UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

PETITION NO. : 1057/2015, 1077 / 2016, 1103 / 2016

FILED BY

NOIDA POWER COMPANY LIMITED

IN THE MATTER OF

TRUE-UP OF ARR FOR FY 2014-15, APPROVAL OF ANNUAL REVENUE REQUIREMENT & DETERMINATION OF TARIFF FOR FY 2016-17 AND SHORT TERM POWER PURCHASE

ORDER UNDER SECTION 62 AND 64 OF

THE ELECTRICITY ACT, 2003

August 1, 2016

TABLE OF CONTENTS

LIST OF TABLES

Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition Nos.: 1057/2015, 1077 / 2016, 1103 / 2016

IN THE MATTER OF:

Petition No. 1057/2015: Approval of Aggregate Revenue Requirement (ARR) and Determination of Tariff for FY 2016-17 and True-up of ARR for FY 2014-15.

Petition Nos. 1077/2016 & 1103/2016: Petition under Section 63 of Electricity Act, 2003 read with Clause 10.4 of the "Guidelines for short-term (i.e. for a period less than or equals to one year) Procurement of Power by Distribution Licensees through Tariff based bidding process" issued by Ministry of Power on May 15, 2012, for adoption of tariff for purchase of electricity by Noida Power Company Limited, a licensee of the Commission, from the Prospective/Successful Bidders pursuant to tariff determined through a transparent and Competitive Bidding Process adopted in accordance with the Guidelines.

And

IN THE MATTER OF:

Noida Power Company Limited, Greater Noida.

ORDER

The Commission having deliberated upon the above petition and also the subsequent filings by the Petitioner thereafter, and having considered the views / comments / suggestions / objections / representations received during the course of the above proceedings and also in the public hearing held, in exercise of power vested under Sections 61, 62, 64 and 86 of the Electricity Act 2003, hereby pass this Order signed, dated and issued on August 1, 2016. The Licensee, in accordance with Section 139 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, shall publish the approved tariffs and regulatory surcharge within three days from the date of this Order. The tariffs so published shall become the notified tariffs and shall come into force after seven days from the date of such publication of the tariffs, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order. Regulatory Surcharge shall be applicable as detailed in this Order.

1. BACKGROUND AND BRIEF HISTORY

1.1 BACKGROUND:

1.1.1 M/s Noida Power Company Limited (NPCL) was granted a supply license on August 30, 1993 by the State Government under Section 3(1) of the Indian Electricity Act, 1910, which authorized it to supply electricity in the licensed area.

1.1.2 NPCL started its operations in December, 1993 under a 30-year license from U.P. Government.

1.2 DISTRIBUTION TARIFF REGULATIONS:

1.2.1 The Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006 (herein after referred to as the "Distribution Tariff Regulations, 2006") were notified by the Commission on October 6, 2006.

1.2.2 These Regulations are applicable for the purposes of ARR filing and Tariff determination to all the Distribution Licensees within the State of Uttar Pradesh.

1.2.3 Further, the Commission has notified Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 on May 12, 2014. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e. April 1, 2015 to March 31, 2020) into two periods namely –

a. Transition period (April 1, 2015 to March 31, 2017)

b. Control period (April 1, 2017 to March 31, 2020)

The transition period being of two years and the first control period being of three years, the Commission shall continue with the existing Annual Tariff Framework for determination of ARR / Tariff of the Distribution Licensee (i.e. as per Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006) during the transition period.

1.3 FILING OF ARR / TARIFF PETITION:

1.3.1 NPCL has filed the ARR and Tariff petition in line with the provisions of the Distribution Tariff Regulations, 2006 and the same is being processed by the Commission accordingly.

1.4 ISSUES / CONCERNS OF THE COMMISSION:

1.4.1 Certain issues / concerns arising out of the statutory provisions of the Electricity Act, 2003 which have been deliberated upon by the Commission in detail in this Tariff Order, are listed below:

- Demand-Supply Gap / Current Shortage of Power
- Availability of Long Term Power
- Independent Audit for FY 2014-15

1.4.2 DEMAND-SUPPLY GAP / CURRENT SHORTAGE OF POWER

Petitioner in Format P10 of its Petition has provided the details of peak demand for FY 2014-15 (Actual), FY 2015-16 (Estimated) and FY 2016-17 (Projected). Based on the information available in Petition, the Commission has computed demand-supply gap for NPCL as shown in the Table below:

Table 1:1:1: DEMAND SUPPLY GAP OF NPCL (MW)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
Peak Demand – Restricted*	254	254	254#
Peak Demand – Unrestricted*	278	285	320
Peak Availability Assessed	215	245	250
Peak Demand Met*	39	9	4
`Shortfall Unrestricted*	63	40	70

Note: # Though 220/33 kV Gharbara Sub-station is ready but it is pending energisation due to non-availability of Connectivity by UPPTCL; there will be shortfall of around 70 MW in meeting Peak Demand; otherwise full power can be availed during peak hours

* Assuming Power Factor as 0.90

1.4.3 As per the Petitioner, the major deterrent is that NPCL has not been able to reduce the power deficit is non-availability of adequate transmission capacity. In this regard, NPCL should take appropriate measures and coordinate with

UPPTCL so as to overcome such deterrent. The Commission in its Order dated July 21, 2015 directed State Load Dispatch Center (SLDC) to provide No Objection Certificate (NOC) on the request of NPCL for Short Term Open Access on firm basis for not less than 237 MW. If in exceptional circumstances SLDC is unable to facilitate open access even up to 237 MW in spite of NPCL demand, it will submit reasons for not doing so in writing to the Commission. Further UPSLDC & UPPCL challenged the abovementioned decision of the Commission before the Hon'ble Appellate Tribunal for Electricity (Hereinafter referred to as "APTEL"). At present the matter is sub-judice before the Hon'ble APTEL.

1.4.4 AVAILABILITY OF LONG TERM POWER

1.4.5 With such a huge and ever growing demand in the area, NPCL is still procuring the substantial quantum of power only from the short-term sources. Presently as the short term power rates are low, the consumers are being benefited by sourcing the power from short term sources. However, such situation would not last forever and NPCL in such cases may have to buy the costlier power to serve its consumers. Having a long term power sources ensures that the availability of power at the optimum rates for its consumers for future. The same will also benefit the Petitioner to optimally plan all its resources. The Commission notes that the Petitioner in past has tried to tie up with the long term power sources.

1.4.6 In one of the occasion, it entered into a Long-term power purchase agreement (LTPPA) for supply of 240 MW power with Essar Power (Jharkhand) Limited (EPJL) for 25 years at a levelised tariff of Rs. 4.0868 per unit. The power supply under the aforesaid PPA was scheduled to be commenced from 30th April 2014. However, EPJL through its various letters expressed its inability to commence power from scheduled date. NPCL, having no recourse, terminated the LTPPA which was, subsequently, challenged by EPJL before the Commission. The Commission, considering the assurance of EPJL to supply power at same tariff and terms & conditions from their another project viz. Essar Power (Mahan) Limited, directed the parties, vide its Order dated 30th May 2014, to restore the bank guarantees and reinstate the PPA to explore the alternative. However, EPJL again through various letters expressed its inability to continue with PPA which was brought into the knowledge of the Commission by way of an Application dated 16th July, 2014 filed in Petition No. 903 of 2013 by the Company.

1.4.7 The Commission vide its order dated 1st September 2014 directed EPJL to extend PBG, expiring on 30th August 2014, by 3 months initially and then by another six month and directed NPCL to tie-up through Long term sources within in these six months.

1.4.8 Subsequently the Commission its Order dated November 27, 2015 expressed its final view in the matter of EPJL and NPCL as extracted below:

"8. It is evident that there is no way the power can be arranged through this PPA. It has been accepted by both the parties. The PPA being frustrated, now comes the question of consequences of this and liability of either parties. These consequences can be addressed only within the provisions of the agreement which in our opinion does not fall under the Commission's jurisdiction.

9. As far as the fulfillment of requirement of power supply to the distribution area is concerned, the Commission reiterates its earlier order dated 1.9.2014 wherein NPCL has been directed to take up the process for long term supply contract through the competitive route as per the standard bidding documents.

10. The matters are disposed of."

1.4.9 Noida Power Company Limited (NPCL)in petition no 971 of 2014 had filed long term PPA dated September 26, 2014 for approval of the Commission for purchase of 187 MW power from M/s Dhariwal Infrastructure Ltd. The Commission did not approve PPA considering that for long term power purchase only competitive route was available. NPCL was directed to initiate the bid process under new Case -1 bidding guidelines immediately and submit monthly progress report to the Commission. For fulfilling the requirement of power during the intervening period, NPCL was allowed to procure requisite quantum of power through short term. Against the Order of the Commission, NPCL preferred an appeal before the Hon'ble APTEL. Hon'ble APTEL in its Order dated May 28, 2015remanded the Commission for fresh consideration of all the submissions of the parties independently and in accordance with law. In compliance to the Hon'ble APTEL's Order the Commission heard the matter afresh in various hearings conducted in this regard. Finally, the Commission approved the long term PPA filed by NPCL for purchase of power from M/s Dhariwal Infrastructure Ltd. in its Order dated April 20, 2016.

1.4.10 INDEPENDENT AUDIT FOR FY 2014-15

1.4.11 As regard the requirement of CAG Audit or any third party audit the Commission in its Tariff Order for FY 2014-15 had directed the Petitioner that from FY 2014-15 onwards it should get its accounts audited by an independent auditor. Such auditor should be appointed with the prior approval of the Commission. Apart from auditing of the financial accounts, the power purchase and the energy sales of the Licensee should also be audited on the regular basis so that deformities if any can be identified and removed. The Commission for the same reasons appointed an independent auditor, M/s. K. K. Chanani and Associates who under the supervision of the Commission undertook the audit of the financial accounts of the company for FY 2014-15 along with audit of power purchase and energy sales for FY 2014-15 of the Petitioner.

The auditor on June 29, 2016 submitted the audit report with the following findings:

- As per audit report, the rates approved for purchase of power in FY 2014-15 was Rs. 3.78 / kWh whereas the actual purchase was made at a rate of Rs. 4.30 / kWh which resulted an additional cost of Rs. 72.69 Crore. NPCL has purchased power from the traders at a rate of Rs. 3.76 / kWh and power from renewable sources at a rate of Rs. 5.03 / kWh, thereby increasing the per unit cost of total power purchase to Rs. 4.30 / kWh.
- As per audit report, NPCL has purchased capital asset of Rs. 2.17 Crore without taking competitive quotations of other suppliers.
- As per audit report the Commission had approved O&M expense of Rs. 41.33 Crore for NPCL for FY 2014-15 while the actual O&M expense is to the tune of Rs. 47.09 Crore.

1.4.12 The Commission is of the view that NPCL should limit the power purchase cost within the costs approved by the Commission. As per the findings of the independent auditor appointed by the Commission, NPCL has purchased capital asset of Rs. 2.17 Crore without following competitive bidding procedure. Thus, the Licensee is directed to file details of such capital asset of Rs. 2.17 Crore with proper justification for not following competitive bidding procedure on which the Commission may take appropriate view. In this Order the Commission has provisionally considered the said amount in the GFA of FY 2014-15. The Commission directs NPCL to strictly follow competitive bidding for selecting any contractor / supplier under proper guidelines issued from

time to time, in lack of which the Commission may take appropriate action. The Commission also directs NPCL to increase its efficiency so as to reduce O&M cost as per the industry standards and within the norms.

2. PROCEDURAL HISTORY

2.1 ARR / TARIFF PETITION FILING BY NPCL:

2.1.1 The provision under the Distribution Tariff Regulations, 2006 requires the Licensee to submit their ARR / Tariff petitions latest by 30th November each year to be made applicable for the subsequent financial year.

2.1.2 Noida Power Company Limited, Greater Noida (hereinafter referred to as 'Petitioner', 'Licensee' or 'NPCL') submitted its ARR / Tariff petition for FY 2016-17, within the aforesaid prescribed timelines i.e. on November 26, 2015.

2.2 PRELIMINARY SCRUTINY OF THE PETITION:

2.2.1 A preliminary scrutiny of the ARR Petitions for FY 2016-17 was carried out by the Commission and a detailed deficiency note was issued to the Licensee vide letter dated January 29, 2016, directing them to provide the required information within 10 days from the date of issuance of the Deficiency Note.

2.2.2 The Petitioner submitted its replies on February 24, 2016, to the above mentioned deficiency note. The Commission issued a second set of deficiency note vide its mail dated February 10, 2016.

2.2.3 In response to the second set of deficiency note of the Commission the Petitioner vide its letter dated February26, 2016 submitted its most of the critical data as required by the Commission for the acceptance / admission of the Petition.

2.3 ADMITTANCE OF ARR / TARIFF PETITION OF THE LICENSEE:

2.3.1 The Commission, having gone through all the submissions made by the Petitioner found that the data / information submitted by the Petitioner were generally in order and accordingly admitted the Petition submitted by the Petitioner for further processing.

The Commission through its Admittance Order dated March 29, 2016 directed the NPCL to publish within 3 days from the issue of the Order a public notice detailing the salient information and facts of the ARR petition for FY 2016-17 and True-up for FY 2014-15 in at least two daily newspapers (One English and One Hindi) for two successive days for 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 Commission also directed Petitioner to upload a copy of the Petition (including additional information) on the website of the Petitioner.

2.4 HON'BLE APTEL JUDGMENT DTD. JUNE 2, 2016

2.4.1 The Petitioner had filed an appeal before the Hon'ble APTEL against the Commission's Tariff Order for FY 2015-16 dated June 18, 2015 on various issues like Interest Rate considered for calculating Interest on Working Capital, Cost of financing DPS, Rate considered for calculating Carrying Cost on Regulatory Asset, Consideration of actual O&M expense, T&D loss, Corporate Social Responsibility Expense, Finance Charge etc. dealt by the Commission in its Tariff Order for FY 2015-16. Hon'ble APTEL on June 2, 2016 gave its final judgment in this regard. Some of the decisions made by Hon'ble APTEL, were in favor of the Petitioner, which in turn requires re-computation by the Commission in accordance with the Judgment dated June 2, 2016. This Order discusses the issues which required modification / re-computation in consequence to the Judgment of the Hon'ble APTEL.

2.5 PUBLICITY OF THE PETITION:

2.5.1 The Public Notice detailing the salient information and facts of the ARR petitions appeared in Hindi & English language daily newspapers as detailed below:

1. The Statesman (English): March 31, 2016 and April 1, 2016
2. Dainik Jagran (Hindi): March 31, 2016 and April 1, 2016

2.6 PUBLIC HEARING PROCESS:

2.6.1 The Commission invited comments / views / objections from consumers and all other stakeholders on the ARR & Tariff proposals of the Petitioner. To provide an opportunity to all sections of the population in the license area and to obtain feedback from them, public hearings were held at Greater Noida on May11, 2016, Lucknow on May13, 2016 and Aligarh on May 20, 2016, by the Commission.

2.6.2 The hearing had representations by consumers against the ARR / Tariff proposals submitted by the Petitioner.

3. PUBLIC HEARING PROCESS

3.1 OBJECTIVE

3.1.1 The various provisions of Electricity Act, 2003 and UPERC (Conduct of Business) Regulations, 2004 provides for hearing the representations and propositions being filed by the consumers in matters related to tariff determination. The Commission, in order to achieve the twin objective that has been conferred upon it under the Electricity Act, 2003 i.e. to observe transparency in its proceedings and functions and to protect interest of consumers, has always attached importance to the objections / suggestions / comments of the public on the ARR / Tariff petitions submitted by the Licensee. The process gains significant importance in a “cost plus regime”, where the entire cost allowed to the Licensee gets transferred to the consumer. The consumers therefore have a locus-standi to comment on the ARR / Tariff Petition filed by the Petitioner.

3.1.2 The Commission has provided public hearing as one of the platforms to obtain the views of various stakeholders to encourage a transparent and participative approach in the process of tariff determination.

3.2 PUBLIC HEARING:

3.2.1 The Commission invited suggestions from consumers and all other stakeholders and conducted public hearings at Greater Noida on May 11, 2016, Lucknow on May 13, 2016 and Aligarh on May 20, 2016 to get the views / comments / objections, if any, of the various stakeholders and public at large on the proposals submitted by the Petitioner. Consumer representatives, industry associations and other individual consumers participated actively in the Public hearing process. The Petitioner was also given an opportunity to respond to the stake-holders. The Commission has also taken into consideration the oral and written suggestions / comments / views / objections received from various stakeholders through post, e-mail and in person during the public hearings while disposing the ARR / Tariff petitions filed by the Petitioner.

3.2.2 The comments of the consumers play an important role in the determination of rate design and tariff schedule as factors like quality of electricity supply and the service levels have to be considered while determining the tariff. The Commission considers these submissions of the consumers before it embarks upon the exercise of determining the tariff for a particular period.

3.2.3 The Commission has taken note of the various views and suggestions made by the stakeholders and appreciate their keen participation in the process to provide feedback to the Commission on various issues. The major comments / views of various stakeholders in response to the Petition, the replies given by the Petitioner and the views of the Commission have been summarized below:

A) ***Comments / Suggestions of the Public:***

3.2.4 **Single Point Supply:** ANSAL API, Kasturba Ghandhi Marg New Delhi made following submissions related to single point supply.

- In rate schedule it is mentioned that to qualify under the LMV-1 category, the single point consumer must have 70% of domestic load. It is understood that the remaining 30% of the total contracted load for the township / housing colonies which may be for non- domestic purpose inside the colony (including shops, club house etc.) should be billed at LMV-2 rates. For loads ranging from 50 kW to below 75 kW, it is not always possible to maintain the ratio of percentage of domestic to non-domestic loads at 70:30 as sometimes the percentage of domestic load may reduce to 60% as well. Therefore, it is suggested that the single point consumers may be directed to recover the tariff from individual residents at either LMV-1 / LMV-2 tariff based on the purpose of supply.

- Clarification is required regarding classification of load among LMV-1 & HV-1 in various residents, shop owners, townships and multiplexes in the state of UP.

- Single point supply under LMV-1 category for construction purpose should be billed under temporary tariff category.70% of contracted load is to include lighting loads for common recreations facilities /Services such as club/ common room, GHS / Care taker office, street lighting, sewerage treatment plant, ventilation system, common / parking areas, dispensary, school, convenience stores /shops etc. for the residents of a housing colony, such lighting load inside housing colonies/township is for common lighting purposes for the benefit of residents and is not being used for any non-domestic or commercial purposes .A single Point consumer taking supply at 11/33 KV for HV-1 category has to sub-distribute the electricity at voltage 220/440 volts. Therefore he should be permitted to recover HV-1 tariff from the end consumers.

- It is proposed in the petition filed by the Licensees that a single point consumer is required to provide information to all its consumers along with a copy of detailed computation of the amounts realized from all the individual consumers and the amount paid to the Licensee for a certain billing cycle. Such exercise will be unduly burdensome and problematic, making objector vulnerable to malicious litigations. It is suggested that the objector should be allowed to follow the billing format that is used by distribution Licensees for its consumers.

- The Licensee has not provided any details or specific method for the computation of additional charge by the developer. Clarification to be provided in this regard.

- There is no clarity on how the single point consumer will recover line losses incurred during supply of electricity on the distribution network maintained by developer/mall owner. The lack of recovery of transmission / distribution losses is adversely impacting the single-point consumers. In view of such lack of methodology, it is requested to the Commission to provide clarity on method of calculation and components for billing of additional 10% to consumers.

- Instead of allowing levy and recovery of additional 10% from the consumer, the Commission may consider granting 10% to 15% rebate to single point consumers on the units consumed by them as they have to compensate on account of the power loss and also they have to construct, maintain and upgrade their own infrastructure /network for distributing power to end - consumers.

- There is no minimum charge specified for single-point consumer. Therefore, the methodology for recovering minimum charge by single-point consumers from end consumers needs to be specified.

B) *The Petitioner's response:*

3.2.5 NPCL submitted that clause 3(b) of the rate Schedule for LMV- 1 Category provided in the Tariff Order dated 18th June 2015 issued by the Commission states as follows-

"Clause 3(b) ….

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. ***Such body shall charge not more than 10% additional charge on the above specified Rate from its end consumers*** *apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis".*

3.2.6 Further, Clause 4.46 (b) (i) & (ii) of the U.P. Electricity Supply Code states as under –

"(i)The builder or promoter of the complex in whose name the supply continues, is permitted to extend power supply to the individual owners of the flats etc. or to the lessee by installing sub-meters and to collect the cost of consumption of power from them on no profit or no loss basis (i.e. sharing of expenses of consumption of electricity) and this shall not be treated as unauthorized extension of supply or resale of energy.

(ii) In case, the promoter or builder of the complex does not wish to have any stake in the complex after promoting the complex, the service connection originally availed may be permitted to be transferred in the name of an Association or Society that may be formed in the complex and registered and the service agency so formed is permitted to extend supply to the individual owners of the flats etc. or lessees by installing sub-meters and to collect the cost for consumption of power from them on no profit or no loss basis (i.e., sharing of expenses of consumption of electricity) and this shall not be treated as unauthorized extension or resale of energy."

3.2.7 Further Clause 4.47 relating to Single Point Bulk Supply of the U.P. Electricity Supply Code, 2005 states as follows-

"….Provided that in (i) and (ii) above, the body that has taken the single point connection shall be responsible for all payments of the electrical charges to the Licensee and for collection from the end consumers as per applicable tariff for the category used."

From the above, it is amply clear that the Colonizer/ Developer / builder or RWA etc. can recover from its end consumers the actual billing of the NPCL as well as additional charges not exceeding 10% of the aforesaid bill.

Also, the aforesaid bodies can extend the temporary supply in the same category being billed by the NPCL.

3.2.8 To regulate the charges recoverable by the developer / builder /colonizer / RWA etc. from the consumers, they shall raise the bills under the same category at the same tariff as being charged in their respective bills by the NPCL.

3.2.9 Further, it is submitted that a number of grievances relating to individual inhabitants of these multi-storied buildings/colonies came to the notice of the NPCL as well as the Commission. In the matter, the Commission had formed a committee for conducting ground survey for finding out feasible solution in the legal framework, which would address majority of concerns. On the basis of their observations and report submitted in this regard, the Commission has formulated broad framework which was circulated for our comments vide its letter no. UPERC/Secy/D(Tariff)/15-1419 dated October 15, 2015. The NPCL has submitted its comments on the same vide its letter no. P-77L(II)/ 040 dated December 2, 2015.

3.2.10 Regarding rebate to Single Point Supply customer and proposed tariff increase the Licensee has submitted its ARR Petition for FY 2016-17 along-with retail tariff proposal to recover its Annual Revenue Requirement as well as accumulated Regulatory Asset is for the approval of the Commission.

3.2.11 It is further submitted that Licensee has no objection in providing single point connection at more than one location in large housing societies subject to proper justification thereof, technical feasibility and compliances of all applicable rules and regulations.

C) ***The Commission's view:***

3.2.12 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The applicable Tariffs for all the consumer categories have been designed in accordance with the Electricity Act, 2003 and the Tariff Policy. The details of all the aspects related to Tariff design have been covered subsequently in Chapter on Tariff Philosophy and Rate Schedule provided in this Order.

A) ***Comments / Suggestions of the Public:***

3.2.13 **Power Purchase:** Shri Rama Shankar Awasthi submitted that the power purchase cost of NPCL is much higher than the power purchase cost of UPPCL, NPCL being a private party, it is expected to have a lower power purchase cost as compared to UPPCL. It is requested that the power purchase cost may be prudently checked by the Commission.

B) ***The Petitioner's response:***

3.2.14 The Licensee has been procuring power by following the due process of the competitive bidding and with the approval of the Commission.

3.2.15 The comparison on power purchase cost is incorrect since NPCL's projected power purchase cost of Rs. 4.83 per unit is landed at its bus which in the case of other State Discom's works out to Rs. 4.63 per unit approx. i.e. Rs. 4.43 + 0.197. Further, as explained during public hearing as well, the aforesaid power purchase cost was estimated in November 2015 at the time of filing of the aforesaid ARR petition. However, subsequently, in view of the competitive biddings conducted for power procurement for FY 2016-17, the power purchase cost has come down drastically to Rs. 4.43 per unit as compared to UPPCL's power purchase cost of Rs. 4.63 per unit.

3.2.16 It is pertinent to mention here that apart from buying power in large volumes, UPPCL's Discom's also has the special advantage of receiving very cheap power from the Central / State Generating Companies. In addition to the above, UPPCL procure power through Power Exchange, however, it does not allow open access for the same to the Licensee.

C) ***The Commission's view:***

3.2.17 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The Commission has dealt with the issue of power purchase cost in relevant chapters of the Order while approving the truing up for FY 2014-15 and approving the ARR for FY 2016-17.

A) ***Comments / Suggestions of the Public:***

ARR & True-up:

3.2.18 Shri Rama Shankar Awasthi submitted that the CAPEX proposed by NPCL is on higher side. It is requested that the CAPEX may be prudently checked by the Commission.

Shri Rama Shankar Awasthi submitted that the ARR is not in accordance of Act. It is further submitted that without data and necessary information disclosed in ARR by the licensee, the hearing organized by the Commission is merely formality and not useful.

B) *The Petitioner's response:*

3.2.19 The Licensee has been submitted that the size and the volume of the Licensee is only around 1.5 – 2.0 % as compare to the State Discoms and hence per unit comparison of CAPEX is misleading and, in fact, technically incorrect. It is pertinent to mention here that Greater Noida Area is newly developed township, wherein the Licensee is required to create a robust power distribution infrastructure on its own to meet the rapidly growing demand of the consumers. Unlike State Discoms, the Licensee does not get any grant / subsidy etc. on the CAPEX being incurred by it. Further, the Licensee does not get any advantage as available to the State Discom as the Licensee is required to incur the entire capital expenditure from buying the land at cost, construct, erect and commission the substations and lines whereas the other State Discoms like PVVNL, also operating in Noida, does not incur any cost on such capital expenditure because the same is being provided free of cost by State Govt. / Local Area Development Authority. As the Capex is done by the Licensee on its own, there is significant difference in the quality and reliability of the Licensee's distribution network having State of the Art, IT & Automation technology in place as compared to distribution network of the State Discoms.

3.2.20 The Licensee would also like to draw the kind attention of the Commission on the contradictory observation of Mr. R.S. Awasthi, while in para 27 of his letter it is stated that "the information and input of one licensee is not applicable to another's licensed area", whereas he himself is comparing certain parameters of NPCL with State Discoms which in fact are not comparable.

C) *The Commission's view:*

3.2.21 The ARR of NPCL has been approved after considering all the facts and figures which has been detailed subsequently in the Order. The Commission has approved the ARR and tariff for FY 2016-17 in accordance to the Electricity Act, 2003 and UPERC Distribution Tariff Regulations, 2006 as amended from time to time.

A) *Comments / Suggestions of the Public:*

3.2.22 **Regulatory Surcharge**: Shri B.R. Bhati Chairman Indian Industries Association, Greater Noida requested to the Commission to direct and guide the NPCL not to charge the 8% Regulatory Surcharge.

B) *The Petitioner's response:*

3.2.23 The Commission is fully aware of the circumstances / reasons under which the regulatory asset has been created in the books of accounts of the NPCL. The same has also been explained in detail in its ARR petitions submitted from time to time before the Commission. In nutshell, in the absence of cost reflective tariffs during past eight years, the revenue gap was created for which the NPCL was forced to borrow loans from banks adding interest burden to the revenue gap further. Therefore, despite being one of the most efficient power Distribution Company, the revenue gap has been created which was beyond its control. Thus, for the purpose of recovery of accumulated regulatory asset over last 8 years, the Commission has allowed regulatory surcharge @ 8%, which will be removed once regulatory assets are fully recovered by the NPCL. NPCL also quoted the following provision of revised Tariff Policy 2016:

> *"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."

In view of the above the existing Regulatory Surcharge @ 8% need to be continued in addition to the proposed retail tariffs to enable the NPCL to recover in full its current cost and partly liquidate the accumulated regulatory asset.

C) *The Commission's view:*

3.2.24 The Regulatory Surcharge is allowed to recover the past unrecovered gaps. The Commission has determined the tariff in accordance to the Electricity Act, 2003 and UPERC Distribution Tariff Regulations, 2006. The issue of regulatory surcharge has been addressed subsequently in this Order.

A) *Comments / Suggestions of the Public:*

3.2.25 **Audit of Accounts:** Shri B.R. Bhati Chairman Indian Industries Association, Greater Noida submitted that NPCL account should be completely audited for prudent check of expenditure and income.

B) *The Petitioner's response:*

3.2.26 All expenses such as Power Purchase Cost, T &D Losses, interest and finance charges, depreciation and income tax etc. are examined in detail by the expert professional consultants appointed by the Commission as well as by the concerned officials of the Commission before approval of the same. Further O & M expenses are also approved by the Commission on a normative basis although actual O & M expenses incurred are higher. The Return on Equity is also approved by the Commission as per the regulatory norms only. The revenue of the NPCL is also in accordance with the retail tariffs approved by the Commission from time to time.

3.2.27 In addition to the above, we would also like to submit that NPCL being a public limited NPCL incorporated under the Companies Act, 1956 (since replaced with the Companies Act, 2013), its Annual Accounts are subject to Statutory Audit by Independent Auditors duly appointed by the shareholders of the NPCL. The Independent Auditor's Report on the Annual Accounts is submitted to the Central Government, shareholders including GNIDA, various Government

Department such as Income Tax, Sales Tax and Financial Institutions and Banks. In addition to the above, the Annual Accounts of the NPCL are also required to be audited by Cost Accountants appointed by Govt. of India and the report is submitted to the Central Govt., shareholders including GNIDA, various Government Department such as Income Tax, Sales Tax and Financial Institutions and banks.

3.2.28 The Audited Annual Accounts along with Independent Auditors Report as well as Cost Auditors Report are also submitted to the Commission for truing up of the Annual Revenue Requirement which are once again examined in detail by the expert professional consultants appointed by the Commission as well as by the concerned officials of the Commission before approval of the same.

C) *The Commission's view:*

3.2.29 The Commission has noted the submission of the Petitioner and Licensee. The Commission carries out the prudence check of the all the elements of ARR as per Audited accounts before allowing the same while carrying out the truing up.

A) *Comments / Suggestions of the Public:*

3.2.30 **Promoting Solar Energy:**Shri B.R. Bhati Chairman Indian Industries Association, Greater Noida submitted that as Govt. is promoting Solar energy hence comparative costing is required , in peak summers. NPCL is not able to meet peak demand and this deficit could be met by solar energy.

B) *The Petitioner's response:*

3.2.31 The cost of solar power purchase by the NPCL is approved by the Commission.

C) *The Commission's view:*

3.2.32 The Commission has noted the Comment and suggestion of stakeholders.The Commission has already come up with solar policy to tap the potential of solar energy.

A) *Comments / Suggestions of the Public:*

Fixed Charges / Minimum Charges:

3.2.33 Shri B.R. Bhati Chairman Indian Industries Association, Greater Noida submitted that Demand charge / fixed charge should not be more than Rs. 100 per kW any additional charge due to loss may be adjusted into unit charge.

3.2.34 Shri Vikas Sharma submitted that imposing minimum charges on small shopkeepers is arbitrary and should be removed as there are many small shopkeepers who use less than 40 units per month and they have to pay Rs. 3000 per month. It is further submitted that the units sold should be audited by CAG /equivalent Department and extra collected revenue should be returned to consumers. He further submitted that the theft of electricity must be stopped.

B) ***The Petitioner's response:***

3.2.35 NPCL submitted that the minimum charges are levied to recover the fixed expenses incurred to keep the network as well as supply always ready for the consumers to the extent of the contracted demand. Hence, mminimum charges are vital and necessary. This was also observed by the Commission in its various tariff orders issued from time to time. The distribution licensee is required to recover its Annual Revenue Requirement for a given financial year through retail tariffs, which consist of fixed and variable charges.

3.2.36 As regards to fixed charges, clause 8.4 of the Revised Tariff Policy 2016 stipulates as under:

> *"**Two-part tariffs featuring separate fixed and variable charges** and time differentiated tariff shall be introduced on priority for large consumers (say, consumers with demand exceeding 1 MW) within one year and subsequently for all consumers within a period of five years or such period as may be specified. This would also help in flattening the peak and implementing various energy conservation measures."*

Accordingly, fixed charges need to be continued

C) ***The Commission's view:***

3.2.37 The Commission has noted the Comment and suggestion of stakeholders and the Licensees. The applicable Tariffs for all the consumer categories have been designed in accordance with the Electricity Act, 2003 and the Tariff Policy. The details of all the aspects related to Tariff design have been covered subsequently in Chapter of Tariff Philosophy and Rate Schedule provided in this Order.

A) *Comments / Suggestions of the Public:*

Tariff Hike:

3.2.38 Shri B.R. Bhati Chairman Indian Industries Association, Greater Noida submitted that State Govt. is promoting small and medium Industries but electricity Tariff as proposed by NPCL for MSME is among the highest. Electricity tariff for MSME and the same should be comparable to other nearby states to promote MSME sector.

3.2.39 Shri Deepak Bhati, General Secretary, Golden federation, RWA, Greater Noida, Gautam budh Nagar submitted that higher tariff is being billed for Domestic category in Greater Noida in comparison to Delhi and Noida. Hence no further hike in Tariff should be accepted.

3.2.40 Shri Jitendra Parteek Chairman, Gautambudh Nagar Vikas Munch submitted that Industries particularly in Greater Noida are facing stiff completion with peer industries in NCR and other States where cheap power is available and with better supply. Hence lots of industries have already shifted and remaining on the verge of shutdown. Hence they requested the Commission to not allow the further hike in Tariff.

B) *The Petitioner's response:*

3.2.41 The Commission may kindly suitably decide retail tariffs as per the proposal submitted by the NPCL along-with ARR Petition for FY 2016-17 considering its Annual Revenue Requirement for FY 2016-17 and recovery of accumulated Regulatory Asset.

3.2.42 The proposal to subsidized tariff for MSME Consumers is contrary to the provisions of the Electricity Act, 2003 which stipulates reduction and elimination of cross subsidies.

C) *The Commission's view:*

3.2.43 The Commission has noted the submission of the Petitioner. The Commission after prudence check has approved the ARR of the Licensee and accordingly the tariff has been designed for each consumer category. The details of all the aspects related to Tariff design have been covered subsequently in Chapter of Tariff Philosophy and Rate Schedule provided in this Order.

A) ***Comments / Suggestions of the Public:***

Tariff Structure:

3.2.44 Shri B.R. Bhati Chairman Indian Industries Association, Greater Noida has requested the Commission to provide Permanent Connection instead of Temporary Connection to the new Industrial Unit under establishment, as they are being penalized under UUE (Unauthorized use of Electricity) for unknowingly starting the production with temporary Connection. He further submitted that neither the new Industrialist are aware about this information nor the Licensee has taken any steps to create awareness among the Consumer.

3.2.45 S B.R. Bhati Chairman Indian Industries Association, Greater Noida further submitted that LMV-6 & HV-2 should be included along with LMV-1 & LMV-5 under 100% surcharge wavier scheme.

3.2.46 Shri Atul Sharma Advocate Surajpur, Greater Noida submitted NPCL is billing as per urban schedule in rural area, hence it is requested to the Commission that immediate action should be taken for this regard. It is further stated that instead of fast meters correct meter should be installed by NPCL in the consumer premises.

B) ***The Petitioner's response:***

3.2.47 The temporary connection is provided as per section 4.10(a) of the Supply Code 2005 which is as follows:-

"Licensee may grant temporary supply for a period not exceeding 2 years for building construction and three months for other purposes (up to six months for cane crushers/other seasonal processes) of temporary nature, unless otherwise provided in the tariff order."

The consumers can apply for permanent connection as soon as construction work is over and production is commenced.

Regarding allegation of malpractices, if any, the consumers are requested to immediately bring the same to the notice of the NPCL for appropriate action thereon.

3.2.48 The Commission has provided relief from delayed payment surcharge to rural and agricultural consumers of LMV-1 and LMV-5 categories of drought-hit areas of the State. The aforesaid waiver has been provided in view of the financial hardship suffered by these consumers due to natural calamity. However, no such justification or hardship exists in case of consumers of LMV-6 category and therefore, the waiver of surcharge are not recommendable.

3.2.49 Regarding the issue, rural consumer being charged as per rate schedule for urban consumer, the Licensee has submitted that it is pertinent to mention here that since last few years the divide between "Urban" and "Rural", especially in Greater Noida area, is fast disappearing. The economic affluence, subsequent to receiving large amount of compensation for land acquisition, has resulted in tremendous shift in the lifestyle and consumption of electricity of the erstwhile villages/rural areas. The increasing use of almost all available electric and electronic gadgets such as T.V., Air Conditioners, Fridge, Geysers, Heaters and other appliances have significantly added their electricity consumption. Further despite owning cars including SUV's, multiple smart phones, computers / laptops, there is still a huge resistance for payment of electricity bills as per metered consumption resulting in large scale of electricity theft and non-payment of bills. When strict action is taken to prevent the above, all kind of false allegations are made against the NPCL apart from holding demonstration, agitations, abusing and manhandling employees of the NPCL to put undue pressure and disrupt its functioning. This is evident from the fact that not even a single complaint is lodged either with the NPCL or with CGRF or in the monthly camps organized by CGRF for redressal thereof.

3.2.50 Further NPCL reproduced the clarification submitted on 23rd Feb, 16 to the Commission in reply to its letter no. UPERC/Secretary/D(Tariff) 16-1985 dated 29th January, 2016on classifying "Rural" and "Urban" Schedule:-

> *"Rural Schedule: Average 12 - 14 hours per day Supply availability in Rural Areas with the condition that supply would not be available during peak hours i.e. between 18:00 hrs. to 22:00 hrs. The supply availability may be reduced due to grid / transmission constraints, feeder outages due to planned / preventive / breakdown maintenance, for attending consumer complaints etc. For above reasons, if it is not possible to provide supply as per 12 – 14 hours per day schedule, specific written approval of Sr. Manager (Operations) shall have to be obtained, who will ensure that minimum supply availability of 8 - 10 hours per day.*
>
> ***Urban Schedule:*** *Round the Clock Supply availability in Urban Areas. The supply availability may be reduced due to grid / transmission constraints, feeder outages owing to planned / preventive / breakdown maintenance, for attending to consumer complaints etc."*

3.2.51 From the above it is evident that barring transmission constraints or breakdown, NPCL has been giving power supply to all the villages in accordance with the pre-determined schedule including in peak hours which is highly unlikely anywhere else in the State. Accordingly, the NPCL raises bills for the same on the consumers.

C) The Commission's view:

3.2.52 The Commission has noted the submission of the Stakeholders and Petitioner in this regard.

A) *Comments / Suggestions of the Public:*

3.2.53 **NPCL Own Generation:**Shri Jitendra Parteek Chairman, Gautambudh Nagar Vikas Munch and Shri B.R. Bhati Chairman Indian Industries Association, Greater Noida submitted that NPCL was granted contract in Greater Noida with the commitment to erect and run Power Plant. But they have failed to do so till date. This is the main reason behind acute shortage of Power availability in Greater Noida. Commission may order NPCL to full fill their commitment with specific deadlines.

B) *The Petitioner's response:*

3.2.54 The issue of setting up own generating station by the NPCL is not relevant especially after Electricity Act, 2003. The NPCL has already entered into a Long Term Power Purchase Agreement for 187 MW with M/s. Dhariwal Infrastructure Limited for 25 years which has since been duly approved by the Commission. Further we would also like to submit as under:-

- In NCR, only Gas based power plant can be set-up.
- All approvals regarding the setting up of the power plant were taken from time to time.
- Further it is a well-known fact that the gas is not available even to feed existing gas based power plants (almost 20000 MW gas based power plants are operating at an average PLF of 20% only).
- The CEA vide its letter dt. 12.01.2012, in reply to NPCL's request for allocation of gas for its proposed 400 MW CCGT power plant in Greater Noida, advised that the Gas Allocation to our project along with other projects for 12th Plan would be decided by MoP / MoP&NG / EGoM subject to availability of gas to power sector from new discoveries and other sources.
- In an important information released by the MoP on 17th A^{ug}ust 2012 (downloaded from the official website of Press Information Bureau, GoI), the then Union Minister of State for power, Shri K. C. Venugopal informed Lok Sabha, inter-alia that due to the reduced availability of domestic gas, no allocation could be made to any new plants proposed for 12th Plan. MoP / CEA has issued an advisory to all the developers of gas based power plants not to plan for any gas based power plants as there is no certainty of availability of the same.

C) *The Commission's view:*

3.2.55 As regards setting up own generating station, the Commission has taken note of the stakeholder's comments and Petitioner's response. In Order to optimize the overall power cost, the Commission in last year Tariff Order dated June 18, 2015 has given direction to Licensee to enter into a long term PPA within six months and to submit the status of the same. In reply to directive, Licensee submitted that they have entered into a long term PPA with M/s Dhariwal Infrastructure Ltd. On September 26, 2014 for a period of 15 years for supply of 187 MW power.

A) *Comments / Suggestions of the Public:*

3.2.56 **TOD Billing:** Shri Jitendra Parteek Chairman, Gautambudh Nagar Vikas Munch submitted that during Peak hour's tariff is charged 15% extra whereas in night hours there is incentive of 7.5 %. Percentage must be same or better for encouraging industries to run their units and consume more in off-peak hours. It is also submitted that small and medium consumers including LMV-6 should not be billed under TOD mechanism in the similar way as applicable in Delhi Discoms.

B) *The Petitioner's response:*

3.2.57 The Petitioner submitted that Clause 8.4.1 of the Revised Tariff Policy dated 28th January, 2016 states as under:-

> *"Two-part tariffs featuring separate fixed and **variable charges and time differentiated tariff** shall be introduced on priority for large consumers (say, consumers with demand exceeding 1 MW) within one year and subsequently for all consumers within a period of five years or such period as may be specified. This would also help in flattening the peak and implementing various energy conservation measures."*

3.2.58 Thus, from the above, it is established that TOD rate schedule is required for flattening the load curve and to promote energy conservation.

3.2.59 In fact, differential time pricing is a tariff mechanism in use across various countries and is a very important tool to bring in Demand Side Management of electricity.

3.2.60 Current mechanism of charging premium @ 15% on consumption during peak hours and discount @ 7.50% on consumption during off-peak hours is also in accordance with the trend of electricity prices prevailing in Open Access market.

C) *The Commission's view:*

3.2.61 The Commission has noted the submission of stakeholder and Licensee and same has been addressed subsequently in this Order.

A) *Comments / Suggestions of the Public:*

3.2.62 Line Losses:

3.2.63 Shri Jitendra Parteek Chairman, Gautambudh Nagar Vikas Munch submitted that Line losses of NPCL are very low compared to other Discoms, and revenue collection is highest in the country, hence NPCL should offer loyalty discounted tariff to its honest consumers.

3.2.64 Shri Rama Shankar Awasthi submitted that NPCL has proposed proposed increased losses i.e. 8.10%, 8.29% and 8.56% for FY 2014-15 , FY 2015-16 and FY 202016-17 respectively . It is requested to the Commission the loss should not be allowed more than 8% in any case for FY 2016-17.

B) *The Petitioner's response:*

3.2.65 The Petitioner submitted that the benefits of the overall efficiency of the NPCL are shared among all consumers and hence no additional discount is required to be given.

