC. This is seriously hampering our efforts for reducing AT&C losses and is affecting honest paying Consumers. Further it is unnecessary increasing DISCOMs Operational expenditure for sending DN and Follow Up for payment. Therefore, the Petitioner requests to the Hon'ble Commission to modify guidelines as follows at least for High End Consumer with Load > 10 KW as amount involved is very high:

1. The Consumers who defaults the payment twice or more in last six month should not give the additional notice period of 15 Days in case consumer default bills and the bill itself should be treated as disconnection Notice.
2. The Consumers who defaults the payment twice or more in last six month, Full Month LPSC should be levied on consumer in case of Default.
3. DISCOM should be given option of converting connection of Consumers from Postpaid to Prepaid, if Consumer Defaults more than 2 times in a Year.

The Petitioner requests to the Hon'ble Commission to implement above guidelines at least for High End Consumer, so that honest paying and Small Consumer are not affected due to malpractice of frequent Defaulters.