



Delhi Electricity Regulatory Commission

Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi –110 017.

F.11(2145)/DERC/2023-24/7902

Petition No. 42/2023

With I.A. No. 01/2024

In the matter of: **Petition under Section 62(4) of the Electricity Act, 2003 read with Regulation 134 of the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2017 seeking the Commission approval to Levy Power Purchase Cost Adjustment Charges (PPAC) during the period April 2023 till June 2023.**

And

Petition No. 52/2023

In the matter of: **Petition under section 62(4) of the Electricity act, 2003 read with Regulation 134 of the Delhi Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations 2017 seeking the Commission approval to levy additional Power Purchase Cost Adjustment Charges (PPAC) for the Power Purchase Cost incurred from July' 2023 to September' 2023.**

BSES Rajdhani Power Ltd.

.... Petitioner

Coram:

Hon'ble Justice (Retd.) Jayant Nath, Chairperson

Appearance:

Mr. Buddy A Ranganadhan, Advocate, BRPL

ORDER

(Date of Order: 08.03.2024)

1. The instant two Petitions have been filed by BSES Rajdhani Power Ltd. ('BRPL' for short) for seeking approval of the Commission to allow it to levy Power Purchase Cost Adjustment ('PPAC' for short) for the quarters (i) from April' 2023 to June' 2023 and (ii) from July '2023 to September' 2023 respectively, under Section 62(4) of the Electricity Act, 2003 read with Regulation 134 of the DERC (Terms and Conditions for Determination of Tariff) Regulations, 2017 ('Tariff Regulations 2017' for short). In sum the Petitioner has made the following prayers in the said two Petitions:
 - i. allow the levy of PPAC at 17.72% (as computed on the basis of the Commission's methodology) or 30.92% (as computed on the basis of the MoP's methodology) for Quarter-1 (i.e. April' 2023 to June' 2023); and

- ii. allow the levy of PPAC at 12.61% (as computed on the basis of the Commission's methodology) or 22.82% (as computed on the basis of the MoP's methodology) for the power purchase cost incurred from July '2023 to September '2023 for Quarter – 2 (i.e. July '2023 to September' 2023)
2. The subject matter of both the petitions being similar and seeking similar reliefs for two different periods; both the Petitions are being disposed of by way of the instant common Order.

Submissions by the Petitioner

3. The written submissions made in both the Petitions are summarized as under: -
 - a. The Petitioner is a Distribution Licensee in terms of Section 14 of the Electricity Act, 2003 granted by the Commission. The Petitioner supplies power to North and North-West areas of Delhi in terms of the distribution license issued by this Commission.
 - b. In order to provide electricity, the Petitioner has been procuring/purchasing the same from various generation sources including from the Renewable Sources by utilizing the State and Central Transmission Network of the Transmission Licensees. The power so procured is then supplied to the consumers at the tariff adopted by the Commission. The cost of such power procurement along with transmission of electricity comprises of a substantial portion of the Annual Revenue Requirement ('ARR' for short) of the Petitioner.
 - c. The power purchase cost is an uncontrollable factor beyond the control of the Petitioner and is dependent on various factors such as fuel prices, freight charges for fuel transportation, regulatory orders/directives, variation between demand and supply due to various factors and weather conditions. Factors such as fuel prices and freight charges for fuel transportation etc have duly been recognized by the Commission as uncontrollable factors. Hence, due to nature of such factors being unforeseeable and uncontrollable, it becomes difficult to accurately estimate the power purchase cost at the time of annual tariff fixation.
 - d. The very purpose to levy PPAC is to timely compensate the Petitioner/Distribution Licensee for the increase in the costs for power purchase for the particular periods in a year to keep its financial liquidity intact. In practice, a Generating Company has to make payments for the fuel purchased by it. Any increase in the fuel prices will have to be accommodated by way of early payments to the Generating Company in the interest of the operation of the plant. Consequently, it is the Distribution Licensee that has to immediately bear and pay the increased costs to the

Generating Company. In view of the same, if the Distribution Licensee is not contemporaneously allowed the recovery of such additional costs as enumerated above, its liquidity gets severely impacted. Also, any deferral in allowing PPAC to the Distribution Licensee results in accrual of additional burden in the form of carrying cost and the same is not in the interest of the Consumers as the same leads to additional burden in terms of higher tariff. Therefore, timely and regular pass through of variations in Power Purchase Cost is not only imperative for optimum financial management of the Distribution Licensee but is also imperative from a consumer standpoint.