3.2.66 The Petitioner also submitted that the T&D Losses of 8% were fixed long back when the Licensee used to supply 45 MVA power in Greater Noida area including industries and currently it is distributing more than 45 MVA power in rural areas only, from where most of the thefts are reported. In addition to the above, the Licensee has been highlighting the various genuine concerns coming in the way to contain T & D Losses at 8%, such as increasing LT:HT ratio, pre-engaged and inadequate local administration support having no priority to prevent power theft cases, non-disposal of theft cases filed in the designated Special Court even after lapse of more than 5-6 years, illegal colonies, sparsely / scattered population at many sectors, frequent threats and physical abuse to the employees of the Licensee engaged in operations/ commercial / loss control activities, frequent & sometimes even violent motivated agitations against the Licensee for unlawful illegal demands including high degree of political interference etc.

3.2.67 NPCL further submitted that despite the above constraints the Licensee has been trying its best to contain T & D Losses at around 8% which at times may vary and should be allowed in view of various reasoning/ justifications provided in the ARR for FY 2016-17 in overall perspective.

C) *The Commission's view:*

3.2.68 The Commission has noted the submission of stakeholder and Licensee and same has been addressed subsequently in this Order.

A) *Comments / Suggestions of the Public:*

3.2.69 **Hours of Supply:**

3.2.70 Adarsh Samaj Gram Vikas Samiti, Greater Noida submitted that Rural areas of Greater Noida are still getting power supply of only 7 to 8 hours, that too with interruptions, as NPCL has not been able to establish the required infrastructure. Further Adarsh Samaj Gram Vikas Samiti added that the company is not addressing the consumer grievances satisfactorily and thus it requested to the Commission to take necessary action against NPCL.

3.2.71 Shri Deepak Bhati, General Secretary, Golden federation, RWA, Greater Noida submitted that NPCL has promised 24 hours of uninterrupted supply to its consumer which is not been fulfilled, power cut has been observed in various sectors of Greater Noida. Hence electricity must be supplied for 24 hours in Greater Noida Area.

B) *The Petitioner's response:*

3.2.72 The Complaint is false, baseless and mis-leading, therefore, merits no reply. As and when, any specific complaintsare received from any consumer, prompt action is being taken to resolve the same immediately.

C) *The Commission's view:*

3.2.73 The Commission has noted the submission of stakeholder and Licensee

.

A) *Comments / Suggestions of the Public:*

3.2.74 **Subsidized Tariff For Agricultural Related Activities:** Shri Sudan Netrapal submitted that the Tariff for Agriculture related activates like research and training should be given at reasonable rate

B) ***The Petitioner's response:***

3.2.75 The Petitioner submitted that it has filed its ARR Petition for FY 2016-17 along-with retail tariff proposal to recover its Annual Revenue Requirement as well as accumulated Regulatory Asset for the approval of the Commission.

C) ***The Commission's view:***

3.2.76 The Commission has noted the submission of the Stakeholders and Petitioner in this regard and dealt with the issue in the appropriate chapter of Order.

3.3 LIST OF ATTENDEES:

3.3.1 The list of individuals and organizations who have submitted their objections / suggestions / comments on the ARR & Tariff petition in writing & in oral are given in Annexure 14.1.

4. REVISED TRUE-UP FOR FY 2013-14

The Petitioner aggrieved by the Commission's Tariff Order for FY 2015-16 dated June 18, 2015 filed an appeal before the Hon'ble APTEL on various issues. Hon'ble APTEL on June 2, 2016 gave its final judgment in this regard. The underlying principle of fixation rate of interest on working capital and carrying cost is being agitated in the higher court. However, presently, the rate has been calculated on the basis of Hon'ble APTEL's Order. The issues which required modification / re-computation in consequence to the Judgment of the Hon'ble APTEL in the matter of True up for FY 2013-14 has been discussed below.

4.1 INTEREST ON WORKING CAPITAL:

4.1.1 The Commission in its Tariff Order dated June 15, 2015 in the matter of truing up for FY 2013-14 and for determination of ARR for FY 2015-16 approved rate of interest on working capital at 12.50% in place of the weighted average of SBI-PLR as considered in its previous Tariff Orders considering the replacement of BPLR with the Base Rate system for levying interest on loan vide "Master Circular - Interest Rates on Advances" dated July 2, 2012, of RBI which mandated all loans to be priced only with reference to base rate with effect from July 1, 2010. The Clause 4.8.2(b) of the UPERC Distribution Tariff Regulations, 2006 provides for bank rate as specified by the Reserve Bank of India for the relevant year plus a margin as decided by the Commission. The Petitioner challenged this matter before the Hon'ble APTEL. The Hon'ble APTEL in its Judgment dated June 2, 2016 held that the Commission has deviated from the provisions of the applicable Distribution Tariff Regulations while computing the interest rate on working capital and decided the matter in favor of the Petitioner. The relevant extract of the same had been reproduced below:

> *"b. If need was felt by the State Commission due to changed scenario in view of RBI guidelines regarding adoption of Base Rate, necessary amendments must have been carried out in the said Regulations.*
>
> *c. Hence on this issue too,* ***we are of the opinion that the methodology adopted by the State Commission of considering SBI-PLR rate as 'Bank Rate plus Margin', since notification of Distribution Tariff Regulations 2006 should have been continued while deciding the ARR requirement of the Appellant for FY 2015-16 and Truing-up of the Financials for FY 2013-14 through the Impugned Tariff Order.***

d.This issue is decided in favour of the Appellant."

"i. In our view, ***the State Commission has deviated from the provisions of the applicable Distribution Tariff Regulations while computing the interest rate on working capital in the Impugned Tariff Order.*** *If State Commission is of the opinion that after RBI guidelines of adopting Base Rate system in place of Benchmark Prime Lending Rate (BPLR) with effect from July 1st, 2010, there is a need to change the relevant provisions of Distribution Tariff Regulations, necessary amendments in these Regulations must have been carried out by them after due process of consultations with the Stakeholders.*

j. As the Working Capital as well as Interest on Working Capital parameters are being decided based on normative values, values for these parameters cannot be taken into consideration while allowing the same in the main petition or at the time of truing up.

k. Hence this issue is decided in favour of the Appellant."

4.1.2 The interest on Working Capital has been recomputed as per the direction of the Hon'ble APTEL considering weighted average SBI PLR rate as provided in the table provided below:

Table 4:1: INTEREST ON WORKING CAPITAL AS APPROVED BY THE COMMISSION FOR FY 2013-14 (Rs. Crore)

Particulars	Approved vide T.O. 31/05/13	True-up Petition	Approved upon Truing Up vide T.O. 18/6/15	Revised True-Up as per Hon'ble APTEL Judg. dated 2/6/16
One Month's O&M Expenses	3.07	3.42	2.97	2.97
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	15.00	14.28	14.28	14.28
Receivables equivalent to 60 days average billing on consumers	136.58	135.71	135.71	135.71
Gross Total	**154.65**	**153.42**	**152.97**	**152.97**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003				
Opening Balance	77.89	79.07	79.07	79.07
Received during the year	15.00	25.01	25.01	25.01
Closing Balance	92.89	104.09	104.08	104.08

Particulars	Approved vide T.O. 31/05/13	True-up Petition	Approved upon Truing Up vide T.O. 18/6/15	Revised True-Up as per Hon'ble APTEL Judg. dated 2/6/16
Less: Security Deposit with UPPCL	11.28	11.28	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	74.11	80.30	80.30	80.30
Net Working Capital	**80.54**	**73.12**	**72.67**	**72.67**
Rate of Interest for Working Capital	14.61%	14.58%	12.50%	14.58%
Interest on Total Working Capital	**11.77**	**10.66**	**9.08**	**10.60**

4.2 NON TARIFF INCOME:

4.2.1 The Non-Tariff Income includes delayed payment surcharge, miscellaneous charges, income from investments, interest on fixed deposits and income from consultancy business. The non-tariff income claimed by NPCL for truing-up for FY 2013-14 was Rs. 1.87 Crore.

4.2.2 In order to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the Commission in its Tariff Order dated June 18, 2015 had reduced the amount of non-tariff income by the financing costs of DPS.

4.2.3 The financing cost of delayed payment surcharge was computed by the Commission based on the actual DPS for the year. The DPS was grossed up conservatively based on the highest applicable surcharge rate which is 1.5% per month.

4.2.4 The Commission has been considering the SBI PLR rate for computing the cost of borrowing DPS to be a part of non-tariff income till FY 2014-15. The Commission in its Tariff Order for FY 2015-16 considered the interest rate of 12.50% for computing cost of borrowing DPS in line with the replacement of BPLR with the Base Rate system for levying interest on loan vide "Master Circular - Interest Rates on Advances" dated July 2, 2012, issued by RBI. The Petitioner challenged this matter before the Hon'ble APTEL.

4.2.5 Hon'ble APTEL in its Judgment dated June 2, 2016 in the above matter held that the Commission must follow a consistent approach of considering interest rate as per SBI-PLR as cost of financing the Delayed Payment Surcharge. The relevant extract of the same has been reproduced below:

"b. As per Respondent, the State Commission has followed a consistent approach while approving interest rate. As the State Commission has changed the interest rate of working capital for FY 2013-14, ***the same interest rate has also been considered for cost of financing the Delayed Payment Surcharge****.*

c. In view of the observations expressed by us while deciding Issue No.1 and Issue No.2 above, this issue of applicable interest rate on delayed payment surcharge is being decided in favour of the Appellant. The State Commission should have considered the ***consistent approach of adopting existing methodology of applying interest rate as per SBI-PLR in the Impugned Tariff Order*** *also. "[Emphasis Supplied]*

4.2.6 The cost of DPS has been recomputed as per the direction of the Hon'ble APTEL considering weighted average SBI PLR rate as provided in the table below:

Table 4:2: REVISED COST OF BORROWING FOR DPS APPROVED BY THE COMMISSION FOR FY 2013-14 (Rs. Crore)

Particulars	Approved vide T.O. 31/05/13	True-up Petition	Approved upon Truing Up vide T.O. 18/6/15	Revised True-Up as per Hon'ble APTEL Judg. dated 2/6/16
Delayed Payment Surcharge (Rs. Crore)	3.00	2.24	2.24	2.24
DPS grossed up at 1.50% per month or 18% per annum	18%	18%	18%	18%
Amount (Rs. Crore)	16.67	12.45	12.45	12.45
Financing cost @SBI PLR	14.61%	14.58%	12.50%	14.58%
Cost of Borrowing (Rs. Crore)	**2.44**	**1.82**	**1.56**	**1.82**

4.2.7 The Commission in its True Up Order for FY 2013-14 dated June 18, 2015 had approved the non-tariff income net of financing cost for DPS at Rs. 2.13 Crore. The revised computation for cost of borrowing DPS resulted in change in the allowable Non Tariff income to Rs. 1.87 Crore as calculated in the table below:

Table 4:3: REVISED NON TARIFF INCOME APPROVED BY THE COMMISSION FOR FY 2013-14 (Rs. Crore)

Particulars	True-up Petition	Approved upon Truing Up vide T.O. 18/6/15	Revised True-Up as per Hon'ble APTEL Judg. dated 2/6/16
Non Tariff Income without considering Cost of borrowing DPS	3.68	3.68	3.68
Cost of Borrowing DPS	1.82	1.56	1.82
Allowable Non Tariff Income	1.87	2.13	1.87

4.3 CARRYING COST:

4.3.1 The Commission in its True up Order for FY 2013-14observed that the interest rate allowed for computation of carrying cost approved by the Commission is sufficient to cover the interest obligation on the loans drawn by the Petitioner to meet the loan requirement due to creation of regulatory assets. The Commission also observed that the actual weighted average interest rate of the short term loan during FY 2013-14 is around 12.24%, while the Commission allowed the normative interest on the short term loans equivalent to interest rate of working capital at 12.50% for the reasons as stated above. Thus the Commission in its True up Order for FY 2013-14, allowed interest rate at the rate of 12.50% on the carrying cost of the Regulatory Asset and also disallowed the monthly compounding as followed in its previous Tariff Order.

4.3.2 In the above matter, the Petitioner appealed before the Hon'ble APTEL that the Commission has been following principle of approving the interest on regulatory asset based on the rate equivalent to SBI–PLR on monthly compounding basis, but in the Tariff Order for FY 2015-16 the Commission restricted the interest rate for the purpose of computing the carrying cost on the revenue gap to 12.50% and also to simple rate without allowing compounding at monthly interest.

4.3.3 Hon'ble APTEL in its judgment dated June 2, 2016 in this issue held that the Commission must continue with the earlier practice of allowing interest rate on the basis of SBI-PLR rate on monthly compounding basis. Such interest must be same as that for Working Capital and delayed payment surcharge. The relevant extract of the same has been reproduced below:

> *"g. We are in agreement with the views of Appellant that there is difficulty in finding resources to fund the Revenue Gap till the same is met in future year tariffs. Banks/financial institutions generally*

find it highly risky to provide funds for meeting such revenue gaps because of uncertainty attached to the recovery of the same.

h. We have ordered in favour of Appellant while deciding issues dealt above regarding Interest on working Capital and Interest on Delayed Payment Surcharge against the State Commission adopting Base Rate plus margin as the applicable interest rate. For the same reasons as detailed above, in this case of allowing interest rate for carrying cost of Regulatory Assets, we observe that ***the State Commission should have continued the earlier practice adopted by it since notification of Distribution Tariff Regulations in Impugned Tariff Order too i.e. SBI-PLR rate as the Interest Rate with monthly compounding basis.***

i. Hence this issue is also decided in favour of Appellant." [Emphasis Supplied]

4.3.4 The interest considered for calculating carrying cost on Regulatory Asset has been recomputed as per the direction of the Hon'ble APTEL considering weighted average SBI PLR rate with monthly compounding as provided in the table below:

Table 4:4: REVISED CARRYING COST APPROVED BY THE COMMISSION FOR FY 2013-14 (Rs. Crore)

Particulars	Formula	True-up Petition	Approved upon Truing Up vide T.O. 18/6/15	Revised True-Up as per Hon'ble APTEL Judg. dated 2/6/16
Revenue Gap (For FY 2013-14)	A	(81.68)	(91.75)	(89.90)
Revenue Gap (For previous year)	B	593.34	593.34	593.34
Average fund available through invocation of PBG under PPA dated 9th May, 2012	C = 72*174/365	(34.32)	(34.32)	(34.32)
Interest rate	D	15.60%	12.50%	15.60%
Carrying Cost on Revenue Gap for FY 2013-14	E= D x (A/2)	(6.37)	(5.73)	(7.01)
Carrying Cost on Revenue Gap for previous years	F = D x (B+C)	87.18	69.86	87.20
Total Carrying cost	G = E + F	80.82	64.13	80.18

4.4 SUMMARY OF ARR FOR FY 2013-14:

4.4.1 Based on the above revised cost approvals in consequence to Hon'ble APTEL Judgment DATED June 2, 2016, the revised summary of the ARR approved for FY 2013-14 is provided in the Table below:

Table 4:5: REVISED SUMMARY OF TRUE UP FOR FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Approved vide T.O. 31/05/13	True-up Petition	Approved upon Truing Up vide T.O. 18/6/15	Revised True-Up as per Hon'ble APTEL Judg. dated 2/6/16
1	Power Purchase Expenses	497.83	468.20	468.20	468.20
2	Transmission Charges (UPPTCL+PGCIL)	25.31	28.57	28.57	28.57
3	Net O&M Expenses	34.28	39.94	34.54	34.54
4	Statutory & Other Regulatory Expenses	2.53	1.12	1.12	1.12
5	Net Interest charges	58.84	57.86	53.99	55.51
6	Depreciation	41.32	35.44	35.44	35.44
7	Taxes (Income Tax and FBT)	25.84	30.00	30.00	30.00
8	**Gross Expenditure**	**685.95**	**661.13**	**651.87**	**653.38**
9	Interest capitalized	1.73	1.19	1.19	1.19
10	**Net Expenditure**	**684.22**	**659.95**	**650.68**	**652.20**
11	Provision for Bad & Doubtful debts	8.31	8.12	8.12	8.12
12	Terminal Depreciation of Assets Retired/Scrapped	0.40	0.11	0.11	0.11
13	Provision for Contingency Reserve	-	-	-	-
14	Prior Period Adjustments	-	-	-	-
15	**Total net expenditure with provisions**	**692.93**	**668.19**	**658.92**	**660.43**
16	Add: Reasonable Return / Return on Equity	28.89	27.69	27.69	27.69
17	Less: Non Tariff Income	2.45	1.87	2.13	1.87
18	Add: Efficiency Gains	0.07	0.79	0.32	0.32
19	**Annual Revenue Requirement (ARR)**	**719.44**	**694.79**	**684.80**	**686.58**
20	Revenue from Existing Tariff	773.30	776.48	776.48	776.48
21	Additional Revenue from Revised Tariff	14.53	-	-	-
22	**Revenue Gap**	**(53.87)**	**(81.68)**	**(91.68)**	**(89.90)**
23	Revenue Gap/ Surplus from Prev. Year	568.99	593.34	593.34	593.34
24	Carrying cost	82.48	80.82	64.13	80.18
25	**Revenue Gap carried forward**	**583.08**	**592.48**	**565.80**	**583.62**

4.4.2 The Revenue surplus determined for FY 2013-14 upon revised truing-up is Rs. 89.90 Crore as against Rs. 53.87 Crore provisionally approved in Order dated May 31, 2013. The Net Revenue Gap for FY 2013-14 after considering the revenue gap of Rs. 593.34 Crore from previous year as per the Commission's Order dated October 01, 2014 and carrying cost of Rs. 80.18 Crore is Rs. 583.62 Crore. The same is carried forward in the True up approval of FY 2014-15.

5. TRUE-UP FOR FY 2014-15

5.1 SALES APPROVAL:

5.1.1 The energy sales based on actual audited accounts for FY 2014-15 represent growth of 16.06 % over FY 2013-14 (1128.67MUs). The Commission approves the actual energy sales based on the audited accounts at 1309.89 MUs.

5.1.2 The category-wise energy sales approved for FY 2014-15 is shown in the Table below:

Table 5:1: CATEGORY WISE SALES FOR FY 2014-15 – APPROVED (MU)

Sl. No.	Category	Approved vide T.O. 1/10/2014	True-up Petition	Approved upon Truing Up
1	LMV-1: Domestic Light, Fan & Power	237.79	233.10	233.10
2	LMV-2: Non Domestic Light, Fan & Power	32.85	22.83	22.83
3	LMV-3: Public Lamps	22.38	36.06	36.06
4	LMV-4: Institutions	18.93	14.21	14.21
5	LMV-5: Private Tube Wells	14.10	26.98	26.98
6	LMV 6: Small and Medium Power	47.49	48.86	48.86
7	LMV-7: Public Water Works	15.60	13.97	13.97
8	LMV-8: STW and Pumped Canals	0.31	0.31	0.31
9	LMV-9: Temporary Supply	13.49	33.61	33.61
10	HV-1: Non Industrial Bulk Power	79.24	87.94	87.94
11	HV-2: Large and Heavy Power	749.78	792.02	792.02
	Total	**1,231.95**	**1,309.89**	**1,309.89**

5.1.3 The Category wise Number of Consumers, Connected Load and energy sales approved / trued-up for FY 2014-15 are summarized in the Table below:

Table 5:2: CATEGORY WISE CONSUMERS, LOAD & SALES – APPROVED

Sl. No.	Category	No. of Consumers	Connected Load (MW)	Sales (MUs)
1	LMV-1: Domestic Light, Fan & Power	57,520	212.39	233.10
2	LMV-2: Non Domestic Light, Fan & Power	2,546	15.48	22.83
3	LMV-3: Public Lamps	3	9.74	36.06
4	LMV-4: Institutions	332	7.19	14.21
5	LMV-5: Private Tube Wells	1,132	5.55	26.98
6	LMV 6: Small and Medium Power	1,839	41.31	48.86
7	LMV-7: Public Water Works	167	3.89	13.97
8	LMV-8: STW and Pumped Canals	1	0.13	0.31
9	LMV-9: Temporary Supply	838	23.33	33.61

Sl. No.	Category	No. of Consumers	Connected Load (MW)	Sales (MUs)
10	HV-1: Non Industrial Bulk Power	84	43.55	87.94
11	HV-2: Large and Heavy Power	519	282.79	792.02
	Total	**64,981**	**645.34**	**1,309.89**

5.2 DISTRIBUTION LOSSES:

5.2.1 Petitioner submitted that the actual Distribution loss for FY 2014-15was 8.10% as compared to the approved loss level of 8.00%

5.2.2 Petitioner submitted that the Company stands out in containing T&D losses at around 8% by devising techno-social solutions, drawing community solidarity (which also targets at inclusive growth and changes the landscape of distribution of electricity), in-spite of high voltage politically motivated farmer agitations, little administrative support, tardy legal procedure and increasing LT load. Further the Petitioner added that deviation account is prepared by UPSLDC at 33 kV level, upon signing of connectivity agreement with UPPTCL for 132kV Surajpur and 220kV RC Green Substation.

5.2.3 Petitioner submitted that as per the Audited Accounts for FY 2014-15, the distribution losses are at 8.10%.

5.2.4 In reply to Commission's query regarding non submission of the system loss for FY 2014-15 and non-segregation of Inter-state and Intra-state transmission loss, the Petitioner has replied that prior to FY 2014-15, for the purpose of energy accounting and computation of UI settlement, the Petitioner was taking import units at 220 kV/132 kV level at Pali Substation and thereafter, the energy was drawn at 132/33 kV Surajpur Substation and 220/33kV R C Green Substation for further distribution. The difference in energy metered between these two points was booked as system loss. Subsequently, on March 27, 2014, the Petitioner entered into Bulk Power Transmission Agreement (BPTA) with UPPTCL for conveyance of 268 MW power and UPPTCL granted connectivity to the Petitioner at 33 kV level. As UPSLDC was withholding the consents on short term Open Access applications of the Petitioner, the grant of Connectivity at 33 kV level was accepted under protest to serve the demand of the consumers of Greater Noida.

5.2.5 Therefore, the EHV losses between 400/ 220kV Pali Substation till 132/33 kV Surajpur and 220/33 kV R C Green Substation are not considered for the purpose of energy accounting and has not been provided / claimed in the ARR petition.

5.2.6 Regarding the segregation of interstate and intrastate losses for FY 2014-15, the Petitioner submitted that during FY 2014-15, power purchase agreements signed by the Company had different delivery points i.e. NR-Bus, NR withdrawal point or NPCL bus. As a result, the transmission losses were different for different agreements. The transmission losses varied from 0.00% - 7.62% as against Transmission losses of 3.67% of UPPTCL network as approved by the Commission. Therefore, the transmission losses for FY 2014-15 were not segregated between Inter-state and Intra-State for simplification purposes.

Commission's Analysis

5.2.7 The actual Distribution Losses of the Petitioner are more than the losses approved by the Commission in its Tariff Order for FY 2014-15. Considering the submissions made by the Petitioner, the Commission for the purpose of Truing up approves the Distribution Losses as approved in the Tariff Order for FY 2014-15, as shown in the Table below:

Table 5:3: DISTRIBUTION LOSSES AND EHV LOSSES APPROVED BY THE COMMISSION FOR FY 2014-15

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Distribution Loss %	8.00%	8.10%	8.00%
EHV Losses %	0.60%	0.00%	0.00%

5.3 ENERGY BALANCE:

5.3.1 The Commission in the above sections has discussed about truing-up of energy sales and distribution losses. Based on above trued-up energy sales and distribution losses, the approved power purchase requirement and the energy balance for FY 2014-15 is as shown in the Table below:

Table 5:4: ENERGY BALANCE APPROVED BY THE COMMISSION FOR FY 2014-15

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Energy Sales (MU)	1,231.95	1,309.89	1,309.89

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Distribution Loss %	8.00%	8.10%	8.00%
EHV Losses	0.60%	0.00%	0.00%
Distribution Loss including EHV losses (MU)	115.21	115.41	113.90
Energy Purchase (MU)	**1,347.16**	**1,425.30**	**1,423.80**

5.4 POWER PURCHASE QUANTUM & COST:

5.4.1 Based on the above trued-up energy balance for FY 2014-15, the power purchase requirement as worked out by the Commission is1,423.80 MU.

5.4.2 The majority of power was procured by NPCL on short term basis through Open Access Route. The details of power purchase quantum and power purchase cost approved vide Tariff Order dated October1, 2014 and actually incurred by NPCL for FY 2014-15 is provided in the Table below:

Table 5:5: ENERGY BALANCE APPROVED BY THE COMMISSION FOR FY 2014-15 AND POWER PURCHASE COST AS SUBMITTED BY THE PETITIONER FOR FY 2014-15

Item	Approved vide T.O. 1/10/14			True-up Petition		
Retail Sales (MUs)	**1,231.95**			**1,309.89**		
Losses	**8.55%**			**8.10%**		
Power Purchase	**1,347.16**			**1,425.30**		
Sources of Power Purchase	**Energy**	**Rs./kWh**	**Costs**	**Energy**	**Rs./kWh**	**Costs**
Power Purchase from Traders	1,266.33	3.78	478.58	1,429.67	3.76	538.14
Power Purchase from RE	80.83	7.19	58.11	14.00	5.03	7.04
Unscheduled Interchange				(18.37)		1.99
Sub-Total	**1347.16**	**3.98**	**536.69**	**1425.30**	**3.84**	**547.16**
Underpaid / (Overpaid) Power purchase expenses for previous years			18.42			18.07
PGCIL charges			61.08			29.60
UPPTCL charges						17.57
Total Transmission charges			**61.08**			**47.17**
Total Power Purchase	**1347.16**	**4.57**	**616.19**	**1425.30**	**4.30**	**612.40**

5.4.3 The brief detail about the power purchase as submitted by the Petitioner is provided below:

- The total quantum as per Audited Annual Accounts for FY 2014-15 is 1425.30 MUs including1429.67 MUs of power purchase from Short term Sources and 14.00 MUs of power purchase from Renewable Energy Sources and Captive generation from Solar Power Generating System installed at the roof top of the Petitioner's office building.

- Actual landed cost of power purchased from Open Access is Rs. 3.76/ kWh as against the approved rate of Rs. 3.78/ kWh approved in Tariff Order for FY 2014-15.

- The Petitioner has submitted that it has incurred an amount of Rs. 1.99Crore against an under-drawl of 18.37 MUs on account of variation in actual drawl and scheduled power i.e. on account of Unscheduled Interchange (UI) during FY 2014-15.

- The Commission in its Tariff Order for FY 2014-15, Trued-up the BST payable to UPPCL in respect of energy drawn from them during four years i.e. FY 2008-09, FY 2009-10, FY 2010-11and FY 2011-12. The same has been considered while approving the ARR for FY 2014-15. Accordingly, the Company has claimed an amount of Rs. 18.07 Cr pertaining to UPPCL BST Arrear for the period FY 2008-09 to FY 2011-12for True-up in FY 2014-15 based on actual drawl during the said years.

- Further, the Commission, vide Tariff Order for FY 2015-16 dated June 18, 2015 has trued up UPPCL's BST for FY 2012-13 and considered the same in the ARR approved for FY 2015-16. However, as per Accounting Standards laid by ICAI which is being mandatory for the Company to follow as per Section-211(3c) of the Companies Act 2013 and Regulation 1.3.1.2 of Distribution Tariff Regulations, it has accounted this UPPCL's BST arrears for the FY 2012-13 amounting to Rs. 12.22 Cr in its audited accounts for FY 2014-15 only. However, keeping in view the ARR approved by the Commission for FY 2014-15 and FY 2015-16, the Company has not claimed the same in this ARR for FY 2014-15 and will claim it in the ARR for FY 2015-16.

- The transmission charges as per Audited Accounts for FY 2014-15 are Rs. 47.17 Crore as against Rs. 61.08 Crore approved by the Commission. These charges are being paid on the basis of regional charges determined by CERC and State transmission charges being determined by the Commission from time to time. During FY 2014-15 the Company has been paying State transmission charges as per the Commission's Order dated September 10, 2014 and Tariff Order dated October 1, 2014. The Commission in its previous Tariff Orders has been approving these transmission charges on actual based on Audited Annual Accounts. Accordingly, a total transmission charge of Rs. 47.17 Crore has been considered for the purpose of Truing-up of ARR for FY 2014-15.

5.4.4 Accordingly, the total power purchase cost incurred in FY 2014-15 is Rs. 612.40 Crore as claimed by the Petitioner in its True up Petition..

5.4.5 The Commission observes that the UPPCL has stopped supplying power to the Petitioner w.e.f. February 12, 2014 sighting Hon'ble Allahabad High Court's Order dated July 1, 2013, therefore, the Petitioner's requirement of power has been met from Open Access Market. During FY 2014-15, the Petitioner has procured 1429.67 MUs from Short Term Sources at an average cost of Rs. 3.76/ kWh which is less than the average cost approved by the Commission in its Tariff Order dated October1, 2014. Further, the average power purchase cost for power procured from Open Access of Rs. 3.76/ kWh at NPCL periphery is competitive from all India average power purchase rate of Rs. 4.28 / kWh transacted under bilateral trade during FY 2014-15 (Source – Report on Short-term Power market in India, 2014-15 by CERC). Hence, the Commission approves the actual cost power purchased from Short Term Sources actual at average rate of Rs. 3.76 / kWh.

5.4.6 It has been further observed that in the Tariff Order dated October1, 2014 the Commission had approved the power purchase quantum from renewable energy sources as 80.83 MU in FY 2014-15. However, the Petitioner has submitted to have procured only 14.00 MU from renewable energy sources in FY 2014-15. The Commission asked the Petitioner to submit an appropriate justification for not procuring power from renewable sources to comply with Renewable Purchase Obligation (RPO) and the current status of RPO compliance from FY 2010-11 to FY 2015-16 (till December) along with the break of solar and Non-solar power. The Petitioner, in its reply, submitted that renewable sector is at a very nascent stage in the country. Despite the fact that the Petitioner has been making all out efforts to purchase the renewable power, however, it has not received requisite offers apparently due to lack of generation capacities. The Company has been making following efforts to procure renewable power (both solar and non-solar):

i. Bilateral discussions with various power trading companies / generators / potential generators;

ii. Advertisement in widely published all India edition of leading national newspapers such as The Economic Times and The Times of India on 27.10.2014, 16.12.2014, and 26.03.2015;

iii. Advertisements regularly on the Company's website.

Despite the above, the Company did not receive any firm offers at all.

5.4.7 Further the Petitioner submitted that during FY 2014-15, the Company could have tied-up 6 MW power from one Municipal Solid Waste based Generator in Delhi for the entire year, however, it could not have supplied power for the full term of the contract due to denial of open access by Delhi Transco Limited. During the period of Apr-May'14, it could have supplied only 7.16 MU of energy. It is pertinent to mention here that in case, the power from the above source could continue for the full year, the Company would have been able to meet its non-solar RPO to a significant extent.

5.4.8 Meanwhile, on February 9, 2015, the Company signed a long term PPA with Greater Noida Industrial Development Authority (GNIDA) for procurement of 1.0 MWp solar power from its Plant at Kasna for a period of 10 years w.e.f. March 1, 2015 @ Rs. 7.06 per kWh. The aforesaid PPA has been approved by the Commission vide order dated July 14, 2015. The power supply has commenced since March 1, 2015.

5.4.9 The Petitioner submitted that in addition to above, the Company has also signed net-metering agreements totaling to 1.65 MW from roof-top Solar Projects of GNIDA till December'15. Further, the Company has also signed net-metering agreement with M/s Bharat Petroleum Corporation Limited for their 1.05 MW roof-top Solar Plant. The Company is in process of signing net-metering agreement for approx. 7 MWp of solar power plants upcoming in Greater Noida area in near future.

5.4.10 The Petitioner further submitted that Greater Noida Area does not have any major renewable energy power generation plants except some small captive solar plants. The Company had contacted several waste management / sugar co-gen plants in and outside Uttar Pradesh to procure renewable power, however, either, their capacities are already tied-up with their respective Distribution Licensees or they are not able to supply due to non-availability of Open Access. Therefore, such sources were not available for the Company. Nevertheless, the Company is in discussion with GNIDA to procure power from its upcoming waste management plant in Noida/ Greater Noida to fulfill its Renewable Power Obligations (RPO).

5.4.11 Petitioner further submitted that, the Company is continuously exploring opportunities to procure RE Power within the prescribed tariff as per the UPERC Regulations.

5.4.12 The Commission has observed that inspite of the efforts being made by the Petitioner sufficient renewable energy is not being procured by the Petitioner to fulfill its RPO. The Petitioner should ensure that the RPO is met in the future years. The Petitioner is also directed to submit the source wise (generating source or Renewable Energy Certificate) detailed action plan to fulfill its RPO for future years. For the purpose of Truing up the Commission has approved the actual power procured through Renewable Energy sources.

5.4.13 The summary of power purchase cost as approved by the Commission for FY 2014-15 is as shown in the Table below:

Table 5:6: POWER PURCHASE COST AS APPROVED BY THE COMMISSION - FY 2014-15

Item	Approved upon Truing Up		
Retail Sales (MUs)	1,309.89		
Losses	8.00%		
	Energy	Rs./kWh	Costs
Power Purchase	**1423.80**	**3.84**	**546.59**
Underpaid / (Overpaid) Power purchase expenses for previous years			18.07
PGCIL charges			29.60
UPPTCL charges			17.57
Total Transmission charges			47.17
Total Power Purchase	**1423.80**	**4.30**	**611.83**

- The Commission has approved 1423.80 MU of power purchase for FY 2014-15 with Distribution loss of 8.00% and the transmission charges for UPPTCL and PGCIL is approved at Rs. 17.57 Crore and Rs. 29.60 Crore respectively.

5.4.14 Accordingly, the approved total power purchase cost upon truing up is Rs. 611.83 Crore for FY 2014-15.

5.5 OPERATION & MAINTENANCE (O&M) EXPENSES:

5.5.1 Operation and Maintenance (O&M) expenses comprise of Employee related costs, Administrative and General (A&G) Expenses, and Repair and Maintenance (R&M) expenditure.

5.5.2 The Petitioner submitted that the Commission in Tariff Order dated October1, 2014 had approved the O&M expenses at Rs. 41.33 Crore for FY 2014-15.The actual O&M expenses as per Audited Annual Accounts for the FY 2014-15 other than Statutory / Regulatory Expenses is Rs. 47.09 Crore.

5.5.3 The Petitioner submitted that the Commission has been approving the O&M expenses on normative basis in accordance with the Distribution Tariff Regulations, 2006, irrespective of the actual expenses incurred by it. However, for FY 2014-15 the Petitioner has requested the Commission to allow O&M expenses based on actual as per Audited Annual Accounts due to following reasons:

a) Increase on Minimum wages by 23-28%: Under the Minimum Wages Act, 1948, the Government of U.P. revises the minimum wages twice in a year i.e. with effect from April and October of the year. In pursuance of the same, U.P. Government during FY 2013-14 vide notification no. 2848-77/Enforcement-(D.A.)/13 dated October 3, 2013 and no. 1917-44/Enforcement-(D.A.)/14 dated May 19, 2014 has revised the minimum wages in the range of 23-28%.

The wages applicable as on April 1, 2014 were higher by 23-28% as compared to wages prevailing on April 2013. Thus, the wages applicable for full year i.e. FY 2014-15 were significantly higher as compared to the same applicable during FY 2013-14. Further the Petitioner submitted that the minimum wages has a direct and substantial impact on most of the components of O & M expenses e.g. breakdown gang, security charges, job costing of various repair assignments. All labour class of lower cadre staff are being governed by minimum wages which will have a cascading effect on the senior personnel as well.

Further the Petitioner also submitted that as per Distribution Tariff Regulations, 2006, the Commission has been allowing O&M Expenses on normative basis i.e. weighted average of WPI and CPI in the ratio of 60:40 which for FY 2014-15 works out to only 4.04%. It further stated that such inflationary allowance for the purpose of O & M expenses is highly insufficient to approve the O & M expenses of the Company when compared with such substantial and significant increase in minimum wages.

In addition to above the Petitioner submitted that all individuals, associations, partnership, body corporates, companies etc. are bound by the provisions of Minimum Wages act 1948 and the Company has no option but to comply with the same. Therefore, as per clause 4.3.5 of the Distribution Tariff Regulations, 2006, the changes in minimum wages is nothing less than changes in law and the impact of the same should be approved on actuals.

b) Incremental O & M Expenses @ 2.5 % are inadequate: The incremental O & M expenses for the financial year, if capped @ 2.5% of capital addition, would be grossly inadequate and would not be commensurate with the volume of the business. To illustrate, the Annual Maintenance Contract (AMC) cost of IT assets are ranging between 12.5% to 15% and on office equipment, it is generally @ 10%. Further the Petitioner stated that as the Commission is aware that the Petitioner is a process driven and IT-savvy company and it believes in automating most of its processes with least manual intervention. All these initiatives not only involve lots of efforts on implementation side but also costs heavily on the maintenance of the same for the ultimate convenience and benefit of the consumer only. Further the Petitioner added that apart from this, the R & M expenses would tend to go up with the ageing of the assets and fast obsolescence of the technology and may increase many folds in power deficit scenario due to increased wear & tear of electrical equipment in distribution system owing to frequent operation for load shedding, power cuts, tripping etc.

c) Other Cost Drivers: Clause 4 to Regulations 4.3 of the Distribution Tariff Regulations 2006 states as under:

> *"4. The O&M expenses shall be brought to an efficient level i.e. in equivalence with similarly placed efficient utilities. The Hon'ble Commission may fix norms based on the circuit kilometers of distribution lines and number of bays in substation and such other parameters, as may be determined by the Hon'ble Commission in due course of time."*

The Petitioner submitted that the Commission, in its various Orders, has time and again acknowledged the performance standards of the Petitioner and also in its Order dated September 1, 2008 observed that NPCL is the best performing utility in U.P. Having regard to observation of the Commission, it has been striving hard to control and optimize its O&M Expense primarily keeping the consumers interest in view. Petitioner submitted that the FOR Model Regulations for Multi Year Distribution Tariff provides for benchmarking the O&M Expenses of any Distribution Utility with its peers in the same State or outside State. The Commission in its Tariff Order dated October 14, 2010 has mentioned as follows:

> *"22 (j) In relative analysis, performance parameters of other Distribution Licensees within the same state or in other states, shall be considered by the Commission to estimate norms."*

The Petitioner submitted that based on the above, the Commission in its Tariff Order dated October 14, 2010 had directed it to conduct a study to benchmark its O&M expenses and it has accordingly appointed ICRA Management Consultancy Services Private Limited to conduct the study after conducting competitive bidding and prior approval of the Commission. The Petitioner submitted that based on the study conducted, it is no more feasible to sustain the existing low cost operation without compromising with service and safety standards. Therefore, the denial of justified expenses allowance to the Company would jeopardize the operational efficiency achieved by it over past 22 years. There is an urgent need for imminent allocation of higher O&M Cost to enable the Company to maintain and improve upon the service standards and prepare itself for growing requirement of the consumers servicing. Petitioner further, submitted that all expenses have been duly audited by Statutory Auditors and approved by the Board of Directors of the Company. These expenses are allowed in full not only in the Companies Act, 1956 but also in the Income Tax Act, 1961.

The Petitioner further submitted that its O&M Expenses are much lower as compared to other Distribution Utilities of U. P. as well as Discoms of other States. The Petitioner submitted that it has become imperative to take additional and timely efforts to meet the upcoming demand growth in the area and to maintain a reliable and efficient power supply and it has already started initiative in this regard. Therefore, it has requested to allow the O&M expenses in full as per audited accounts for FY 2014-15.

d) Capitalization of Employee Cost: The Petitioner has capitalized an amount of Rs. 5.13 Crore out of the total employee cost of Rs. 22.18 Crore incurred during FY 2014-15, as per past practice duly approved by the Commission. In brief, for the purpose of capitalization of employee costs, the Company at the time of execution of project, records actual man hours spent by each engineer/ executive into the system / SAP Software. These hours are then matched with the cost per hour of that employee by the software itself and actual employee cost so incurred, is capitalized along with the specific project. Further the petitioner added that the entire process of its project/financial accounting is through SAP, and there is least manual intervention in computation of expenses to be capitalized.

Further the Petitioner added that these man-hours and cost is duly verified by the statutory auditors of the Company in detail and is approved by the Board of directors of the Company subsequently.

In view of the above, the Petitioner requested the Commission to approve the O&M expenses at Rs. 47.09 Crore for FY 2014-15 based on its audited annual accounts.

Commission's Analysis:

5.5.4 The Commission in its deficiency note asked the Petitioner to submit the reconciliation of the O&M Expenses with the cost as per the audited accounts.

5.5.5 The Petitioner in its reply submitted the reconciliation of the O&M Expenses claimed in the Petition with the audited accounts as shown in the Table below:

Table 5:7: RECONCILIATION OF O&M EXPENSES AS SUBMITTED BY PETITIONER FOR FY 2014-15

Sl. No.	Description	Amount (Rs. Crore)	Reference
1	Employee cost as shown in Audited Accounts for FY 2014-15	16.71	Note-25 of Audited Accounts
2	Other Expense as shown in Audited Accounts for FY 2014-15	45.23	Note-29 of Audited Accounts
3	**Total Operating Expenses as per Audited Accounts**	**61.94**	
4	**Less: Items dealt with separately in ARR as per Distribution Tariff Regulations, 2006**		
5	Bad debts written off & provision thereof	11.03	Note-29 of Audited Accounts
6	Loss on sale of Fixed Assets	0.08	Note-29 of Audited

Sl. No.	Description	Amount (Rs. Crore)	Reference
			Accounts
7	Expenses on Regulatory Compliance	3.73	RTF S-9 of True-up Petition
7	**O&M Expenses as per True-up Petition**	**47.09**	

5.5.6 The Clause No. 4.3 of the Distribution Tariff Regulations, 2006 stipulates:

"..4.3 Operation & Maintenance Expenses (O&M):

1. The O&M expenses comprise of employee cost, repairs & maintenance (R&M) cost and administrative & general (A&G) cost. The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. For determination of the O&M expenses of the year under consideration, the O & M expenses of the base year shall be escalated at inflation rates notified by the Central Government for different years. The inflation rate for above purpose shall be the weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these regulations means, the first year of tariff determination under these regulations.

2. Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.

3. Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.3 (1)..."

5.5.7 The Commission in the previous years has been allowing the O&M expenses as per the Distribution Tariff Regulation, 2006 as amended from time to time. As evident from the above, the O&M expenses allowed as per the Distribution Tariff Regulations, 2006 covers the O&M expenses incurred by the Licensee for the existing assets as well as new assets added during the year. The high O&M expenses on the IT assets and the office equipments as cited by the Petitioner, forms the small portion of the Gross Fixed Assets

5.5.8 The Commission is of the view that if the O&M expenses are allowed on the basis of actual O&M expenses as suggested by the Petitioner, there will be no sanctity of fixation of norms in Tariff Regulations. As per the Distribution Tariff Regulations, some of the elements of ARR are considered on normative basis and the actual expenses under some elements may be higher as compared to approved expenses, while the actual expenses under some elements may be lower as compared to approved expenses.

5.5.9 Hon'ble APTEL in its Judgment dated June 2, 2016 in the matter of NPCL Vs. UPERC has held that normative approach has to be followed while allowing O&M expense. The relevant extract of the said Judgment has been provided below.

> *"The State Commission in the Impugned Tariff Order has allowed O&M expenses based on norms as per the provisions of the Distribution Tariff Regulations which has been followed by it in its earlier Tariff orders. We do not find any infirmity in this approach followed by the State Commission."*

5.5.10 Therefore, as per the reasons stated above, the Commission has allowed the O&M expenses as per the norms specified in the Distribution Tariff Regulation, 2006 as amended from time to time as detailed below.

