



BEFORE

**THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,
LUCKNOW**

Petition Nos. 921, 917, 918, 919, 920, 885, 886, 887, 888, 889 / 2013

and Petition Nos. 916, 894 / 2013

IN THE MATTER OF:

Application for determination of Annual Revenue Requirement and Tariff for FY 2014-15 and True up of ARR for FY 2008-09 to FY 2011-12 under Section 64 of the Electricity Act, 2003.

And

Application for determination of Annual Revenue Requirement and Transmission Tariff for FY 2014-15 under Section 64 of the Electricity Act, 2003.

And

Review Petition for True up for FY 2008-09 to FY 2010-11 and Transmission Tariff for FY 2013-14.

And

IN THE MATTER OF:

Kanpur Electricity Supply Company Ltd., Kanpur (KESCO)
Madhyanchal Vidyut Vitran Nigam Ltd., Lucknow (MVVNL)
Dakshinanchal Vidyut Vitran Nigam Ltd., Agra (DVVNL)
Poorvanchal Vidyut Vitran Nigam Ltd., Varanasi (PuVVNL)
Pashchimanchal Vidyut Vitran Nigam Ltd., Meerut (PVVNL)
Uttar Pradesh Power Transmission Corporation Ltd., Lucknow (UPPTCL)

ORDER

As per provisions of Section 64 of the Electricity Act, 2003, it is incumbent upon the Licensees to make an application to the State Regulatory Commission for determination of Tariff in such manner as may be determined by Regulations framed by the Commission.



The UPERC framed the UPERC (Terms and Conditions of Distribution Tariff) Regulations, 2006 (henceforth referred as Distribution Tariff Regulations) on 6th October, 2006. As per the provisions stipulated in Regulation 2.1.1, the licensees are required to file before this Commission a Petition for determination of Aggregate Revenue Requirement (ARR) / Tariff for FY 2014-15 complete in all respect on or before 30th November, 2013.

The State-owned Distribution Licensees namely DVVNL, MVVNL, PVVNL, PuVVNL & KESCO and Transmission Licensee namely UPPTCL filed the ARR Petitions for FY 2014-15 on 29th November, 2013. However, the ARR Petitions of the Distribution Licensees did not contain a Tariff Proposal to bridge the gap through tariff revision. The Rate Schedule was submitted later on 18th December, 2013.

A preliminary analysis of the Petitions was conducted by the Commission wherein it was observed that the audited accounts (with the Supplementary Audit Report of the Accountant General of Uttar Pradesh) for FY 2011-12 were submitted by the Distribution Licensees. However, UPPTCL did not submit the Supplementary Audit Report of the Accountant General of Uttar Pradesh for FY 2011-12. The matter of submission of audited accounts was also reaffirmed in Hon'ble APTEL's Judgment dated 21st October, 2011 in Appeal No. 121 of 2010 in the Licensees' case.

Also, the ARR Petitions and the subsequent Rate Schedule filed by the Distribution Licensees did not propose any mechanism to bridge the revenue gap, which was in contravention to the stipulation of Regulation 2.1.4 of the Distribution Tariff Regulations.

In this regard, a Deficiency Note was issued by the Commission to all the Distribution Licensees on 22nd February, 2014 directing the Licensees to submit their proposal for bridging the revenue gap. Similarly, a Deficiency Note was issued by the Commission to UPPTCL on 22nd February, 2014 directing the Licensee to submit the Supplementary Audit Report of the Accountant General of Uttar Pradesh for FY 2011-12. Such deficiency notes also sought clarification on other issues in regard to the ARR Petitions filed by the Licensees. The Commission had granted a time of 10 days to respond on the deficiency note, i.e., by 3 March, 2014.

The Distribution Licensees namely MVVNL, DVVNL, PuVVNL and PVVNL, and KESCO and the Transmission Licensee through their letter dated 4th March, 2014 submitted that since most of the information desired by the Commission vide its Deficiency Note has to be furnished by the respective field units, it would not be able to submit the information sought by the Commission in the stipulated time period of 10 days and requested the Commission to grant a time period of 15 more days for compliance of same.

The Distribution Licensees namely MVVNL, DVVNL, PuVVNL and PVVNL submitted the replies to the Deficiency Note on 14th March, 2014 and KESCO submitted the replies to the Deficiency Note on 19th March, 2014. Further, UPPTCL also submitted its replies on 21st March, 2014 in which it submitted the Supplementary Audit Report of the Accountant General of Uttar Pradesh for FY 2011-12.

Based on the reply submitted by the Licensees, the Commission issued a second set of deficiency note which included all the pending queries along with few additional queries vide letter dated 21st April, 2014. The Commission also directed the Licensees to submit its replies within 15 days.



UPPTCL submitted its replies to the second set of deficiency note on 4th May, 2014 and 9th May, 2014. The Distribution Licensees namely MVVNL, DVVNL, PuVVNL and PVVNL submitted the replies to the second set of deficiency note on 22nd May, 2014. KESCO has submitted the replies on 23rd May, 2014.