- e. In sum, the Petitioner submitted that if there is a significant time lag in recovery of the actual Power Purchase Cost, the same would not only impede its statutory functions but shall also have implications during the true-up process of FY 2023-24. Further, under-recovery of legitimate expenses in a time bound manner may result in the Petitioner being forced to resort to short-term loans or such other means of finances. Resorting to such measure is not in the interest of consumers as the same would put an additional burden in terms of higher tariff.
- f. Based on the audited accounts and the records of the Petitioner for the periods commencing from (i) April' 2023 to June' 2023 and (ii) July' 2023 to September' 2023, the Petitioner has calculated the proposed PPAC percentage in line with the PPAC methodology specified by Commission as well as the methodology specified by the Ministry of Power, which are as under:

S.No.	Petition No.	Period	As per the Commission's Methodology	As per MOP's Methodology
1.	42/2023	April' 2023 to June' 2023	17.72%	30.92%
2.	52/2023	July' 2023 to September' 2023	12.61%	22.82%

- g. The Commission vide its Order dated 22.06.2023 has allowed PPAC of 27.08% for the Petitioner till March, 2024. The said computation was in lieu of gap Power Purchase Cost of FY 2022-23. Further, the Commission vide its Order dated 21.07.2023 has directed DISCOMs to not levy any additional PPAC till March, 2024 other than 27.08%.
- h. The present Petitions are being filed *bona fide* and are in the interests of justice. Therefore, the claims of PPAC for both the quarters as prayed may be allowed to be levied at the earliest to avoid any deferment in recovery of the variation in power purchase cost and to obviate any consequential carrying cost burden on the consumers.

4. The Petitioner, during the pendency of these Petitions, filed an I.A. bearing No. 01 of 2024 dated 17.01.2024 in respect of Petition No. 42 of 2023 for early listing of the main Petition and made the following prayers:
 - a) Pending orders in the main Petition, Permit the Applicant to continue the levy of PPAC at 27.08% for a further period of 3 months from 22.03.2024; and
 - b) Permit the applicant to levy an additional PPAC in terms of Business Plan regulations, 2023 over and above the PPAC as per Order dated 21.07.2023.
5. The I.A. No. 01 of 2024 along with the main Petition No. 42 of 2023 was listed before the Commission on 14.02.2024 and the Order was reserved.

Commission’s Analysis

6. The Commission vide Orders dated 14.12.2023 & 07.02.2024 admitted the Petition No. 42 and 52 of 2023 respectively and directed the officers of the Petitioner to interact with the officers of DERC to clarify issues, if any.
7. The Tariff Division conducted a prudence check of the PPAC petitions jointly with the Officers of the petitioners, for verifying the Power Purchase Cost & Transmission Bills of both the quarters in question. Based on discussions, additional information related to arrears, CERC Order, Short term Sale/ Purchases, actual PPAC levied was sought from Petitioner. The same was received vide their emails dated 15.01.2024 and 16.02.2024.
8. The submissions and the additional information received were duly scrutinised and the major findings emerge as follows:
 - a) Rs. 191.02 Cr. & Rs. 162.94 Cr. was paid in Q1 & Q2 of FY 2023-24 respectively by the Petitioner to the Generating Stations & Transmission Utilities on the account of arrears of the previous year, due to various CERC Orders as summarized hereunder:

Q1 FY 2023-24

Sr. No.	Generating Station	Arrear paid in Q1 FY 23-24	Reference/ Remarks
		Rs. Cr.	
1.	Auraiya Gas	44.42	CERC Order dtd. 15/04/2023 & 31/05/2023- True-up FY 2014-19 & Tariff for FY 2019-24
2.	NCPP (Dadri 1)	91.02	CERC Order dtd. 4/07/2023 - True-up FY 2014-19
3.	Tanakpur	15.57	CERC Order 5/04/2023 & Water Usage Charges etc.
4.	NCPP-II	(9.18)	Un-Requisitioned Surplus & Non-Tariff Income
5.	Central Transmission Utility	38.53	CERC Orders dtd. 30/11/2022, 3/01/2023 , 27/01/2023, 8/02/2023, 22/02/2023 & 16/02/2023
6.	Others	10.66	
	Total Arrears	191.02	