5.5.11 In accordance with the Clause No. 4.3.1 of Distribution Tariff Regulations, 2006 the net O&M expenses would be computed based on Inflation Index over FY 2013-14 trued-up O&M expenses for FY 2014-15. The Petitioner had miscalculated applicable inflation rate to be 4.04%. The applicable inflation rate as per Weighted average Inflation Index as computed by the commission is 4.02% for FY 2014-15 as given in the Table below: :

Table 5:8: INFLATION INDEXES FOR FY 2014-15

Month	Wholesale Price Index		Consumer Price Index	
	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15
April	171.30	180.80	226.00	242.00
May	171.40	182.00	228.00	244.00
June	173.20	183.00	231.00	246.00
July	175.50	185.00	235.00	252.00
August	179.00	185.90	237.00	253.00
September	180.70	185.00	238.00	253.00
October	180.70	183.70	241.00	253.00
November	181.50	181.20	243.00	253.00
December	179.60	178.70	239.00	253.00

Month	Wholesale Price Index		Consumer Price Index	
	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15
January	179.00	177.30	237.00	254.00
February	179.50	175.80	238.00	253.00
March	180.30	176.10	239.00	254.00
Average for Financial Year	**177.64**	**181.21**	**236.00**	**250.83**
Calculation of Inflation Index (CPI-40%, WPI-60%) for FY 2014-15				
Inflation index for FY 2013-14	**200.99**			
Inflation index for FY 2014-15	**209.06**			
Applicable Inflation rate	**4.02%**			

5.5.12 The gross O&M expenses also include additional O&M expenses at 2.50% capitalization of assets in the preceding year. The capitalized assets in the preceding year include assets handed over by GNIDA and UPSIDC free of cost in the FY 2013-14. These assets have been considered on the basis of values declared by respective authorities. The Commission has also gone through the audited accounts of NPCL wherein, the value of those assets is ascertained by the auditor. Further the audited accounts mention that the assets have been handed over for maintenance purpose only while the ownership is yet to be transferred. Accordingly, the Commission has considered the additional O&M expenses for these assets to be allowed for O&M purposes only. Any other impact on other parameters like depreciation, capital expenditure, capitalization etc. is not being allowed till the company takes ownership of the assets.

5.5.13 Based on the above, the computation of O&M expenses Trued-up for FY 2014-15 is as shown in the Table below:

Table 5:9: O&M EXPENSES FOR FY 2014-15 AS APPROVED BY THE COMMISSSION (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Total additions to Fixed Assets	167.45		135.62
Less: Assets Retired/Scrapped	1.90		2.22
Net Addition to Fixed Assets	165.55		133.40
Preceding Year Gross O&M	34.54	47.09	34.54
Incremental O&M @ 2.5%	4.14		3.33
Inflation Index Applicable	7.69%		4.02%
O&M Expenses escalated	37.20		35.93
Total O & M expenses	41.33	47.09	39.26

5.6 STATUTORY & OTHER RELATED EXPENSES:

5.6.1 The Petitioner has claimed statutory and other related expenses of Rs. 3.72 Crore as per its audited accounts as against the approved statutory and other related expenses of Rs. 2.03 Crore for Truing up of ARR for FY 2014-15. These expenses are over and above the expenses incurred on fees and other UPERC related expenses. The Petitioner has requested to allow the same.

Commission's Analysis

5.6.2 Under the above head the Petitioner has claimed CGRF expense of Rs. 0.25Crore in FY 2014-15. In this regard Regulation 22 of the Consumer Grievances Redressal Forum Regulations, 2007 is reproduced below:

> *"Treatment of Expenses –*
>
> *All reasonable costs incurred by the Distribution Licensee on the establishment and running of the Forum, shall be a pass through in the Annual Revenue Requirements filed by the Distribution Licensee after deducting the amount of fees collected by the Distribution Licensee under the regulations."*

5.6.3 In view of the above, the Commission approves CGRF expense of Rs. 0.25Crore.

5.6.4 The Petitioner has also claimed expenses incurred towards competitive bidding process for long-term / short-term power procurement, demand side management, technical studies and other activities as directed by the Commission. In this regard, Regulations 4.3.5 of Distribution Tariff Regulations, 2006 is reproduced as below:

> *"The Commission may consider additional O&M expenses on account of war, insurgency, and change in laws or like eventualities for a specified period."*

5.6.5 Accordingly, the Commission approves the additional statutory expenses incurred towards competitive bidding process, demand side management activities and technical studies on actual basis. The table below highlights the approved statutory and other expenses approved by the Commission for FY 2014-15:

Table 5:10: STATUTORY/OTHER REGULATORY EXPENSES (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Demand Side Management Expenses	0.25	0.26	0.26
CGRF Expenses	0.24	0.25	0.25
Competitive Bidding Expenses	0.30	0.32	0.32
Technical studies as directed by Commission	0.50	0.04	0.04
Service Tax payable due to change in law	0.74	0.55	0.55
CSR Expense	0.00	2.31	0.00
Total	**2.03**	**3.72**	**1.42**

5.7 CAPITAL EXPENDITURE (CAPEX):

5.7.1 The Petitioner in the True-up petition has claimed capex of Rs. 162.47Crore during FY 2014-15 as against Rs. 239.43Crore (including interest capitalization) approved by the Commission in its Tariff Order dated October1, 2014. The Petitioner has also claimed Rs. 4.61 Crore towards interest capitalized during FY 2014-15against Rs. 1.24 Crore approved by the Commission in its Tariff Order dated October1, 2014.

Commission's Analysis:

5.7.2 The actual capital expenditure for FY 2014-15has been considered as per the audited accounts. The opening capital work in progress (CWIP) for FY 2014-15 is Rs. 24.81 Crore. Total capitalization i.e. transfers to GFA as per the audited accounts is Rs. 181.41Crore. Accordingly, the capital expenditure incurred by the Petitioner for the FY 2014-15 as per the Audited Accounts works out to be Rs. 157.86 Crore.

5.7.3 The interest capitalization for FY 2014-15 has been considered as Rs. 4.61 Crore. Consumer contribution of Rs. 14.88 Crore is taken as per the audited accounts for FY 2014-15.

5.7.4 The details of the capital expenditure claimed by the Petitioner and approved / true-up by the Commission for FY 2014-15 is provided in the table below:

Table 5:11: CAPEX TRUE-UP FOR FY 2014-15 (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Total Additions to Assets (excluding interest capitalisation)	237.94	181.41	181.41
Add: Closing CWIP	2.25	1.25	1.25
Less: Opening CWIP	2.00	24.81	24.81
Total Capex (excluding interest capitalisation)	**238.19**	**157.86**	**157.86**
Add: Interest Capitalisation	1.24	4.61	4.61
Total Capex	**239.43**	**162.47**	**162.47**
Consumer Contribution & GNIDA	7.92	15.04	14.88
Net Capex	**231.51**	**147.43**	**147.59**
Debt @ 70%	162.06	103.20	103.31
Equity @ 30%	69.45	44.23	44.28

5.8 INTEREST AND FINANCE CHARGES:

5.8.1 The Licensee has claimed Interest and Finance Charges which includes following components:

- Interest on Long Term Loans
- Finance Charges
- Interest on working capital
- Interest on consumer security deposits
- Carrying Cost of Regulatory Asset

5.8.2 Each of the above cost elements are discussed separately as under:

5.9 INTEREST ON LONG TERM LOANS:

5.9.1 In the True-up Petition, the Petitioner has claimed interest on loan as Rs. 36.03Crore after considering loan additions of Rs. 103.20 Crore. Brief details of the interest on Term loan as submitted by the Petitioner are provided below.

a) Opening balances of existing loans are considered as per closing balances of Term Loans as approved by the Commission vide its order dated June 18, 2015 in True-up of ARR for FY 2013-14.

b) Repayments, rate of interest and interest for existing loans are considered as per the terms and conditions of the respective term loans agreements.

c) NPCL had procured 13 plots of land in FY 2007-08 against which a loan of Rs.12.73 Cr was extended by GNIDA to be paid in 12 equal installments. Accordingly, interest and repayment has been claimed under GNIDA loan on actual payment basis.

d) Normative loan of FY 2007-08 as approved by the Commission is continued in FY 2014-15 also as per the method followed by the Commission in Tariff Order dated October1, 2014.

e) The Company has tied-up the Term Loan Facility of Rs. 125 Crore from HDFC Bank Limited bearing interest at the rate of11.25% p.a. (out of which Rs. 50 Crore was novated to State Bank of Mysore) for funding the Capital Expenditure for FY 2014-15.

Commissions' Analysis

5.9.2 The Commission has gone through the interest expenses claimed by the Petitioner for FY 2014-15. The interest on long term loans as submitted by NPCL for FY 2014-15 is given in Table below:

Table 5:12: INTEREST ON LONG TERM LOANS AS SUBMITTED BY PETITIONER FOR FY 2014-15
(Rs. Crore)

Particulars	Opening Balance	Additions During the Year	Repayment	Closing Balance	Interest
Bank of Maharashtra (FY 10)	17.40	-	4.93	12.47	1.80
IDBI Bank(FY11)	35.91	-	11.05	24.86	3.55
GNIDA	1.06	-	1.06	0.00	0.06
Normative Loans (FY08)	2.13	-	0.53	1.60	0.22
ICICI Bank (FY12)	30.39	-	6.75	23.64	3.26
Central Bank of India (FY 13)	62.76	-	12.87	49.89	6.82
ICICI Bank (FY 13)	23.00	-	2.04	20.96	2.59
Normative Loans (FY14)/ ICICI bank (FY 14)	95.20	-	-	95.20	11.28
SBM (2014-15)	-	30.00	-	30.00	1.18
Normative Loans (FY 2014-15) / HDFC Bank (2014-15)	-	73.20	-	73.20	5.25
Total	**267.85**	**103.20**	**39.24**	**331.81**	**36.03**

5.9.3 The opening balances of loan trued-up for FY 2014-15 are considered as per closing balances of true-up for FY 2013-14.

5.9.4 The normative loan of FY 2007-08 is continued in FY 2014-15 with repayment considered based on 10-year repayment period.

5.9.5 The debt component has been considered at 70% and accordingly the additions during the year FY 2014-15 is at Rs. 103.20 Crore. The source of loan is State Bank of Mysore with rate of interest at 11.25% and HDFC Bank with interest rate at 11.25%. NPCL has submitted the bank sanction letters with the Petition and accordingly the Commission has taken the actual interest rates for computing the interest expenses.

5.9.6 The repayments, rate of interest and interest on existing loans are approved as per actual loan portfolio for FY 2014-15.

Table 5:13: INTEREST ON LONG TERM LOANS APPROVED BY THE COMMISSION FOR FY 2014-15 (Rs. Crore)

Particulars	Opening Balance	Additions During the Year	Repayment	Closing Balance	Interest
Bank of Maharashtra (FY 10)	17.41	-	4.93	12.47	1.81
IDBI Bank(FY11)	35.91	-	11.05	24.86	3.55
GNIDA	1.06	-	1.06	0.00	0.06
Normative Loans (FY08)	2.12	-	0.53	1.59	0.22
ICICI Bank (FY12)	30.39	-	6.75	23.64	3.26
Central Bank of India (FY 13)	62.76	-	12.87	49.89	6.82
ICICI Bank (FY 13)	23.00	-	2.04	20.96	2.59
Normative Loans (FY14)/ ICICI bank (FY 14)	95.20	-	-	95.20	11.28
Normative Loans (FY 2014-15) / HDFC Bank (2014-15)	-	30.00	-	30.00	1.18
XYZ Bank	-	73.20	-	73.20	5.25
Total	**267.85**	**103.20**	**39.24**	**331.81**	**36.03**

5.10 INTEREST ON WORKING CAPITAL:

5.10.1 The Distribution Tariff Regulations, 2006 provides for normative interest on working capital based on the principles outlined and accordingly Licensee is eligible for interest on working capital worked out on this basis. Further the Clause No. 4.8 (2) (b) of the Distribution Tariff Regulations, 2006 provides for rate of interest on working capital borrowings at bank rate specified by RBI + appropriate margin decided by Commission.

5.10.2 Petitioner has considered Interest rate for interest on working capital as 14.75% as weighted average rate of SBI PLR for FY 2014-15.

5.10.3 In the truing up Petition for FY 2014-15, the Petitioner has considered the security deposit passed onto UPPCL amounting to Rs. 11.28 Crore. Such amount has been added while computing the total working capital requirement for the year as had been done in previous years. The total interest on working capital claimed by the Petitioner is Rs. 10.36 Crore.

Commission's Analysis

5.10.4 As per the Distribution Tariff Regulation, 2006 notified by the Commission, interest rate on the working capital loan shall be Bank Rate as specified by Reserve Bank of India for the relevant year plus a margin as decided by the Commission. The relevant provision of the regulation 4.8.2(b) of the U.P. Electricity Regulatory Commission (Terms and Conditions for determination of Distribution Tariff) Regulation-2006 is reproduced below:

> *"….(b) Rate of interest on working capital shall be the Bank Rate as specified by Reserve Bank of India for the relevant year plus a margin as decided by the Commission…"*

5.10.5 The Commission in its earlier Tariff Orders, prior to FY 2015-16 has been considering the interest rate on working capital as per the SBI Prime Lending Rate i.e. being the bank rate plus the margin over the bank rate for calculation of interest on working capital. The Commission in its Truing up Order for FY 2013-14 and for determination of ARR for the FY 2015-16 approved rate of interest on working capital as 12.50% against 14.58% claimed by the Petitioner, in response to the replacement of BPLR with the Base Rate system for levying interest on loan vide "Master Circular - Interest Rates on Advances" dated July 2, 2012, of RBI which mandated all loans to be priced only with reference to base rate with effect from July 1, 2010, thereby changing the approach followed in the previous years. The Petitioner filed an appeal before the Hon'ble APTEL in this matter of changed approach of the Commission for consideration of interest on working capital.

5.10.6 The Hon'ble APTEL in its Judgment dated June 2, 2016 held that the Commission has deviated from the provisions of the applicable Distribution Tariff Regulations while computing the interest rate on working capital were of the opinion that the methodology adopted by the State Commission of considering SBI-PLR rate as 'Bank Rate plus Margin', since notification of Distribution Tariff Regulations 2006 should have been continued. Details of the Judgment of the Hon'ble APTEL have already been discussed in the revised True-up for FY 2013-14 chapter of this Order.

5.10.7 Therefore, the Commission, for the purpose of arriving at the appropriate margin over and above the bank rate notified by the RBI, has considered weighted average of SBI-PLR of 14.75 % in line with the earlier Tariff Orders of the Commission prior to FY 2015-16 and Judgment dated June 2, 2016 of the Hon'ble APTEL.

5.10.8 In the truing up Petition for FY 2014-15, the Petitioner has considered the security deposit passed onto UPPCL amounting to Rs. 11.28 Crore. Such amount has been added while computing the total working capital requirement for the year as had been done in previous years.

5.10.9 The Commission has worked out the working capital and interest on working capital for FY 2014-15 as given in Table below:

Table 5:14: INTEREST ON WORKING CAPITAL AS APPROVED BY THE COMMISSION FOR FY 2014-15(Rs. Crore)

Particulars	Approved vide T.O. 1/10/2014	True-up Petition	Approved upon Truing Up
One Month's O&M Expenses	3.61	4.23	3.39
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	19.83	15.96	15.96
Receivables equivalent to 60 days average billing on consumers	156.55	160.43	160.43
Gross Total	**180.00**	**180.63**	**179.78**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003			
Opening Balance	96.07	104.09	104.08
Received during the year	18.00	35.12	35.12
Closing Balance	114.07	139.21	139.21
Less: Security Deposit with UPPCL	11.28	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	93.79	110.37	110.36
Net Working Capital	**86.21**	**70.26**	**69.42**
Rate of Interest for Working Capital	14.58%	14.75%	14.75%
Interest on Total Working Capital	**12.57**	**10.36**	**10.24**

5.11 FINANCE CHARGE:

5.11.1 The Petitioner submitted that during FY 2014-15, the Company has incurred the expenses on renewal / enhancement of the existing Working Capital Facilities including LC facilities for payment security of Power Purchase Agreements in accordance with their respective terms of agreement and issued Commercial Paper of Rs. 200 Crore to facilitate short-term funding of regulatory asset and working capital requirement.

5.11.2 The Petitioner submitted that it had negotiated a term loan facility of Rs. 125 Crore with HDFC Bank Limited (out of which Rs. 50 Crore was later on novated to State Bank of Mysore) at a very attractive interest rate of 11.25% p.a. in March'2014 itself for the purpose of funding the capital expenditure for FY 2014-15. Further it added that the processing charges for the same were incurred and claimed by the Company in its Truing-up Petition for FY 2013-14 and has also been approved by the Commission and therefore the Petitioner is not claiming any amount toward processing charges for these loans.

5.11.3 Further the Petitioner submitted that during FY 2014-15, the Company has successfully negotiated Term Loan of Rs. 150 Crore from IDBI Bank Limited for the purpose of debt funding of Capital Expenditure for FY 2015-16.Since, the term loan facility has been sanctioned during FY 2014-15, the processing charges payable for sanction of the term loan facility has also been charged in the Profit and Loss account for FY 2014-15 as per the Accounting Standards (AS) and Generally Accepted Accounting Principles (GAAP). Accordingly, the processing charges for sanctioning the term loan facility of Rs. 150 Crore by IDBI Bank Limited for FY 2015-16 have been claimed by the Company in True-up Petition for FY 2014-15.

5.11.4 The summary of processing charges as claimed by the Petitioner for FY 2014-15 is provided in Table below:

Table 5:15: SUMMARY OF PROCESSING CHARGES AS CLAIMED BY THE PETITIONER (Rs. Crore)

Sl. No.	Financing Activity	Facility Amount	Charges Paid	Charges as % of Facility
1	Fund Based WCF Renewal (including CP Issue)	265.00	1.54	0.58%
2	Non- Fund Based WCF Renewal & CP Issue	115.00	0.44	0.38%
3	Sanction of Term Loan from IDBI Bank for FY 16	150.00	2.70	1.80%

Sl. No.	Financing Activity	Facility Amount	Charges Paid	Charges as % of Facility
	Total	**530.00**	**4.68**	**0.88%**

5.11.5 In addition to the above, the Petitioner also claimed Credit Rating Charges, Collection Facilitation Charges and Other Finance Charges as Rs. 0.12 Crore, Rs. 0.18 Crore and Rs. 0.19 Crore respectively.

Commission's Analysis

5.11.6 As it can be observed from the above table, the Petitioner has claimed Rs. 4.68 Crore for processing charges which includes facilitation of short-term funding of regulatory asset and working capital requirement.

5.11.7 It may be observed that the Petitioner claims the carrying cost on the Regulatory Asset separately which is allowed by the Commission at the SBI PLR with monthly compounding. The Commission is of the view that any expense to fund the regulatory asset has to be borne from the carrying cost allowed by the Commission and should not be claimed additionally. Thus, it would not be appropriate to allow the expenses to facilitate the funding of the regulatory asset (shortfall in cash-flow) and the same can be allowed only for the normative working capital requirement allowed by the Commission.

5.11.8 The Commission in deficiency note dated January 29, 2016 asked the Petitioner to submit the breakup of actual processing charges incurred for funding the normal working capital requirements and the shortfall due to regulatory asset.

5.11.9 The Petitioner in its reply dated February 24, 2016 submitted that in order to meet the day to day Working Capital requirements and also to part finance accumulated Regulatory Asset approved by the Commission, the Petitioner secured sanction/renewal of Fund Based Working Capital facilities of Rs. 290 Crore and Non fund based facilities of Rs. 115 Crore during FY 2014-15 from various commercial banks on which finance charges of Rs. 1.98 Crore were incurred and paid. The petitioner further submitted that it is availing the Working Capital facilities sanctioned by various Banks to meet its day to day operational requirements like Payment of Power Purchase Bills, Operational Expenses, Taxes, Interest and Loans Repayment etc. and regulatory asset created due to inadequate and delayed increase in tariffs. Such revenue gap consists of unrecovered cost of power purchase and other distribution expenses etc. Therefore, the working capital facility is required for funding both, its normal operational expenses and revenue gap incurred due to non-recovery full cost of distribution.

5.11.10 The Commission also observed that the actual processing charges paid is around 1.8% of the total loan facility availed in FY 2014-15.As processing charges are usually around 1.00% of the loan amount. The Petitioner was asked to submit the justification for such a higher processing charges paid by it.

5.11.11 The Petitioner in its reply to this observation of the Commission submitted that the aforesaid charge of 1.81% is inclusive of Service Tax @ 12.36% and therefore the processing charges are at 1.6 % only. It has further submitted that due to various reasons including growing non-performing assets (NPAs) the banks and financial institutions do not readily agree to grant loans especially to the power distribution companies. Further, it is the sole discretion of the banks to determine cost of providing loans to the companies.

5.11.12 Further the Petitioner submitted that it is the standard practice of the banks and financial institutions to consider the overall return on the loans, being given by them, which comprises one time finance charges / processing fee and interest rate. Some banks do levy comparatively higher finance charges and lower interest rates and some other banks charge vice –versa. There is no thumb rule to charge processing fee @ 1% on such loans. Generally, it ranges from 1% to 3% depending upon the overall risk profile of the particular borrower and industrial segment to which it belongs. The Petitioner submitted the summary of processing charges paid for Term Loans sanctioned during FY 2014-15 as provided below:

Table 5:16: PROCESSING CHARGES FOR TERM LOAN AS CLAIMED BY THE PETITIONER (Rs. Crore)

Sl. No.	Bank	Sanctioned Term Loan (Rs. Cr.)	Tenure of Loan	Average Maturity	Processing Fee	Annualized Processing Fee (%)	Interest Rate	Overall Cost	Prevailing SBI PLR
			(Years)	(Years)	(%)				
1	IDBI Bank	150	7	4	1.81%	0.45%	11.00%	11.45%	14.75%

5.11.13 In view of the above, the Commission while approving the finance charges has considered the processing charges only for the normative working capital requirement which has been recomputed as Rs. 0.40 Crore.

5.11.14 The Commission has observed that the Licensee has got the sanctions of the loans in FY 2014-15 for the capital expenditure to be undertaken during FY 2015-16. Therefore, the Licensee has claimed the processing charges of Rs 2.70 Crore towards sanction of Fresh Term Loans for FY 2015-16 in the True-up Petition for FY 2014-15. The Commission is approving the processing charges of sanction of Fresh Term Loans as claimed by Licensee; however Licensee shall not be entitled to the processing charges for FY 2015-16during truing up of FY 2015-16as the same has been approved currently.

Table 5:17: PROCESSING CHARGES APPROVED BY THE COMMISSION (Rs. Crore)

Sl. No.	Financing Activity	Charges Paid	Approved
1	Fund Based WCF Renewal & CP Issue	1.54	0.40
2	Non Fund Based WCF Renewal	0.44	0.44
3	Sanction of Term Loan from IDBI	2.70	2.70
	Total	**4.68**	**3.54**

5.11.15 The summary of the Finance charges as claimed by the Petitioner and as approved by the Commission for FY 2014-15 are shown in the Table below:

Table 5:18: FINANCE CHARGES APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Credit Rating Charges	0.15	0.12	0.12
Processing Charges	6.00	4.68	3.54
Other Finance Charges	1.12	0.36	0.36
Total Finance Charges	7.27	5.16	4.02

5.12 INTEREST ON SECURITY DEPOSIT:

5.12.1 The Commission in its Tariff Order dated October1, 2014approved the Interest on Security Deposit at 9.00%.The Petitioner in its True-up petition has claimed interest on security deposit as Rs. 11.33 Crore at 9.00%, based on the RBI's Bank Rate prevailing on the April 1, 2014 i.e. 9.00%p.a.

5.12.2 Clause No. 4.8.3 of the Distribution Tariff Regulation, 2006 provides that the Licensee shall pay interest equivalent to the bank rate or more on the consumer security deposits, as may be specified by the Commission.

Commission's Analysis

5.12.3 In its Tariff Order for FY 2014-15, the Commission based on the submission of the Petitioner approved the rate of interest to be paid on security deposit at 9.00% which is same as the RBI Bank Rate prevailing as on April 1, 2014 and the Petitioner has paid the interest on security deposit at the rate of 9.00%.

5.12.4 The Commission has approved the actual interest on security deposit paid / provided for FY 2014-15 as per audited accounts for FY 2014-15. The details of the interest on security deposits claimed and trued-up by Commission for FY 2014-15 are given in the Table below:

Table 5:19: INTEREST ON SECURITY DEPOSIT AS APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Opening Balance of Security Deposit	96.07	104.09	104.08
Addition during the year	18.00	35.12	35.12
Closing Balance for Security Deposit	114.07	139.21	139.21
Average Balance for Security Deposit	**105.07**	**121.65**	**121.64**
Rate of Interest	9.00%	9.00%	9.00%
Interest payable on Security Deposit	**9.46**	**11.33**	**11.33**

5.12.5 The company has paid interest on consumer security deposit @ 9.00% p.a. on its consumer security deposits. The interest on security deposit is trued-up at Rs. 11.33 Crore as per the Audited Accounts of FY 2014-15.

5.13 INTEREST CAPITALISATION:

5.13.1 The Petitioner submitted that as per the directions of the Commission and Hon'ble Appellate Tribunal of Electricity (ATE), from FY 2011-12, it has adopted the methodology for capitalization of actual interest cost incurred over new assets in accordance with "Accounting Standard 16 on Cost of Borrowing".

5.13.2 According to the methodology, interest expenses incurred on the purchase of materials is being computed from the date of supply and in case of labour expenses, it is being computed from the date of erection for each project. The Petitioner submitted that it is using SAP based ERP for the purpose of accounting and maintenance of Fixed Asset Register. Thus, the interest cost so computed is included in the project cost and is being capitalized along with the same for deprecation, RoE etc. purposes.

5.13.3 Considering the above methodology appropriate, the Commission has approved the Interest capitalization for FY 2014-15 as Rs. 4.61 Crore as per Audited Accounts of the Petitioner.

5.14 SUMMARY OF INTEREST & FINANCE CHARGES:

5.14.1 The Summary of Interest and Finance Charges trued-up by the Commission for FY 2014-15 are given in the Table below:

Table 5:20: SUMMARY-INTEREST & FINANCE CHARGES APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Interest on Long term loans	41.82	36.03	36.03
Interest on short term loans/working capital	12.57	10.36	10.24
Finance charges	7.27	5.16	4.02
Interest on security deposit	9.46	11.33	11.33
Total Interest & Finance charges	**71.12**	**62.88**	**61.63**
Less: Interest capitalization	1.24	4.61	4.61
Net Interest & Finance charges	**69.87**	**58.27**	**57.02**

5.15 EFFICIENCY GAINS DUE TO SWAPPING OF LOAN

5.15.1 The Petitioner submitted that to minimize the cost of borrowing, it has renegotiated its term loan facilities with ICICI Bank, IDBI Bank and Bank of Maharashtra for swapping of these term loan facilities with new loan facilities bearing lower interest cost. Such swapping of loans resulted in accrual of saving in interest cost of Rs. 4.31 Crore for FY 2014-15 to be shared with its consumers in accordance with Clause 4.8 and 4.11 of Distribution Tariff Regulations, 2006. The Petitioner has worked out the total savings in the interest cost for FY 2013-14 amounting to Rs. 1.46. Crore, of which Petitioner has claimed Rs 0.73 Crore as efficiency gain.

Table 5:21: Efficiency Gains on Swapping of Loans for FY 2014-15 as claimed by the Petitioner (Rs. Crore)

Sl. No.	Bank	Loan Amount	FY 2014-15	
			Approved	Actual
1	ICICI Bank	125	0.6	0.6

Sl. No.	Bank	Loan Amount	FY 2014-15	
			Approved	Actual
2	ICICI Bank	40	0.21	0.21
3	IDBI Bank	75	0.44	0.44
4	Bank of Maharashtra	55	0.17	0.17
5	Yes Bank Ltd	30	0.03	0.03
	Total		**1.46**	**1.46**
50% Efficiency Gain claimed			**0.73**	**0.73**

5.15.2 In reply to the Commission's query with regard to processing charge incurred with respect to swapping of term loans the Petitioner replied that, no processing charges has been incurred and claimed by the Petitioner in FY 2014-15 against swapping of these loans. It is clear that the consumers as well as Licensee should be benefited by the swapping of the loans. The relevant provision of the regulation 4.8.1(f) of the U.P. Electricity Regulatory Commission (Terms and Conditions for determination of Distribution Tariff) Regulation, 2006 is reproduced below:

"(f) The benefit on account of loan swapping / restructuring of debts shall be shared between the distribution licensee and the consumers/beneficiaries in the proportion specified in regulation 4.11.

Provided that interest and finance charges of renegotiated loans agreements shall not be considered, if they result in higher charges,

Provided further that the Commission will allow the cost of debt restructuring / swapping of loans while determining the Annual Revenue Requirement of the licensee.

Provided further that interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost.

Provided further in case of any moratorium period is availed of by the Distribution licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as loan repayment during those years and the interest on loan capital shall be calculated accordingly"

5.15.3 The relevant provision of the regulation 4.11 of the U.P. Electricity Regulatory Commission (Terms and Conditions for determination of Distribution Tariff) Regulation, 2006 is reproduced below:

"4.11 Profit Sharing

1. The licensee will be allowed an approved return for the ensuingfinancial year.

2. However, if the licensee makes more profit than the approved return on account of improved performance by way of reduction of Distribution Losses, better collection efficiency etc., the Commission may treat the profit beyond the approved return in the following manner:

(i) Licensee shall be entitled to retain 50% of the additional profit earned on account of operational efficiencies

(ii) 25% shall be credited to the licensee's contingency reserve.

(iii) The remaining 25% shall be passed on to the consumers by way of reduction in ARR"

5.15.4 Since during the FY 2014-15 the reduction in interest is more than the processing cost of swapping of the loans, the Commission, in line with the provisions of the Distribution Tariff Regulation, 2006 stated above, has approved efficiency gain on account of swapping of term loan undertaken during FY 2014-15 as claimed by the Petitioner.

5.16 CAPITALISATION OF ASSETS & COMPUTATION OF EQUITY:

5.16.1 The Petitioner has claimed return on equity at 16% on the equity base determined as per clause 4.10.1 of the Distribution Tariff Regulations, 2006.

Commission's Analysis:

5.16.2 As per Clause 1 of Regulation 4.10 of the Distribution Tariff Regulations, 2006, return on equity shall be allowed at 16% on the equity base determined in accordance with Regulation 4.7.

5.16.3 The Capitalisation of Assets or Capital Formation takes place from Opening Work in Progress (WIP) and investments / capex undertaken during the year. The truing-up computation of equity approved by the Commission for FY 2014-15 is given in the Table below:

Table 5:22: CAPITALISATION OF ASSETS & COMPUTATION OF EQUITY APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Opening CWIP	2.00	24.81	24.81
Capital Investment	239.43	162.47	162.47
Total capitalization=Transfer to GFA	239.18	186.02	186.02
Capitalization of Capex approved during the year	237.18	161.22	161.22
Consumer contribution	7.92	15.04	14.88
Remaining investment	**231.51**	**147.43**	**147.59**
Debt	162.06	103.20	103.31
Equity	69.45	44.23	44.28
Portion of investment assumed to be capitalized through Consumer Contribution	**7.85**	**14.92**	**14.76**
Portion of remaining investment to be capitalized	**229.33**	**146.29**	**146.45**
Debt	160.53	102.40	102.52
Equity	68.80	43.89	43.94
Portion of Opening CWIP	0.56	6.74	6.74
Total Equity for RoE	**69.36**	**50.63**	**50.68**

5.17 GROSS FIXED ASSETS (GFA) & WORK-IN-PROGRESS:

5.17.1 The petitioner has submitted the audited GFA for truing-up and the same is presented in the table below along with Commission's approval for FY 2014-15.

Table 5:23: GROSS FIXED ASSETS APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Opening Balance (GFA)	780.03	739.13	739.14
Addition during the Year	239.18	186.02	186.02
Retirement during the Year	2.10	2.26	2.25
Closing Balance	1,017.11	922.89	922.90

5.18 DEPRECIATION:

5.18.1 The Petitioner submitted that depreciation on plants, equipments and installations has been computed under separate categories in accordance with the rates prescribed under the Distribution Tariff Regulations, 2006. In case of Computers and IT assets, depreciation has been provided at the rates prescribed by the Commission in its Tariff Order dated September 1, 2008. The Petitioner submitted that the Depreciation corresponding to the consumer contribution has been reduced from depreciation on above GFA.

Commission's Analysis:

5.18.2 The Commission in its Distribution Tariff Regulations, 2006 has specified the rates to be utilized for the purposes of computing depreciation for different class of assets. The Commission in the Tariff Order dated September 1, 2008 para 4.16.3 had allowed the Licensee to charge higher depreciation on IT assets at 30% instead of 12.77%.

5.18.3 The Commission observed that the average GFA calculated (in the above table) from the opening balance for GFA i.e. Rs. 739.13 Crore and closing balance of GFA and Rs. 922.89 Crore as submitted by the Petitioner is Rs. 831.01 Crore, but the average GFA used by the Petitioner in the calculation of depreciation is Rs. 953.11 Crore. In reply to this observation of the Commission NPCL replied that the GFA calculated by the Petitioner does not include "Assets taken over from GNIDA and UPSIDC". However, the total deprecation has been computed firstly on total Gross Fixed Asset i.e. including asset created from consumer contribution and asset taken over from GNIDA/ UPSIDC and then depreciation on both the above assets have been reduced for the purpose of determination of Tariff in accordance with proviso to Clause 4.9.1 of Distribution Tariff Regulations 2006.Hence, the difference between average GFA of Rs. 953.11 Crore and Rs. 831.01 Crore is on account of assets taken over from GNIDA / UPSIDC, being not considered for the purpose of depreciation.

5.18.4 Considering the above submissions of the Petitioner, the depreciation expenses as claimed by the Petitioner and as approved by the Commission for FY 2014-15 are provided in the Table below:

Table 5:24: DEPRECIATION APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Depreciation	54.67	54.76	46.56
Less: Depreciation on Consumer Contribution	7.38	15.52	7.32
Net Depreciation	**47.30**	**39.24**	**39.24**
Average Normative GFA	898.57	953.11	831.02
Weighted average depreciation rate	6.08%	5.74%	5.60%

5.19 INCOME TAX:

5.19.1 Clause 4.13 of UPERC Distribution Tariff Regulations, 2006, specified as below:-

"4.13 Tax on Income:

1. Tax on the income streams of the distribution licensee from core business shall be treated as an expense and shall be recovered in tariff.

2. Any under-recoveries or over-recoveries of tax on income shall be adjusted every year on the basis of income tax assessment under the Income Tax Act, 1961 as certified by the statutory Auditors"

The Petitioner submitted that the Commission vide its Tariff Order dated June 26, 2007 provided that Taxes shall be allowed on actual basis. Further the Petitioner submitted that the Commission in its Tariff Order dated 1st October'2014 while approving the income tax liability for FY 2014-15 has stated that,

"…. The Commission has provisionally considered the Income tax liability for FY 2014-15 which shall be subject to actual Income Tax paid by the Petitioner in FY 2014-15 which will also cover the tax liability for previous years if any…"

Further the Petitioner added that the Commission in its various Tariff Orders had been approving the income tax liability on actual payment basis. Accordingly, the Petitioner claimed the income tax liability as per MAT, as Rs. 17.55 Crore and Income tax demand of Rs 6.29 Crore for FY 2014-15. The Petitioner also submitted the copies of Income Tax challans along with the Petition.

Commission's Analysis:

5.19.2 The Petitioner has claimed the Income Tax as Rs. 23.84 Crore as against the approved income tax of Rs. 12.91 Crore for FY 2014-15. The Petitioner in its Petition has also submitted the challans for the income tax payments. The Income Tax claimed in the Petition approved by the Commission is shown in the Table below:

Table 5:25: INCOME TAX AS CLAIMED BY THE PETITIONER AND AS PER CHALLANS (Rs. Crore)

Sl.No.	Nature of Tax	Approved	Actual
1	Minimum Alternate Tax	12.91	17.55
2	Income Tax Demand for earlier years	0.00	6.29
3	**Total Tax Expense**	**12.91**	**23.84**

5.19.3 For the purpose of Truing-up, the Commission, in line with the approach followed in previous years, has approved the actual Income Tax liability of Rs.23.84 Crore as per the Income tax challans submitted by the Petitioner.

5.20 CONTINGENCY RESERVE:

5.20.1 Clause No. 4.14 of the Distribution Tariff Regulations, 2006 provides for creation of Contingency Reserve upto 0.5% of opening gross fixed assets to be included in ARR for meeting cost of replacement of equipment damaged due to force majeure situations. The Petitioner in its true-up petition has not claimed any contingency reserve for FY 2014-15.

5.20.2 Accordingly, the Commission for the truing up purpose for FY 2014-15 has not considered any contingency reserve.

5.21 PROVISION FOR BAD & DOUBTFUL DEBTS:

5.21.1 The expense claimed by the Petitioner on account of bad and doubtful debts for FY 2014-15isRs. 10.61 Crore as against the approved amount of Rs. 8.90 Crore. The Petitioner submitted that any recovery around 97% - 98% of the sales should undoubtedly be considered as efficient collection and, therefore, the balance 2-3% may be provided as bad and doubtful debts.

Commission's Analysis:

5.21.2 As per clause 4.4 of the Distribution Tariff Regulations, 2006;

> *"Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables provided the Distribution Licensee actually identifies and writes off bad debts as per the transparent policy approved by the Commission."*

5.21.3 Thus, from the above, bad debts subject to actual written off in the audited books shall be allowed upto 2% of the revenue for the year under consideration. The Commission had provisionally approved bad debts for FY 2013-14 at 1.00% of revenue vide Tariff Order dated October1, 2014. The Petitioner has claimed bad debts for FY 2014-15at 1.09% of revenue billed during the year as per transparent policy duly approved by the Commission.

5.21.4 The Commission considers it appropriate that since the Licensee has written off bad debts on actual basis after taking its Management's approval, the bad-debts may be trued-up at 1.09% level on revenue approved by Commission. The details of bad-debts trued-up by the Commission for 2014-15 are provided in the Table below:

Table 5:26: BAD & DOUBTFUL DEBTS FOR FY 2014-15 (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Receivable from Customers at the beginning of the year	85.49	52.54	52.54
Revenue billed for the year	889.97	975.97	975.97
Collection for the year	846.58	967.32	956.72
Gross receivable from customer as at the end of the year	119.98	61.19	61.19
% of Provision	1.00%	1.09%	1.09%
Provision for Bad & Doubtful debts	8.90	10.61	10.61

5.22 MISCELLANEOUS EXPENSES:

5.22.1 The Petitioner submitted that the Commission in its Tariff Order dated October1, 2014, had approved a Miscellaneous Expenditure viz. loss on sale of fixed assets at Rs. 0.23 Crore. During, FY 2014-15, most of the assets retired comprised of meters which are largely funded through consumer contribution. Thus, though the loss on sale / retirement of these meters was Rs. 0.24 Crore, Rs. 0.16Crore was set-off from consumer contribution and remaining Rs. 0.08Crore on account of loss on sale of fixed assets is claimed as miscellaneous expenditure. The Petitioner requested the Commission to allow the same accordingly for FY 2014-15.

5.22.2 Considering that due to fast obsolescence and normal wear and tear, some of the assets are required to be scrapped before their useful life. Hence, the loss on sale of assets incurred due to disposal of such scrap assets is genuine and legitimate business expenditure and therefore, the Commission approves miscellaneous expenditure at Rs. 0.08 Crore as per Audited Accounts of the Petitioner for FY 2014-15.

5.23 RETURN ON EQUITY:

5.23.1 The Licensee is entitled to earn Return on Equity as per Clause No. 4.10 of the Distribution Tariff Regulations, 2006.

5.23.2 The Petitioner based on its computations of equity after making adjustment for interest capitalization has claimed return of Rs. 34.47 Crore.

Commission's Analysis:

5.23.3 The return on equity computed by Commission and approved for FY 2014-15 is provided in the Table below:

Table 5:27: RETURN ON EQUITY APPROVED BY THE COMMISSION FOR FY 2014-15 (Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Regulatory Equity Base at the beginning of the year	202.76	190.14	190.14
Assets Capitalised during the year	239.18	186.02	186.02
Equity portion of Assets Capitalised during the year	69.36	50.63	50.68
Regulatory Equity Base at the end of the year	272.12	240.77	240.82
Computation of Return on Equity			
Return on Opening Regulatory Equity Base @16%	32.44	30.42	30.42
Return on Addition to Equity Base during the year@ 16%	5.55	4.05	4.05
Total Return on Equity	37.99	34.47	34.48

5.23.4 The return on equity trued-up for FY 2014-15 is Rs. 34.48 Crore as against Rs. 37.99 Crore approved in Tariff Order dated October1, 2014.

5.24 NON TARIFF INCOME:

5.24.1 The Non-Tariff Income includes delayed payment surcharge, miscellaneous charges, income from investments, interest on fixed deposits and income from consultancy business. The non-tariff income claimed by NPCL for truing-up for FY 2014-15 is Rs. 2.35 Crore.

5.24.2 In order to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the Commission in its Tariff Order dated October1, 2014 had reduced the amount of non-tariff income by the financing costs of DPS on account of the reasons highlighted in section 5.26 of the aforesaid Order.

5.24.3 The financing cost of delayed payment surcharge is computed by the Commission based on the actual DPS for the year. The DPS is grossed up conservatively based on the highest applicable surcharge rate which is 1.5% per month. Further, the financing cost is arrived at on the grossed-up amount and interest rate of 14.75% as approved for working capital requirement. The computation of the financing cost for DPS is provided below:

Table 5:28: COST OF BORROWING FOR DPS APPROVED BY THE COMMISSION FOR FY 2014-15

(Rs. Crore)

Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
Delayed Payment Surcharge (Rs. Crore)	1.70	3.64	3.64
DPS grossed up at 1.50% per month or 18% per annum	18%	18%	18%
Amount (Rs. Crores)	9.44	20.23	20.23
Financing cost @SBI PLR	14.58%	14.75%	14.75%
Cost of Borrowing (Rs. Crores)	1.38	2.98	2.98

5.24.4 The Commission approves the non-tariff income net of financing cost for DPS at Rs. 2.35Crore for the truing-up for FY 2014-15.