The State owned Distribution Licensees namely DVVNL, MVVNL, PVVNL, PuVVNL & KESCO and Transmission Licensee namely UPPTCL have submitted the Audited Accounts alongwith the Supplementary Audit Report of the Accountant General of Uttar Pradesh for FY 2011-12. The Licensees have also submitted the provisional accounts for FY 2012-13. The Hon'ble ATE in its Judgment dated 21st October, 2011 in Appeal No. 121 of 2010 has ruled that, if the audited accounts for the previous year are not available for some reasons then the audited accounts for the year just prior to the previous year alongwith the provisional accounts for the previous year may be considered. Thus, based on the above ruling of the Hon'ble ATE, the audited accounts for FY 2011-12 (i.e. year just prior to the previous year) has been considered for the current proceedings in the matter of approval of Annual Revenue Requirement and Tariff Determination of FY 2014-15. The Commission further directs the Licensees to submit audited accounts of FY 2012-13 alongwith the Supplementary Audit Report of the Accountant General of Uttar Pradesh at the earliest.

Most of the critical data as required by the Commission for the acceptance / admission of the Petitions has been submitted by the Licensees. It has been observed that although the Licensees have endeavoured to reply to all the queries, some of the crucial information submitted is not coherent to the respective queries. The Licensees have not submitted the following critical information which they are required to submit:

Distribution Licensees (DVVNL, MVVNL, PVVNL, PuVVNL and KESCO)

- (i) As regards the source-wise details of Power Purchase including Fixed, Variable, other charges, PLF, Availability, etc., the Commission had sought the desired information in a specified format for FY 2012-13 and FY 2013-14 (till December or latest available). In reply to the above, the Discoms (MVVNL, DVVNL, PuVVNL and PVVNL) have submitted the details only for 9 months i.e. from January, 2013 to September, 2013. As regards the same, the Discoms (MVVNL, DVVNL, PuVVNL and PVVNL) should submit the source-wise details of the actual power purchased during FY 2012-13 and FY 2013-14 (till December or latest available) as per "Annexure 3- Power Purchase Details" of the first Deficiency Note sent by the Commission. The Commission vide various letters has enquired into the projected power purchase prices for Bajaj Hindustan and Reliance (Rosa) as submitted by the Licensees in its ARR Tariff Petition for FY 2014-15. However, the licensees have submitted the basis and reasons of projecting such high prices, which do not seem to be satisfactory. The Licensee is directed to submit the desired information to the satisfaction of the Commission at the earliest.
- (ii) The Distribution Licensees should submit the actual revenue, sales and the through rate for all the categories and subcategories, essentially for the subsidies categories i.e. "Rural Domestic in LMV 1 Category" and "PTW – LMV 5" for FY 2008-09 to FY 2011-12.



Transmission licensee

- (i) UPPTCL should submit compliance to directives issued by the Commission vide its Order dated 21st May, 2013 on True-up for FY 2000-01 to FY 2007-08.

The Commission now finds the information / data submitted to be generally in order and accordingly admits the Petitions submitted by the Licensees for further processing. However, it may be noted that the information desired as pointed above are also critical for the detailed scrutiny and prudence check of the Petitions submitted by the Licensees. The Licensees are directed to furnish the information sought by the Commission at the earliest. Further proceedings in the matter are subject to the submission of information not submitted so far, to the satisfaction of the Commission.

The Commission would also be taking up the following matters along with the proceedings of determination of ARR / Tariff for FY 2014-15:

- a. Finalization of True Ups for FY 2008-09 to FY 2011-12 for Distribution Licensees.
- b. Finalization of Review Petition on True Up of UPPTCL for FY 2008-09 to FY 2010-11 in the matter of Truing Up of Revenue, etc., for the Transmission Licensee.
- c. Finalization of True Up for FY 2011-12 for Transmission Licensee.

The Commission hereby directs each Distribution Licensee to publish the Public Notice within 3 days detailing the salient information and facts of the True Up Petitions for FY 2008-09 to FY 2011-12, ARR Petitions for FY 2014-15 and the Rate Schedule (Tariff Proposed for different categories / sub-categories of consumers) along with their website address, in at least two daily newspapers (One English and One Hindi) for two successive days inviting views / comments / suggestions / objections / representations within 15 days from the date of publication of the Public Notice(s) by all stakeholders and public at large. The Public Notice should also contain the details of the cumulative revenue gap (regulatory asset) and its treatment, proposed 'Regulatory Surcharge', Distribution losses, average power purchase cost, average cost of supply, average retail tariff realised from each category / sub-category of consumers and the % of average tariff increase required to cover the revenue gap.

Similarly the Commission also directs the Transmission Licensee to publish the Public Notice within 3 days detailing the salient information and facts of the Review Petition on True Up of UPPTCL for FY 2007-08 to FY 2010-11 in the matter of Truing Up of Revenue, etc., True Up Petition for FY 2011-12 and the ARR / Tariff Petition for FY 2014-15.

Further, the Public Notice should inform the stakeholders and public at large to regularly check the websites of the Licensee / UPPCL for further submissions made in respect to these proceedings. The Commission further directs each Licensee to upload the submitted Petitions along with the response to the Deficiency Notes and all subsequent submissions made in respect to these proceedings on their website for the same purpose.

The Public Notice should also inform the public at large that the Staff Papers prepared by the Commission containing salient features of the Petitions and the In-house Papers on certain additional issues / new matters are also available on the Commission's website www.uperc.org for



comments from all stakeholders and public at large within the stipulated time of 15 days from the date of publication of the Public Notice.

The Commission reserves the right to seek any further information / clarifications as deemed necessary during the proceedings for determination of ARR and Tariff for FY 2014-15.

(I. B. Pandey)

Member

(Meenakshi Singh)

Member

(Desh Deepak Verma)

Chairman

Place: Lucknow

Date: 3rd June, 2014