Q2 FY 2023-24

	Generating Station	Arrear paid in Q2 FY 23-24	Reference/ Remarks
		Rs. Cr.	
1	CTPS 7 & 8	118.42	CERC Order dtd. 16/6/2023 for True-up FY 2014-19 & Tariff for FY 2019-24, ECR Revision, FERV & Ash Transportation
2	URI	13.39	CERC Order dtd. 28/07/2023
3	Chamera-III	9.51	CERC Order dtd. 9/06/2023
4	Other	21.62	
	Total Arrears	162.94	

b) The comparison of plants like NCPP-II, Rihand-I, II & III, Kahalgaon-II and PPCL-III (Bawana) etc. having major impact on increase in PPAC for BRPL is summarized, as follows:

Q1 FY 2023-24

Sr. No.	Generating Station	Energy Purchased	Base ECR (As per T.O. dtd. 30/09/21)	Domestic Coal Price	Blending Ratio of imported coal	Imported Coal Price	Wtd. Avg. Coal Price	ECR Q1 FY 2023-24	Variation from base ECR
		MU	Rs. /kWh	Rs./MT	%	Rs./MT	Rs./MT	Rs. /kWh	%
1	NCPP-II	628	3.16	5389	18	15956	6895	4.91	55%
2	RIHAND-III	161	1.34	2180	-	-	2180	1.51	13%
3	RIHAND-I	130	1.40	2180	-	-	2180	1.53	9%
4	RIHAND-II	112	1.40	2180	-	-	2180	1.52	9%
5	KAHALGAON-II	109	2.24	3601	2	14598	3875	3.04	36%
6	PPS-III	117	2.24	NA*	NA*	NA*	0	5.60	150%

* Blending not applicable for PPS-III Bawana, ECR increased due to rise in RLNG cost.

Q2 FY 2023-24

Sr. No.	Generating Station	Energy Purchased	Base ECR (As per T.O. dtd. 30/09/21)	Domestic Coal Price	Blending Ratio of imported coal	Imported Coal Price	Wtd. Avg. Coal Price	ECR Q2 FY 2023-24	Variation from base ECR
		MU	Rs. /kWh	Rs./MT	%	Rs./MT	Rs./MT	Rs. /kWh	%
1	NCPP-II	799	3.16	5483	3	15607	5652	4.20	25%
2	RIHAND-III	156	1.34	2307	0	0	2307	1.55	13%
3	RIHAND-I	130	1.4	2307	0	0	2307	1.57	11%
4	RIHAND-II	105	1.4	2307	0	0	2307	1.56	11%
5	KAHALGAON-	108	2.24	3560	3	14059	3878	3.04	26%
6	PPS-III*	271	2.24	NA	NA	NA	NA	6.28	64%

* Blending not applicable for PPS-III Bawana, ECR increased due to rise in RLNG cost.

c) From above, it is observed that variation in Energy Charge Rate is on account of such factors as blending of imported coal, increase in Domestic Coal prices & increase in Gas prices etc.

- d) The Petitioner has considered Actual Transmission Cost of Rs. 290.92 Cr. & Rs. 284.41 Cr. for Q1 & Q2 FY 2023-24 respectively in their PPAC computations which includes Rs. 32.37 Cr. credit for Q1 FY 23-24 & Rs. 60.19 Cr. credit for Q2 FY 23-24 received by them from DTL on the account of Short Term Open Access (STOA).
- e) As PPAC computed is high in value on the account of Blending of imported coal, increase in Domestic Coal prices & increased Gas prices, the Commission in consumer's interest and taking into consideration Section 61 (d) of the Act has adjusted STOA credit in PPAC computations.

f) Accordingly, the brief details of PPAC allowed by the Commission as follows:

Q1 FY 2023-24

Sr. No.	Description	UoM	Petitioner Submission	PPAC computed for Q1 FY 23-24
A	Total units procured from long term PPAs	MU	2923	2922.9
B	Proportionate Bulk Sale of Power	MU	271	271.2
C	Difference in base and actual PPC	Rs./kWh	1.14	1.15
D	Actual Transmission Cost	Rs. Cr	291	290.9
E	Base Transmission Charges	Rs. Cr	308	308
Z	Units on which PPAC shall be applicable	MU	2572	2572.1
Losses	Distribution Loss	%	7.30%	7.30%
ABR	<u>Revenue at Revised Tariff</u> Approved Energy Sales	Rs./kWh	6.77	6.77
PPAC	PPAC as per Commission approved Formulae {{(A-B)*C + (D-E)} / {{Z * (1-Distribution losses in %/100)}} * ABR}	%	17.72%	17.77%