5.25 REVENUE FROM SALE OF POWER:

5.25.1 NPCL in the true-up petition has submitted that the revenue from sale of power as per Audited Accounts is Rs.919.18 Crore. The Commission has approved the sales as per Audited Accounts and accordingly approves the revenue from sale of power at Rs. 919.18 Crore. The category wise revenue from sale of power including regulatory surcharge for FY 2014-15 is provided in the Table below:

Table 5:29: REVENUE APPROVED BY THE COMMISSION FOR FY 2014-15

Particulars	Sales	Revenue	Average Realisation
	(MU)	(Rs. Crore)	(Rs/kWh)
LMV-1: Domestic Light, Fan & Power	233.10	120.91	5.19
LMV-2: Non Domestic Light, Fan & Power	22.83	19.47	8.52
LMV-3: Public Lamps	36.06	25.22	7.00
LMV-4: Institutions	14.21	10.86	7.65
LMV-5: Private Tube Wells	26.98	3.60	1.34

Particulars	Sales	Revenue	Average Realisation
	(MU)	(Rs. Crore)	(Rs/kWh)
LMV 6: Small and Medium Power	48.86	43.89	8.98
LMV-7: Public Water Works	13.97	12.05	8.62
LMV-8: STW and Pumped Canals	0.31	0.27	8.74
LMV-9: Temporary Supply	33.61	27.40	8.15
HV-1: Non Industrial Bulk Power	87.94	72.49	8.24
HV-2: Large and Heavy Power	792.02	583.01	7.36
Total	**1,309.89**	**919.18**	**7.02**

5.26 REVENUE GAP OF FY 2013-14:

5.26.1 The revenue gap carried forward from FY 2013-14 was Rs. 565.80 Crore as determined by the Commission in its Order dated June 18, 2015. However the Petitioner has considered Rs. 586.08 Crore as revenue gap for FY 2013-14 while calculating total revenue gap for FY 2014-15. In reply to the Commission's query regarding such consideration the Petitioner submitted that as it has preferred an appeal before the Hon'ble Appellate Tribunal For Electricity ("APTEL") viz. Appeal No. 174 of 2015 aggrieved by the Tariff Order dated June 18, 2015 in which True-up for FY 2013-14 was done by the Commission and the said appeal is still pending and sub-judice before the Hon'ble APTEL, the Petitioner in accordance with the principles being followed by this Commission in its earlier Tariff Orders dated May 31, 2013 and October 1, 2014, has considered the accumulated revenue gap carried forward to FY 2014-15 at Rs. 586.08 Crore as against Rs. 565.80 Crore.

5.26.2 In the meanwhile Hon'ble APTEL gave its Judgment in this regard on June 2, 2016. The Commission again recomputed the ARR for FY 2013-14 in light of the Judgment of the Hon'ble APTEL which has already been covered in earlier section of this Order. The Commission in line with its revised True-up Order for FY 2013-14 (as approved in this Order) has considered the revised approved revenue gap of Rs.583.62 Crore for FY 2013-14 for calculating the revenue gap for FY 2014-15.

5.27 CARRYING COST:

5.27.1 The Petitioner submitted that the carrying forward of Regulatory Assets should be resorted to only under exceptional circumstances, but if Regulatory Assets are created by the Commission, then the Licensee is entitled to the Carrying cost of Regulatory Assets.

5.27.2 The Petitioner submitted that in order to avoid tariff shock, the Commission has been creating regulatory assets, and in such a case, the financing costs / carrying costs on such regulatory assets needs to be necessarily and mandatorily be allowed to the Company. In fact, the Tariff Policy, 2006 provides that in such case the State Commissions should ensure appropriate return on equity in order to enable the utilities to borrow in future also. Keeping the above in view, the Commission, in its Tariff Order dated October 19, 2012,May 31, 2013 and October 1, 2014 has allowed carrying cost of regulatory asset at weighted average SBI-PLR on monthly compounding basis. Accordingly, the Commission has approved a carrying cost of Rs. 87.65 Crore for FY 2014-15 in its aforesaid Tariff Order. Based on the same principles, the Petitioner claimed the carrying cost also for FY 2014-15 at 15.79%.

Commission's Analysis

5.27.3 Regulation 6.12 (3) of Distribution Tariff Regulations, 2006 provides for allowance of financing cost on regulatory assets. Further, the Hon'ble ATE has held that proper financing costs / carrying costs / interest charges on the regulatory assets has to be allowed by the Commission. In respect to the same, the Commission in its Order dated October 1, 2014 specified as follows:

> "Considering the same, the Commission while computing the carrying cost for FY 2014-15 has considered the adjustment of Rs. 72.00 Crore only from 1st April, 2014 to 3rd July, 2014. Further, as detailed earlier in Truing-up Section for FY 2012-13, the Commission has computed the carrying cost for FY 2014-15 at monthly compounded weighted average SBI PLR rate as shown in the Table below"

5.27.4 Further Hon'ble APTEL in its Judgment dated June 2, 2016 also held that the Commission must continue with the earlier practice of allowing interest rate on the basis of SBI-PLR rate on monthly compounding basis. Such interest must be same as that for Working Capital and delayed payment surcharge. The relevant extract of the same has been reproduced below:

> *"g. We are in agreement with the views of Appellant that there is difficulty in finding resources to fund the Revenue Gap till the same is met in future year tariffs. Banks/financial institutions generally find it highly risky to provide funds for meeting such revenue gaps because of uncertainty attached to the recovery of the same.*

h. We have ordered in favour of Appellant while deciding issues dealt above regarding Interest on working Capital and Interest on Delayed Payment Surcharge against the State Commission adopting Base Rate plus margin as the applicable interest rate. For the same reasons as detailed above, in this case of allowing interest rate for carrying cost of Regulatory Assets, we observe that ***the State Commission should have continued the earlier practice adopted by it since notification of Distribution Tariff Regulations in Impugned Tariff Order too i.e. SBI-PLR rate as the Interest Rate with monthly compounding basis" [Emphasis Supplied].***

5.27.5 Therefore, the Commission in line with the approach followed in its Tariff Orders prior to FY 2015-16 and the Judgment dated June 2, 2016 of Hon'ble APTEL has considered the monthly compounding of the interest for computation of carrying cost. The computation of carrying cost approved by the Commission is given in the table below:

Table 5:30: CARRYING COST APPROVED BY THE COMMISSION FOR FY 2014-15

Particulars	Formula	True-up Petition	Approved upon Truing Up
Revenue Gap (For FY 2014-15)	A	(75.35)	(87.31)
Revenue Gap (For previous year)	B	586.08	583.62
Average fund available through invocation of PBG under PPA dated 9thMay, 2012	C = 72*93/365	(18.35)	(18.35)
Avg. SBI PLR (With monthly compounding)	D	15.79%	15.79%
Carrying Cost on Revenue Gap for FY 2013-14	E= D x (A/2)	(5.95)	(6.89)
Carrying Cost on Revenue Gap for previous years	F = D x (B+C)	89.64	89.25
Total Carrying cost	G = E + F	83.69	82.36

5.28 SUMMARY OF ARR FOR FY 2014-15:

5.28.1 Based on the above cost approvals, the summary of the ARR approved for FY 2014-15 is provided in the Table below:

Table 5:31: SUMMARY OF TRUE UP FOR FY 2014-15 (Rs. Crore)

Sr. No.	Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
1	Power Purchase Expenses	555.10	565.23	564.66
2	Transmission Charges (UPPTCL+PGCIL)	61.08	47.17	47.17
3	Net O&M Expenses	41.33	47.09	39.26

Sr. No.	Particulars	Approved vide T.O. 1/10/14	True-up Petition	Approved upon Truing Up
4	Statutory & Other Regulatory Expenses	2.03	3.72	1.42
5	Net Interest charges	71.12	62.88	61.63
6	Depreciation	47.30	39.24	39.24
7	Taxes (Income Tax and FBT)	12.91	23.84	23.84
8	**Gross Expenditure**	**790.88**	**789.19**	**777.22**
9	Interest capitalized	1.24	4.61	4.61
10	**Net Expenditure**	**789.63**	**784.57**	**772.61**
11	Provision for Bad & Doubtful debts	8.90	10.61	10.61
12	Miscellaneous Expenses	0.23	0.08	0.08
15	Total net expenditure with provisions	798.76	795.26	783.30
16	Add: Reasonable Return / Return on Equity	37.99	34.47	34.48
17	Less: Non Tariff Income	1.31	2.35	2.35
18	Add: Efficiency Gains	0.73	0.73	0.73
19	Refund to consumers	-	15.72	15.72
20	**Annual Revenue Requirement (ARR)**	**836.17**	**843.83**	**831.87**
21	Revenue from Existing Tariff	849.36	919.18	919.18
22	Additional Revenue from Revised Tariff	40.61	-	-
23	**Revenue Gap/(Surplus)**	**(13.19)**	**(75.35)**	**(87.31)**
24	Revenue Gap/ Surplus from Prev. Year	607.43	586.08	583.62
25	Carrying cost	87.65	83.69	82.36
26	**Revenue Gap carried forward**	**641.28**	**594.43**	**578.67**

5.28.2 The Revenue surplus determined for FY 2014-15 upon truing-up is Rs. 87.31 Crore as against Rs.13.19 Crore provisionally approved in Order dated October 1, 2014. The Net Revenue Gap for FY 2014-15 after considering the revenue gap of Rs. 583.62 Crore from previous year as per the revised True up Order of the Commission and carrying cost of Rs. 82.36 Crore is Rs. 578.67 Crore. The same is carried forward in the ARR approval of FY 2016-17.

6. REVISED ARR FOR FY 2015-16

6.1 INTEREST ON WORKING CAPITAL:

6.1.1 The Commission in its Tariff Order dated June 15, 2015 in the matter of Truing up for FY 2013-14 and for determination of ARR for FY 2015-16 approved rate of interest on working capital at 12.50% in place of the weighted average of SBI-PLR as considered in its previous Tariff Orders in response to the replacement of BPLR with the Base Rate system for levying interest on loan vide "Master Circular - Interest Rates on Advances" dated July 2, 2012, of RBI which mandated all loans to be priced only with reference to base rate with effect from July 1, 2010. The Clause 4.8.2(b) of the UPERC Distribution Tariff Regulations, 2006 provides for bank rate as specified by the Reserve Bank of India for the relevant year plus a margin as decided by the Commission. The Petitioner challenged this matter before the Hon'ble APTEL. The Hon'ble APTEL in its Judgment dated June 2, 2016 held that the Commission has deviated from the provisions of the applicable Distribution Tariff Regulations while computing the interest rate on working capital and decided the matter in favor of the Petitioner. The relevant extract of the same had been reproduced below:

> *"c. Hence on this issue too,* ***we are of the opinion that the methodology adopted by the State Commission of considering SBI-PLR rate as 'Bank Rate plus Margin', since notification of Distribution Tariff Regulations 2006 should have been continued while deciding the ARR requirement of the Appellant for FY 2015-16 and Truing-up of the Financials for FY 2013-14 through the Impugned Tariff Order."***

6.1.2 The interest on Working Capital has been recomputed as per the direction of the Hon'ble APTEL considering weighted average SBI PLR rate as provided in the table provided below:

Table 6:1: REVISED INTEREST ON WORKING CAPITAL FOR FY 2015-16 - APPROVED (Rs. Crore)

Particulars	Petition	Approved vide T.O. 18/6/15	Revised Approved as per Hon'ble APTEL Judg. dated 2/6/16
One Month's O&M Expenses	5.74	4.11	4.11
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	17.28	17.28	17.28
Receivables equivalent to 60 days average billing on consumers	202.93	210.49	210.49

Particulars	Petition	Approved vide T.O. 18/6/15	Revised Approved as per Hon'ble APTEL Judg. dated 2/6/16
Gross Total	**225.96**	**231.88**	**231.88**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003			
Opening Balance	134.09	134.08	134.08
Received during the year	35.00	35.00	35.00
Closing Balance	169.09	169.08	169.08
Less: Security Deposit with UPPCL	11.28	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	140.31	140.30	140.30
Net Working Capital	**85.65**	**91.58**	**91.58**
Rate of Interest for Working Capital	14.75%	12.50%	14.29%
Interest on Total Working Capital	**12.63**	**11.45**	**13.08**

6.2 NON TARIFF INCOME:

6.2.1 The Non-Tariff Income includes delayed payment surcharge, miscellaneous charges, income from investments, interest on fixed deposits and income from consultancy business. The non-tariff income claimed by the Petitioner in its Petition for determination of ARR for FY 2015-16 was Rs. 2.03 Crore, net of Rs. 2.25 Crore i.e. Cost of Borrowing for DPS.

6.2.2 As per the approach followed by the Commission in its previous Orders and to appropriately compensate for the cost incurred for financing the deferred payment beyond the normative period, the Commission in its Tariff Order dated June 18, 2015 reduced the amount of non-tariff income by the financing costs of DPS.

6.2.3 The financing cost of delayed payment surcharge was computed by the Commission based on the projected DPS for the year. The DPS was provisionally grossed up at 18% per annum. Further, the financing cost was arrived at on the grossed-up amount and interest rate as considered for working capital was applied.

6.2.4 The Commission has been considering the SBI PLR rate for computing the cost of borrowing DPS to be a part of non-tariff income till FY 2014-15. The Commission in its Tariff Order for FY 2015-16 considered the financing cost of

12.50% for computing cost of borrowing DPS in line with the replacement of BPLR with the Base Rate system for levying interest on loan vide "Master Circular - Interest Rates on Advances" dated July 2, 2012, issued by RBI. The Petitioner challenged this matter before the Hon'ble APTEL.

6.2.5 Hon'ble APTEL in its Judgment dated June 2, 2016 in the above matter held that the Commission must have considered the consistent approach of applying interest rate as per SBI-PLR for calculating financing cost of borrowing delayed payment surcharge. The relevant extract of the same has been reproduced below:

> *"b. As per Respondent, the State Commission has followed a consistent approach while approving interest rate. As the State Commission has changed the interest rate of working capital for FY 2013-14, the same interest rate has also been considered for cost of financing the Delayed Payment Surcharge.*
>
> *c. In view of the observations expressed by us while deciding Issue No.1 and Issue No.2 above, this issue of applicable interest rate on delayed payment surcharge is being decided in favour of the Appellant. The State Commission should have considered the consistent approach of adopting existing methodology of applying interest rate as per SBI-PLR in the Impugned Tariff Order also."*

6.2.6 The cost of DPS has been recomputed as per the direction of the Hon'ble APTEL considering weighted average SBI PLR rate as provided in the table below:

Table 6:2: REVISED COST OF BORROWING FOR DPS FOR FY 2015-16 (Rs. Crore)

Particulars	Petition	Approved vide T.O. 18/6/15	Revised Approved as per Hon'ble APTEL Judg. dated 2/6/16
Delayed Payment Surcharge (Rs. Crore)	2.75	2.75	2.75
DPS grossed up at 1.50% per month or 18% per annum	18%	18%	18%
Amount (Rs. Crore)	15.28	15.28	15.28
Financing cost @SBI PLR	14.75%	12.50%	14.29%
Cost of Borrowing (Rs. Crore)	**2.25**	**1.91**	**2.18**

6.2.7 The Commission in its Tariff Order for FY 2015-16 dated June 18, 2015 had approved the non-tariff income net of financing cost for DPS at Rs. 2.37 Crore. The revised computation for cost of borrowing DPS resulted in change in the allowable Non Tariff income to Rs. 2.10 Crore as calculated in the table below:

Table 6:3: REVISED NON TARIFF INCOME APPROVED BY THE COMMISSION FOR FY 2015-16

(Rs. Crore)

Particulars	Petition	Approved vide T.O. 18/6/15	Revised Approved as per Hon'ble APTEL Judg. dated 2/6/16
Non Tariff Income without considering Cost of borrowing DPS	4.28	4.28	4.28
Less: Cost of Borrowing DPS	2.25	1.91	2.18
Allowable Non Tariff Income	2.03	2.37	2.10

6.3 CARRYING COST:

6.3.1 The Commission in its Tariff Order for FY 2015-16approved the rate of interest for computation of carrying cost at 12.50%. The Commission also allowed the recovery of past revenue gaps through Regulatory Surcharge and the Licensee will be able to recover certain portion of past revenue gap through the Regulatory Surcharge over the entire year. As the Licensee will be able to recover certain portion of past revenue gap throughout the year and for the reasons mentioned while allowing the carrying cost for truing up, the Commission did not consider the monthly compounding on the carrying cost. Thus the Commission in its Tariff Order for FY 2015-16, allowed interest rate at the rate of 12.50% on the carrying cost of the Regulatory Asset and also disallowed the monthly compounding as followed in its previous Tariff Orders.

6.3.2 In the above matter, the Petitioner appealed before the Hon'ble APTEL that the Commission has been following principle of approving the interest on regulatory asset based on the rate equivalent to SBI–PLR on monthly compounding basis, but in the Tariff Order for FY 2015-16 the Commission restricted the interest rate for the purpose of computing the carrying cost on the revenue gap to 12.50% and also to simple rate without allowing compounding at monthly interest.

6.3.3 Hon'ble APTEL in its judgment dated June 2, 2016 in this issue held that the Commission must continue with the earlier practice of allowing interest rate on the basis of SBI-PLR rate on monthly compounding basis. Such interest must be same as that for Working Capital and delayed payment surcharge. The relevant extract of the same has been reproduced below:

"g. We are in agreement with the views of Appellant that there is difficulty in finding resources to fund the Revenue Gap till the same is met in future year tariffs. Banks/financial institutions generally find it highly risky to provide funds for meeting such revenue gaps because of uncertainty attached to the recovery of the same.

*h. We have ordered in favour of Appellant while deciding issues dealt above regarding Interest on working Capital and Interest on Delayed Payment Surcharge against the State Commission adopting Base Rate plus margin as the applicable interest rate. For the same reasons as detailed above, in this case of allowing interest rate for carrying cost of Regulatory Assets, we observe that **the State Commission should have continued the earlier practice adopted by it since notification of Distribution Tariff Regulations in Impugned Tariff Order too i.e. SBI-PLR rate as the Interest Rate with monthly compounding basis.**" [Emphasis Supplied]*

6.3.4 The interest considered for calculating carrying cost on Regulatory Asset has been recomputed as per the direction of the Hon'ble APTEL considering weighted average SBI PLR rate applicable for FY 2015-16 with monthly compounding as provided in the table below:

Table 6:4: REVISED CARRYING COST APPROVED BY THE COMMISSION FOR FY 2015-16 (Rs. Crore)

Particulars	Formula	Approved vide T.O. 18/6/15	Revised Approved as per Hon'ble APTEL Judg. dated 2/6/16
Revenue Gap / (Surplus) (For FY 2015-16)	A	(69.31)	(67.40)
Revenue Gap (For previous year)	B	576.70	578.67
Interest Rate as per regulations	D	12.50%	15.26%
Carrying Cost on Revenue Gap for FY 2015-16	E = D x (A/2)	(4.33)	(5.14)
Carrying Cost on Revenue Gap for previous years	F = D x B	72.09	88.30
Total Carrying cost	H = E + F	67.76	83.16

6.4 SUMMARY OF ARR FOR FY 2015-16:

6.4.1 Based on the above revised cost approvals in consequence to Hon'ble APTEL Judgment DATED June 2, 2016, the revised summary of the ARR approved for FY 2015-16 is provided in the Table below:

Table 6:5: REVISED ARR SUMMARY FOR FY 2015-16 (Rs. Crore)

Sr. No.	Particulars	Petition	Approved vide T.O. 18/6/15	Revised Approved as per Hon'ble APTEL Judg. dated 2/6/16
1	Power Purchase Expenses	794.95	766.32	766.32
2	Transmission Charges (UPPTCL+PGCIL)	90.77	86.54	86.54
3	Net O&M Expenses	65.49	46.80	46.80
4	Statutory & Other Regulatory Expenses	3.41	2.46	2.46
5	Interest charges	87.21	80.22	81.86
6	Depreciation	65.17	65.17	65.17
7	Contingency Reserve	5.42	-	-
8	Taxes (Income Tax and FBT)	65.00	15.90	15.90
9	**Gross Expenditure**	**1,177.43**	**1,063.42**	**1,065.05**
10	Interest capitalized	3.78	3.78	3.78
11	**Net Expenditure**	**1,173.64**	**1,059.63**	**1,061.27**
12	Provision for Bad & Doubtful debts	17.42	16.81	16.81
13	Miscellaneous Expenses	0.41	0.41	0.41
14	**Total net expenditure with provisions**	**1,191.48**	**1,076.86**	**1,078.49**
15	Add: Reasonable Return / Return on Equity	46.76	46.76	46.76
16	Less: Non Tariff Income	2.03	2.37	2.10
17	Add: Efficiency Gains	0.51	0.51	0.51
18	**Annual Revenue Requirement (ARR)**	**1,236.73**	**1,121.76**	**1,123.67**
19	Revenue from Existing Tariff	1,161.32	1,167.55	1,167.55
20	**Revenue Gap/(Surplus)**	**75.41**	**(45.78)**	**(43.88)**
21	Revenue Gap/ Surplus from Prev. Year	688.00	576.70	578.67
22	Carrying cost	114.58	67.76	83.16
23	**Net Revenue Gap**	**877.99**	**598.67**	**617.96**

Sr. No.	Particulars	Petition	Approved vide T.O. 18/6/15	Revised Approved as per Hon'ble APTEL Judg. dated 2/6/16
24	Total Revenue at Approved Tariff	-	1,191.08	1,191.08
25	Additional Revenue from Revised Tariff	877.99	**23.53**	**23.53**
26	**Revenue Gap carrying forward**	-	**575.14**	**594.43**

6.4.2 From the above, the Revenue surplus for FY 2015-16 is Rs. 43.88 Crore at existing tariff. The total Revenue Gap at existing tariff for FY 2015-16 after considering the revenue gap of Rs. 578.67 Crore from previous years and carrying cost of Rs. 83.16 Crore is Rs. 617.96 Crore. The revenue at revised tariff is approved at Rs. 1191.08 Crore implying additional revenue due to tariff increase of Rs. 23.53 Crore during FY 2015-16. Thus, the revised revenue gap approved for FY 2015-16 to be carried forward to subsequent years is Rs. 594.43 Crore.

6.4.3 Further, the revenue gap carried forward for FY 2015-16 is approved provisionally and shall be subject to final true-up.

7. ARR FOR FY 2016-17

7.1 BACKGROUND:

7.1.1 The Commission in the earlier chapters has undertaken Truing-up of ARR for FY 2014-15 based on the audited accounts submitted by the Petitioner. Further, as there has been no significant change in FY 2015-16, the Commission has not revised the ARR for FY 2015-16 except for the modification consequential to the Judgment dated June 2, 2016 of the Hon'ble APTEL. In this Section the Commission has discussed in detail each of the component of ARR for FY 2016-17.

7.2 SALES APPROVAL:

The Petitioner submitted that based on its consumer base and the data base for specific category of consumers, it can have optimum projections for FY 2016-17 based on customized category-wise analysis. Based on the CAGR of past 3 years and proposed developments/ growth under various segments the Petitioner has projected energy sales, load and consumers for FY 2016-17 as shown in the Table below:

Table 7:1: SUMMARY OF NUMBER OF CONSUMERS, CONNECTED LOAD AND SALES AS PROJECTED BY THE PETITIONER FOR FY 2016-17

Sr. No.	Category	No. of Consumers	Connected Load (MW)	Sales (MUs)
1	LMV-1: Domestic Light, Fan & Power	67,493	240.22	288.64
2	LMV-2: Non Domestic Light, Fan & Power	3,461	18.50	29.62
3	LMV-3: Public Lamps	3	10.54	39.47
4	LMV-4: Institutions	337	7.29	17.12
5	LMV-5: Private Tube Wells	1,184	6.40	21.03
6	LMV 6: Small and Medium Power	2,073	59.60	65.32
7	LMV-7: Public Water Works	169	4.13	18.34
8	LMV-8: STW and Pumped Canals	1	0.13	0.31
9	LMV-9: Temporary Supply	506	38.06	50.58
10	HV-1: Non Industrial Bulk Power	107	50.80	126.11
11	HV-2: Large and Heavy Power	568	330.66	889.04
	Total	**75,902**	**766.34**	**1,545.58**

Commission's Analysis

7.2.1 The Petitioner based on its estimations has projected the sales for FY 2016-17 at a CAGR of 9% over FY 2014-15. For forecasting the consumption parameters, the Commission has adopted the same methodology as proposed by the Petitioner as it seems fair and equitable.. Therefore, the sales as projected by Petitioner have been considered for the ARR purpose as shown in the Table below:

Table 7:2: CATEGORY WISE SALES APPROVED BY THE COMMISSION FOR FY 2016-17

Sr. No.	Category	Actual Sales (FY 2014-15) (in Mu)	Provisional Sales (FY 2015-16) (in MU)	Sales Approved by the Commission for FY 2016-17 (in MU)
1	LMV-1: Domestic Light, Fan & Power	233.10	249.01	288.64
2	LMV-2: Non Domestic Light, Fan & Power	22.83	26.00	29.62
3	LMV-3: Public Lamps	36.06	34.90	39.47
4	LMV-4: Institutions	14.21	14.83	17.12
5	LMV-5: Private Tube Wells	26.98	14.69	21.03
6	LMV 6: Small and Medium Power	48.86	56.17	65.32
7	LMV-7: Public Water Works	13.97	15.94	18.34
8	LMV-8: STW and Pumped Canals	0.31	0.31	0.31
9	LMV-9: Temporary Supply	33.61	40.59	50.58
10	HV-1: Non Industrial Bulk Power	87.94	101.85	126.11
11	HV-2: Large and Heavy Power	792.02	839.04	889.04
	Total	**1,309.89**	**1393.34**	**1,545.58**

7.2.2 The category wise Number of Consumers, Connected Load and Sales approved for FY 2016-17are summarized in the Table below:

Table 7:3: CATEGORY WISE CONSUMERS, LOAD & SALES APPROVED FOR FY 2016-17

Sr. No.	Category	No. of Consumers	Connected Load (MW)	Sales (MUs)
1	LMV-1: Domestic Light, Fan & Power	67,493	240.22	288.64
2	LMV-2: Non Domestic Light, Fan & Power	3,461	18.50	29.62
3	LMV-3: Public Lamps	3	10.54	39.47
4	LMV-4: Institutions	337	7.29	17.12
5	LMV-5: Private Tube Wells	1,184	6.40	21.03
6	LMV 6: Small and Medium Power	2,073	59.60	65.32
7	LMV-7: Public Water Works	169	4.13	18.34
8	LMV-8: STW and Pumped Canals	1	0.13	0.31
9	LMV-9: Temporary Supply	506	38.06	50.58

Sr. No.	Category	No. of Consumers	Connected Load (MW)	Sales (MUs)
10	HV-1: Non Industrial Bulk Power	107	50.80	126.11
11	HV-2: Large and Heavy Power	568	330.66	889.04
	Total	**75,902**	**766.34**	**1,545.58**

7.2.3 Further, in reply to the Commission's deficiency note regarding no. of unmetered connections, load and sales of such consumers from FY 2013-14 to FY 2014-15 (till December), the Petitioner has submitted as follows:

Table 7:4: DETAILS OF UNMETERD CATEGORIES SUBMITTED BY PETITIONER

Categories/Sub-Categories	FY 2014-15						
	No. Of Consumers	Contracted Load(KW)	Energy Billed MU's	Billed Amount (Rs. Cr.)	Received Amount (Rs.Cr.)	Consumption/Consumer (kWh)	Consumption/KW
LMV1 – Domestic	3,035	6,760	17.88	2.31	1.63	491	220
LMV2 - Non-Domestic	0	0	0	0	0	0	0
LMV3 - Public Lamps	1	4,470	21.25	15.54	15.16	1,770,697	396
LMV5 – PTW	828	4,010	16.90	1.63	1.02	1,701	351
LMV8 - State Tube Well	1	126	0.31	0.27	0.26	25,925	205
LMV9 - Temporary Supply	0	0	0	0	0	0	0
Any Other Unmetered category	0	0	0	0	0	0	0

Categories/Sub-Categories	FY 2015-16 Till Dec,15						
	No. Of Consumers	Contracted Load (KW)	Energy Billed MU's	Billed Amount (Rs. Cr.)	Received Amount (Rs.Cr.)	Consumption/Consumer (kWh)	Consumption/KW
LMV1 – Domestic	2,606	6,451	7.09	1.24	0.75	227	92
LMV2 - Non-Domestic	0	0	0	0	0	0	0
LMV3 - Public Lamps	1	5,328	14.67	12.69	11.75	1,222,366	229
LMV5 – PTW	828	3,530	11.56	1.16	0.94	1,164	273
LMV8 - State Tube Well	1	150	0.23	0.19	0.18	19,444	130
LMV9 - Temporary Supply	0	0	0	0	0	0	0
Any Other Unmetered category	0	0	0	0	0	0	0

7.2.4 From the above it is observed that the Petitioner has around 3,436 unmetered consumers compared to total 75,902 consumers projected by it i.e. around 4.52% of the consumers are still unmetered. The Commission appreciates that the above number is low as compared to the other Distribution Licensees in the State and also acknowledges the effort put by the Petitioner to convert all the unmetered consumers to metered ones by FY 2016-17 as it has not even considered any unmetered consumers in its projections for FY 2016-17.

7.2.5 As regards metering of the consumers, Section 55 of the Electricity Act, 2003 stipulates as follows:

> *"55. (1) No licensee shall supply electricity, after the expiry of two years from the appointed date, except through installation of a correct meter in accordance with regulations to be made in this behalf by the Authority:"*

7.2.6 Further, Chapter 5 'Metering' of the U.P. Electricity Supply Code 2005, specifies as follows:

> *"5.1 Licensees obligation to give supply on meters: Requirement of Meters*
>
> *(a) 2 [No new connection shall be given without a Meter and Miniature Circuit Breaker(MCB) or Circuit Breaker (CB) of appropriate specification from the date of issue of this code.*
>
> *(b) All unmetered connections including PTW, streetlights shall be metered by the licensee.*
>
> *(c) The Licensee shall not supply electricity to any person, except through installation of a correct meter in accordance with the regulations to be made by the Central Electricity Authority under Electricity Act, 2003.]*
>
> *Provided that the Commission may, by notification, extend the said period for a class or classes of persons or for such area as may be specified in that notification.*
>
> *2 [Provided also that if a person makes default in complying with the provisions contained in the clauses 5.1(a), (b) and (c), UPERC may make such order as it thinks fit for requiring the default to be made good by the generating company or licensee or by any officer of a company or other association or any person who is responsible for the default."*

7.2.7 From the above, it is evident that metering of consumers is necessary. However, by not complying with the above, the Distribution Licensee is contravening and is in default of above provisions / Regulations. The Distribution Licensee must demonstrate on best effort basis, their will and intent to comply, failing which they are liable for being dealt with appropriately as per provisions of the Act / Regulations.

7.2.8 To encourage the consumers to get metered connection, the Commission in its previous Order for FY 2015-16 has also specified that the Cost of meter may be borne initially by the Licensee which shall be adjusted in the consumers' bill within 6 months of time and the above scheme was made applicable only for the consumers who install the meters by March 31, 2016.

7.2.9 **Thus, in line with the direction provided by the Commission in earlier Orders, the Commission has decided to retain the provisions and directs the Licensee that that the Cost of meter may be borne initially by the Licensee which shall be adjusted in the consumers' bill within 6 months of time and this scheme would be applicable only for the unmetered consumers who install the meters by March 31, 2017.**

7.2.10 The Distribution Licensee may also provide an option to the consumers to procure meters by themselves. For this, the Distribution Licensee should take necessary actions as it deems fit to achieve the above metering targets. Further, the Commission would like to suggest some steps that shall help the Distribution Licensee to achieve the 100% metering target. As an initial step the Distribution Licensee may empanel meter manufacturing firms, more than one, through a transparent process of open tender for supply of meters for direct procurement by consumers or in any other way the Distribution Licensee deem fit and provide the information regarding the meter and its supplier's outlet to the consumer by way of putting it on the website of the Licensee and by any other appropriate means.

7.2.11 In this regard, the Commission expressing its utmost concern and direct Distribution Licensee to ensure that all their unmetered consumers of LMV-1(a) i.e. Consumers getting supply as per "Rural Schedule" shall be converted into metered connection at the earliest or as per the timeline specified by the Commission in its various Orders.

7.3 DISTRIBUTION LOSSES:

The distribution loss approved by Commission for FY 2015-16 was 8.00% based on past trends. The Licensee in the ARR petition for FY 2016-17 has sought distribution losses at 8.56% due to various socio-political reasons.

7.3.1 The Petitioner submitted that in-spite of several path-breaking initiatives, due to socio-economic environment prevailing in the State, it has become arduous and daunting task for the Company to contain T&D loss at 8%. As per the internal technical loss study, at 33 kV level itself technical losses are more than 1%. It has therefore requested the Commission to consider ground realities and approve the distribution losses as projected at 8.56% which is much lower as compared to the rest of the State.

Commission's Analysis

7.3.2 The distribution losses projected by NPCL for FY 2016-17 are at 8.56%. The Commission would reiterate that there has been no significant improvement in loss levels, despite huge capital expenditure / system improvements undertaken by NPCL every year.

7.3.3 The Commission acknowledges the fact that the Greater Noida area was largely a rural area and with development on year-to-year basis, more of the area is being urbanized. Hence, it requires a huge capital expenditure to cater to the demand of existing and new consumers. However, still the Distribution losses have been constant and are around 8% from so many years.

7.3.4 Apart from network improvement issues, there are other issues such as social agitation, theft etc. The Commission is of the view that any improvement in the metering status of the Licensee would assist the Licensee to curtail the losses at below 8.00% levels. The Commission recognizing the fact that the distribution loss of 8.00% is one of the lowest in the country, the distribution losses for FY 2016-17 are being approved at 8.00%, however the Licensee should make best of its efforts to reduce the losses from the exiting level.

7.3.5 In this regard, the Petitioner had made an appeal before the Hon'ble APTEL for approval of distribution loss at 8.00% level for FY 2015-16 on the basis of ever-increasing loss-prone rural load, sparsely populated, hence, low density of load per square kilometer, absence of separate Police Station and dedicated Special Court to deal with the Electricity Theft Cases, rampant political interference etc.

7.3.6 Hon'ble APTEL in its Judgment dated June 2, 2016 also agreed with the Commission's contention of setting the distribution loss target at 8.00% level for FY 2015-16 and opined that there can be no going back to set the loss reduction target to such higher level of 8.41% considering the fact that the Commission is allowing the capital expenditure required to sustain/lower the losses and the fact of growing urbanization of the consumer mix, increasing HT:LT sales ratio and also considering the capability and achievement of the Petitioner in previous years. The relevant extract of the Judgment of Hon'ble APTEL is reproduced below:

> *"g. We have observed that the Appellant is consistently maintaining Distribution losses at a very efficient level. Even during the FY 2013-14 it had over achieved the Distribution loss reduction target set by the State Commission. The target set by the State Commission for Distribution loss has not been further reduced to below 8% in the Impugned Tariff Order.* ***There can be no going back to set the loss reduction target to such higher level of 8.41%*** *considering the fact that the State Commission is allowing the capital expenditure required to sustain/lower the losses and the fact of growing urbanization of the consumer mix, increasing HT:LT sales ratio and also considering the capability and achievement of the Appellant in previous years.*
>
> *h. The distribution losses are to be brought down and there is always scope for improvement and the fact that the Appellant has been achieving these targets, hence we are in agreement with the State Commission on the issue of T&D loss reduction target being set at 8% for FY 2015-16. Accordingly, this issue is decided against the Appellant." [Emphasis Supplied]*

7.3.7 Thus, in line with the philosophy adopted by the Commission in its earlier Tariff Orders and the Judgment of Hon'ble APTEL the Distribution Losses are approved for FY 2016-17at 8.00% of energy available for distribution.

7.4 ENERGY BALANCE:

7.4.1 The Commission in the above Sections has discussed about approval of sales and distribution losses. Based on these elements, the power purchase requirement and the energy balance for FY 2016-17 is given in the Table below:

Table 7:5: ENERGY BALANCE FOR FY 2016-17 – APPROVED

Particulars	Petition	Approved
Proposed Energy Sales (MU)	1,545.58	1,545.58
Distribution Loss %	8.56%	8.00%
Distribution Loss (MU)	144.70	134.40
Energy Available for Sale	1,690.28	1,679.97
System Losses at 220kV/33kV (MU)	0.00	0.00
Proposed Energy Purchase (MU)	1,690.28	1,679.97

7.5 POWER PURCHASE QUANTUM & COST:

7.5.1 Based on the above approved energy balance for FY 2016-17, the energy requirement of the Petitioner works out to 1,679.97 MU.

7.5.2 The Petitioner has submitted that the Long-term PPA with EPJL has since been terminated by the Company due to non-compliance of the terms of PPA dated May 9, 2012. EPJL has disputed and the matter is currently pending before the Commission. Therefore, in view of the above and in compliance with Commission's Orders, the Company has filed a Petition on September 29, 2014 to seek its approval on Power Purchase Agreement signed with M/s Dhariwal Infrastructure Limited (DIL) for procurement of 187 MW power at ex-generator bus for fifteen years period u/s 62 of the Electricity Act 2003. The matter was last heard on 4th November 2015 and the Commission reserved its order. The Petitioner has considered supply of 187 MW power at generator's bus from M/s Dhariwal Infrastructure Ltd. while estimating the Power Purchase plan and cost for FY 2016-17.

7.5.3 The Commission has already expressed its final view in the matter of EPJL and NPCL in its Order dated November 27, 2015 as discussed in previous chapter of this Order. The Commission has also approved the long term PPA filed by NPCL for purchase of power from M/s Dhariwal Infrastructure Ltd. in its Order dated April 20, 2016 which has already been discussed in this Order. In the meanwhile, the Petitioner has also submitted two Petitions for the purchase of short term power for the period of April, 2016 to June, 2016 and July, 2016 to September, 2016 through competitive bidding process for the approval of the Commission. The Commission has approved the procurement of short term power by the Petitioner through the competitive bidding process in this Order as annexed subsequently to this Order and has adopted the tariff for the purchase of electricity while approving the power procurement plan for FY 2016-17.

7.5.4 The Commission has observed that short term power procurement by NPCL has been done as per guidelines of the Central Government and the due procedure of competitive bidding as per the guidelines issued by Ministry of Power have been followed and details of the same has been annexed to this Order. The relevant para 2 of Clause 10.4 of the Guidelines for Short-term Procurement of power dated May 15, 2012 issued by Ministry of Power is reproduced below:

"In all other cases, the procurer(s) shall submit a petition to the Appropriate Commission for adoption of tariff within 2 days from the date of signing of PPA. Appropriate Commission should communicate the decision within 7 days from the date of submission of Petition"

The tariff discovered through the competitive bidding process under section 63 of EA, 2003 for the period April, 2016 to June, 2016 and for the period of July, 2016 to September, 2016 as follows:

Table 7:6: DETAILS OF POWER PROCUREMENT AS ADOPTED BY THE COMMISSION

Sl. No.	Bidders	Source	Period	Quantum (MW)	Rate at NPCL Bus (Rs./kWh)
1	SCL	SCL, Rajasthan	Apr' 2016	100	3.80
			May' 2016	125	3.83
			Jun' 2016	125	3.89
2	JSW (PTC)	Karcham-Wangtoo, H.P.	Apr' 2016	50	3.81
			May' 2016	50	3.84
			Jun' 2016	50	3.91
Q-1	**Wt. Average Price**				**3.85**
3	PTC	ADHEP, H.P.	Jul'16	50	3.75
			Aug'16	50	3.80
			Sep'16	50	3.90
4	SCL	SCL, Rajasthan	Jul'16	155	3.92
			Aug'16	155	3.92
			Sep'16	155	3.92
5	JSW	Karcham-Wangtoo, H.P.	Jul'16	50	4.03
			Aug'16	50	4.03
			Sep'16	50	4.03
Q-2	**Wt. Average Price**				**3.92**

7.5.5 In view of the approval of the short term power purchase through competitive bidding process and approval of the PPA for the purchase of long term power from Dhariwal Infrastructures Ltd. the Petitioner submitted the revised power procurement plan for FY 2016-17 in the mail dated June 7, 2016 as shown in the Table below:

Table 7:7: REVISED POWER PURCHASE PLAN FOR FY 2016-17 AS SUBMITTED BY PETITIONER

Ref No.	Supplier's Name	Capacity (in MW)	Type *	Period		MUs Exported	MUs Imported	Total Loss	Rate (Rs./Unit)	Amount in Rs. Cr.	PGCIL Charge in Rs. Cr.	UPPTCL Charge in Rs. Cr.	Total Transmission Charge	Total in Crs.	Per Unit Cost
A	**Long Term Power**	**170**	**RTC**	**1-Oct-16**	**31-Mar-17**	**631.18**	**577.59**	**8.49%**	**3.71**	**234.17**	**21.53**	**12.79**	**34.33**	**268.49**	**4.65**
B	M/s Shree Cement Limited	105	RTC	1-Apr-16	30-Apr-16	68.04	63.76	6.29%	3.17	21.57	1.38	1.31	2.69	24.26	3.80
	M/s Shree Cement Limited	64	RTC	1-Apr-16	30-Apr-16	41.47	38.86	6.29%	3.17	13.13	0.85	0.80	1.64	14.77	3.80
	M/s JSW Power Trading Limited	55	RTC	1-Apr-16	30-Apr-16	35.64	33.40	6.29%	3.18	11.32	0.73	0.69	1.41	12.73	3.81
	M/s Shree Cement Limited	130	RTC	1-May-16	31-May-16	87.05	81.57	6.29%	3.20	27.81	1.77	1.67	3.44	31.25	3.83
	M/s Shree Cement Limited	74	RTC	1-May-16	31-May-16	49.55	46.43	6.29%	3.20	15.83	1.01	0.95	1.96	17.79	3.83
	M/s JSW Power Trading Limited	55	RTC	1-May-16	31-May-16	36.83	34.51	6.29%	3.21	11.80	0.75	0.71	1.46	13.26	3.84
	M/s Shree Cement Limited	130	RTC	1-Jun-16	30-Jun-16	84.24	78.94	6.29%	3.25	27.38	1.71	1.62	3.33	30.71	3.89
	M/s Shree Cement Limited	85	RTC	1-Jun-16	30-Jun-16	55.08	51.62	6.29%	3.25	17.90	1.12	1.06	2.18	20.08	3.89
	M/s JSW Power Trading Limited	55	RTC	1-Jun-16	30-Jun-16	35.64	33.40	6.29%	3.27	11.65	0.73	0.69	1.41	13.07	3.91
	M/s Shree Cement Limited	165	RTC	1-Jul-16	30-Sep-16	327.89	307.26	6.29%	3.28	107.55	6.67	6.29	12.96	120.50	3.92
	M/s JSW Power Trading Limited	55	RTC	1-Jul-16	30-Sep-16	109.30	102.42	6.29%	3.38	36.94	2.23	2.10	4.33	41.28	4.03
	M/s PTC India Limited	55	RTC	1-Jul-16	31-Jul-16	36.83	34.51	6.29%	3.12	11.49	0.75	0.71	1.46	12.95	3.75
	M/s PTC India Limited	55	RTC	1-Aug-16	31-Aug-16	36.83	34.51	6.29%	3.16	11.64	0.75	0.71	1.46	13.10	3.80
	M/s PTC India Limited	55	RTC	1-Sep-16	30-Sep-16	35.64	33.40	6.29%	3.26	11.62	0.73	0.69	1.41	13.03	3.90
	Inter State Power - from Trader /	20	RTC	1-Oct-16	31-Oct-16	12.65	11.83	6.50%	3.90	4.93	0.28	0.26	0.54	5.47	4.62

Ref No.	Supplier's Name	Capacity (in MW)	Type *	Period		MUs Exported	MUs Imported	Total Loss	Rate (Rs./Unit)	Amount in Rs. Cr.	PGCIL Charge in Rs. Cr.	UPPTCL Charge in Rs. Cr.	Total Transmission Charge	Total in Crs.	Per Unit Cost
	Generator														
	Inter State Power - from Trader / Generator	15	RTC	1-Nov-16	30-Nov-16	7.56	7.07	6.50%	3.85	2.91	0.20	0.19	0.39	3.30	4.67
	Inter State Power - from Trader / Generator	15	RTC	1-Dec-16	31-Jan-17	15.62	14.61	6.50%	3.85	6.02	0.41	0.39	0.81	6.82	4.67
	Inter State Power - from Trader / Generator	20	RTC	1-Feb-17	31-Mar-17	19.82	18.54	6.50%	3.85	7.63	0.52	0.49	1.02	8.65	4.67
	Inter State Power - from Trader / Generator	20	Peak	1-Apr-16	31-May-16	3.97	3.71	6.50%	4.25	1.69	0.12	0.11	0.23	1.92	5.17
	Inter State Power - from Trader / Generator	45	Peak	1-Jun-16	31-Jul-16	8.92	8.34	6.50%	4.25	3.79	0.26	0.24	0.50	4.29	5.15
	Inter State Power - from Trader / Generator	40	Peak	1-Aug-16	30-Sep-16	7.93	7.41	6.50%	4.25	3.37	0.23	0.22	0.45	3.82	5.15
	Inter State Power - from Trader / Generator	33	Peak	1-Oct-16	31-Oct-16	3.05	2.85	6.50%	4.25	1.29	0.10	0.09	0.19	1.48	5.20
	Inter State Power - from Trader / Generator	25	Peak	1-Nov-16	30-Nov-16	2.25	2.10	6.50%	4.25	0.96	0.07	0.07	0.14	1.10	5.21
	Inter State Power - from Trader / Generator	40	Peak	1-Dec-16	31-Jan-17	7.44	6.96	6.50%	4.25	3.16	0.23	0.22	0.45	3.62	5.20
	Inter State Power - from Trader / Generator	35	Peak	1-Feb-17	31-Mar-17	6.20	5.79	6.50%	4.25	2.63	0.20	0.09	0.29	2.92	5.04
	Total-Power			**1-Apr-16**	**31-Mar-17**	**1,135.42**	**1,063.80**	**6.31%**	**3.31**	**376.01**	**23.80**	**22.36**	**46.16**	**422.17**	**3.97**

Ref No.	Supplier's Name	Capacity (in MW)	Type *	Period		MUs Exported	MUs Imported	Total Loss	Rate (Rs./Unit)	Amount in Rs. Cr.	PGCIL Charge in Rs. Cr.	UPPTCL Charge in Rs. Cr.	Total Transmission Charge	Total in Crs.	Per Unit Cost
	Procured from Open Access														
C	**Power Procured from Renewable Sources**														
	Renewable Power (Non-Solar)	10.4	RTC	1-Apr-16	31-Mar-17	82.15	76.81	6.50%	4.95	40.66	1.52	1.73	3.25	43.91	5.72
	Renewable Power (Solar Power)	9.0	RTC	1-Apr-16	31-Mar-17	12.61	12.61	0.00%	7.06	8.91	0.00	0.00	0.00	8.91	7.06
	Renewable Power (GNIDA LT Solar Power)	2.0	RTC	1-Apr-16	31-Mar-17	2.80	2.80	0.00%	7.06	1.98	0.00	0.00	0.00	1.98	7.06
	Total-Power Procured from Renewable Sources			**1-Apr-16**	**31-Mar-17**	**97.57**	**92.23**	**5.47%**	**5.28**	**51.55**	**1.52**	**1.73**	**3.25**	**54.80**	**5.94**
D	**Unscheduled Interchange**			**1-Apr-16**	**31-Mar-17**	**(43.34)**	**(43.34)**	**0.00%**	**-0.65**	2.82	0.00	0.00	**0.00**	2.82	**(0.65)**
(A+B+C+D)	**Grand Total**			**1-Apr-16**	**31-Mar-17**	**1820.83**	**1690.28**	**7.17%**	**3.65**	**664.54**	**46.85**	**36.88**	**83.73**	**748.28**	**4.43**

*Note: a) For Long Term Power, Indicative tariff is submitted to the Hon'ble Commission for first year as per Petition No. 971/2014 For approval of PPA and Determination of Tariff which may change as may be approved.

b) As per the aforesaid petition the indicative tariff of Rs. 3.71 per unit ex-bus Generation Plant is excluding taxes which shall be reimbursed on actuals as per PPA.

c) Except for Ref. No.- A, the delivery point is considered as NR and Import figures are at NPCL bus i.e. after adding transmission losses of NR and U.P. State Transmission Utility.RTC: 0000-2400 Hrs ; Peak : 1900-2400 Hrs..

7.5.6 The briefs about the power purchase from the above Table are as follows:

- The power purchase from the long term sources is estimated at 577.59 MU.
- The power purchase from traders estimated is 1,063.80 MU and power purchase from renewable sources estimated is 92.23 MU for FY 2016-17.
- The transmission charge projected by NPCL is Rs. 83.73 Crore.
- The transmission charges payable on open access charges include transmission charges of UPPTCL as well as PGCIL for various regions.

7.5.7 Since, UPPCL has discontinued the power supply to the Petitioner; the Commission has considered the power purchase requirement for NPCL from the long term sources, short term sources and renewable sources. The Commission, for the purpose of approval of power purchase quantum and cost from long term sources, has provisionally considered the projected power purchase quantum and cost as projected by the petitioner subject to truing up.

7.5.8 Further, as the Petitioner procures short term power by following the transparent process of bidding, the Commission approves the average rate of landed power of Rs. 3.53/ kWh for short term purchases. As regards the renewable power purchase, the Commission has estimated total power purchase at 6% of the total requirement in accordance with the RPO Regulations. The Commission has considered the rate of power from renewable sources same as projected by the Petitioner. Any variation between the approved power purchase costs and the actual power purchase costs for FY 2016-17 would be considered at the time of truing up.

7.5.9 Total power purchase cost as estimated by the Petitioner also includes the Transmission charges of Rs. 83.73 Crore. The Licensee has considered the transmission charges at UPPTCL level as Rs.172.3 / MWh. However, the Commission has considered the transmission charge of Rs. 162.27 / MWh as approved for UPPTCL for FY 2016-17. The overall approval of the power purchase cost for FY 2016-17 is provided in the Table below:

Table 7:8: POWER PURCHASE AS APPROVED BY THE COMMISSION FOR FY 2016-17

Item	Petition			Approved		
Retail Sales (MUs)	1,545.58			1,545.58		
Losses	8.56%			8.00%		
Power Purchase	1,690.28			1,679.97		
Sources of Power Purchase	**Energy**	**Avg.**	**Costs**	**Energy**	**Avg.**	**Costs**

Item	Petition			Approved		
	(MU)	(Rs. /kWh)	(Rs. Crore)	(MU)	(Rs. /kWh)	(Rs. Crore)
Long Term Power	1169.74	4.01	469.62	577.59	4.05	234.17
Unscheduled Interchange	-43.34	-0.65	2.82	0.00	0.00	0.00
Power Purchase from Traders	459.31	4.25	195.26	1001.59	3.53	354.02
Power Purchase from RE	104.56	5.56	58.13	100.80	5.59	56.34
Sub-Total	**1690.28**	**4.67**	**725.83**	**1679.97**	**3.84**	**644.52**
Transmission Charges for Open Access (Including Long-term Transmission Charges)			90.00			81.61
Total Transmission charges			90.00			**81.61**
Underpaid / (Overpaid) Power purchase expenses for FY 2013-14						9.88
Total Power Purchase Cost	**1,690.28**	**4.83**	**815.83**	**1,679.97**	**4.38**	**736.01**

- The total quantum of power purchase approved by the Commission for FY 2016-17 is 1679.97 MU, which includes power purchase of 100.80 MU from Renewable Energy sources (computed as proportion of total power procurement for meeting the Renewable Purchase Obligation), 1,001.59 MU from Short Term Sources and 577.59 MU from Long term power procurement based on the revised submission of the Petitioner.
- The power purchase cost from traders / Short Term sources is approved at the weighted average landed rate of Rs. 3.53 per unit.
- The power purchase cost from renewable sources is projected at an average cost of Rs. 5.59 per unit as per the submission of the Petitioner.
- As regard the PGCIL charges, the Commission has the considered the same amount based on estimations of the Petitioner.
- As regard the UPPTCL charges, the Commission has the considered the same amount as per the approved transmission charge for FY 2016-17.

7.6 FUEL & POWER PURCHASE COST ADJUSTMENT SURCHARGE:

7.6.1 A Review Petition No. 893/2013 had been filed by the UPPCL, MVVNL, PVVNL, PuVVNL, DVVNL & KESCO in the matter of "Review of the Mechanism for Fuel & Power Purchase Cost Adjustment formulated by the Hon'ble Commission", wherein a number of issues have been raised by the Petitioners. Prior to the above Petition, UPPCL also filed a Review Petition No. 848/2012 in the matter of "Applicability of Fuel & Power Purchase Cost Adjustment (FPPCA) formula notified vide GOUP notification no. UPERC/Secy/Regulation/240 dated 10.05.2012"

7.6.2 In the matter of Petition No. 893/2013 "Review of the Mechanism for Fuel & Power Purchase Cost Adjustment formulated by the Hon'ble Commission", the Commission vide its Order dated 23rd October, 2013 gave direction to Petitioners to submit details on various issues along with its detailed proposal on the same. Further, as the Petition No. 893/2013 and 848/2012 are related, the Commission also directed to club the above two Petitions.

7.6.3 The Commission vide its Letter No. UPERC/Secy/D(Tariff)14-257 dated 28th October, 2014 reminded the Petitioners to submit its detailed proposal in view of the directions given by the Commission in its Order dated 23rd October, 2013.

7.6.4 Subsequently the State Discoms vide their Letter No. 3135/RAU/FPPCA dated 29th December, 2014 submitted their proposal. The detailed proposal on various issues as submitted by the Petitioners is extracted below for reference:

"A - Differential distribution of FPPCA over different category of consumers:

*In this regard this is to submit that differential distribution of FPPCA over different category could be based on their **average billing rate (ABR)**. Since various category of consumer have different average billing rate, therefore uniform distribution of FPPCA will lead to non-uniform percentage distribution over different category. In order to avoid non-uniform percentage distribution of FPPCA it seems most appropriate to distribute FPPCA over different category in the ratio of their ABR in such a way that percentage increase across all the categories remains the same.*

B - Disallowance of power purchase from few costlier sources with whom licensee has long term agreement:

In Power Purchase Plan approved for FY 2012-13, power purchase from following sources has been disallowed by the Commission, whereas licensee has long term agreement with these sources:

1) NTPC, Auraiya Gas
2)NTPC, Dadri Gas
3)NTPC, Kahalgaon Stn.-1

4)NTPC, Farakka
5)NTPC, Talchar
6)NTPC, Jhajhjhar
7)Bajaj Hindustan

This situation has arisen due to the fact that the Commission has approved Power Purchase Plan (FY-2012-13) on the basis of MYT (2009-14) generation figures for state owned thermal generating stations. The Commission has not taken into account the past trend of generation from these state owned thermal generating stations.

Owing to the fact of long term agreement with few of the disallowed sources, in FY 2012-13, the existing provision of not allowing FPPCA for power purchase from unapproved sources will lead heavy financial loss to the licensee.

C - FPPCA may be allowed on power purchase from UI & unapproved sources:

As regard to the issue of allowing FPPCA on power purchase from UI & unapproved sources, Commission has directed the licensee to file reply as directed in its order dt. 17.12.2012 in petition no. 848/2012. The desired FPPCA computation has been filed by the licensee vide letter no. 1621/RAU/FPPCA Review dt. 30.06.2014 for the period Jan-2013 to Sept-2013 (for 3 Quarters), on the basis of the bills raised by the generators, in following two scenarios:

a)FPPCA working Excluding UI & unapproved purchases
b)FPPCA working Including UI & unapproved purchases

As evident from above submitted computation there is a loss of Rs. 457.5 Cr. to the licensee in terms of FPPCA for three quarters only.

Therefore, in light of submission made by the licensee in its petition & computation shown in reply dated 30.06.2014, it is submitted that the variation in power purchase cost due to UI & unapproved sources may also be covered under FPPCA.

D - For the purpose of recovery of FPPCA, power purchase cost may include all bills raised by the generators instead of bills paid and credit received by the licensee:

With regard to this issue it is humbly submitted that the submission made in petition no. 848/2012 seems sufficient and does not need further elaboration.

E - Date of applicability of FPPCA:

The issue with regard to the date of applicability of FPPCA has been settled by the Commission vide its letter no. UPERC/D(T)RAU/2012-1127 dt. 30.10.2012. Therefore, no further submission is required in this regard."

7.6.5 The relevant provisions of the UPERC (Terms and conditions for Determination of Distribution Tariff), Regulations, and Amendment No. 3 of 2012 are reproduced below for reference:

Quote

"6.9 Fuel and Power Purchase Cost Adjustment (FPPCA):

1. Recovery Periodicity (Cycle):
The cycle will be quarterly. The FPPCA for the quarter ending March will be calculated in next quarter i.e. up to June when the data/ bills from generators/suppliers and sale of energy data for the quarter under consideration are available and the same will be applicable to all categories w.e.f. July.

2. Fuel & Power Purchase Cost Adjustment Formula (FPPCA):
1. The distribution licensee shall recover FPPCA amount with effect from a date which would be issued by a separate Commission's order from all consumers. The formula is as follows:

Step (A) Determination of Difference between Actual and Approved Power Purchase Cost in a quarter

$P_D = (P_{actual} - P_{approved})$

Where

P_D = *Difference in Actual and Approved Power Purchase Cost ('Crs.)*

P_{actual} = *Actual Cost of Power Purchase ('Crs.)*

$P_{approved}$ = *Approved Cost of Power Purchase ('Crs.)*

Step (B) Determination of (E) Energy billed (in MUs) in a quarter after considering approved T&D losses.

Actual power purchased during the quarter (MUs)	*X(MUs)*
Approved T&D losses	*Y%*
Approved MUs billed after T&D losses (E)	*X * (1-Y/100)*

Step (C) Determination of Fuel & Power Purchase Cost Adjustment per unit based on approved T&D losses to be charged from all consumers each month of the quarter

FPPCA ('/unit)) = $(P_D/E)*10$

2. The variation in power purchase cost due to UI and other unapproved purchases shall not be covered under FPPCA.

3. For the purpose of recovery of FPPCA, power purchase cost shall include all the bills paid and credits received by the distribution licensee, to the suppliers of the power, during the previous FPPCA cycle irrespective of the period to which they pertain. This shall include arrears and refunds, if any, not settled earlier.

4. The total FPPCA recoverable, as per the formula specified above, shall be recovered from the actual sales and in case of unmetered consumers, it shall be recoverable based on estimated sales to such consumers, calculated in accordance with such methodology / mechanism as may be stipulated by the Commission.

5. Per unit rate of FPPCA shall be worked out in paisa after rounding off to the next place.

6. In case of negative FPPCA, the credit shall be given to the consumers under the FPPCA head, so that the base tariff determined by the Commission effectively remains the same.

7. The Distribution licensee shall submit details in the stipulated format to the Commission on a quarterly basis, the FPPCA charged and, for this purpose, shall submit such details of the FPPCA incurred and the FPPCA charged to all consumers for each month in such quarter, along with the detailed computations and supporting documents as may be required for verification by the Commission.

Provided that the above submission made to the Commission must be certified by a Chartered Accountant.

Provided further that the FPPCA applicable for each month shall be displayed prominently at the collection centers and the offices dealing with consumers and on the internet website of the Distribution Licensee.

Provided that the Distribution Licensee shall put up on his internet website such details of the FPPCA incurred and the FPPCA charged to all consumers for each month along with detailed computations.

8. In case of Minimum Charges, FPPCA shall be charged only on actual units consumed by the consumer during the relevant month in addition to the Minimum Charges amount.

9. In case Government of Uttar Pradesh decided to provide subsidy on FPPCA to a particular consumer category then, it should do the same as per the provisions of Section 65 of Electricity Act 2003. It shall be the responsibility of the licensee to seek prior approval of the State Government in this regard and maintain appropriate record of the same.

10. The Commission may however suitably modify / change the proposed formula / procedure or adopt a different formula / procedure for the assessment of fuel surcharge if it considers it to be more appropriate."

Unquote

7.6.6 As per Regulation 6.9 (2) (10) of UPERC (Terms and Conditions for Determination of Distribution Tariff), Regulations, Amendment No. 3 of 2012, the Commission may suitably modify / change the proposed formula / procedure or adopt a different formula / procedure for the assessment of fuel surcharge if it considers it to be more appropriate. In view of the same and above discussion the Commission in its Tariff Order dated June 18, 2105 for FY 2015-16approved the revised formula / procedure in respect to the applicability and recovery of Fuel and Power Purchase Cost Adjustment (FPPCA) as detailed in Regulation 6.9 below (the changes / modifications are underlined):

6.9 Fuel and Power Purchase Cost Adjustment (FPPCA):

1. Recovery Periodicity (Cycle):

The cycle will be quarterly. The FPPCA for the quarter ending March will be calculated in next quarter i.e. up to June when the data / bills from generators / suppliers and sale of energy data for the quarter under consideration are available and the same will be applicable to all categories w.e.f. July.

2. Fuel & Power Purchase Cost Adjustment Formula (FPPCA):

1. The distribution licensee shall recover FPPCA amount with effect from a date which would be issued by a separate Commission's order from all consumers. The formula is as follows:

Step (A) Determination of Difference between Actual and Approved Power Purchase Cost in a quarter

$P_D = (P_{actual} - P_{approved})$

Where,

P_D = *Difference in Actual and Approved Power Purchase Cost (Rs. Crore)*

P_{actual} = *Actual Cost of Power Purchase (Rs. Crore)*

$P_{approved}$ = *Approved Cost of Power Purchase (Rs. Crore)*

Step (B) Determination of (E) Energy billed (in MUs) in a quarter after considering approved T&D losses.

Actual power purchased during the quarter (MUs)	: *X (MUs)*
Approved T&D losses	: *Y%*
Approved MUs billed after T&D losses (E)	: *X * (1 - Y / 100)*

Step (C) Determination of Category wise Fuel & Power Purchase Cost Adjustment per unit based on approved T&D losses to be charged from consumers each month of the quarter

Category wise FPPCA (Rs. / unit) = ABRC / ABRD *FPPCAA

Where,

*$FPPCA_A$ is Average Fuel and Power Purchase Cost Adjustment (in Rs. / kWh) = (PD/E)*10*

ABR_C is Average Billing Rate or through rate of Consumer Category (in Rs. / kWh) as approved in Tariff Order for the year

ABR_D is Average Billing Rate or through rate of Distribution Licensee (in Rs. / kWh) as approved in Tariff Order for the year

2. The variation in power purchase cost due to UI and other unapproved purchases from short term sources shall not be covered under FPPCA.

3. For the purpose of recovery of FPPCA, power purchase cost shall include all the bills received by the distribution licensee, from the suppliers of the power, during the previous FPPCA cycle irrespective of the period to which they pertain. This shall include arrears and refunds, if any, not settled earlier.

4. The total FPPCA recoverable, as per the formula specified above, shall be recovered from the actual sales and in case of unmetered consumers, it shall be recoverable based on estimated sales to such consumers, calculated in accordance with such methodology / mechanism as may be stipulated by the Commission.

5. Per unit rate of FPPCA shall be worked out in paisa after rounding off to the unit place.

6. In case of negative FPPCA, the credit shall be given to the consumers under the FPPCA head, so that the base tariff determined by the Commission effectively remains the same.

7. The Distribution licensee shall submit details to the Commission on a quarterly basis towards the computation of the FPPCA, which shall include the source wise power purchase quantum, power purchase cost incurred and power purchase rate, details of the FPPCA incurred and the FPPCA chargeable from the consumers for each month in such quarter, along with the detailed computations and supporting documents as may be required for approval by the Commission.

Provided that the above submission made to the Commission must be certified by a Chartered Accountant.

Provided further that the FPPCA applicable for each month shall be displayed prominently at the collection centers and the offices dealing with consumers and on the internet website of the Distribution Licensee.

Provided that the Distribution Licensee shall put up on his internet website such details of the FPPCA incurred and the FPPCA charged to all consumers for each month along with detailed computations.

8. In case of Minimum Charges, FPPCA shall be charged only on actual units consumed by the consumer during the relevant month in addition to the Minimum Charges amount.

9. In case Government of Uttar Pradesh decided to provide subsidy on FPPCA to a particular consumer category then, it should do the same as per the provisions of Section 65 of Electricity Act 2003. It shall be the responsibility of the licensee to seek prior approval of the State Government in this regard and maintain appropriate record of the same.

10. The Commission may however suitably modify / change the proposed formula / procedure or adopt a different formula / procedure for the assessment of fuel surcharge if it considers it to be more appropriate.

7.6.7 For the purpose of Fuel & Power Purchase Cost Adjustment (FPPCA) as per above mentioned formula, the projected monthly power purchase requirement is provided in this Order, which is derived from the monthly power purchase submitted by the Licensees.

7.6.8 Further, the Commission in its previous Orders has time and again directed the Licensees to file submissions in respect of FPPCA in a timely and regular manner as specified under the Regulations. However, the Licensees have not complied with the directions of the Commission in this regard.

7.6.9 It is to be noted that the power purchase expenses being an uncontrollable expense, is pass-through to the consumers, however, the difference between the actual cost of power procurement and the approved power purchase expenses, is being recovered by the Distribution Licensee at the time of truing up. The time lag in recovery of the variation in power purchase expenses adversely affects the financial position of the Distribution Licensee and also puts additional burden on consumers on account of Carrying Cost.

7.6.10 Failure to file FPPCA in a timely manner has many repercussions such as higher accumulated Aggregate Revenue Requirement (ARR) on account of variation in Power Purchase Expenses and the carrying cost, higher increase in Tariff or allowance in the form of Regulatory Surcharge, leading to Tariff shock. Further, the delayed filing of the FPPCA and claiming of the additional power purchase expenses during the Truing-up process also put the burden of such additional power purchase expenses on the new consumers, who may not have been consumers during the respective year.

7.6.11 The Commission once again directs the licensees that they should file FPPCA in a timely and regular manner failing which the Commission may have to resort to take strict action against the Licensees like disallowance of additional power purchase expenses and the associated carrying cost on account of additional Power Purchase expenses or any other action that the Commission may deem fit while doing the Truing up.

7.6.12 For the purpose of Fuel & Power Purchase Cost Adjust (FPPCA) the projected monthly power purchase requirements approved by the Commission are provided in the Table below.

Table 7:9: MOTHLY APPROVED POWER PURCHASE COST

Month	Volume (MU)	Cost (Rs. Crore)
Apr	128.13	55.38
May	147.71	63.85
Jun	146.44	63.30
Jul	151.33	65.41
Aug	149.47	64.60
Sep	144.65	62.52
Oct	149.47	64.60
Nov	128.13	55.38
Dec	137.27	59.33
Jan	137.27	59.33
Feb	123.44	53.35
Mar	136.67	59.07
Total	**1679.97**	**726.13**

7.7 OPERATION & MAINTENANCE EXPENSES

7.7.1 Operation and Maintenance (O&M) expenses comprises of Employee costs, Administrative and General (A&G) Expenses, and Repair and Maintenance (R&M) expenditure.

7.7.2 The Clause No. 4.3 of the Distribution Tariff Regulations, 2006 stipulates:

"4.3 Operation & Maintenance Expenses (O&M)

The O&M expenses comprise of employee cost, repairs & maintenance(R&M) cost and administrative & general (A&G) cost. The O&M expenses for the base year shall be calculated on the basis of *historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. For determination of the O&M expenses of the year under consideration, the O & M expenses of the base year shall be escalated at inflation rates notified by the Central Government for different years. The inflation rate for above purpose shall be the weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40.Base year, for these regulations means, the first year of tariff determination under these regulations.*

Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.

Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in Regulation 4.3 (1).”

7.7.3 The Petitioner submitted that as per Regulation 4.3 (3) of the UPERC Distribution Tariff Regulations, 2006, O&M expenses allowable for any year shall be the sum total of total O&M expenses for the preceding year escalated by Inflation Index and 2.5% of the additions to Fixed Assets in the preceding year.

7.7.4 The Petitioner in its Petition claimed the O&M Expenses for FY 2016-17 as Rs. 78.96 Crore subject to prudence check of the Commission.

Table 7:10: O&M EXPENSES CLAIMED BY THE PETITIONER FOR FY 2016-17

Particulars	Projected by the Petitioner (Rs. Crore)
Repair & Maintenance	34.23
Employees Expenses	38.51
Administrative & General Expenses	12.38
Total O&M Expenses	**85.12**
Less: Employee Cost Capitalized	6.16
Net O&M Expenses	**78.96**

7.7.5 The Petitioner submitted that so far it has been allowed O&M expenses on normative basis in accordance with the Regulations mentioned above, even though the audited actual expenses were higher. Citing various reasons as discussed in the True-up Section, the Petitioner requested the Commission to allow O&M expenses as projected by it.

Commission's Analysis:

7.7.6 In accordance with Clause No. 4.3.1 of Distribution Tariff Regulations, 2006 the O&M expenses are computed based on Inflation Index. Accordingly, the weighted average Inflation Index computed at 1.39% for FY 2015-16 has been used for computing the O&M expenses for FY 2016-17.

Table 7:11: INFLATION INDEX CONSIDERED FOR COMPUTING THE O&M EXPENSES FOR FY 2016-17

Month	Wholesale Price Index		Consumer Price Index	
	2014-15	2015-16	2014-15	2015-16
April	180.80	176.40	242.00	256.00
May	182.00	178.00	244.00	258.00
June	183.00	179.10	246.00	261.00
July	185.00	177.60	252.00	263.00
August	185.90	176.50	253.00	264.00
September	185.00	176.50	253.00	266.00
October	183.70	176.90	253.00	269.00
November	181.20	177.50	253.00	270.00
December	178.70	176.80	253.00	269.00
January	177.30	175.40	254.00	269.00
February	175.80	174.10	253.00	267.00
March	176.10	174.60	254.00	268.00
Average for Financial Year	**181.21**	**176.62**	**250.83**	**265.00**
Calculation of Inflation Index (CPI-40%, WPI-60%) for FY2016-17				
Inflation index for FY 2014-15	**209.06**			
Inflation index for FY 2015-16	**211.97**			
Applicable Inflation rate	**1.39%**			

7.7.7 The gross O&M expenses also include additional O&M expenses towards capitalization of assets in the preceding year. The capitalized assets in the preceding year include assets handed over by GNIDA and UPSIDC free of cost in

FY 2015-16. These assets have been considered on the basis of values declared by respective authorities.

7.7.8 The Commission has also gone through the Audited Accounts of NPCL for previous years till FY 2014-15, wherein, the value of these assets has been ascertained by the auditor through communications received from GNIDA and UPSIDC. Further, the Audited Accounts mention that the assets have been handed over for maintenance purpose only while the ownership is yet to be transferred to NPCL. Accordingly, the Commission has considered the additional O&M expenses for these assets to be allowed for O&M purposes only. Any other impact on parameters like depreciation, capital expenditure, capitalization etc. is not being allowed till the Petitioner takes ownership of these assets.

7.7.9 The Commission is of the view that if the O&M expenses are projected for ensuing year on the basis of actual O&M expenses for previous year as suggested by the Petitioner, there will be no sanctity of fixation of norms in Tariff Regulations. As per the Distribution Tariff Regulations, some of the elements of ARR are considered on normative basis and the actual expenses under some elements may be higher as compared to approved expenses, while the actual expenses under some elements may be lower as compared to approved expenses. Further, the Distribution Tariff Regulations, 2006 also provides the sharing mechanism of controllable elements and hence the Commission has approved the O&M expenses on normative basis as per the provisions of Distribution Tariff Regulations, 2006 as amended from time to time.

7.7.10 The Petitioner in the matter of allowance of O&M expense to the extent claimed by it had appealed before the Hon'ble APTEL against the Tariff Order for FY 2015-16 issued by the Commission. Hon'ble APTEL in this regard in its Judgment dated June 2, 2016 has held that the Commission has been consistent in allowing O&M expense based on the norms as per the provisions of the Distribution Tariff Regulations and decided the matter in favor of the Commission. The relevant portion of the said Judgment has been reproduced below:

> *"e. We have observed that the Distribution Tariff Regulation provides that O&M expenses for the ensuing year shall be determined on normative basis. Normative O&M expenses for the ensuing year shall be base year O&M expenses suitably escalated based on predefined escalation indices*

which have been identified as weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. The incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year.

f. Further Regulation 4.3(5) of the Distribution Tariff Regulations, 2006 provides for consideration of allowance of any additional O&M expenses in situation like war, insurgency, and change in laws or like eventualities for a specified period, which is not the case in present Appeal.

g. The State Commission in the Impugned Tariff Order has allowed O&M expenses based on norms as per the provisions of the Distribution Tariff Regulations which has been followed by it in its earlier Tariff orders. We do not find any infirmity in this approach followed by the State Commission.

h. Hence this issue is decided against the Appellant."

7.7.11 The Commission has computed O&M expenses for FY 2016-17in line with the approach adopted in its earlier Tariff Orders and the Judgment of the Hon'ble APTEL as shown in the Table below:

Table 7:12: O&M EXPENSES FOR FY 2016-17 (Rs. Crore)

Particulars	Petition	Approved
Total additions to Fixed Assets	78.96	245.09
Less: Assets Retired/Scrapped		4.15
Net Addition to Fixed Assets		240.94
Preceding Year Gross O&M		45.19
Incremental O&M @ 2.5%		6.02
Inflation Index Applicable		1.39%
Net O&M Expenses		45.82
Gross O&M Expenses	78.96	51.84

7.8 STATUTORY / OTHER REGULATORY EXPENSES

7.8.1 In the ARR Petition for FY 2016-17, the Petitioner has claimed other statutory expenses of Rs. 5.94 Crore over and above normative O&M expenses. The Petitioner requested the Commission to consider the following regulatory / statutory expenses separately, in addition to the O&M Expenses for day to day running and maintenance.

Table 7:13: STATUTORY / OTHER REGULATORY EXPENSES CLAIMED BY THE PETITIONER (Rs. Crore)

Particulars	Petition
Demand Side Management Expenses	0.40
CGRF Expenses	0.40
Competitive Bidding Expenses	0.19
Technical studies as directed by Commission	0.39
Service Tax payable due to change in law	1.79
Corporate Governance Expenses due to change in law	0.20
CSR Expense	2.57
Total	5.94

Commission's Analysis:

7.8.2 The Petitioner has claimed CGRF expense of Rs. 0.40Crore in FY 2016-17. In this regards Regulation 22 of the Consumer Grievances Redressal Forum Regulations, 2007 stipulates as follows:

"Treatment of Expenses –

All reasonable costs incurred by the Distribution Licensee on the establishment and running of the Forum, shall be a pass through in the Annual Revenue Requirements filed by the Distribution Licensee after deducting the amount of fees collected by the Distribution Licensee under the regulations."

7.8.3 In view of the above, the Commission approves CGRF expense of Rs. 0.40 Crore.

7.8.4 Further, the Petitioner has claimed expenses incurred towards demand side management (DSM) and competitive bidding process for long term power procurement. In this regard Regulation 4.3.5 of Distribution Tariff Regulations, 2006 stipulates as follows:

"The Commission may consider additional O&M expenses on account of war, insurgency, and change in laws or like eventualities for a specified period."

7.8.5 The Commission has elaborated its views on undertaking Demand Side Management measures by the Utility in Section 9.9 of Tariff Order dated October 14, 2010 and has also discussed about the benefits of the same in terms of reducing power purchase costs and utilization of energy efficiently. In view of the same, the Commission approves the additional statutory expenses incurred towards DSM and competitive bidding process.

7.8.6 The Petitioner has claimed expenses of Rs. 1.79 Crore towards liability for payment of service tax on various services being availed by the Petitioner. The Petitioner submitted that the Finance Act, 2012 has brought some major changes in the scope, applicability and rates of Service Tax e.g. applicability of Negative list which has widened the applicability of Service Tax on all the services other than defined in Negative List, Reverse Charge of Service Tax whereby the Service Receiver is liable to pay 100% or partial Service Tax, increase in rates of Service Tax from 10.30% to 12.36% and further to 14.50% under Finance Act, 2012 and Finance Act, 2015 respectively.

7.8.7 The Commission has taken cognizance of the changes in the statues regarding service tax and has referred to the Distribution Tariff Regulations, 2006. In this regard the Regulation 2.1.5 may be referred as reproduced below:

> *"The Commission may broadly classify costs incurred by Licensee as controllable and non-controllable. Uncontrollable costs shall include (but not limited to) fuel cost, increase in interest rates, increase in cost on account of inflation, taxes & cess, variation in power purchase unit costs including on account of hydrothermal mix in case of adverse natural events"*

7.8.8 Since, the taxes and cess are part of uncontrollable cost, the Commission agrees in principle on allowance of such additional cost. However, since the amount claimed by the Petitioner is based on projection only, the Commission provisionally allows the expense at Rs. 1.79 Crore only subject to truing-up, once the actual expenses are made available to the Commission.

7.8.9 In addition to the above, the Commission has also allowed Rs. 0.39 Crore for undertaking the studies as directed by the Commission from time to time.

7.8.10 The Petitioner submitted that the newly enacted Companies Act, 2013 contains many provisions therein which may lead to significant increase in scope of the services and compliance requirement of the Company, Auditors, Directors and Promoters etc. The Petitioner submitted that the following major changes may lead to increase in expenses:

- CSR Expenses: The Company is mandatorily required to incur expenses on Corporate Social Responsibility (CSR) activities to the extent of at least 2% of its profits. Such expenses have to be incurred on the activities as defined in provisions of the newly enacted Companies Act, 2013. It is required to constitute the CSR Committee under supervision of Board of Directors for compliance of CSR responsibility of the Company. This is the most catalyst provision of the new Act, which will significantly increase the expenses of the Company.

- Rotation of Auditors: The Auditors of the Company needs to be compulsorily replaced after stipulated period and they have to report on various new compliances enlisted in new the Companies Act, 2013. This would lead to increase in scope of the work of statutory auditors and consequential renegotiation of the auditor's fees.

7.8.11 In view of the above, the Petitioner has claimed an additional amount of Rs. 0.20 Crore in its ARR for FY 2016-17. Petitioner submitted that the above expenses resulting from the mandatory compliance of the provisions of the newly enacted Companies Act, 2013 are absolutely on account of change in the law and therefore additional O&M Expenses on account of the same may be allowed in accordance with the Regulation 4.3(5) of the Distribution Tariff Regulations, 2006.

7.8.12 The Commission in its Tariff Order for FY 2015-16 has not allowed the CSR expenses for FY 2015-16. The Petitioner preferred to file an appeal before Hon'ble APTEL against the decision of the Commission towards disallowance of the CSR expense. Hon'ble APTEL on June 2, 2016 gave its Judgment in favor of the Commission. The relevant portion of the Judgment is reproduced below:

"e. It is very much clear from the relevant extract from Companies Act 2013 that the company should spend, 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.
f. We are of the considered opinion that if such expenses are passed on to the consumers in the ARR, it would defeat the very purpose. In fact, such expenses are for the social development which should not be passed on to the consumers.
g. We have noted from the Impugned Tariff Order that the State Commission may review during the Truing up for FY 2015-16 after analysing the actual expenses and case laws in other states.

h. We are in agreement with the views of State Commission in the Impugned Tariff Order.
i. Hence this issue is decided against the Appellant."

7.8.13 In view of the above, the Commission at this stage has not allowed expenses separately under the ARR and may be considered during the Truing up for FY 2015-16 after analyzing the actual expenses and case laws in other States.

7.8.14 The Table below highlights the statutory and other expenses approved by the Commission for FY 2016-17:

Table 7:14: STATUTORY / OTHER REGULATORY EXPENSES APPROVED BY THE COMMISSION FOR FY 2016-17 (Rs. Crore)

Particulars	Petition	Approved
Demand Side Management Expenses	0.40	0.40
CGRF Expenses	0.40	0.40
Competitive Bidding Expenses	0.19	0.19
Technical studies as directed by Commission	0.39	0.39
Service Tax payable due to change in law	1.79	1.79
Corporate Governance Expenses due to change in law	0.20	0.00
CSR Expense	2.57	0.00
Total	**5.94**	**3.17**

7.9 CAPITAL EXPENDITURE (CAPEX):

7.9.1 For FY 2016-17, the Petitioner in the ARR Petition has claimed capital investment of Rs. 185.70 Crore and total capitalization (transfer to GFA) of Rs. 185.20 Crore. The above capital investment and capitalization claimed by the Petitioner also includes interest capitalization of Rs. 2.09 Crore.

7.9.2 Petitioner has projected the above capital expenditure for the following major heads:

- Routine Capital Expenditure
- Schemes for Distribution Systems
- Process / System Automation
- Civil Works for Substations
- IT Projects
- Tools & Testing Equipment
- 220 / 33 kV Gharbara Substation GNIDA

- Demand Side Management
- Lands for Substations (including Registration charges, Stamp Duty etc.)

7.9.3 The detailed breakup of the capitalization claimed by the Petitioner for FY 2016-17 is shown in the Table below:

Table 7:15: BREAKUP OF CAPITALISATION AS CLAIMED BY THE PETITIONER FOR FY 2016-17 (Rs. Crore)

Sl. No.	Nature of Works	FY 2016-17 (Projected)
A	**Routine Capital Expenditure**	
1	New Services & Load Augmentation	13.09
2	Replacement Stock	1.37
3	Metering	2.66
	Sub-Total	**17.13**
B	**Schemes for Distribution Systems**	
1	33/11kV Substations and Switching stations	34.44
2	33kV network development	6.25
3	11kV network development	21.53
4	LT network development	2.63
5	Network at villages	4.21
6	Network Rennovation	1.70
	Sub-Total	**70.76**
C	**Process / System Automation**	
1	Implementation of SCADA,DMS,OMS and 33/11kV substation automation	9.29
2	Implementation of BMS,OMS facility & Automation test lab	3.55
3	Upgradation/ Development of Communication System Infrastructure	2.41
4	Field Area network automation including RMU,DTMS,Feeder and Street Light	1.34
5	Smart Grid Initiative	0.54
6	Implementation of GIS	1.83
7	Implementation of CCTV based surveillance system	0.55
	Sub-Total	**19.50**
D	**Civil Works & Office Infrastructure Facility**	**41.54**
E	**IT Projects**	
1	Implementation of Software Applications	2.45
2	Upgrading of Hardware Infrastructure Capacity	1.60
3	Upgrading of Networking Infrastructure	1.25
4	Purchase of Computers, Peripherals & Accessories	1.07

Sl. No.	Nature of Works	FY 2016-17 (Projected)
5	Purchase of Software Licences	2.55
	Sub-Total	**8.92**
F	**Tools & Testing Equipment**	**0.95**
G	**Demand Supply Management**	**0.15**
H	**Land (Registration charges, Stamp Duty etc.)**	**19.00**
	Sub-Total (A+B+C+D+E+F+G+H)	**177.95**
	Add: Salary Capitalized	6.16
	Add: Interest Capitalized	2.09
	Total	186.20

7.9.4 The capital expenditure (excluding interest capitalization) for FY 2016-17 has been considered as per the Petitioner's submission after deducting the assets (Rs. 1.00 Crore) transferred from UPSIDC. The opening capital work in progress (CWIP) for FY 2016-17 is Rs. 1.50 Crore. As Greater Noida area has been developing at a very fast rate which is resulting in the higher electricity requirement and network coverage in the area. Further, as Petitioner has been quite able to achieve its capital expenditure levels in the past total capitalization i.e. transfers to GFA for FY 2016-17 has also been taken as per Petitioner's submission after deducting the assets (Rs. 1.00 Crore) transferred from UPSIDC.

7.9.5 The interest capitalization for FY 2016-17 has been considered as Rs. 2.09 Crore.

7.9.6 Debt and Equity has been worked out based on the normative funding of 70:30 as adopted by the Commission in its previous Orders. The detail of the capital expenditure approved by the Commission for FY 2016-17 is given in the table below:

Table 7:16: CAPEX DETAILS FOR FY 2016-17 AS APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Petition	Approved
Total Additions to Assets (excluding interest capitalisation)	183.11	183.11
Add: Closing CWIP	2.00	2.00
Less: Opening CWIP	1.50	1.50
Total Capex (excluding interest capitalisation)	183.61	183.61
Add: Interest Capitalisation	2.09	2.09
Total Capex	**185.70**	**185.70**

Particulars	Petition	Approved
Consumer Contribution	14.67	14.67
Net Capex	**171.03**	**171.03**
Debt @ 70%	119.72	119.72
Equity @ 30%	51.31	51.31

7.10 INTEREST AND FINANCE CHARGES:

7.10.1 The Licensee has claimed Interest and Finance Charges which includes following heads:

- Interest on Long Term Loans;
- Finance Charges;
- Interest on working capital / short term loans &
- Interest on consumer security deposits

7.10.2 Each of the above cost elements are discussed separately as under:

7.11 INTEREST ON LONG TERM CHARGES:

7.11.1 In the ARR Petition, the Petitioner has claimed interest on debt of Rs. 50.18 Crore after considering loan additions of Rs. 119.72 Crore. The interest on long term loans as submitted by the Petitioner is given in Table below:

Table 7:17: INTEREST ON LONG TERM LOANS - PETITION (Rs. Crore)

Particulars	Opening Balance	Additions During the Year	Repayment	Closing Balance	Interest
Bank of Maharashtra (FY 10)	5.34	-	5.34	(0.00)	0.12
IDBI Bank(FY11)	13.81	-	11.05	2.76	0.89
GNIDA	0.00	-	-	0.00	-
Normative Loans (FY08)	1.07	-	0.53	0.54	0.08
ICICI Bank (FY12)	17.57	-	6.06	11.51	1.69
Central Bank of India (FY 13)	0.00	-	-	0.00	-
ICICI Bank (FY 13)	18.92	-	2.04	16.88	1.90
Normative Loans (FY14)/ ICICI bank (FY 14)	87.26	-	6.21	81.05	9.40
SBM (2014-15)	25.83	-	5.00	20.83	2.52
Normative Loans (FY 2014-15) / HDFC Bank (2014-15)	63.03	-	12.20	50.83	5.97

Particulars	Opening Balance	Additions During the Year	Repayment	Closing Balance	Interest
Normative Loans (FY 2015-16)	39.82	-	3.98	35.83	3.86
SBM (2014-15) for Swapping Central Bank	17.22	-	3.06	14.17	1.68
IDBI Bank (2015-16) for Swapping Central Bank	28.81	-	2.80	26.01	2.93
IDBI Bank (2015-16)	121.19	-	13.47	107.72	12.20
Proposed Loan (2016-17)	-	119.72	-	119.72	6.96
Total	439.89	119.72	71.74	487.87	50.18

Commissions' Analysis

7.11.2 The Commission while computing the interest on loan for FY 2016-17 has considered the opening loan balance equivalent to closing loan balance for FY 2015-16 after undertaking the Truing up of FY 2014-15 and considering the revised capital expenditure submitted by the Petitioner for FY 2015-16.The Petitioner should ensure to arrange the funding arrangement for the loan additions at the optimum terms.

7.11.3 Following the same methodology as adopted in previous Order, the repayments, rate of interest and interest on existing loans have been approved as per actual loan portfolio for FY 2015-16.