*Petitioner submission being lower is considered

Q2 FY 2023-24

Sr. No.	Description	UoM	Petitioner Submission	PPAC computed for Q2 FY 23-24
A	Total units procured from long term PPAs	MU	3506	3505.5
B	Proportionate Bulk Sale of Power	MU	112	181.6
C	Difference in base and actual PPC	Rs./kWh	0.84	0.85
D	Actual Transmission Cost	Rs. Cr	284	284.4
E	Base Transmission Charges	Rs. Cr	308	308
Z	Units on which PPAC shall be applicable	MU	3301	3231.8
Losses	Distribution Loss	%	7.30%	7.30%
ABR	<u>Revenue at Revised Tariff</u> Approved Energy Sales	Rs./kWh	6.77	6.77
PPAC	PPAC as per Commission approved Formulae	%	12.61%	12.73%

WEAR FACE MASK WASH HANDS REGULARLY MAINTAIN SOCIAL DISTANCING

Sr. No.	Description	UoM	Petitioner Submission	PPAC computed for Q2 FY 23-24
	$\frac{\{(A-B)*C + (D-E)\}}{\{Z * (1 - \text{Distribution losses in \%}/100)\}} * \text{ABR}$			

*Petitioner submission being lower is considered

g) Petitioner has considered ‘Total unit sold other than direct consumer’ as 56 MU for Jul’24 in their PPAC computations (ref. Annexure A/2, P-19 of Petition No. 42/ 2023). Component ‘B’ of PPAC has been computed considering Short Term Sale also for Aug ‘24 & Sep ‘24, as follows:

MU					
Sr. No.	Particular	Q2 FY 2023-24			Total
		Jul ‘23	Aug’23	Sep’23	
1	Total Sale Short term	56	102	113	271
2	Total Purchase	1714	1812	1658	5185
3	Renewable Gen.	18	17	18	53
4	Gross Power Purchase Cost (PPC)	1732	1829	1676	5238

Proportionate Bulk Sale of Power (B)	=	Total Sale Short term in Q2 FY 23-24 * A / Gross PPC
B	=	271.3 * 3505.5 / 5238.2
B	=	181.6

h) Further, it is noted that directions issued in Para-2 of Order dated 3/01/2024 were withdrawn also for BRPL by the Commission vide its Order dated 19/01/2024. Accordingly, Prayer 7 (c) of IA no. 1 of 2024 in Petition no. 42 of 2023 stands infructuous.

i) Further, Summary of the financial impact of balance PPAC, as follows:

Sr. No.	Description	BRPL	
		PPAC Claimed	PPAC Allowed
A	Q1 FY 2023-24	17.72%	17.72%
B	Q2 FY 2023-24	12.61%	12.61%
C	Total PPAC to be recovered C= (A)+ (B)	-	30.33%
D	Ongoing PPAC as per Commission Order dated 22/06/2023 applicable till 21/03/2024	-	27.08%
E	PPAC inbuilt in Revenue side in Tariff Order dated 30/09/2021	7.94%	7.94%

Sr. No.	Description	BRPL	
		PPAC Claimed	PPAC Allowed
F	PPAC allowed (Lower of (D), (C)+(E))	-	27.08%

9. PPAC of Q1 & Q2 FY 2023-24 to be recovered is more than what is currently being levied to the consumers. As such, it would be prudent not to allow any additional PPAC to this account, more than what is presently allowed. Considering that presently ongoing PPAC of 27.08% is applicable till 21/03/2024 and to avoid Tariff shock to consumers, the Petitioner is allowed to recover PPAC of 27.08% beyond 21/03/2024, for 3 months or till revised earlier.
10. The Surplus/deficit, if any, may be allowed on verification of Power Purchase Cost and Transmission Bills, in True-up of relevant Financial Year subject to prudence check.
11. Both the Petitions along with the IA stand disposed of.
12. Ordered accordingly.

Sd/-
(Justice (Retd.) Jayant Nath)
Chairperson