7.11.4 Accordingly, the interest on long term loan is approved at Rs. 50.18 Crore as claimed by the petitioner subject to truing-up, as shown in the Table below:

Table 7:18: INTEREST ON LONG TERM LOANS – APPROVED (Rs. Crore)

Particulars	Opening Balance	Additions During the Year	Repayment	Closing Balance	Interest
Bank of Maharashtra (FY 10)	5.35	-	5.34	0.01	0.12
IDBI Bank(FY11)	13.81	-	11.05	2.76	0.89
GNIDA	0.00	-	-	0.00	-
Normative Loans (FY08)	1.06	-	0.53	0.53	0.08
ICICI Bank (FY12)	17.57	-	6.06	11.51	1.69
Central Bank of India (FY 13)	0.00	-	-	0.00	-
ICICI Bank (FY 13)	18.92	-	2.04	16.88	1.90
Normative Loans (FY14)/ ICICI	87.26	-	6.21	81.05	9.40

Particulars	Opening Balance	Additions During the Year	Repayment	Closing Balance	Interest
bank (FY 14)					
SBM (2014-15)	25.83	-	5.00	20.83	2.52
Normative Loans (FY 2014-15) / HDFC Bank (2014-15)	63.03	-	12.20	50.83	5.97
Normative Loans (FY 2015-16)	39.82	-	3.98	35.83	3.86
SBM (2014-15) for Swapping Central Bank	17.22	-	3.06	14.17	1.68
IDBI Bank (2015-16) for Swapping Central Bank	28.81	-	2.80	26.01	2.93
IDBI Bank (2015-16)	121.19	-	13.47	107.72	12.20
Proposed Loan (2016-17)	-	119.72	-	119.72	6.96
Total	**439.89**	**119.72**	**71.74**	**487.87**	**50.18**

7.12 INTEREST ON WORKING CAPITAL:

7.12.1 The Petitioner submitted that the Distribution Tariff Regulations, 2006 provides for normative interest on working capital based on the principles outlined and accordingly, it is eligible for interest on working capital worked out on the basis of the provision of the regulations. Further, Clause No. 4.8 (2) (b) of the Distribution Tariff Regulations, 2006 provides for rate of interest on working capital borrowings at bank rate specified by RBI + appropriate margin decided by Commission. The Petitioner has considered the weighted average SBI PLR for computing the interest on working capital.

7.12.2 In the Petition for FY 2016-17, the Licensee has considered the security deposit passed onto UPPCL amounting to Rs. 11.28 Crore. The total interest on working capital claimed by the Petitioner is Rs. 11.74 Crore.

Commission's Analysis:

7.12.3 The relevant provision of the Regulation 4.8 (2) of the Distribution Tariff Regulations, 2006 specify as under:

"4.8 Treatment of Interest Costs:

2. Interest on working capital

(a) Working capital shall be worked out to cover

(i) Operation and Maintenance expenses, which includes Employee costs, R&M expenses and A&G expenses, for one month;

(ii) One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of such financial year.

(iii) Receivables equivalent to 60 days average billing of consumers less security deposits by the consumers minus amount, if any, held as security deposits under clause (b) of sub-section (1) of Section 47 of the Act from consumers and Distribution System Users.

(b) Rate of interest on working capital shall be the Bank Rate as specified by Reserve Bank of India for the relevant year plus a margin as decided by the Commission."

7.12.4 The Commission has computed the working capital in accordance with the above Regulations. Interest rate for interest on working capital has been considered as 14.29% as weighted average rate of SBI PLR for FY 2015-16.

7.12.5 Hon'ble APTEL has also given its Judgment for considering SBI PLR for calculation of interest on working capital which has already been discussed in this Order. Thus, in line with the approach followed by the Commission in its earlier Tariff Orders and the Judgment of the Hon'ble APTEL, the Commission has worked out the working capital and interest on working for FY 2016-17 as shown in the Table below:

Table 7:19: INTEREST ON WORKING CAPITAL - APPROVED (Rs. Crore)

Particulars	Petition	Approved
One Month's O&M Expenses	7.07	4.58
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	17.55	17.55
Receivables equivalent to 60 days average billing on consumers	203.42	209.87
Gross Total	**228.05**	**232.01**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003		
Opening Balance	146.40	146.39
Received during the year	21.50	21.50
Closing Balance	167.90	167.89

Particulars	Petition	Approved
Less: Security Deposit with UPPCL	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	145.87	145.86
Net Working Capital	**82.19**	**86.15**
Rate of Interest for Working Capital	14.28%	14.29%
Interest on Total Working Capital	**11.74**	**12.31**

7.12.6 The major reasons for the difference in Petitioned and the approved amount are explained as under:

- The O&M expenses are approved for FY 2016-17 at Rs. 51.84 Crore against Petitioner's claim of Rs. 78.96 Crore.
- The Statutory expenses are approved for FY 2016-17 at Rs. 3.17 Crore against Petitioner's claim of Rs.5.94 Crore.
- Receivables considered by the Commission, are based on the revenue approved by the Commission in this Order, based on the Tariff approved by the Commission.

7.13 FINANCE CHARGES:

7.13.1 Petitioner has estimated the Finance Charge including Processing Charges and Credit Rating Charges of Rs. 7.25 Crore for FY 2016-17.

Table 7:20: FINANCE CHARGES SUBMITTED BY PETITIONER (Rs. Crore)

Particulars	Petition
Credit Rating Charges	0.20
Processing Charges	5.90
Other Finance Charges	1.15
Total Finance Charges	**7.25**

7.13.2 The Petitioner in its Petition had proposed the processing charges as Rs. 5.90 Crore as against Rs. 1.63 Crore approved for FY 2015-16.

Table 7:21: PROCESSING CHARGES SUBMITTED BY PETITIONER (Rs. Crore)

Sl. No.	Financing Activity	Facility Amount	Charges Payable
1	Fund Based WCF Renewal & CP	240	1.88

Sl. No.	Financing Activity	Facility Amount	Charges Payable
	Issue		
2	Renewal of LC facility for PPA and other purposes	140	0.58
3	Sanction of Fresh Term Loans	150	3.44
	Total	**530**	**5.90**

Commission's Analysis:

7.13.3 The Petitioner has submitted to have got the sanctions of the loans for the capital expenditure to be undertaken during FY 2016-17 and has claimed processing charges of Rs 3.44 Crore against sanction of Fresh Term Loans for FY 2016-17.

7.13.4 In view of the above and in accordance with Regulation 4.8.1 of the Distribution Tariff Regulation, 2006, the Commission approves processing charge of Rs. 4.69 Crore, following the same approach as explained in the True Up section for FY 2014-15. However, the same shall be subject to true-up based on the Audited Accounts of the Petitioner.

Table 7:22: PROCESSING CHARGES-APPROVED (Rs. Crore)

Sl. No.	Financing Activity	Facility Amount	Charges Payable	Approved
1	Fund Based WCF Renewal & CP Issue	240	1.88	0.67
2	Renewal of LC facility for PPA and other purposes	140	0.58	0.58
3	Sanction of Fresh Term Loans	150	3.44	3.44
	Total	**530**	**5.90**	**4.69**

7.13.5 Finance charges also includes the credit rating charges and other finance charges of Rs. 0.20 Crore and 1.15 Crore respectively. The summary of the finance charges as claimed by the Petitioner and that approved by the Commission is shown in the Table below:

Table 7:23: FINANCE CHARGES – APPROVED (Rs. Crore)

Particulars	Petition	Approved
Credit Rating Charges	0.20	0.20
Processing Charges	5.90	4.64

Particulars	Petition	Approved
Other Finance Charges	1.15	1.15
Total Finance Charges	**7.25**	**5.99**

7.14 INTEREST ON SECURITY DEPOSIT:

7.14.1 Regulation 4.8.3 of the Distribution Tariff Regulations, 2006 provides for Interest on Security Deposit amount at bank rate or more, as may be specified by the Commission.

7.14.2 The Petitioner in its Petition has claimed interest on security deposit of Rs. 12.18 Crore which has been computed at the rate of 7.75%.

Commission's Analysis:

7.14.3 The Commission in accordance with Regulation 4.8.3 of the Distribution Tariff Regulations, 2006 has computed the interest on security deposits at the prevailing Bank Rate of 7.75% as on April 1, 2016. The interest on Security Deposit as claimed by the Petitioner and that approved by the Commission is shown in the Table below:

Table 7:24: INTEREST ON SECURITY DEPOSIT - APPROVED (Rs. Crore)

Particulars	Petition	Approved
Opening Balance of Security Deposit	146.40	146.39
Addition During the year	21.50	21.50
Closing Balance for Security Deposit	167.90	167.89
Average Balance for Security Deposit	**157.15**	**157.14**
Rate of Interest	7.75%	7.75%
Interest payable on Security Deposit	**12.18**	**12.18**

7.14.4 The Petitioner is required to pay interest on consumer security deposit at the rate of 7.75% per annum on the consumer security deposits.

7.15 INTEREST CAPITALISATION:

7.15.1 The Interest capitalization claimed by the Petitioner for FY 2016-17 is Rs. 2.09 Crore.

7.15.2 The Interest capitalization for FY 2016-17 has been computed by the Commission on the basis of normative interest approved on normative loan addition in FY 2016-17 which is Rs. 6.96 Crore. It may be noted that the same methodology was adopted by the Commission in the previous Tariff Orders which was later upheld by the ATE in Appeal No. 4 of 2011 dated December 15, 2011. Accordingly, the interest capitalization approved by the Commission for FY 2016-17 works out to Rs. 2.09 Crore.

7.16 SUMMARY OF INTEREST & FINANCE CHARGES:

7.16.1 The Summary of Interest and Finance Charges approved by the Commission for FY 2016-17 are given in the Table below:

Table 7:25: SUMMARY OF INTEREST & FINANCE CHARGES APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	Petition	Approved
Interest on Long term loans	50.18	50.18
Interest on short term loans/working capital	11.74	12.31
Finance charges	7.25	6.04
Interest on security deposit	12.18	12.18
Total Interest & Finance charges	**81.35**	**80.71**
Less: Interest capitalization	2.09	2.09
Net Interest & Finance charges	**79.26**	**78.62**

7.17 EFFICIENCY GAINS DUE TO SWAPPING OF LOANS

7.17.1 The Petitioner submitted that to minimize the cost of borrowing, it has renegotiated its existing term loan facilities with Central Bank of India having outstanding balance of Rs. 51.67 Crore by utilizing the Term Loans facilities sanctioned by State Bank of Mysore and IDBI Bank Limited bearing lower cost. Such, swapping of loans resulted in accrual of saving in interest cost of Rs. 1.14 Crore in current and ensuing years to be shared with its consumers in accordance with Clause 4.8 and 4.11 of Distribution Tariff Regulations., 2006. The Petitioner has worked out the savings in the interest cost for FY 2016-17 amounting to Rs. 0.47 Crore. In accordance with Regulations 4.8 and 4.11 of Distribution Tariff Regulations, 2006 the Commission has provisionally considered the efficiency gain of Rs. 0.47 Crore for FY 2016-17 due to loan swapping as claimed by the Petitioner which shall be subject to True-up as per the Audited Accounts of the Petitioner.

7.18 CAPITALISATION OF ASSETS & COMPUTATION OF EQUITY:

7.18.1 The Petitioner has submitted return on equity computations based on the debt equity ratio of 70:30 as provided in Regulation 4.7 of Distribution Tariff Regulations, 2006.

Commission's Analysis:

7.18.2 As per Clause 1 of Regulation 4.10 of the Distribution Tariff Regulations, 2006, return on equity shall be allowed at 16% on the equity base determined in accordance with Regulation 4.7.

7.18.3 The Capitalisation of Assets or Capital Formation takes place from Opening Work-in-Progress (WIP) and investments/ capex undertaken during the year. The computation of equity approved by the Commission for FY 2016-17 is given in the Table below:

Table 7:26: CAPITALISATION OF ASSETS & COMPUTATION OF EQUITY – APPROVED (Rs. Crore)

Particulars	Petition	Approved
Opening CWIP	1.50	1.50
Capital Investment	185.70	185.70
Total capitalization=Transfer to GFA	185.20	185.20
Capitalisation of Capex approved during the year in the year	183.70	183.70
Consumer contribution	14.67	14.67
Remaining investment	171.03	171.03
Debt	119.72	119.72
Equity	51.31	51.31
Portion of Inv. Assumed to be capitalised through CC	**14.51**	**14.51**
Portion of remaining investment to be capitalized	**169.19**	**169.19**
Debt	118.43	118.43
Equity	50.76	50.76
Portion of Opening CWIP	0.42	0.42
Total Equity for RoE	**51.18**	**51.18**

7.19 GROSS FIXED ASSETS (GFA) & WORK-IN-PROGRESS:

7.19.1 The capitalization and transfer to GFA is approved as projected by the Petitioner; however the interest capitalised is considered as computed by the Commission in the previous Section. Accordingly, the approved GFA is shown in the Table below:

Table 7:27: GROSS FIXED ASSETS - APPROVED (Rs. Crore)

Particulars	Petition	Approved
Opening Balance	1162.83	1162.85
Addition during the Year	185.20	185.20
Retirement during the Year	5.85	5.85
Closing Balance	1342.18	1342.20

7.20 DEPRECIATION:

7.20.1 The Petitioner in its Petition has claimed net depreciation of Rs. 71.74 Crore for FY 2016-17 after deducting the depreciation on Consumer Contribution.

7.20.2 The Commission in Distribution Tariff Regulation, 2006 has specified the depreciation rates for the purposes of computation of depreciation for different category of assets.

7.20.3 The Commission in its Tariff Order dated September 1, 2008 under para 4.16.3 had allowed Licensee to charge higher depreciation on IT assets at the rate of 30% instead of 12.77%.

7.20.4 Accordingly, the depreciation expenses approved by Commission for FY 2016-17 are provided in the Table below:

Table 7:28: DEPRECIATION - APPROVED (Rs. Crore)

Particulars	Petition	Approved
Depreciation	81.38	81.38
Less: Depreciation on Consumer Contribution	9.64	9.64
Net Depreciation	71.74	71.74
Average Normative GFA	1252.51	1252.52
Weighted average depreciation rate	6.50%	6.50%

7.21 INCOME TAX:

7.21.1 The Petitioner submitted that based on the existing provisions of the Income Tax Act, 1961, the Income Tax liability of the Company for FY 2016-17 shall be at the Corporate Tax Rates and likely accrual of tax demand has been estimated at Rs. 45 Crore.

7.21.2 The Petitioner has submitted that it has been paying taxes as per Minimum Alternate Tax (MAT) due to accumulated losses arising from the claims made in income tax return in respect of excessive billing done by UPPCL which is under dispute and pending before the Hon'ble Supreme Court. All these accumulated losses has been consumed in FY 2014-15, therefore, for FY 2015-16 and FY 2016-17, the Company would be liable to pay Income Tax as per normal tax provisions. Further, based on the current status of various matters in various assessment orders and the demand raised by the Income Tax Department, the tax liability for FY 2016-17 has been estimated at Rs. 45 Crore being the aggregate of tax at Normal Rates on Return on Equity for FY 2016-17 and the likely demand under various income tax matters which may arise during FY 2016-17.

7.21.3 The Petitioner submitted that due to protracted litigation on power purchase price, as a measure of abundant precaution it has been claiming power purchase price as billed by PVVNL / UPPCL in its Income Tax Returns. Consequent to the favorable decision of the Hon'ble Allahabad High Court, Lucknow bench, it was liable to pay income tax at normal corporate tax rate. However, since UPPCL, has filed SLP in the Hon'ble Supreme Court against the aforesaid Judgment, it has continued to pay income tax at Minimum Alternate Tax (MAT) rate, which is lower than the normal corporate tax rate. The Petitioner submitted that in the event of favorable decision by the Hon'ble Supreme Court, it would be required to pay income tax at normal corporate rates from retrospective dates along with interest. In such event, it will also be required to pay taxes on past power purchase differentials which amounts to Rs. 46.05 Crore (approx.) till FY 2013-14. Further, there will also be a demand with respect to interest on the same, which is calculated in accordance with the provisions of the Income Tax Act, 1961 and amounts to Rs. 34.96 Crore as on March 31, 2016.

7.21.4 Therefore, the Petitioner has submitted to have not claimed the tax liability of Rs. 81.01 Crore in ARR for FY 2016-17 and will claim in the year in which the assessment is finalized. The Petitioner further submitted that the above should not prejudice the rights of the Company to claim the same in future on actual payment basis.

7.21.5 Considering the above, the Petitioner requested the Commission to approve the income tax liability for FY 2016-17 at Rs. 45.00 Crore subject to the true up in future on actual payment.

Commission's Analysis

7.21.6 It has been observed that the Income Tax of Rs. 45.00 as claimed by the Petitioner for FY 2016-17 is considerably higher than the Income Tax approved by the Commission for FY 2015-16 in its Tariff Order dated June 18, 2015 which was only Rs. 15.90 Crore.

7.21.7 As detailed above, such higher Income Tax has been claimed considering that the Petitioner from FY 2016-17 onwards would have to pay the Income Tax at the corporate tax rate instead of the MAT rate. The Commission is of the view that the only income which the Petitioner earns from the regulated Distribution Business is RoE apart from other efficiency gains which are very less.

7.21.8 Therefore the Commission has computed the Income Tax liability for the Petitioner at the corporate tax rate of 34.61% at the approved RoE. The Commission has provisionally considered the Income tax liability for FY 2016-17. Thus, as against the Income Tax of Rs. 45.00 Crore by the Petitioner the Commission has provisionally approved Income Tax of Rs. 18.57 Crore for FY 2016-17 i.e. 34.61% of approved RoE for FY 2016-17.

7.22 CONTINGENCY RESERVE

7.22.1 The Petitioner submitted that as per Regulation 4.14 of the Distribution Tariff Regulations, 2006 it is required to create Contingency Reserve up to 0.50% of the opening Gross Fixed Assets. Petitioner submitted that the Commission vide its Tariff Order dated October 1, 2014 and June 18, 2015 has not allowed the provision of contingency reserve to reduce extra burden on the consumers.

7.22.2 The Petitioner has claimed Rs. 6.51 Crore towards Contingency Reserve for ARR for FY 2016-17 as per the table below.

Table 7:29: CONTRIBUTION TO CONTINGENCY RESERVE FOR FY 2016-17 AS SUBMITTED BY PETITIONER (Rs. Crore)

Particulars	Petition
Opening Gross Fixed Assets	1,301.66
Contribution to Contingency Reserves	6.51
% of Opening GFA	0.50%

However, the Petitioner submitted that contingency reserve is being created to meet the eventualities in the nature of major calamities, act of God etc. and thereby, causing huge loss to the network. In any case, the amount so allocated, can be used with prior permission of the Commission only. Thus, as a matter of prudent practice, the Petitioner requested the Commission to reconsider allowance of the provision of contingency reserve.

Commission's Analysis

7.22.3 In line with the Commission's earlier view that the Contribution to Contingency Reserves would put additional burden on the consumers, the Commission has not approved any fund the contingency reserve for FY 2016-17.

7.23 PROVISION FOR BAD & DOUBTFUL DEBTS:

7.23.1 The expenses claimed by Petitioner on account of bad and doubtful debts for FY 2016-17areRs. 18.52 Crore. The Petitioner has submitted that the Commission, vide its Tariff Order dated October 1, 2014 and June 18, 2015, had directed it to convert all unmetered consumers into metered consumers latest by December 31, 2015. Accordingly, it has started rigorous drives and expects to convert almost all unmetered consumers into metered consumers during FY 2016-17 if not FY 2015-16. Further, the Commission has also directed to conduct survey and increase its consumer base to curb illegal / unauthorized use of electricity. Accordingly, through various initiatives the Petitioner expects significant increase in metered consumers in rural areas as compared to earlier years. As rural consumers are the worst payers and despite regular drives and various modes / facilities of collection, there is a need for higher provisions / write-offs in the form of Bad Debts.

7.23.2 The Petitioner submitted that any recovery around 97% - 98% of the sales should undoubtedly be considered as efficient collection and, therefore, the balance 2% to 3% may be provided as bad and doubtful debts. However, the Petitioner in its Petition has claimed the above amount at 1.50% of the estimated revenue from Sale of power.

Commission's Analysis:

7.23.3 The Commission has approved bad-debts for FY 2016-17 at 1.50% of estimated revenue billed during the year. Regulation 4.4 of the Distribution Tariff Regulations, 2006 provides for bad-debts with ceiling limit up to 2% of revenue receivables and that the same are written off actually with transparent policy approved by Commission. The Petitioner has claimed a provisioning of 1.50% for FY 2016-17 as Rs. 18.52 Crore on the basis of projected revenue billed during the year and the projected receivable from the consumers.

7.23.4 The Commission approves the provisioning at 1.50% as Rs 17.97 Crore for FY 2016-17 on the basis of approved Receivable from Customers at the beginning of the year, approved Revenue billed &Collection for the year. Any variations would be considered at the time of true-up for FY 2016-17. Accordingly the provision for bad debts as considered by the Commission for FY 2016-17 is shown in the Table below:

Table 7:30: BAD & DOUBTFUL DEBTS FOR FY 2016-17 (Rs. Crore)

Particulars	Petition	Approved
Receivable from Customers as at the beginning of the year	184.00	184.00
Revenue billed for the year	1237.49	1200.69
Collection for the year	1199.55	1163.87
Gross receivable from customer as at the end of the year	203.42	202.69
% of Provision	1.50%	1.50%
Provision for Bad & Doubtful debts	**18.52**	**17.97**

7.24 RETURN ON EQUITY:

7.24.1 The Petitioner submitted that it is entitled to earn Return on Equity as per Regulation 4.10 of the Distribution Tariff Regulations, 2006.

7.24.2 The Petitioner based on its computations of equity after making adjustment for interest capitalization has claimed return of Rs. 53.64 Crore.

Commission's Analysis:

7.24.3 The return on equity has been computed by Commission in accordance with Regulation 4.10 of Distribution Tariff Regulations, 2006 at 16% of the average regulatory equity base during the year. The return on equity as approved by the Commission for FY 2016-17 is shown in the Table below:

Table 7:31: ROE APPROVED BY THE COMMISSION FOR FY 2016-17 (Rs. Crore)

Return on Equity Computation	Petition	Approved
Regulatory Equity Base at the beginning of the year	309.69	309.74
Assets Capitalised during the year	183.11	185.20
Equity portion of Assets Capitalised during the year	51.18	51.18
Regulatory Equity Base at the end of the year	360.87	360.92
Computation of Return on Equity		
Return on Opening Regulatory Equity Base @ 16%	49.55	49.56
Return on Addition to Equity Base during the year @ 16%	4.09	4.09
Total Return on Equity	**53.64**	**53.65**

7.25 NON TARIFF INCOME:

7.25.1 The Non-Tariff Income includes delayed payment surcharge, miscellaneous charges, income from investments, interest on fixed deposits and income from consultancy business. The non-tariff income claimed by the Petitioner in its Petition is Rs. 2.98 Crore which is net of Rs. 3.77 Crore towards Cost of Borrowing for DPS.

7.25.2 As per the approach followed by the Commission in its previous Orders and to appropriately compensate for the cost incurred for financing the deferred payment beyond the normative period, the Commission in this Order has reduced the amount of non-tariff income by the financing costs of DPS.

7.25.3 The financing cost of delayed payment surcharge has been computed by the Commission based on the projected DPS for the year. The DPS has been provisionally grossed up at 18% per annum. Further, the financing cost is arrived at on the grossed-up amount and interest rate as considered for working capital has been applied. The computation of the financing cost for DPS is provided in the Table below:

Table 7:32: COST OF BORROWING FOR DPS

Particulars	Petition	Approved
Delayed Payment Surcharge (Rs. Crore)	4.75	4.75
DPS grossed up at 1.50% per month or 18% per annum	18%	18%
Amount (Rs. Crore)	26.39	26.39

Financing cost	14.28%	14.29%
Cost of Borrowing (Rs. Crore)	**3.77**	**3.77**

7.25.4 The Commission approves the non-tariff income as per Petitioner's submission and the financing cost for DPS as computed above. Accordingly, the non-tariff income net of cost for DPS amounting to Rs. 2.98 Crore has been approved in the ARR for FY 2016-17. Any variations would be taken at the time of Truing-up.

7.26 REVENUE FROM SALE OF POWER AT EXISTING TARIFF:

7.26.1 For FY 2016-17, the Petitioner has computed the revenue from sale of power at existing tariff and regulatory surcharge as approved by the Commission vide Tariff Order dated June 18, 2015 at Rs. 1164.59 Crore (including regulatory surcharge of Rs. 86.27 Crore). The Petitioner has also submitted the detailed computation of the Revenue estimated by the Petitioner at the exiting Tariff.

7.26.2 The Commission has found the approach adopted by the Petitioner for calculating the revenue from sale of electricity at existing tariff to be fair and equitable. The Commission has computed the estimated at existing Tariff based on the approved billing determinants for FY 2016-17. Accordingly, the Commission has approved the revenue from sale of power at existing Tariff as provided in the Table below:

Table 7:33: REVENUE AT EXISTING TARIFF RECOMPUTED BY THE COMMISSION FOR FY 2016-17

Particulars	Sales	Revenue	Average Realisation
	(MU)	(Rs. Crs)	(Rs/kWh)
LMV-1: Domestic Light, Fan & Power	288.64	159.70	5.53
LMV-2: Non Domestic Light, Fan & Power	29.62	24.62	8.31
LMV-3: Public Lamps	39.47	24.82	6.29
LMV-4: Institutions	17.12	13.89	8.11
LMV-5: Private Tube Wells	21.03	5.18	2.46
LMV 6: Small and Medium Power	65.32	56.82	8.70
LMV-7: Public Water Works	18.34	13.91	7.58
LMV-8: STW and Pumped Canals	0.31	0.22	6.98
LMV-9: Temporary Supply	50.58	39.32	7.77
HV-1: Non Industrial Bulk Power	126.11	99.97	7.93
HV-2: Large and Heavy Power	889.04	639.98	7.20
Subtotal	**1,545.58**	**1,078.43**	**6.98**
Regulatory Surcharge		**86.27**	**0.56**
Total Sales	**1,545.58**	**1,164.70**	**7.54**

7.27 REVENUE FROM SALE OF POWER AT APPROVED TARIFFS:

7.27.1 The Commission in this Tariff Order for FY 2016-17 has approved the retail Tariffs for different category of consumers of the NPCL, effective within 7 days from the date of publication. The detailed Rate Schedule is enclosed as ANNEXURE 14.3 to this Order.

7.27.2 The Commission in this Section has computed the revenue at approved tariffs for FY 2016-17. Based on these approved tariffs and the period of applicability, the approved revenue for FY 2016-17 for NPCL is as shown in the Table below:

Table 7:34: REVENUE APPROVED BY THE COMMISSION FOR FY 2016-17

Particulars	Sales	Revenue	Average Realisation
	(MU)	(Rs. Crs)	(Rs/kWh)
LMV-1: Domestic Light, Fan & Power	288.64	170.22	5.90
LMV-2: Non Domestic Light, Fan & Power	29.62	28.11	9.49
LMV-3: Public Lamps	39.47	25.19	6.38
LMV-4: Institutions	17.12	15.54	9.08
LMV-5: Private Tube Wells	21.03	5.35	2.54
LMV 6: Small and Medium Power	65.32	61.04	9.35
LMV-7: Public Water Works	18.34	15.93	8.68
LMV-8: STW and Pumped Canals	0.31	0.22	7.18
LMV-9: Temporary Supply	50.58	39.94	7.90
HV-1: Non Industrial Bulk Power	126.11	113.41	8.99
HV-2: Large and Heavy Power	889.04	653.45	7.35
Subtotal	**1,545.58**	**1,128.41**	**7.30**
Regulatory Surcharge		90.27	**0.58**
Total Sales	**1,545.58**	**1,218.68**	**7.88**

7.27.3 The Licensee should ensure that they must at least achieve and maintain the category wise ABR approved, failing which the Commission may take an appropriate view and necessary action.

7.28 REVENUE GAP OF FY 2014-15 and FY 2015-16:

7.28.1 As detailed earlier in this Order the Commission has undertaken the Truing-up of ARR for FY 2014-15 and has not revised the ARR for FY 2015-16. In view of the above, the revenue gap of FY 2014-15 as approved in this Order and revenue gap of FY 2015-16 as approved by the Commission in its Order dated June 18, 2015 has been considered in the ARR of FY 2015-16. Accordingly, the consolidated revenue gap for FY 2014-15 and FY 2015-16 works out to Rs 594.43 Crore.

7.29 CARRYING COST:

7.29.1 The Petitioner has submitted that regulatory assets should be used sparingly and in case regulatory assets are being created, the financing costs / carrying costs on such regulatory assets needs to be necessarily and mandatorily be allowed to the Company.

7.29.2 In Tariff Policy, 2006 provides that in such case the State Commissions should ensure appropriate return on equity in order to enable the utilities to borrow in future also.

7.29.3 The Commission, as of now, has approved the rate of interest for computation of carrying cost at 15.26%.The Commission has also allowed the recovery of past revenue gaps through Regulatory Surcharge and the Licensee will be able to recover certain portion of past revenue gap through the Regulatory Surcharge over the entire year. As the Licensee will be able to recover certain portion of past revenue gap throughout the year and for the reasons mentioned while allowing the carrying cost for truing up, the Commission has considered the monthly compounding on the carrying cost. The carrying cost on regulatory assets for FY 2016-17 is given below:

Table 7:35: CARRYING COST AS APPROVED BY THE COMMISSION FOR FY 2016-17

Particulars	Formula	Amount (Rs. Crore)
Revenue Gap / (Surplus) (For FY 2016-17)	A	(171.03)
Revenue Gap (For previous year)	B	594.43
Interest Rate as per regulations	D	15.26%
Carrying Cost on Revenue Gap for FY 2016-17	E = D x (A/2)	(13.05)
Carrying Cost on Revenue Gap for previous years	F = D x B	90.71
Total Carrying cost	H = E + F	77.66

7.30 SUMMARY OF ARR FOR FY 2016-17:

7.30.1 Based on the above cost approvals, the summary of the ARR approved for FY 2016-17 is provided in the Table below:

Table 7:36: SUMMARY FOR FY 2016-17 (Rs. Crore)

Sr. No.	Particulars	Petition	Approved
1	Power Purchase Expenses	725.83	654.41
2	Transmission Charges (UPPTCL+PGCIL)	90.00	81.61
3	Net O&M Expenses	78.96	51.84
4	Statutory & Other Regulatory Expenses	5.94	3.17
5	Interest charges	81.35	80.71
6	Depreciation	71.74	71.74
7	Contingency Reserve	6.51	-
8	Taxes (Income Tax and FBT)	45.00	18.57
9	Gross Expenditure	1,105.33	962.06
10	Interest capitalized	2.09	2.09
11	Net Expenditure	1,103.24	959.97
12	Provision for Bad & Doubtful debts	18.52	17.97
13	Miscellaneous Expenses	0.59	0.59
14	Total net expenditure with provisions	1,122.34	978.52
15	Add: Reasonable Return / Return on Equity	53.64	53.65
16	Less: Non Tariff Income	2.98	2.98
17	Add: Efficiency Gains	0.47	0.47
18	**Annual Revenue Requirement (ARR)**	**1,173.47**	**1,029.66**
19	Revenue from Existing Tariff	1,164.59	1,164.70
20	Revenue Gap/(Surplus)	8.88	(135.04)
21	Revenue Gap/ Surplus from Prev. Year	621.11	594.43
22	Carrying cost	95.43	77.66
23	**Net Revenue Gap**	**725.41**	**537.05**
24	Total Revenue at Approved Tariff	-	1,200.69
25	Additional Revenue from Revised Tariff	205.82	35.99
26	**Revenue Gap carrying forward**	**519.59**	**501.06**

7.30.2 From the above, the Revenue surplus for FY 2016-17 is Rs. 135.04 Crore at existing tariff. The total Revenue Gap at approved tariff for FY 2016-17 after considering the revenue gap of Rs. 594.43 Crore from previous years, approved revenue of Rs. 1200.69 Crore for FY 2016-17 and carrying cost of Rs. 77.66 Crore is Rs. 501.06 Crore.

7.30.3 Further, the revenue gap carried forward for FY 2016-17 is approved provisionally and shall be subject to final true-up.

8. OPEN ACCESS CHARGES

8.1 BACKGROUND:

8.1.1 The Commission has notified the Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Open Access) Regulations, 2004 (in short 'UPERC Open Access Regulations') vide notification no. UPERC/Secy./Regulations/05-249 dated June 7, 2005 to operationalise long-term and short-term open access in the State. The Regulations also provides that effective from April 1, 2008 any consumer with demand of above 1 MW can avail open access on transmission and distribution systems.

8.1.2 Subsequently, the Commission has also finalized the necessary regulatory framework as below:

- UPERC (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 that includes among others, the detailed procedure(s) for Long-Term Open Access and Short-Term Open Access for use of distribution system, with or without transmission system;
- Model Bulk Power Wheeling Agreement (BPWA) for availing wheeling services from Distribution Licensee(s);
- Procedures for Scheduling, Dispatch, Energy Accounting, UI Accounting and Settlement System of electricity transmitted through the State grid for the electricity drawn by Distribution Licensee(s) from outside and / or within the State.

8.1.3 Further, the Commission has also advised the SLDC to develop the procedure for energy accounting of electricity drawn from the grid by an open access customer who is connected with the distribution system or electricity injected into the grid by a generating station embedded in the distribution system.

8.1.4 In the absence of procedures and guidelines from State Transmission Utility (in short 'STU') and State Load Dispatch Centre (in short 'SLDC'), the Commission, on its own motion, has made detailed procedures for long term and short term open access which covers all aspects, which the Regulations direct by way of an amendment. The "Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 dated 18.6.09", shall come into force from the date it was notified in the Gazette.

8.1.5 The said amendment, which includes procedures for Long-Term Open Access and Short-Term Open Access mainly, focuses on:

- Operationalisation of long-term and short-term use of intra-State transmission and distribution system by generating companies including captive plants /renewable energy plants, distribution / trading Licensees and open access customers with sustained development of transmission and distribution systems in 'proper and coordinated' manner for conveyance of electricity.
- Operationalisation of time-block wise accounting of the quantity of electricity transmitted through State grid and stating the responsibilities of STU for weekly metering and of SLDC for scheduling, dispatch and energy accounting including UI accounting.
- Requirement of Bulk Power Transmission Agreement for use of transmission network and Bulk Power Wheeling Agreement for use of distribution network for long-term open access transactions.

8.1.6 The Electricity Act, 2003 has defined the Open Access as non discriminatory provisions for use of transmission lines or distribution system or associated facilities. **Having regards to operation constraints and other relevant factors, the Commission directs that the Open Access shall be allowed by the Distribution Licensees as per the provisions outlined by the Commission in its Regulations, Orders and any amendments from time to time.**

8.1.7 The Commission has finalized the model Bulk Power Transmission Agreement (BPTA) and Supplementary BPTA for availing transmission services of UPPTCL.

8.1.8 The Commission has also finalized the model Bulk Power Wheeling Agreement (BPWA) which is to be signed between a Distribution Licensee and the long term customer to agree therein, inter alia, to make payment of wheeling charge, surcharge and additional surcharge, if any, for use of the distribution system.

8.2 OPEN ACCESS CHARGES:

8.2.1 The Commission in the Tariff Order for UPPTCL has determined the Transmission Charges payable by Open Access users for use of UPPTCL transmission network for transmission of electricity. Similarly, the Commission has also determined the wheeling charges payable by the Open Access users for utilising the distribution network of the Distribution Licensees for wheeling of electricity.

8.3 WHEELING CHARGES:

8.3.1 Clause 2.1 (2) and (3) of the Distribution Tariff Regulations, 2006 specify that the ARR / Tariff filing by the Distribution Licensee shall separately indicate Aggregate Revenue Requirement (ARR) for Wheeling function and Retail Supply function embedded in the distribution function and that till such time complete segregation of accounts between Wheeling and Retail Supply function takes place, ARR proposals for Wheeling and Retail Supply function shall be submitted on the basis of an allocation statement to be prepared by the Distribution Licensee based on their best of judgment.

8.3.2 As per Distribution Tariff Regulations, 2006 the Annual Expenditure of the Distribution Licensee shall comprise of the following components:

For Retail Supply Business

- Power Purchase Cost Only
- Transmission Charge
- SLDC Charges

As per proportionate allocation towards Wheeling and Retail Supply Business

- Operation & Maintenance Expense
- Depreciation
- Interest & Financing Costs
- Bad and Doubtful Debts
- Return on Equity
- Taxes on Income
- Other expense
- Contribution to Contingency Reserve

8.3.3 The above given Expenditures have to be proportionately allocated towards both Wheeling & Retail Supply Business. The allocation % of the ARR into Wheeling and Retails Supply is provided by the Petitioner.

8.3.4 The Commission for the purpose of this Tariff Order has adopted the basis of allocation of the expenses provided by the Licensee and has accordingly approved the ARR into Wheeling and Retail Supply for FY 2016-17 as given in the Table below:

Table 8:1: WHEELING & RETAIL SUPPLY ARR - APPROVED (Rs. Crore)

Sr. No.	Item	Allocation % (FY 2016-17)	Allocation FY 2016-17

		Wheeling	Retail Supply	Total Approved ARR	Wheeling ARR	Retailing Supply ARR
1	Power Purchase Expenses	0.00%	100.00%	654.41	-	654.41
2	Transmission Charges	0.00%	100.00%	81.61	-	81.61
3	O&M Expenses	74.00%	26.00%	51.84	38.36	13.48
4	Statutory & Other Regulatory Expenses	69.00%	31.00%	3.17	2.19	0.98
5	Interest Charges	100.00%	0.00%	78.62	78.62	-
6	Depreciation	95.00%	5.00%	71.74	68.16	3.59
7	Taxes (Income Tax & FBT)	94.00%	6.00%	18.57	17.45	1.11
8	Gross Expenditure			959.97	204.79	755.18
Add:	Special Appropriation			-		
9	Add: Provision for Bad & Doubtful Debts	0.00%	100.00%	17.97	-	17.97
10	Add: Miscellaneous Exp	100.00%	0.00%	0.59	0.59	-
11	Total Net Expenditure with Provisions			978.52	205.37	773.15
12	Add: Reasonable Return/ Return onEquity	94.00%	6.00%	53.65	50.43	3.22
13	Less: Non Tariff Income	0.00%	100.00%	2.98	-	2.98
14	Add: Efficiency Gains	94.00%	6.00%	0.47	0.44	0.03
15	**Annual Revenue Requirement (ARR)**			**1,029.66**	**256.25**	**773.41**

8.3.5 Based on the same, the wheeling charges for FY 2016-17 have been worked out by the Commission as shown in the Table below:

Table 8:2: WHEELING CHARGES - APPROVED (Rs./kWh)

Details	Unit	FY 2016-17
		Approved
Net Approved Distribution (Wheeling Function) ARR	Rs. Cr	256.25
Retail Sales by NPCL	MUs	1,545.58
Wheeling Charges	Rs/kWh	1.658

8.3.6 The Commission in order to encourage Open Access transactions in the State has further tried to segregate the wheeling charges payable by consumers seeking Open Access based on the voltage levels at which they are connected to the distribution network. The charges have been worked out on the assumption that the wheeling expenses at 11 kV voltage level shall be 80% of the average wheeling charges determined for the Wheeling function of NPCL and that for wheeling at voltages above 11 kV shall be 50% of the average wheeling charges as given in the Table below.

8.3.7 Further, as detailed in the Tariff Order of UPPTCL for FY 2016-17, the Commission has considered the transmission open access charges for short term open access at the same level as approved for Long term open access. Due to substantial use of short-term Open Access, the basis on which the short-term Open Access Charges are being levied in the country have undergone change. This could be observed from the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 wherein the transmission charges for long-term, medium-term and short-term designated ISTS customers of the transmission system are same. In view of the same the Commission has approved the short term distribution wheeling charges same as long term wheeling charges.

Table 8:3: LONG TERM VOLTAGE LEVEL WHEELING CHARGES (Rs./kWh)

Details	Unit	FY 2016-17
		Approved
Connected at 11 kV Voltage Level	Rs/kWh	1.326
Connected above 11 kV Voltage Level	Rs/kWh	0.829

8.3.8 In addition to the payment of wheeling charges, the open access customers also have to bear the wheeling losses in kind. Further, it is also logical that the open access customers have to bear only the technical losses in the system, and should not be asked to bear any part of the commercial losses.

8.3.9 The Licensee in the Petition for FY 2016-17 has submitted that the technical losses at 11 kV voltage level would be around 1.43% and the technical losses above 11 kV voltage level up to 33 kV would be in around 1.05%. Hence, the Commission has considered the wheeling loss applicable for Open Access transactions entailing drawal at 11 kV voltage level at 1.43%, and that for drawal at voltages above 11 kV voltage level at 1.05%.

8.3.10 The wheeling charges determined above shall not be payable if the Open Access customer is availing supply directly through the State transmission network.

8.4 CROSS SUBSIDY SURCHARGE:

8.4.1 The Commission has computed the cross-subsidy surcharge for Open Access consumers in accordance with the methodology specified in Regulation 6.6 of Distribution Tariff Regulations, 2006.

8.4.2 As per Regulation 6.6, the cross subsidy surcharge is to be computed based on the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the Distribution Licensee to supply electricity to the consumers of the applicable class. In case of a consumer opting for open access, the Distribution Licensee could be in a position to discontinue purchase of power at the margin in the merit order. Accordingly, the Commission has computed the cost of supply to the consumer for this purpose as the aggregate of (a) the weighted average of power purchase costs (inclusive of fixed and variable charges) of top 5% power at the margin, excluding liquid fuel based generation, in the merit order approved by the Commission adjusted for average loss compensation of the relevant voltage level and (b) the distribution wheeling charges as determined in the preceding section.

8.4.3 The Commission has computed the cross subsidy surcharge for the relevant consumer categories using the following formula:

$$S = T - [C (1 + L / 100) + D]$$

Where

S is the cross subsidy surcharge

T is the Tariff payable by the relevant category of consumers;

C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power. In case of the Petitioner, this works out to Rs. 4.05 / kWh considering the cost of marginal power purchase from open access.

D is the average wheeling charges for transmission and distribution of power which is Rs. 1.658 /kWh

L is the system Losses for the applicable voltage level, expressed as a percentage, which is computed at 1.05% at 33 kV, 2.48% at 11 kV and 8.56% at LT level.

8.4.4 As per the above formula, the avoidable cost of supply for the Open Access consumers as approved is provided in the Table below, which will be applied against the tariff applicable for the relevant consumer category for computation of Cross subsidy surcharge as and when any consumer applies for the same.

Table 8:4: COST OF SUPPLY AS APPROVED BY THE COMMISSION (Rs. / kWh)

S No.	Categories	Wh. Charge (D)	Wt. Avg. Pur Cost (C)	System Loss (L)	Total Cost
1	HV Categories at 11 KV	1.33	4.05	2.48%	5.481
2	HV Categories above 11 KV	0.83	4.05	1.05%	4.926

8.4.5 The impact of migration of consumers from the network of the incumbent Distribution Licensee on the consumer mix and revenues of a particular Distribution Licensee shall be reviewed by the Commission from time to time as may be considered appropriate.

8.4.6 The impact of migration / shifting of consumers from the network of the incumbent Distribution Licensee on the consumer mix and revenues of a particular Distribution Licensee shall be reviewed by the Commission from time to time as may be considered appropriate.

8.4.7 The Commission has approved levy of Regulatory Surcharge for recovery of cumulative regulatory asset created for the Licensee, which is a part of the tariff charged to different consumer categories. Hence, the Cross Subsidy Surcharge has been computed by subtracting the avoidable cost of supply for the Open Access consumers from the tariff applicable for the relevant consumer, which also includes the applicable Regulatory Surcharge.

8.4.8 The category-wise Cross Subsidy Surcharge approved by the Commission for FY 2016-17 is as given in the Table below:

Table 8:5: CROSS SUBSIDY SURCHARGE APROVED BY THE COMMISSISON FOR FY 2016-17

S No.	Categories	Average Billing Rate	Average Billing Rate (inclusive of Regulatory Surcharge) "T"	Cost of Supply for computing CSS	Cross Subsidy Surcharge "CSS"
1	HV-1 (Supply at 11 kV)	9.55	10.32	5.48	4.84
2	HV-1 (Supply above 11 kV)	8.64	9.33	4.93	4.40
3	HV-2 (Supply at 11 kV)	7.83	8.45	5.48	2.97
4	HV-2 (Supply above 11 kV)	7.18	7.75	4.93	2.82

8.5 ADDITIONAL SURCHARGE:

8.5.1 Petitioner in its Petition submitted that the Commission in its Tariff Order dated June 18, 2015 has approved additional surcharge as Nil (zero). It is pertinent to mention that Section 42(4) of the Electricity Act, 2003 provides that a consumer permitted to receive supply of electricity from a person other than distribution licensee of the area in which such consumer is located, shall be liable to pay an Additional Surcharge to meet the fixed cost of the Distribution licensee arising out of his obligation to supply.

8.5.2 Petitioner submitted that in addition to the above, Regulation 6.8 of the Distribution Tariff Regulations, 2006 prescribes as follows:

> *"6.8 Additional Surcharge*
> *1. Where a consumer avails open access, the Commission may determine the additional surcharge to meet the fixed costs of distribution licensee arising out of his obligation to supply and permit collection of such additional surcharge for the period the fixed cost remains stranded. For recovery of additional surcharge, the distribution licensee shall conclusively demonstrate that his obligation in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. Further, fixed costs related to electrical network assets should be recovered through wheeling charges.*
> *2. The Commission shall determine the amount of additional surcharge to be paid by the consumer to the licensee based on the statement of account submitted by the licensee and objections thereof if any of the consumer.*
> *3. The additional surcharge shall be leviable for such period as the Commission may determine."*

8.5.3 In view of the above, the Petitioner submitted that its power purchase is largely from the short term sources. Petitioner submitted that the short term power procurement contracts are subject to single tariff and are not segregated between fixed and variable charges as such. However, at the same time, all such contracts invariably carry a covenant to procure at least 80% of the contracted supply or else it will have to pay compensation of Rs. 1.00 per unit of the shortfall.

8.5.4 Petitioner submitted that in view of Regulation 6.8 of the Distribution Tariff Regulations, 2006, in case a consumer avails open access and do not procure power from the Petitioner, it will be liable to pay compensation at Rs. 1.00 per kWh of the power not procured. In view of the above, the Petitioner proposed additional surcharge of Rs. 1.00 per kWh for such open access customers for FY 2016-17.

8.5.5 It has been observed by the Commission that there has been considerable amount of load shedding in the area of NPCL which implies that there is a power deficit scenario. In such a case if any consumer avails open access, the Licensee does not really have to reduce the power procurement from the tied up short term sources. The distribution licensee in such a scenario still has large number of consumers to whom the available electricity can be supplied and will not then have to pay any compensation to the suppliers. Considering the above, the Commission has approved additional surcharge for FY 2016-17 as **Nil** (zero). The Commission further directs the Petitioner to improve its demand supply position as the consumers in the Petitioner's area are facing considerable amount of load shedding.

8.5.6 The Petitioner in its subsequent submission in replies to the deficiency note of the Commission further submitted that as per the Tariff Order dated June 18, 2015, the Commission has approved levy of regulatory surcharge for recovery of cumulative regulatory assets created so far. Petitioner in this regard proposed that the regulatory surcharge should also be recovered from Open Access Consumers at the same rate per unit as applicable to the category to which said consumers belongs.

8.5.7 The Commission has approved levy of Regulatory Surcharge for recovery of cumulative regulatory asset created for the Licensee, which is a part of the tariff charged to different consumer categories. Hence, the Cross Subsidy Surcharge shall be computed by subtracting the avoidable cost of supply for the Open Access consumers from the tariff applicable for the relevant consumer, which also includes the applicable Regulatory Surcharge.

8.6 OTHER CHARGES:

8.6.1 The Commission to encourage the Open access in the State rules that the standby charges, grid support charges and parallel operations charges shall be zero in case of Open Access consumers.

9. TARIFF PHILOSPHY

9.1 CONSIDERATIONS IN TARIFF DESIGN

9.1.1 Section 62 of the Electricity Act 2003, read with Section 24 of the Uttar Pradesh Electricity Reforms Act, 1999 sets out the overall principles for the Commission to determine the final tariffs for all categories of consumers defined and differentiated according to consumer's load factor, power factor, voltage, total consumption of energy during any specified period or the time at which supply is required or the geographical position of any area, nature of supply and the purpose for which the supply is required. The overall mandate of the statutory legislations to the Commission is to adopt factors that will encourage efficiency, economical use of the resources, good performance, optimum investments and observance of the conditions of the License.

9.1.2 The linkage of tariffs to cost of service and elimination of cross-subsidies is an important feature of the Electricity Act, 2003. Section 61 (g) of the Electricity Act, 2003 states that the tariffs should progressively reflect the cost of supply and it also requires the Commission to reduce cross subsidies within a timeframe specified by it. The need for progressive reduction of cross subsidies has also been underlined in Sections 39, 40 and 42 of the Electricity Act, 2003. The Tariff Policy also advocates for adoption of average cost of supply, which should be taken as reference point for fixing the tariff bands for different categories.

9.1.3 The Commission has determined the retail tariff for FY 2016-17 in view of the guiding principles as stated in the Electricity Act, 2003 and Tariff Policy. The Commission has also considered the comments / suggestions / objections of the stakeholders and public at large while determining the tariffs. The Commission in its past Orders has laid emphasis on adoption of factors that encourages economy, efficiency, effective performance, autonomy, regulatory discipline and improved conditions of supply. On these lines, the Commission, in this Order too, has applied similar principles keeping in view the ground realities.

9.1.4 As regards to the linkage of Tariff with the Cost of Service, the Distribution Tariff Regulations state as follows:

"1. The tariffs for various categories / voltages shall progressively reflect Licensee's cost to serve a particular category at a particular voltage. Allocation of all costs prudently incurred by the Distribution Licensee to different category of consumers shall form the basis of assessing cost to serve of a particular category. Pending availability of information that reasonably establishes the category-wise / voltage-wise cost to serve, average cost of supply shall be used for determining tariffs taking into account the fact that existing cross subsidies will be reduced gradually. Every Licensee shall provide to the Commission an accurate cost to serve study for its area. The category-wise/ voltage wise cost to serve should factor in such characteristics as supply hours, the load factor, voltage, extent of technical and commercial losses etc.

2. To achieve the objective that the tariff progressively reflects the cost of supply of electricity, the Commission may notify a roadmap with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map shall also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy."

9.1.5 In terms of the Distribution Tariff Regulations, 2006, Tariff Policy and the Electricity Act, 2003, the Commission opines that in the ideal scenario, the tariff of any category should be linked to the cost imposed on the system by the said category. In this regard, the Commission has been directing the Licensee to conduct Cost of Service studies to have a tool for alignment of costs and charges. The Licensee has not submitted any details regarding the cost of service studies for each category or voltage level. The paucity of data in this regard has restricted the Commission in establishing a linkage of tariff to average cost of supply.

9.1.6 Accordingly, while determining the tariff for each category, the Commission has looked into the relationship between the tariff and the overall average cost of supply for FY 2016-17. Effort has been made to move the tariff of appropriate consumer categories, towards the band of +/- 20% to meet the declared objectives of the Distribution Tariff Regulations, 2006, Tariff Policy and the Electricity Act, 2003.

9.1.7 In view of the above, the Commission has determined the retail tariff keeping in the mind the guiding principles as stated in Section 61 of the Electricity Act, 2003.There was unabridged revenue gap considering the existing tariff for FY 2016-17(including the gap for previous years). Considering the huge amount of accumulated revenue gap of previous years as well as revenue gap for current year and high cost of supply and resultant poor cost coverage in the absence of cost reflective tariff, the Commission has decided to increase the tariff as detailed in the subsequent sections to ensure some recovery of the revenue gap.

Metering

9.1.8 In the tariff Order for FY 2014-15, the Commission linked the tariff for unmetered consumer categories in (LMV-1 and LMV-2) with the contracted load which was earlier linked with number of consumers. The Commission in cognizance to the approach followed in the Tariff Order for FY 2014-15 and FY 2015-16, has decided to continue to levy of fixed charges of the unmetered consumers under LMV-1 and LMV-2 up to 2 kW as per their contracted load in Rs. / kW terms.

9.1.9 To incentivise the rural consumers who shift from unmetered to metered category, the Commission has allowed a rebate of 10% on Rate applicable as per the applicable tariff of metered category which shall be applicable to the consumer from the date of installation of meter till end of FY 2017-18.

9.1.10 It has further been observed in the previous years, that in spite of various incentive / dis-incentives, there has not been any considerable improvement in the metering status in the State and the Distribution Licensees continue to supply electricity to the unmetered consumers which results in huge loss of unaccounted electricity. The Petitioner has not been making its full efforts to convert the unmetered connections. **Therefore, the Commission in this Order has directed the Licensee to comply with the direction given by the Commission to put its sincere efforts for converting the unmetered**

consumers to metered consumers thereby ensuring that metering is achieved up to the satisfactory level, failing which the Commission may take a strict view for appropriate action.

Billable Demand

9.1.11 For all consumers having TVM / TOD / Demand recording meters installed, the billable load / demand during a month shall be the actual maximum load / demand as recorded by the meter (can be in parts of kW or kVA) or 75% of the contracted load / demand (kW or kVA), whichever is higher.

9.1.12 Further in case the licensee fails to note the actual maximum load / demand reading or in case of spot-billing, then the consumer may approach the licensee with a photo of the actual maximum load / demand reading displayed on his meter of the previous month. The licensee shall accept the same for the purpose of computation of billable demand, however, if the licensee wishes to, it can get the same verified within 10 days.

Time of Day Tariff

9.1.13 The Time of Day tariff (TOD) is a widely accepted Demand side Management (DSM) measure for energy conservation by price. The TOD structure prompts the consumer to change their consumption profile so as to shift their loads during off peak hours when the power is relatively cheaper. TOD tariff encourages the distribution licensees to move towards separation of peak and off-peak tariffs which would help in reducing consumption as well as costly power purchase at the peak time. The Tariff is set in such a way that it inherently provides incentives and disincentives for the use of electricity in different time periods. The basic objective of implementing time of day tariffs is to flatten the load curve over a period of a day resulting in a reduction in the peaking power requirement and also to enhance power requirement during off peak period. The Licensees have proposed same TOD structure as approved by the Commission in its previous Tariff Order for FY 2015-16.

9.1.14 It may be noted that by implementing the TOD Tariff, the peak load gets shifted and the Distribution Licensees gain in the form of reduction in power purchase expenses as the additional energy supplied to the consumers during peak hours are typically purchased from a costlier source. The Commission in this Tariff Order has continued with the optional TOD structure as introduced in FY 2015-16 for consumers who want to operate at full potential only during the specified night hours (i.e. from 22:00 hrs to 06:00 hrs) with restricted consumption in remaining hours, in addition to the TOD slabs which will be applicable for LMV-6 and HV-2 categories. Apart from the above the Commission in this Order has reduced the TOD rate for the Induction Furnaces / Arc Furnaces, Rolling / Re-Rolling Mill industrial consumers. The TOD structure has been detailed in the Rate Schedule which is provided subsequently in this Order.

Life-line consumers

9.1.15 Licensees have not proposed any change for the Life Line category of consumers. The Commission in the past has been allowing tariff support to lifeline consumers having load up to 1 kW and maximum consumption of 150 kWh / month. In spirit of the National Electricity Policy and the approach followed in last year's Order for FY 2015-16 the Commission in this Order, has decided not to change the slabs and rates for the lifeline consumers.

Scheme for advance deposit for future monthly energy bills

9.1.16 The Commission in this Order has continued with the provision for Advance Deposit against payment of monthly future energy bills which would provide the consumer better facility and the consumer will also be entitled to get interest at the interest rate applicable on security deposit, for the period during which advance exists for each month. With this the Licensees would also get benefitted by improvement in their working capital requirement / cash flows. The detail of this arrangement of advance deposit against payment of future monthly electricity bills is provided in the rate schedule of this Order.

Rebate on Timely Payment

9.1.17 The Commission has decided to increase the rebate to 0.50% for the consumers who pay the bills in time i.e. on or before due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have made advance deposit against future energy bills shall also be entitled for this rebate.

Rebate for Prepaid Meters

9.1.18 In order to encourage the prepaid meters, the Commission has decided to continue the rebate of 1.25% on the Rate of Charge for the consumers having prepaid meters.

Charges for exceeding contracted demand

9.1.19 The Commission has aligned the charges for exceeding the contracted load for the domestic consumers as per the provision of Electricity Supply Code Regulations, 2005 as amended from time to time. The relevant changes regarding levy of Charges for exceeding contracted demand has been provided in rate schedule.

Delayed Payment Surcharge / Penalty

9.1.20 To discourage the late payment of electricity bills the Commission has continued with the applicable surcharge / penalty on the late payment of bills to 1.25% per month (based on number of days for which the payment is delayed from the due date) up to first three months. However to penalise the consumers for the delay in payment of energy bills beyond the 3 months delayed payment surcharge would be levied @ 2.00% per month as detailed in the Rate Schedule of this Order.

Single point buyer

9.1.21 As depicted in the Rate Schedule the Commission has decided to reduce the maximum limit to5% for the single point buyer to charge the end consumers over and above the actual Rate & other applicable charges.

Rebate for using Solar Water Heater

9.1.22 Solar Water Heater not only promotes the use of renewable energy but also a measure of Demand Side Management. In order to encourage the use of solar energy which will conserve electricity, the Commission has continued with the rebate to the consumers who installs and uses the solar water heater.

Facilitation Charge for Online Payment

9.1.23 With regard to facilitation charges being levied by the Distribution Licensees on the consumers who make payment through internet, the Commission is of the view that as the Distribution Licensees are facing issues like low collection efficiency, lack of meter readers etc., levying such charges would further act as deterrent for the consumers who want to pay through internet. In this regard the Commission initiated a Suo Moto proceeding and directed the Licensee to bear the transaction charge for transaction up to Rs. 4,000.00 for payment through Debit Card or Credit Card in the Order issued on May 29, 2015. The same mechanism of Licensee to bear the transaction for transaction up to Rs. 4,000.00 for payment through Debit Card or Credit Card shall be continued.

kVAh Tariff

9.1.24 Implementation of kVAh metering and kVAh tariff is seen as a commercial inducement on consumers to pay lesser electricity bill by ensuring that they do not draw reactive power It suggests that consumers must be billed as per the kVAh (apparent energy) drawl, and not as per the kWh (active energy).

9.1.25 A change to a kVAh tariff is beneficial to non-defaulting consumer as the kVAh tariff is cheaper than the kWh tariff. The Distribution Licensee can benefit through the collection of more revenue from consumers having low power factor loads. Most importantly, the tariff is environmentally friendly due to improved efficiency. This will also prompt the consumers to take the initiative in correcting the power factor, using compensating capacitors at their end.

Minimum Charge Payable for LMV-2(c) (Non-domestic light, Fan and Power) Category

9.1.26 The Commission understands that the consumption pattern of the consumers is not uniform throughout the year and varies seasonally. In view of the same appropriate minimum charges have been decided for summer and winter season as detailed in the Rate Schedule. The Commission taking into considerations the views of the stakeholders and also taking into cognizance the wide use of energy efficient equipment (like LED bulbs, etc.) in the State, has lowered the minimum charge payable for the urban LMV-2 consumers.

LMV-5-PTW Consumers

9.1.27 Uttar Pradesh has agrarian economy. To cope up with the growing demand of various means of irrigation for agriculture in the State, electrification of private tube wells has always been of much importance. The GoUP provides support in from of subsidy for these consumers. Under this scheme GoUP allots area wise targets for energisation of Private Tube Wells & accordingly allocates fund for this purpose.

9.1.28 Under System Improvement initiatives the Licensee has submitted to have undertaken Rural Feeder Segregation program to ensure supply as per scheduled hours to the agriculture sector. The Distribution Licensee in its tariff proposal for FY 2016-17 to the Commission has not proposed any tariff increase for LMV-5 (a) (small power for private tube wells / pumping sets for irrigation purposes) category. During the public hearing process various farmer and farmer associations requested the Commission not to make any tariff hike in light of the draught and unseasonal rains that have destroyed the crops.

9.1.29 The Commission after considering the submission made by Licensee and the poor condition of the farmers in the State, has decided not to increase the tariff of the consumers getting supply under rural schedule of the LMV-5 category. Further, recognizing the hardship of the farmers of Bundelkhand, the Commission has relaxed the minimum bill payable by a consumer, till installation of meter applicable to PTW consumers of Bundelkhand area located in Gram Sabha.

Tariff for Industrial consumers

9.1.30 The tariff for LMV-6 category has been increased moderately in line with the commercial consumers. But no rise has been made in HV-2 category keeping in view the fact that these consumers are mainly connected on independent feeders and the line losses in their case is very low. Therefore, their cost of service is low as compared to LMV-6. Further HV-2 category consumers consume huge quantum of energy and in some cases the electricity is like a raw material therefore any increase in HV-2 category has been avoided in order to protect them from financial stress. It is also justified in view of low losses and low cost of service for this category.

Tariff for LMV-10 Departmental Employees

9.1.31 The tariff for LMV-10 (Departmental Employees and Pensioners) category was historically approved by the Commission who were a special subsidized category. The Licensees though various submissions have informed the Commission that, they had certain commitment towards their employees at the time of unbundling of U.P. State Electricity Board, regarding supply of electricity at concessional rate.

9.1.32 Section 23 (7) of Uttar Pradesh Electricity Reforms Act, 1999 provides that *"terms and condition of service of the personnel shall not be less favourable to the terms and condition which were applicable to them before the transfer".* The benefits for employees / pensioners as provided in section 12 (b) (ii) of the Uttar Pradesh Reform Transfer Scheme, 2000provides for "concessional rate of electricity", which means concession in rate of electricity to the extent it is not inferior to what was existing before January 14, 2000.

9.1.33 The Commission in its Tariff Order dated June 18, 2015 had directed that from January 1, 2016 onwards, the tariff for LMV-10 (Departmental Employees and Pensioners) consumers shall be same as that of "other metered consumers" under LMV-1 (Domestic Light, Fan and Power). The relevant extract has been reproduced below:

> *"**RATE (B): (January 1, 2016 Onwards)***
>
> *Tariff for consumers under this category shall be same as that of "other metered consumers" under LMV-1 category.*
>
> *The Licensees are permitted to provide the "rebate" as it deems fit to the consumers eligible to get supply under this category. However, the Licensees shall have to bear the burden from its own resources, if it wants to provide the "rebate" to such consumers. The amount of "rebate" given, energy billed and amount billed must be clearly accounted by the Licensees and shall ensure appropriate modification in its billing software in this regard. The actual amount billed plus the rebate so recognized shall be considered as total revenue from this category while undertaking the truing up of the relevant financial year."*

9.1.34 Also, the Commission after considering the representations from various stakeholders along with the submissions made in the matter of Petition Nos. 1042/2015 dated September 21, 2015 filed by Uttar Pradesh Rajya Vidyut Pensioners Parishad and 1061/2015 dated April 12, 2015 filed by Uttar Pradesh Rajya Vidyut Parishad Adhiyanta Sangh opined as follows regarding the LMV-10 consumers:

a) The tariff prescribed by the Commission in its Tariff Order for FY 2015-16 does not provide any special dispensation for LMV-10 (departmental employees and pensioners) consumers of the licensee. As such, they are like any other domestic consumers and revenue recognition for them should be based on tariff prescribed for domestic consumers i.e. LMV-1 (Domestic Light, Fan and Power). The concessional supply of power to its employees will have to be borne by the licensee and cannot be allowed to devolve on other consumers.

b) The Commission in its Tariff Order for FY 2015-16 has already directed the Licensees to make the tariff of the said category of consumers same as that of “other metered consumers” under LMV-1 category from January 1, 2016 onwards.

c) **The Commission hereby directs the Licensees to charge such consumers same as that under LMV-1 (Domestic Light, Fan and Power) category. However the Licensees are authorised to provide the “rebate” as it deems fit to the consumers eligible to get supply under this category.**

d) The Commission would again like to caution the Petitioner that any further allowance or incentives or benefits granted to its departmental employees & pensioners will have to be borne by the licensee from its own resources or through increased efficiency.

e) The Licensee is hereby directed to make separate accounting field for the amount of “rebate” given, energy billed and amount billed to such category of consumers on a monthly basis and shall ensure appropriate modification in its billing software in this regard.

Introduction of Slabs for Fixed Charge

9.1.35 The Petitioner in its proposal for the Rate Schedule to be applicable for FY 2016-17 has proposed different slabs for fixed charge depending on the consumption of electrical energy. The Commission understands that the slabs for the fixed / demand charges must be preferably based on load and not energy consumption. Hence, the Commission is of the view that the fixed charge should be linked with contracted load rather than the energy consumed. Thus the Commission in this Tariff Order has approved fixed charge linked to the contracted load for certain categories of consumers.

Telescopic Tariff for LMV-4 (Public and Private Institutions) Category

9.1.36 The Commission in this Order has approved telescopic tariff for LMV-4 category of consumers which in turn will result in less electricity bills for consumers who consume less electricity and also help in facilitating smooth implementation of pre-paid metering.

Applicability of tariff category

9.1.37 The applicability, character and point of supply and other terms & conditions of different consumer categories have been defined in the Rate Schedule given in Annexure 14.3**.** In case of any inconformity, the Rate schedule shall prevail over the details given in the various sections of this Order.

Exemption from Minimum Charge for Using Solar Power

9.1.38 The Commission in this Order has exempted payment of minimum charge for LMV-2 (Non domestic light, fan and power) consumers using solar power for meeting their requirement of electricity, towards an initiative for encouraging the use of renewable source of energy. With this facility the consumers will be motivated towards use of clean energy, with less carbon emission and the Licensees will be benefited from the reduced demand supply gap. The details of this arrangement of exemption of minimum charge for use of solar energy are provided in the rate schedule of this Order.

Interest on Dues Payable to consumers by the Licensee

9.1.39 The Commission in this Order has introduced provision for interest on dues payable by the Licensee to the consumers, under which they will be entitled to get interest at the interest rate applicable for interest on security deposits on all the dues payable by Licensee which may arise out of rectification / adjustment / settlement of bill from the Licensee. The detail of this arrangement of interest on pending dues is provided in the rate schedule of this Order.

System Loading Charges

9.1.40 The Commission taking into considerations the views of the stakeholders has decided to stop the levy of the System Loading Charges from next Tariff cycle. The Licensees are advised to include the amount being collected under this head in their Capital Expenditure in the future ARR/ Tariff filings, if they so desire.

10. TREATMENT OF REVENUE GAP

10.1 REVENUE GAP / REGULATORY ASSET:

10.1.1 The Commission in this Tariff Order has carried out the True-up for FY 2014-15 and ARR approval for FY 2016-17. The Commission is guided by the provisions of Distribution Tariff Regulations, 2006 for treatment of the revenue gap. The provisions of Distribution Tariff Regulations, 2006 on Regulatory Asset are extracted for reference as under:

> *"**6.12 Regulatory Asset:***
>
> *1. Creation of Regulatory Asset only for the purposes of avoiding tariff increase shall not be allowed and it shall only be created to take care of natural causes or force majeure conditions or major tariff shocks. The Commission shall have the discretion of providing regulatory asset.*
>
> *2. The use of the facility of Regulatory Asset shall not be repetitive.*
>
> *3. Depending on the amount of Regulatory Asset accepted by the Commission, the Commission shall stipulate the amortization and financing of such assets. Regulatory Asset shall be recovered within a period not exceeding three years immediately following the year in which it is created."*

10.1.2 The Petitioner submitted that the Commission, in its Tariff Orders dated October 19, 2012, May 31, 2013 and October 1, 2014 has allowed carrying cost of regulatory asset at weighted average SBI-PLR on monthly compounding basis. Based on the same principles it has requested to allow interest on regulatory assets on the basis of weighted average SBI PLR as proposed in the petition on monthly compounding basis.

10.1.3 The Regulation 6.12 (3) provides for allowance of financing cost on regulatory assets. Further, the Hon'ble Appellate Tribunal for Electricity has held that proper financing costs / carrying costs / interest charges on the regulatory assets has to be allowed by the State Commission(s).

10.1.4 Accordingly, the Commission approves the interest rate for computation of carrying cost to be allowed to the Petitioner based on the interest rate used for computation of interest on working capital as discussed in this Order.

10.1.5 Based on the approved % interest rate for computation of carrying costs and the revenue gap for the respective years, the table below highlights the approved / trued-up ARR, revenue at applicable tariffs, carrying cost and the revenue gap for respective years under consideration in the present Order.

Table 10:1: REVENUE GAP ANALYSIS (Rs. Crore)

Particulars	FY 2014-15 (Approved)	FY 2015-16 (Approved)	FY 2016-17 (Approved)
Annual Revenue Requirement	831.87	1,123.67	1.029.66
Revenue at applicable / approved Tariff (without regulatory surcharge)	851.99	1,103.00	1,111.75
Revenue from Regulatory Surcharge	67.19	88.07	88.94
Revenue gap from previous years	583.62	578.67	594.43
Carrying cost	82.36	83.16	77.66
Revenue Gap carried forward	578.67	594.43	501.06

10.1.6 From the above table the Commission observes that after revision of tariff including regulatory surcharge approved vide Tariff Order dated June 18, 2015, the recovery of regulatory asset has still not completed. The revenue gap carried forward for FY 2016-17 is approved on a provisional basis and shall be subject to final True-up during next ARR tariff petition process or as may be decided by Commission and shall be recovered in future years.

10.2 REGULATORY SURCHARGE:

10.2.1 As can be seen from the table above, the entire ARR for FY 2016-17 including revenue gap for previous years and including carrying cost could not be recovered completely even after applying approved tariff.

10.2.2 The Commission believes that the revenue gaps / regulatory assets for NPCL are getting accumulated year after year, resulting into cash flow deficit. It has been also observed in the past that due to heavy burden of regulatory assets year after year coupled with heavy borrowings to finance the same along with interest, the revenue gap is burgeoning with every passing year resulting into higher interest cost, which in turn cascades into higher cost of service to the consumers. Therefore, any delay in recovery of revenue gap burdens the consumers for carrying cost, therefore, speedy recovery of the same is essential.

10.2.3 Various government and autonomous agencies are stressing on timely and accurate revision of tariffs for the survival of distribution companies. Even, the Hon'ble ATE, while dealing with a suo-motto Petition, OP No. 1 of 2011, on the letter received from Ministry of Power (Judgment passed on 11th November 2011), has emphasized on timely recovery of regulatory assets. The relevant observation of the Hon'ble ATE in the said matter is reproduced below:

> *"66…… (iv) In determination of ARR / Tariff, the revenue gaps ought not to be left and Regulatory Asset should not be created as a matter of course except where it is justifiable, in accordance with the Tariff policy and the Regulations.* ***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."***
> (at page 75 of the Order)

10.2.4 While the Commission acknowledges that the Licensee is one of the most efficient distribution utility in the country, however, due to heavy burden of regulatory assets year after year coupled with heavy borrowings to finance the same along with interest thereon, suitable tariff revision commensurate with the Annual Revenue Requirements approved by the Commission is inevitable for its survival and sustainability.

10.2.5 The Commission in its previous Tariff Order dated June 18, 2015 has allowed a regulatory surcharge @ 8% for recovery of past accumulated regulatory asset. Thus, in line with the same, for meeting carrying cost of the revenue gap and liquidation of revenue gap, the Commission has decided to continue with the **regulatory surcharge of 8% over "RATE" as defined in the Rate Schedule for FY 2016-17.**

10.3 FUTURE POWER PROCUREMENT:

10.3.1 The Commission acknowledges the efforts and initiatives taken by the Petitioner in containing its power purchase costs. It becomes all the more important to control the power purchase costs as it is the single element which contributes more than 80% of the Annual Revenue Requirement of the Licensee.

10.3.2 Currently, the power procurement is being carried out through transparent process of competitive bidding and there is nothing much the Petitioner can do to regulate the prices. Despite this, the Commission firmly believes that the Petitioner will continue its efforts to procure the power at the least possible rates in order to contain the cost of supply and thereby the regulatory asset for the over-all benefit of the industry as well as consumer.

10.3.3 Further, the Commission feels that there is still scope for improvement in the operations of the Licensee and if suitable steps are taken by them in this direction it can result in enormous financial savings. These steps could range from;

- Savings in power procurement
- Effective Demand Supply Management (DSM)

10.3.4 The Commission in the next Chapter on 'Way Forward' has dealt with DSM in detail and has also mentioned that cost for implementation of such measures will be allowed as pass through in the ARR / Tariff process.

11. WAY FORWARD

11.1 BACKGROUND:

11.1.1 The Commission is of the firm opinion that implementation of reforms in the power sector is an imperative and 'on-going' activity. This shall ensure dynamic economic growth of the country and shall never allow any sector to stagnate.

11.1.2 Notwithstanding the various reforms initiated by the Commission, the speed of implementation of these reforms by the Licensee has been a worry. This could be gauged from the fact that even after several years development in terms of procurement of Renewable Energy is yet to be made.

11.2 PROACTIVES MEASURES BY COMMISISON IN IMPLEMENTATION OF REFORMS:

11.2.1 The Commission, in its endeavor to expedite implementation of the various reforms has taken proactive measures in the following areas;

- Open Access on Distribution Network;
- Execution of Bulk Power Transmission Agreement;
- Power Trading and Market Development;
- Power Exchange;
- Stressed on Metering;
- Increasing the consumer base;

11.3 OPEN ACCESS ON DISTRIBUTION NETWORK:

11.3.1 Besides preparing the procedures for grant of Open Access, the Commission also finalised the model Bulk Power Wheeling Agreement (BPWA) which is to be signed between a Distribution Licensee and long term customer to agree therein, inter alia, to make payment of wheeling charge, surcharge and additional surcharge, if any, for use of the distribution system.

11.4 POWER TRADING AND MARKET DEVELOPMENT:

11.4.1 With the power market opening up and in view of power shortage, the development of a strong power trading mechanism is the need of the future for NPCL. Capacity building and Institutional strengthening is the first step in this direction. This can be achieved with the creation of a Trading Desk for:

- Real time monitoring;
- External information and networking;
- Skill sets development & training;

11.4.2 In this regard, NPCL has created a Power Procurement Desk for carrying out all activities concerned with inter & intra state open access transactions. The Commission directs NPCL, that the Trading Desk must ensure availability & optimum utilisation of power.

11.5 POWER PROCUREMENT FROM POWER EXCHANGE:

11.5.1 The Commission has time and again directed the Petitioner to tap the possibilities available for use of Power Exchanges to meet its power demand. Electricity bought from a power exchange where multiple sellers are available on a common platform shall bring economy in power purchases for the NPCL.

11.5.2 Ministry of Power has launched "DEEP (Discovery of Efficient Electricity Price) e-Bidding & e-Reverse Auction portal" for procurement of short term power by DISCOMs. This e-Reverse auction process for competitive procurement is expected to result in overall reduction of cost of procurement of power thereby significantly benefiting the ultimate consumers. NPCL may use this opportunity for bringing down power purchase cost.

11.5.3 For any other issue, the petitioner may approach the Commission with specific Petition in this regard.

11.6 OTHER DEVELOPMENTS – NEED FOR THE FUTURE:

11.6.1 The Commission would like to highlight here some of the recent developments that have taken place in the power sector which have strived to fulfill the objectives of the Electricity Act, 2003 in its true spirit. The key issues addressed here are of paramount importance and their implementation will help the power sector in the near future. These issues are as described below:

- Demand side management;
- Multi Year Tariff (MYT) framework;
- Compliance of Renewable Purchase Obligation;

11.7 DEMAND SIDE MANAGEMENT:

11.7.1 The gap between demand and supply of electricity has become common. The two obvious ways to reduce it are:

- Increase Supply
- Reduce Demand

11.7.2 Increase in supply suffers from following impediments:

- Long gestation period that consumes a lot of quality time;
- Large scale capital investment required for new / expansion of projects;
- Scarce fossil fuels are consumed;

11.7.3 Therefore it is prudent to contain increasing demand through Demand Side Management (DSM) measures. The Distribution Licensee needs to make full utilisation of the available resources in this regard. NPCL should work out strategies with Uttar Pradesh Power Corporation Limited (UPPCL), the State Designated Agency (SDA) to associate with Bureau of Energy Efficiency (BEE) which has been implementing many DSM projects.

11.7.4 The Commission appreciates the efforts taken by NPCL towards DSM to reduce demand. However, to hasten the speed of implementation of these measures, NPCL must create DSM cell with dedicated staff, resources and budget allocations to plan, develop, monitor and implement DSM initiatives on a sustainable basis. In this regard, NPCL is expected to take up the following steps:

- Prepare DSM plans and allocate budget for implementation of the plans.
- Develop & institutionalize bidding mechanism for implementation of DSM projects aimed at savings in terms of MW of load avoided and / or kWh of energy purchase avoided in identified places such as distribution transformers, feeders, or large bulk consumers like airports, shopping malls, commercial complexes, etc.
- Verification of results of DSM programs / projects through third party or expert(s).
- Consideration of the projected feasible savings through Energy Conservation and Energy Efficiency measures in power procurement plans.
- Licensee must ensure that all the DSM measures taken should be cost effective and would result in overall savings for the Licensee / consumers.
- Capacity building of staff.

- Utilities may use pre - identified sources of funds for financing DSM activities.

11.7.5 However, DSM plans should be backed with systematic load research to provide data in terms of expected savings in energy and reductions in demand. This shall also endeavor to provide an insight in to consumer load profile and valuable inputs on cost of service and profitability analysis. This in turn would help NPCL in rate design, load forecasting, load control and load management.

11.7.6 Some of the common measures for DSM that can be taken up are:

- Reduction of Technical & Commercial Losses of Distribution System;
- Energy Efficient Pumps for lifting water;
- Use of CFL / LED lamps in place of Incandescent lamps;
- Energy Efficient Lighting Controls;
- Widespread use of solar water heating system for which capital and interest subsidies are also available;
- Replacement of existing Magnetic Ballasts with use of Electronic Ballasts;
- Automatic Power Factor Controllers;
- Energy Efficient Motors / Fans including water pumping;
- Energy efficient Transformers;
- Segregation of Agricultural feeders;
- Energy Audit of large Government / Commercial / Industrial Consumers;

11.7.7 NPCL should also give wide publicity to 'day to day' DSM measures for public awareness on benefits of conservation of electricity. These include:

- Completely switching off AC, TV, Computers and other electrical appliances when not in use;
- Using white paint for roof tops and walls to enhance reflection for energy saving;
- Defrosting of refrigerators for half an hour during peak load period;
- Encouraging replacement of the conventional electric geysers with energy efficient gas geysers.
- Encouraging replacement of the general fans with energy efficient fans.
- Replacing conventional street lights with efficient and smart LED lights.

11.7.8 The effect of Demand Side Management should reflect in lesser purchase of costly power due to effective energy conservation measures. This shall reduce the revenue requirement of the NPCL. The cost of such DSM projects would be offset by the savings in power purchase cost due to reduction in demand. This should be represented as a separate cost element which shall be allowed by the Commission as a part of the Annual Revenue Requirement of NPCL.

11.7.9 The benefits of DSM can be summarised as below:

- Reduction in customer energy bills;
- Reduction in peak power prices for electricity.
- Reduction in need for new power plant, transmission & distribution network;
- Reduction in air pollution;
- Reduction in dependency on foreign energy sources;
- Creation of long - term jobs to cater to new innovations and technologies;
- Increasing competitiveness of local enterprises;
- Stimulating economic development;

11.7.10 The Commission directs NPCL to regularly update the Commission on the status of implementation of the DSM measures being undertaken / intended to be taken up by the utility. The report must also indicate the cost-benefit analysis of the measures being undertaken by NPCL.

11.7.11 Further NPCL may refer to the “REPORT ON DSM & ENERGY EFFICIENCY” of the Forum of Regulators issued in September, 2008 for detailed information and guidance.

11.8 MULTI YEAR TARIFF FRAMEWORK:

11.8.1 NPCL is directed to complete all the perquisites as specified in the Multi Year Distribution Tariff Regulations, 2014 issued by the Commission and submit the details to the Commission as per the timelines specified therein.

11.9 COMPLIANCE OF RENEWABLE PURCHASE OBLIGATION:

11.9.1 NPCL shall purchase a minimum percentage of its total consumption of electricity (in kWh) from renewable energy sources under the Renewable Purchase Obligation during each financial year in accordance with the UPERC

(Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 as amended from time to time.

11.9.2 NPCL may also establish its own generating plant based on Renewable Energy sources to fulfill renewable purchase obligation.

11.9.3 NPCL should promote awareness among consumer about installing renewable power plants and getting benefit by the net metering policy. This will help NPCL to fulfill their RPO and also reduce the demand.

11.10 CONCLUSION:

11.10.1 The Commission, through this particular chapter, has touched upon some of the new developments taking place in the power sector. From this it can be seen that there are some areas where the utility needs to further focus their efforts. The Commission can act as a facilitator, but the actual efforts needs to be put in by the utility itself to achieve the desired results.

11.10.2 As has always been the case, the utility will no doubt rise to the challenge and look at new opportunities coming up in the sector and at the same time not lose focus on the reform initiatives.

11.10.3 The power sector is the flag - bearer of development of any economy. The vibrant health of the power sector is often an accurate reflection of the State's economy. Greater Noida has been the centre of the attraction for all Infrastructure developments and hence it must take all necessary measures to ensure healthy growth of the power sector and propel the State forward towards economic success.

12. DIRECTIVES FOR NPCL

12.1 DIRECTIVES PROVIDED BY COMMISSION AND THEIR COMPLIANCE BY PETITIONER

12.1.1 This chapter details the Commission's directives to the Licensee. The Licensee in its ARR and Tariff filings has provided details regarding the status of compliance to the Commission's directives issued vide the Tariff Order for FY 2014-15 & FY 2015-16. The status of compliance to directives by Licensee is provided in table below:

TABLE 8-12:1: STATUS OF COMPLIANCE OF DIRECTIVES OF TARIFF ORDER FOR FY 2014-15 DATED OCTOBER 1, 2014

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance as submitted by Petitioner in Petition	Commission's Direction
1	The Commission directs the Petitioner to enter into a Long term PPA within six months and also submit the status of the same within 2 months from the date of this Order.	2 Months	The Petitioner submitted that the Company published notice in newspapers (The Times of India and The Economic Times) on 29th November 2014, inviting Bids from Generators, Captive Power Plants, Licensed Power Traders, State Utilities and Distribution Licensees from all over India for procurement of power on Short Term basis for meeting its power requirements from April 2015 to March 2016. The details of bids received and recommendation of the Bid Evaluation Committee has already been submitted to the Commission vide Petition no.	The Commission has addressed the same in its directives for FY 2015-16.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance as submitted by Petitioner in Petition	Commission's Direction
			996/2014 for approval.	
2	Licensee is directed to look into all the matters / issues raised during the Public hearing Process to take appropriate action on the same. Licensee is also directed to submit the detailed report on the same within 2 months from the date of this Order.	2 Months	Infrastructure Development The petitioner has duly complied with the directions of the Commission issued under minutes of meeting held on August 13, 2014, while UPTCL/ UPSLDC is still to provide relevant approvals / NOC in this regard. A status update on the same had also been filed with Commission vide our letter dated October 10, 2014. Public Hearing Advertisement The Company published advertisement consecutively for two days in two newspapers widely circulated in the District as required by the Commission. The notification of the Public Hearing was also put-up on the website of the Company. As regard selection of location for next public hearing, the Company will decide the same in consultation with the Commission. Financial Audit and audit of its Sales and power purchase Proposal submitted to the Commission vide its letter dated 5th November 2014 for approval. Post approval of the same necessary action will be taken in this regard.	

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance as submitted by Petitioner in Petition	Commission's Direction
3	The Commission directs NPCL to initiate concrete steps to purchase power from renewable sources of energy so as to meet its Renewable Purchase Obligation under the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010. Licensee further directed to submit the source wise (generating source or REC) detailed action plan to fulfill its RPO Obligations for FY 2014-15 and for future years within 1 month of this Order.	1 Month	The Petitioner submitted that the Company managed to procure 7.16 MUs from non-solar source in Apr'14 and May'14. Apart from the above, the Company had discussions with various generators / traders for procurement of renewable energy. However, the Company, being an embedded entity in U.P. Transmission System, due to high landed cost of power (Rs. 5.90 to 6.90 per unit), the deals could not fructify. The Company has also published advertisement on 27.10.2014 in The Times of India and The Economic Times to procure RE power. The last date of bid submission is 09.11.2014. Not even a single bid was received. Further, Greater Noida Industrial Development Authority (GNIDA) is contemplating to install solar plant of 1MWp capacity at the riverbed of Hindon River. It has asked the Company to enter into a PPA for this purpose. The Company will take the permission from the Commission once it receives formal offer from GNIDA.	The Commission has addressed the same in its directives for FY 2015-16.
4	The Commission directs the Licensee to ensure that all its unmetered consumers get converted into metered connection by 31st March, 2015.	By 31st March, 2015.	The company has initiated steps towards converting all unmetered customers into metered ones.	The Commission has addressed the same in its directives for FY 2015-16.
5	The Commission directs NPCL to regularly update the Commission on the status of	At end of each quarter of the Financial Year	The Petitioner has not submitted any compliance	The Commission directs NPCL to regularly update

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance as submitted by Petitioner in Petition	Commission's Direction
	implementation of the DSM measures being undertaken / intended to be taken up by the utility. The report must also indicate the cost-benefit analysis of the measures being undertaken by NPCL.			the Commission on the status of implementation of the DSM measures being undertaken / intended to be taken up by it.

TABLE 8-12:2: STATUS OF COMPLIANCE OF DIRECTIVES OF TARIFF ORDER FOR FY 2015-16 DATED JUNE 18, 2015

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
1	The Commission directs the Petitioner to enter into a Long term PPA as soon as possible and also submit the status of the same within 2 months from the date of this Order.	2 Months (18th August, 2015)	The Petitioner submitted that it has already entered into LTPPA for 187 MW power to cater to the base demand. Post approval of the LTPPA and commencement of supply of power under the said PPA, the petitioner will further study the residual demand supply gap to be met through Long-term / medium-term/ short-term power for arranging the same.	Noted

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
2	The Commission directs the Licensee to submit data related to its peak demand and off peak demand in MW along with its sales projections in accordance with Clause 3.1.4 of the Distribution Tariff Regulations.	Along with the petition for FY 2016-17	The data regarding the peak demand and off peak demand along with sales projection has been provided in Chapter -4 and also as RTF P-10	Noted
3	The Commission directs the Petitioner to ensure to convert all the unmetered consumers into metered consumers as soon as possible and submit quarterly report on status of unmetered consumers in its licensee area.	Each quarter of FY 2015-16	Noted for Compliance.	The Petitioner should convert all the unmetered consumers into metered consumers at the earliest and should submit quarterly progress report for FY 2016-17.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
4	As regards the RPO Obligation the Licensee is directed to ensure that it should procure renewable energy in accordance with Regulation 4 of the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 during FY 2015-16 to meet their obligation.	Next ARR filing	The Petitioner submitted that it signed a long term PPA with Greater Noida Industrial Development Authority (GNIDA) for procurement of 1.0 MWp solar power from its Plant at Kasna for a period of 10 years w.e.f. March 1, 2015 @Rs. 7.06 per kWh and power supply has commenced since March 1, 2015. The Company had bilateral discussions with various power trading companies/ generators / potential generators for procurement of renewable energy. The Company has also published advertisement on 27.10.2014, 16.12.2014 and 26.03.2015 in The Times of India and The Economic Times to procure RE power. Despite the above, the Company did not receive any firm offers at all. In addition to above, the Company has also signed net-metering agreements totaling to 1.65 MW from roof-top Solar Projects of GNIDA till December'15. Further, the Company has also signed net-metering agreement with M/s Bharat Petroleum Corporation Limited for their 1.05 MW roof-top Solar Plant. The Company is in process of signing net-metering agreement for approx. 7 MWp of solar power plants upcoming in Greater Noida area in near future.	The Petitioner should comply with the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 during FY 2016-17 to meet its RPO Obligations.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
5	As regards the choice of connection, the Licensee, in accordance with the provisions of the supply code wherein the consumer has the choice to opt the supplier, is directed to release connections to all such consumers who desire to disconnect their connections from the single point supplier and instead wish to take connections directly from the Licensee and submit the status report on the same along with next ARR filing	Next ARR filing	The Company has informed the consumers, however, no application have been received so far.	The Petitioner should comply and submit the current status for same within one month.
6	The Distribution Licensees are directed to submit the actual Regulatory Surcharge recovered in FY 2014-15 and FY 2015-16 on account of the Revenue Gap / Regulatory Asset admitted by the Commission in this Order	For FY 2014-15 By 15th July, 2015 For FY 2015-16 By 15th April, 2016	The Petitioner submitted that the Actual Regulatory Surcharge recovered in FY 2015-16 (April to December 2015) has been provided.	Noted
7	The Commission directs the Licensee to evolve principles for prudent segregation of ARR towards wheeling function and retail supply function embedded in the distribution function in accordance with Clause 2.1.2 of the Distribution Tariff Regulations.	As per the Time frame stipulated in MYT Regulations, 2014	The Company has been segregating the ARR towards wheeling and retail supply functions based on its Audited Cost records duly submitted to the Commission along with every ARR petition. The Audited Cost records for FY 2014-15 have been submitted with this ARR petition.	Noted

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
8	The Commission directs the Licensee to submit a long term business plan in accordance with Clause 2.1.7 of the Distribution Tariff Regulations. The Licensee in such business plan shall identify capex projects for the ensuing year and subsequent four years and submit detailed capital investment plan along with a financing plan for undertaking the identified projects in order to meet the requirement of load growth, refurbishment and replacement of equipment, reduction in distribution losses, improvement of voltage profile, improvement in quality of supply, system reliability, metering, communication and computerization, etc.	As per the Time frame stipulated in MYT Regulations, 2014	The Petitioner submitted that the Business Plan will be submitted as per the Time frame stipulated in MYT Regulations, 2014 and the same shall be submitted by June 1, 2016.	The Petitioner should submit the business plan for the control period as per the UPERC MYT, Distribution Tariff Regulations, 2014 at the earliest

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
9	The Commission directs the Licensee to conduct benchmarking studies to determine the desired performance standards in accordance with Clause 2.1.8 of the Distribution Tariff Regulations.	As per the Time frame stipulated in MYT Regulations, 2014	The Company had invited Competitive Bidding from eligible consultants for conducting of various studies as stipulated in MYT Regulations,2014 which were also directed by the Hon'ble Commission vide letter number UPERC/Secy/D(Tariff)/15-128 Dated 14th September, 2015. The bids from concerned Consultants were received on 17th November 2015 and they were further requested to give presentation on the methodology proposed. Thereafter the Company has submitted Standing Committee's Evaluation Report and Recommendations for the kind perusal and approval of the Commission for the purpose of appointment of consultants vide its letter no. P-77Q/043 dated 18th December, 2015. The approval of the same is awaited from the Commission to take further necessary action in the matter.	The Commission directs the Petitioner to expedite the process on receipt of the requisite approvals from the Commission.
10	The Petitioner should file its Annual ARR/ Tariff Petition for FY 2016-17 as per the Regulations 12.2, 12.7, 12.8, 12.9 notified vide MYT Regulations, 2014	As per the Time frame stipulated in MYT Regulations, 2014	The ARR petition for FY 2016-17 is being filed accordingly.	Noted

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
11	The Petitioner should complete the Assessment Study of metered consumers as per the Regulations16.2 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission	As per the Time frame stipulated in MYT Regulations, 2014	The Company is in the process of appointing consultants for the purpose of conducting the requisite studies as directed by the Commission vide letter No. UPERC/Secy/D(Tariff)/15-1218 dated 14th September 2015.	The Petitioner should expedite the process with required approvals from the Commission.
12	The Petitioner should complete the Assessment Study of un-metered consumers to establish base line norms as per the Regulations17.1 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission	As per the Time frame stipulated in MYT Regulations, 2014	The Petitioner submitted that the no. of un-metered domestic consumers in its licensed area are 2627 as on 30th June, 2015, which is only 4% of the total consumer base of the Company and hence, do not have significant impact on the ARR/ revenue of the area. Therefore, it is requested that the assessment study may not be as fruitful as it may be in case of other licensees having large un metered consumer base, it is therefore, requested to kindly exempt the company from conducting such study	The Commission has addressed the same in its directives for FY 2016-17

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
13	The Petitioner should complete the Study of Agriculture feeders segregated and not segregated in significant numbers to determine base line norms as per the Regulations17.2, 17.3 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission	As per the Time frame stipulated in MYT Regulations, 2014	The Petitioner submitted that Greater Noida is developing very rapidly, all the land under agriculture is being acquired and urbanized, due to this urbanization, the tube well are getting disconnected. The main agriculture belt exists along the river bank of the Hindon River, and for these consumers there are separate agriculture feeders. Further they are few tube well connections which are being supplied from non segregated feeders. In view of the above company requested the Commission to kindly relieve it conducting such an audit	The Commission has addressed the same in its directives for FY 2016-17
14	The Commission reiterates that the Licensees should conduct a detailed study to provide accurate and effective consumption norms as specified by the Commission in its earlier Orders and as per the provisions outlined in Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 in the time bound manner.	As per the Time frame stipulated in MYT Regulations, 2014	The Petitioner submitted that as per clause 17.1, 17.2 and 17.3 of the UPERC (Multi Year Distribution Tariff) Regulation, 2014 it has directed to conduct consumption studies of un metered consumers, segregated and non-segregated agriculture consumers. As it has already been mention above, the number of these consumers are negligible and therefore the company requested the Commission to kindly exempt the company from conducting such study	The Commission has addressed the same in its directives for FY 2016-17

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
15	The Petitioner should submit Incremental Power Purchase Cost as per the Regulations 20.1 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission	Within 28 days of quarter end , for each quarter of Tariff Period 1.4.2015 to 31.3.2020	The Company has considered the rates offered by M/s Dhariwal Infrastructure Limited for supply of 170 MW power on long-term basis which, for the first year, is at Rs. 4.60 at NPCL Bus excluding taxes. In addition to the above, the Company also considered the rates prevailing in bilateral trades as reported in CERC Monthly Market Reports till Aug'15. the rates are in the range of Rs. 4.60 per kWh to Rs. 5.12 per kWh. Considering the above-mentioned factors, the Company has estimated its power purchase cost @ Rs. 4.83 per unit for FY 2016 – 17.	The Licensee should submit the Incremental Power Purchase Cost as per the Regulations 20.1 notified vide MYT Regulations, 2014.
16	The Petitioner should submit Roadmap for Reduction of Cross Subsidy as per the Regulation 39 notified vide MYT Regulations, 2014	Within 2 months	The Petitioner submitted the same vide letter No. P77Q(III)/029 dated 4th August 2015 copy of the letter is enclosed as Annexure-10.3.	The Petitioner should propose a Roadmap for Reduction of Cross Subsidy as per the Regulation 39 notified vide MYT Regulations, 2014 on which the Commission may take an appropriate view.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
17	Licensee should provide online facility for submission of application for new connection, name change, load enhancement and load reduction	Within 3 months	The Petitioner submitted that the facilities for online submission of application for new connection, name change, have gone online on 15th September, 2015.	Noted.
18	Licensee should develop the mobile application for online payments of bills including other services for facilitation to consumers	Within 3 months	The Petitioner submitted that Mobile application for viewing bills, making online payment, and submitting queries and complaints has already been developed on Android and made available to our consumer from April 2015.	Noted
19	The Petitioner should submit Standards of Performance parameters as per the tariff formats of Distribution Tariff Regulations, 2006	Within three month from issue of this Order	The Company has already submitted the Standards Of Performance parameters as per the formats provided in the UPERC Supply Code 2005, the last being for the quarter April to June 2015 wide letter No. P-77 J(III) /031 dated 10th August, 2015. Copy of the letter has been attached as Annexure-10.4.	Noted

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
20	The Commission directs the Petitioner to frame guidelines and procedures for identifying, physically verifying and writing off the bad debts and also to fix responsibility of its employees in this regard and submit the same to the Commission for its approval	Within three months of issue of this Order	The Petitioner submitted the details of bad debts written off/ provided for FY 2014-15 as Annexure 13.8.	The Petitioner frame guidelines and procedures for identifying, physically verifying and writing off the bad debts and also to fix responsibility of its employees in this regard and submit the same to the Commission for its approval.

12.1.2 Further, some of the directives issued by the Commission in the present Tariff Order are in continuation or similar to the directives issued in the previous Tariff Order. In case the Licensees have not complied with the same earlier, it shall be necessary for them to provide reasons for non-compliance and further comply with the same as per the time-lines prescribed in the present Tariff Order.

12.1.3 The directives for the Licensee as issued under the present Tariff Order along with the time frame for compliance are given in the Table below:

TABLE 8-12:3: DIRECTIVES ISSUED UNDER THE PRESENT TARIFF ORDER

Sl.No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
1	As lack of approved transparent policy on identifying and writing off bad debts is hindering allowance of bad debts as an ARR component; the Commission directs the Licensee to submit ten sample cases of LT & HT consumers where orders have been issued for writing off bad debts, clearly depicting the procedure adopted for writing off bad debts along with policy framework for managing bad debts for the Commission's perusal.	Immediate
2	The Commission directs the Licensee to submit a business plan for the control period i.e. from April 1, 2017 to March 31, 2020 in accordance with Regulation 5, 12.1 & 13.1 of the Multi Year Tariff Regulations, 2014. The Licensee in such business plan shall submit but not limited to detailed category-wise sales and demand projections, power procurement plan, capital investment plan, financing plan and physical targets. The licensee should note that the specified timeline of June 1, 2016 for submission of the same under the Multi Year Tariff Regulation is over. The Licensee should submit the same at the earliest.	Immediate
3	The Commission directs the Licensee to conduct benchmarking studies to determine the desired performance standards in accordance with Regulation 4.2.1 of the Multi Year Tariff Regulations, 2014. The licensee should note that specified timeline of September 30, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 is over. The Licensee should submit the same at the earliest.	Immediate
4	The Commission directs the Licensee to ensure 100 % compliance of the Commission's Orders and targets to achieve 100% metering. The Licensee should submit the Quarterly progress report in this regard	Immediate
5	The Commission once again directs the licensee that they should file FPPCA in a timely and regular manner failing which the Commission may have to resort to take strict action against the Licensee like disallowance of additional power purchase expenses and the associated carrying cost on account of additional Power Purchase expenses or any other action that the Commission may deem fit while doing the Truing up.	Immediate
6	The Commission directs the Licensee to submit the consumer category and sub-category wise Regulatory Surcharge collected for each year till FY 2015-16 (December) since inception at the earliest.	Immediate

Sl.No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
7	The Commission reiterates that the Licensee should adhere to the time line outlined in Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 for conducting a detailed study to provide accurate and effective consumption norms as specified by the Commission in its earlier directions. The licensee should note that specified timeline of December 1, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 has expired. The Licensee should submit the same at the earliest.	Immediate
8	The Petitioner should complete the Assessment Study of metered consumers as per the Regulations 16.2 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission. The licensee should note that specified timeline of September 30, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 has expired. The Licensee should submit the same at the earliest.	Immediate
9	The Petitioner should complete the Assessment Study of un-metered consumers to establish base line norms as per the Regulations 17.1 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission. The licensee should note that specified timeline of December 1, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 is over. The Licensee should submit the same at the earliest.	Immediate
10	The Petitioner should complete the Study of Agriculture feeders segregated and not segregated in significant numbers to determine base line norms as per the Regulations17.2, 17.3 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission. The licensee should note that specified timeline of December 1, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 is over. The Licensee should submit the same at the earliest.	Immediate
11	The Petitioner should submit Roadmap for Reduction of Cross Subsidy as per the Regulation 39 notified vide MYT Regulations, 2014. The licensee should note that specified timeline of October , 2014 for submission of the same under the Multi Year Tariff Regulation, 2014 is over . The Licensee should submit the same at the earliest.	Immediate
12	The Petitioner should submit month wise details of number of supply hours for rural and urban area for FY 2014-15 & FY 2015-16	Within one month from issue of this Order
13	The Commission directs the Petitioner to submit a proposal for “Rate Schedule” linked to number of hours of supply.	At the time of next ARR filings
14	The Commission directs the Licensee to submit every month a report comprising the details of the power purchased from all the sources demonstrating that the Merit Order Dispatch Principle has been strictly followed and that the procurement	Monthly Basis

Sl.No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
	was optimal in regard to cost taking into consideration of the power available at the power exchanges etc.	
15	The Petitioner should file the MYT Petition for the Control FY 2017-18 to FY 2019-20 as per the Regulations 12.2, 12.7, 12.8 & 12.9 as per MYT Regulations, 2014	As per MYT timeline
16	The Commission directs Licensees to submit every month a report comprising the details of the power purchased from all the sources demonstrating that the Merit Order Dispatch Principle has been strictly followed and that the procurement was optimal in regard to cost taking into consideration of the power available at the power exchanges etc.	Monthly Basis
17	The Licensee is directed to explore the possibility of having TOD tariff structure for domestic and non-domestic categories and submit their proposal.	At the time of next ARR filings

12.1.4 The Commission would like to mention here that the list given above may not be exhaustive and the Licensee is directed comply with all directives given in the text of this Order.

12.1.5 The Commission directs the Licensee to follow the directions scrupulously and send the periodical reports by 30th of every month about the compliance of these directions in the format titled 'Action Taken Report on the Directions Issued by the Commission' provided at Annexure-14.2 of this Order.

13. APPLICABILITY OF THE ORDER

The Licensee, in accordance to Section 139 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations 2004, shall publish the approved tariffs (including rates, regulatory surcharge, open access charges etc.) within three days from the date of this Order. The Licensee shall ensure that the same is published in at least two daily newspapers (one English and one Hindi) having wide circulation in the area of supply. The tariffs so published shall become the notified tariffs applicable in the area of supply and shall come into force after seven days from the date of such publication of the tariffs and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order. The Commission may issue clarification / corrigendum / addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

(S. K. Agarwal)
Member

(Desh Deepak Verma)
Chairman

Place: Lucknow

Date: August 1, 2016

14. ANNEXURES

14.1 ANNEXURE: LIST OF ATTENDEES WHO HAVE ATTENDED PUBLIC HEARING AT GREATER NOIDA, LUCKNOW AND ALIGARH

LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT GREATER NOIDA

List of Persons who attended Public Hearing at Greater Noida on May 11, 2016		
Sl. No.	**Name**	**Organisation**
1	Shri R.P. Singh	PVVNL
2	Shri S.C. Gupta	Director(Commercial), MVVNL
3	Shri S.P. Sharma	Consumer
4	Dr. Amit Bhargava	Director (Tariff), UPERC
5	Shri Z. Rehmann	Consumer
6	Shri B.R. Bhati	Chairman, IIA
7	Shri V.K. Kaushik	Advisor, PVVNL
8	Shri Raghvendra	EE, EUDDI
9	Shri Sanjay Kumar Chaurasia	Executive Engineer, UPPTCL
10	Shri S.K. Singh	PVVNL
11	Shri S. Joshi	UPPCL
12	Shri A.K. Pathak	UPPCL
13	Shri Sudhir Goyal	Consumer
14	Shri Gaurav Nand	IERS
15	Shri R.D. Tyagi	Consumer
16	Shri A.K. Tyagi	SE, PVVNL
17	Shri Ravi Bansal	Consumer
18	Shri Rahul	Consumer
19	Shri Nikhil	Consumer
20	Shri Rakesh	Advocate
21	Shri Sagar K.	Consumer
22	Shri Siddharth Shah	Consumer
23	Shri Lokesh Goswami	Technews
24	Shri Ilam Singh Nagar	Consumer
25	Shri Atul Kumar Rai	PuVVNL
26	Shri Manoj Singh	PuVVNL
27	Shri R.R. Shah	Consumer
28	Shri Mohan Singh	Consumer
29	Shri Harish Juneja	Consumer
30	Shri Akarsh Garg	Consumer
31	Shri Amit	Consumer
32	Shri Ram Gopal Sharma	Consumer
33	Shri Rajeev Gupta	UPPCL

List of Persons who attended Public Hearing at Greater Noida on May 11, 2016		
Sl. No.	**Name**	**Organisation**
34	Shri Atul	Consumer
35	Dr. A.K. Nagar	Consumer
36	Shri Ram Ashray	UPPTCL
37	Shri Sandeep Kumar	UPPTCL
38	Shri R.S. Yadav	MVVNL
39	Shri A.K. Gupta	PVVNL
40	Shri D.C. Verma	EE(RAU), UPPCL
41	Shri Avnish Kumar	UPPCL
42	Shri Suraj Chaudhary	UPPCL
43	Shri Mukesh	IIA
44	Shri Anil Kr.	IIA
45	Shri Rakesh Verma	PVVNL
46	Shri Jagdish Pal	Consumer
47	Shri Govind Singh	Consumer
48	Shri Rahul Bhati	Consumer
49	Shri Mool Chand	Consumer
50	Shri Satish K.	Consumer
51	Shri S.M. Garg	PVVNL
52	Shri Phool Chand	Consumer
53	Shri Jitendra Pareek	GNVM
54	Shri Gagan Tyagi	Dainik Jagran
55	Shri Neeraj Gupta	Consumer
56	Shri S. Kumar	Consumer
57	Shri Rakesh K.	PVVNL
58	Shri P.K. Tiwari	IIA
59	Shri Sushil Kumar	Consumer
60	Shri Manish	Consumer
61	Shri Rajeev	Consumer
62	Shri Naveen Jain	Consumer
63	Shri Parinay Shah	Advocate
64	Shri Saurabh	Consumer
65	Shri Manoj Siradhna	IIA
66	Shri Saurabh	Consumer
67	Shri Alok Nahar	Consumer
68	Shri Titu Sharma	Consumer
69	Shri Raj Sharma	Consumer
70	Shri Vikas Sharma	Consumer
71	Shri Sunil Pradhan	Consumer
72	Shri N.K. Upadhyay	Consumer
73	Shri Ramveer	Consumer

List of Persons who attended Public Hearing at Greater Noida on May 11, 2016		
Sl. No.	**Name**	**Organisation**
74	Shri Sunil Kumar	Consumer
75	Smt. Rupa Gupta	Consumer
76	Shri Harish Kumar	Consumer
77	Shri Sonu Rastogi	PVVNL
78	Shri Sonika Hayaran	ABPS-Consultant, UPERC
79	Shri A.K. Agarwal	CGRF
80	Shri Atul Shrivastav	IERS
81	Shri Sandeep Bhati	Consumer
82	Shri Pradeep Agrawal	IIA
83	Shri R.K. Rastogi	Regulatory Commission
84	Shri Pratap Bhanu	CGRF
85	Shri Ram Gopal	Consumer
86	Shri K.L. Aggarwal	ASSOCHAM
87	Shri Subrat Kumar	ABPS-Consultant, UPERC
88	Shri Ajay Sharma	Consumer
89	Shri Sandeep	NEA
90	Shri J.S. Yadav	UPPCL
91	Shri Harender Bhati	Consumer
92	Shri Rahul Nagar	Consumer
93	Shri Atul Sharma	Consumer
94	Shri Surendra Sing	Consumer
95	Shri Devender	Consumer
96	Shri V.K. Sharma	Consumer
97	Shri Ashish Singh	Consumer
98	Shri P.K. Gupta	Consumer
99	Shri Birju	Consumer
100	Shri Salil Yadav	Consumer
101	Shri Puneet Gupta	UPPTCL
102	Shri Naveen Bhati	Consumer
103	Shri Sanjay Agarwal	Consumer
104	Shri Alok Singh	Consumer
105	Shri Devendra Tiger	Consumer
106	Shri Deepak Bhati	Consumer
107	Shri Rajesh Gupta	Consumer

LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT LUCKNOW

List of Persons who attended Public Hearing at Lucknow on May 13, 2016		
Sl. No.	**Name**	**Organisation**

List of Persons who attended Public Hearing at Lucknow on May 13, 2016		
Sl. No.	**Name**	**Organisation**
1	Shri Avadhesh Kumar Verma	Chairman, UPRVUP
2	Shri Rama Shanker Awasthi	Consumer
3	Shri Abhishek Gautam	Consumer
4	Shri Satender Vishwa Karma	Consumer
5	Shri Viswanath	Consumer
6	Shri Raju Gautam	UPRVUP
7	Shri Janaav Khan	UPRVUP
8	Shri P.K. Maskara	Consumer
9	Shri M.P. Sharma	Consumer
10	Shri Ajay Agnihotri	Consumer
11	Shri Anand Singh	Consumer
12	Shri V.N. Gupta	Consumer
13	Shri A.K. Arora	NPCL
14	Shri B.N. Rai	CGRF
15	Dr. Amit Bhargava	Director (Tariff), UPERC
16	Shri Durga Prasad	Consumer
17	Shri Nitesh Tyagi	ABPS-Consultant, UPERC
18	Smt. Sonika Hayaran	ABPS-Consultant, UPERC
19	Shri Subrat Kumar Swain	ABPS-Consultant, UPERC
20	Shri Vaibhav Gupta	Consumer
21	Shri Omkar Mishra	Consumer
22	Shri P.C. Mishra	CGRF
23	Shri Naveen Gupta	Consumer
24	Shri Gaurav Srivastava	Consumer
25	Shri R.S. Prasad	MVVNL
26	Shri Mohd. Tariq Warsi	MVVNL
27	Shri A.K. Pathak	CE, UPPCL
28	Shri Sehdev Singh Goel	UPPTCL
29	Shri Ram Swarath	Director(Comm),UPPTCL
30	Shri Sanjay Kr. Chaurasia	UPPTCL
31	Shri Ashok Das	CGRF
32	Shri M.L. Agarwal	CGRF
33	Shri A.K. Singh	KESCO
34	Shri Vivek Dikshit	UPPCL
35	Shri S. Joshi	UPPCL
36	Shri Sayed Abbas Rizvi	UPPCL
37	Shri S.K. Verma	LESA
38	Shri A.K. Kohli	MVVNL
39	Shri Yogesh Hajela	KESCO

List of Persons who attended Public Hearing at Lucknow on May 13, 2016		
Sl. No.	**Name**	**Organisation**
40	Shri Kamlesh Chandra	CGRF
41	Shri S.C. Singh	CGRF
42	Shri Anil Kumar	CGRF
43	Shri Vijai Kumar	DVVNL
44	Shri Gaurav Nand	IERS
45	Ms. Priya Dwivedi	IERS
46	Ms. Surabhi Sinha	IERS
47	Shri Hemant Yadav	Consumer

LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT ALIGARH

List of Persons who attended Public Hearing at Aligarh on May 20, 2016		
Sl. No.	**Name**	**Organisation**
1	Shri Raj Pal Singh	Consumer
2	Shri Nawab Singh	Consumer
3	Shri Jitendra Pal Singh	Consumer
4	Shri Raj Kumar	Consumer
5	Shri Mukesh Kumar Yadav	DVVNL
6	Dr. Amit Bhargava	Director (Tariff), UPERC
7	Shri R.B. Yadav	CGRF
8	Shri B.S. Varshney	Consumer
9	Shri B.L. Jain	CGR
10	Shri Sachin Jain	Consumer
11	Shri Subhash Chand	Consumer
12	Shri Subrat Kumar Swain	ABPS-Consultant, UPERC
13	Shri Satish Chandra Sharma	Consumer
14	Shri Abhishek Upadhyay	Consumer
15	Shri Durvijay Singh	Consumer
16	Shri J.P. Sharma	Consumer
17	Shri Akarsh Garg	Consumer
18	Ms. Mansi J. Garg	Consumer
19	Shri Suresh Chawla	Consumer
20	Shri Harish Kumar	Consumer
21	Shri Devendra Kr. Saxena	Consumer
22	Shri Chandra Mohan Goyal	Consumer
23	Shri Haji Sulaiman	Consumer
24	Shri Gyan Chandra Varshney	Consumer
25	Shri Mahendra Singh	Consumer
26	Shri Vinod Varshney	Consumer

List of Persons who attended Public Hearing at Aligarh on May 20, 2016		
Sl. No.	**Name**	**Organisation**
27	Shri Bimal Kumar Kheman	Consumer
28	Shri Vikram Singh	Consumer
29	Shri Chandrashekhar Sharma	Consumer
30	Shri Deepak Goyal	Consumer
31	Shri S.L. Mukherji	Consumer
32	Shri M.P. Singh	Consumer
33	Shri V.K. Mittal	Consumer
34	Shri O.P. Rathi	Consumer
35	Shri Y.M. Jha	Consumer
36	Shri R.S. Upadhyay	Consumer
37	Shri Sharad K.	Consumer
38	Shri Girraj	Consumer
39	Shri Pradeep Singhal	Consumer
40	Shri A.K. Shukla	UPPTCL
41	Shri Sandeep Kumar	UPPTCL
42	Shri S. Joshi	UPPCL
43	Shri D.C. Verma	UPPCL
44	Shri N.K. Jain	Consumer
45	Shri M.L. Upadhyay	Consumer
46	Shri Girish Chand	UPPCL
47	Smt. Anguri Solanki	Consumer
48	Shri Shashi Singh	Consumer
49	Shri Deepak Sharma	Amar Ujala
50	Shri Bhupendra Varshney	Consumer
51	Shri Sugam Srivastava	Hindustan
52	Shri Surjeet Pundhir	Dainik Jagran
53	Shri Vivek Kumar	Hindustan
54	Shri B.M. Sharma	Consumer
55	Shri Nitin Agarwal	Consumer
56	Shri J.P. Verma	CGRF
57	Shri U.S. Paul	Consumer
58	Shri Yatendra YK	Consumer
59	Shri Rajesh Sorkoda	Consumer
60	Shri Mukesh K. Singh	Consumer
61	Shri Moin Khan	Consumer
62	Mohd. Shami	Consumer
63	Shri Sukhram	Consumer
64	Shri A.K. Singh	KESCO
65	Dr. G.R. Suman	Consumer

List of Persons who attended Public Hearing at Aligarh on May 20, 2016		
Sl. No.	**Name**	**Organisation**
66	Shri Sharif Ahmad	Consumer
67	Shri Shailesh R. Desai	Torrent Power
68	Shri Subir Kr. Das	Torrent Power
69	Shri Rakesh	Torrent Power
70	Shri Naresh Bharti	DVVNL
71	Shri A.K. Saxena	DVVNL
72	Shri Vinod Kumar	CGRF
73	Shri Karan Singh	DVVNL
74	Shri Afzal Hameed	Consumer
75	Shri G.P. Bhardwaj	Consumer
76	Shri M. Rihan	AMU
77	Shri A.K. Singh	MVVNL
78	Shri Niraj Khandelwal	Consumer
79	Shri K.P. Singh	Consumer
80	Shri Dulare Khan	Consumer
81	Shri Musharraf Husain	Consumer
82	Shri Ilias Ali	Consumer
83	Shri Iqbal Hussain	Consumer
84	Shri Mohd. Aslam	Consumer
85	Shri Prem Narayan	UPPCL
86	Shri Pradeep Ganga	Consumer
87	Shri Subodh Kumar	Consumer
88	Shri Atul Kr. Shrivastav	IERS
89	Shri Shariq K	Consumer
90	Shri. S K Gupta	Consumer
91	Shri Faizan	Consumer
92	Shri Rakesh	Consumer
93	Shri S.Zuber Khan	Consumer
94	Shri Sukhdev Varshney	Consumer
95	Shri Sanjay Mishra	Consumer
96	Shri Deepak Agarwal	Consumer
97	Shri Shiv Dayal Sharma	Consumer
98	Dr. Kailash	Consumer
99	Nawab Arzoo	Consumer
100	Shri Naresh Kumar Sharma	Consumer
101	Shri Govind Sharan Singh	Consumer
102	Shri Suraj	News
103	Shri Mahi Pal	Amar Ujala
104	Shri Dipendra	Consumer

List of Persons who attended Public Hearing at Aligarh on May 20, 2016		
Sl. No.	**Name**	**Organisation**
105	Shri Prem Chandra	Consumer
106	Shri Har Narayan	Consumer
107	Shri Pramod	Zee News
108	Shri Manoj Kumar	Consumer
109	Shri Sugam	Hindustan
110	Shri Yash Krishna Singh	Consumer

14.2 ANNEXURE: ACTION TAKEN REPORT ON THE DIRECTIONS ISSUED BY THE COMMISSION IN THE ARR / TARIFF ORDER FOR FY 2016-17

Sl. No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
1	As lack of approved transparent policy on identifying and writing off bad debts is hindering allowance of bad debts as an ARR component; the Commission directs the Licensee to submit ten sample cases of LT & HT consumers where orders have been issued for writing off bad debts, clearly depicting the procedure adopted for writing off bad debts along with policy framework for managing bad debts for the Commission’s perusal.	Immediate	
2	The Commission directs the Licensee to submit a business plan for the control period i.e. from April 1, 2017 to March 31, 2020 in accordance with Regulation 5, 12.1 & 13.1 of the Multi Year Tariff Regulations, 2014. The Licensee in such business plan shall submit but not limited to detailed category-wise sales and demand projections, power procurement plan, capital investment plan, financing plan and physical targets. The licensee should note that the specified timeline of June 1, 2016 for submission of the same under the Multi Year Tariff Regulation is over. The Licensee should submit the same at the earliest.	Immediate	
3	The Commission directs the Licensee to conduct benchmarking studies to determine the desired performance standards in accordance with Regulation 4.2.1 of the Multi Year Tariff Regulations, 2014. The licensee should note that specified timeline of September 30, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 is over. The Licensee should submit the same at the earliest.	Immediate	
4	The Commission directs the Licensee to ensure 100 % compliance of the Commission's Orders and targets to achieve 100% metering. The Licensee should submit the Quarterly progress report in this regard	Immediate	
5	The Commission once again directs the licensee that they should file FPPCA in a timely and regular manner failing which the Commission may have to resort to take strict action against the Licensee like disallowance of additional power purchase expenses and the associated carrying cost on account of additional Power Purchase	Immediate	

Sl. No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
	expenses or any other action that the Commission may deem fit while doing the Truing up.		
6	The Commission directs the Licensee to submit the consumer category and sub-category wise Regulatory Surcharge collected for each year till FY 2015-16 (December) since inception at the earliest.	Immediate	
7	The Commission reiterates that the Licensee should adhere to the time line outlined in Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 for conducting a detailed study to provide accurate and effective consumption norms as specified by the Commission in its earlier directions. The licensee should note that specified timeline of December 1, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 has expired. The Licensee should submit the same at the earliest.	Immediate	
8	The Petitioner should complete the Assessment Study of metered consumers as per the Regulations 16.2 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission. The licensee should note that specified timeline of September 30, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 has expired. The Licensee should submit the same at the earliest.	Immediate	
9	The Petitioner should complete the Assessment Study of un-metered consumers to establish base line norms as per the Regulations 17.1 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission. The licensee should note that specified timeline of December 1, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 is over. The Licensee should submit the same at the earliest.	Immediate	
10	The Petitioner should complete the Study of Agriculture feeders segregated and not segregated in significant numbers to determine base line norms as per the Regulations17.2, 17.3 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission. The licensee should note that specified	Immediate	

Sl. No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
	timeline of December 1, 2015 for submission of the same under the Multi Year Tariff Regulation, 2014 is over. The Licensee should submit the same at the earliest.		
11	The Petitioner should submit Roadmap for Reduction of Cross Subsidy as per the Regulation 39 notified vide MYT Regulations, 2014. The licensee should note that specified timeline of October , 2014 for submission of the same under the Multi Year Tariff Regulation, 2014 is over . The Licensee should submit the same at the earliest.	Immediate	
12	The Petitioner should submit month wise details of number of supply hours for rural and urban area for FY 2014-15 & FY 2015-16.	Within one month from issue of this Order	
13	The Commission directs the Petitioner to submit a proposal for “Rate Schedule” linked to number of hours of supply.	At the time of next ARR filings	
14	The Commission directs the Licensee to submit every month a report comprising the details of the power purchased from all the sources demonstrating that the Merit Order Dispatch Principle has been strictly followed and that the procurement was optimal in regard to cost taking into consideration of the power available at the power exchanges etc.	Monthly Basis	
15	The Petitioner should file the MYT Petition for the Control FY 2017-18 to FY 2019-20 as per the Regulations 12.2, 12.7, 12.8 & 12.9 as per MYT Regulations, 2014.	As per MYT timeline	
16	The Commission directs Licensees to submit every month a report comprising the details of the power purchased from all the sources demonstrating that the Merit Order Dispatch Principle has been strictly followed and that the procurement was optimal in regard to cost taking into consideration of the power available at the power exchanges etc.	Monthly Basis	
17	The Licensee is directed to explore the possibility of having TOD tariff structure for domestic and non-domestic categories and submit their proposal.	At the time of next ARR filings	

14.3 ANNEXURE: RATE SCHEDULE FOR FY 2016-17

RETAIL TARIFFS FOR FINANCIAL YEAR 2016-17:

GENERAL PROVISIONS:

These provisions shall apply to all categories unless specified otherwise and are integral part of the Rate Schedule.

1. NEW CONNECTIONS:

All new connections shall be given as per the applicable provisions of Electricity Supply Code and shall be released in multiples of KW only, excluding consumers under categories LMV-5 & LMV-8 of Rate Schedule. Further, for tariff application purposes, if the contracted load (kW) of already existing consumer is in fractions then the same shall be treated as next higher kW load.

2. READING OF METERS:

As per applicable provisions of Electricity Supply Code.

3. BILLING WHEN METER IS NOT MADE ACCESSIBLE:

A penalty of Rs. 50 / kW or as decided by the Commission through an Order shall be levied for the purposes of Clause 6.2 (c) of the applicable Electricity Supply Code.

4. BILLING IN CASE OF DEFECTIVE METERS:

As per the applicable provisions of Electricity Supply Code.

5. KVAH TARIFF:

'kVAh based tariffs' shall be applicable on all consumers having contracted load of 10 kW / 13.4 BHP and above, under different categories with TVM / TOD / Demand recording meters (as appropriate).

The rates prescribed in different categories in terms of kW and kWh will be converted into appropriate kVA and kVAh by multiplying Fixed / Demand Charges and Energy Charges by an average power factor of 0.90. Similarly, the Fixed / Demand Charges expressed in BHP can be converted into respective kVA rates in accordance with formula given below:

Demand Charges in kVA = (Demand Charges in BHP / 0.746) * 0 .90

Demand Charges in kVA = (Fixed Charges in kW * 0.90)

Energy Charges in kVAh = (Energy Charges in kWh * 0.90)

Note: If the power factor of a consumer is leading and is within the range of 0.95 -1.00, then for tariff application purposes such leading power factor shall be treated as unity. The bills of such consumers shall be prepared accordingly. However, if the leading power factor is below 0.95 (lead) then the consumer shall be billed as per the kVAh reading indicated by the meter. However, the aforesaid provision of treating power factor below 0.95 (lead) as the commensurate lagging power factor for the purposes of billing shall not be applicable on HV-3 category and shall be treated as unity. Hence, for HV-3, lag + lead logic of the meter should not be used and "lag only" logic of the meter should be provided which blocks leading kVARh thereby treating leading power factor as unity and registering instantaneous kWh as instantaneous kVAh in case of leading power factor.

6. BILLABLE LOAD / DEMAND:

For all consumers having TVM / TOD / Demand recording meters installed, the billable load / demand during a month shall be the actual maximum load / demand as recorded by the meter (can be in parts of kW or kVA) or 75% of the contracted load / demand (kW or kVA), whichever is higher.

Further in case the licensee fails to note the actual maximum load / demand reading or in case of spot-billing, then the consumer may approach the licensee with a photo of the actual maximum load / demand reading displayed on his meter of the previous month. The licensee shall accept the same for the purpose of computation of billable demand, however if the licensee wishes to, it can get the same verified within 10 days.

7. SURCHARGE / PENALTY:

(i) **DELAYED PAYMENT:**

If a consumer fails to pay his electricity bill by the due date specified therein, a late payment surcharge shall be levied at 1.25% per month; up-to first three months of delay and subsequently @ 2.00% per month of delay. Late payment surcharge shall be calculated proportionately for the number of days for which the payment is delayed beyond the due date specified in the bill and levied on the unpaid amount of the bill excluding surcharge. Imposition of this surcharge is without prejudice to the right of the Licensee to disconnect the supply or take any other measure permissible under the law.

(ii) **CHARGES FOR EXCEEDING CONTRACTED DEMAND:**

a) If the maximum load / demand in any month of a **domestic consumer** having TVM / TOD / Demand recording meter exceeds the contracted load / demand, then such excess load / demand shall be levied equal to 100% of the normal rate apart from the normal fixed / demand charge as per the maximum load / demand recorded by the meter. Further, if the consumer is found to have exceeded the contracted load / demand for continuous previous three months, the consumer shall be served a notice of one month advising him to get the contracted load enhanced as per the provisions of UPERC Electricity Supply Code, 2005 and amendments thereof. However, the consumer shall be charged for excess load for the period the load is found to exceed the contracted load. The Licensee shall merge the excess load with the previously sanctioned load, and levy additional charges calculated as above, along with additional security. Subsequent action regarding the increase in contracted load, or otherwise shall be taken only after due examination of the consumer’s reply to the notice and a written order in this respect by the Licensee.

b) If the maximum load / demand in any month, for the consumers of **other category(except (a) above)** having TVM/ TOD /Demand recording meter exceeds the contracted load /demand , then such excess load /demand shall be levied equal to 200% of the normal rate apart from the normal fixed /demand charges as per the maximum load /demand recorded by the meter.

c) Any surcharge / penalty shall be over and above the minimum charge, if the consumption bill of the consumer is being prepared on the basis of minimum charge.

d) Provided where no TVM / TOD / Demand recording meter is installed, the excess load / demand penalty shall be billed as per the UPERC Electricity Supply Code, 2005 as amended from time to time.

8. POWER FACTOR SURCHARGE:

i. Power factor surcharge shall not be levied where consumer is being billed on kVAh consumption basis.

ii. It shall be obligatory for all consumers to maintain an average power factor of 0.85 or more during any billing period. No new connections of motive power loads / inductive loads above 3 kW, other than under LMV-1 and LMV-2 category, and / or of welding transformers above 1kVA shall be given, unless shunt capacitors having I.S.I specifications of appropriate ratings are installed, as described in ANNEXURE 14.4.

iii. In respect of the consumers with or without static TVMs, excluding consumers under LMV-1 category up to contracted load of 10 kW and LMV-2 category up to contracted load of 5 kW, if on inspection it is found that capacitors of appropriate rating are missing or in-operational and Licensee can prove that the absence of capacitor is bringing down the power factor of the consumer below the obligatory norm of 0.85; then a surcharge of 15% of the amount of bill shall be levied on such consumers. Licensee may also initiate action under the relevant provisions of the Electricity Act, 2003, as amended from time to time.

Notwithstanding anything contained above, the Licensee also has a right to disconnect the power supply, if the power factor falls below 0.75.

iv. Power factor surcharge shall however, not be levied during the period of disconnection on account of any reason whatsoever.

9. PROTECTIVE LOAD:

Consumers getting supply on independent feeder at 11kV & above voltage, emanating from sub-station, may opt for facility of protective load and avail supply during the period of scheduled rostering imposed by the Licensee, except under emergency rostering. An additional charge @ 100% of base demand charges fixed per month shall be levied on the contracted protective (as per Electricity Supply Code) load each month. However, consumers of LMV-4 (A) - Public Institutions will pay the additional charge @ 25% of base demand charges only. During the period of scheduled rostering, the load shall not exceed the sanctioned protective load. In case the consumer exceeds the sanctioned protective load during scheduled rostering, he shall be liable to pay twice the prescribed charges for such excess load.

10. ROUNDING OFF:

All bills will be rounded off to the nearest rupee i.e. up to 49 paisa shall be rounded down to previous rupee and 50 paisa upwards shall be rounded up to next rupee. The difference due to such rounding shall be adjusted in subsequent bills.

11. OPTION OF MIGRATION TO HV-1 & HV-2 CATEGORY:

The consumer under LMV-2 and LMV-4 with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-1 category and LMV-6 consumers with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-2 category. Furthermore, the consumers shall have an option of migrating back to the original category on payment of charges prescribed in Cost Data Book for change in voltage level.

12. PRE-PAID METERS / AUTOMATIC METER READING SYSTEM:

(i) Any consumer having prepaid meters shall also be entitled to a discount of 1.25% on Rate as defined in the Tariff Order.

(ii) The token charges for code generation for prepaid meters shall be Rs. 10/- per token or as decided by the Commission from time to time.

13. CONSUMERS NOT COVERED UNDER ANY RATE SCHEDULE OR EXPRESSLY EXCLUDED FROM ANY CATEGORY:

For consumers of light, fan & power (excluding motive power loads) not covered under any rate schedule or expressly excluded from any LMV rate schedule will be categorized under LMV-2.

14. A consumer under metered category may undertake any extension work, in the same premises, on his existing connection without taking any temporary connection as long as his demand does not exceed his contracted demand and the consumer shall be billed in accordance with the tariff applicable to that category of consumer.

15. SOLAR WATER HEATER REBATE:

If consumer installs and uses solar water heating system of 100 litres or more, a rebate of Rs. 100 /- per month or actual bill for that month whichever is lower shall be given. The same shall be subject to the condition that consumer gives an affidavit to the licensee to the effect that he has installed such system and is in working condition, which the licensee shall be free to verify from time to time. If any such claim is found to be false, in addition to punitive legal action that may be taken against such consumer, the licensee will recover the total rebate allowed to the consumer with 100% penalty and debar him from availing such rebate for the next 12 months.

16. REBATE ON PAYMENT ON OR BEFORE DUE DATE:

A rebate at 0.50% of Rate shall be given in case the payment is made on or before the due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have made advance deposit against their future monthly energy bills shall also be eligible for the above rebate applicable on Rate.

17. REBATE TO CONSUMERS WHO SHIFT FROM UNMETERED TO METERED CONNECTION:

In case any rural consumer shifts from unmetered to metered category, he shall be entitled to rebate of 10% on Rate which shall be applicable from date of installation of meter till end of FY 2017-18.

18. SCHEME FOR ADVANCE DEPOSIT FOR FUTURE MONTHLY ENERGY BILLS:

If a consumer intends to make advance deposit against his future monthly energy bills, the Licensee, shall accept such payment and this amount shall be adjusted only towards his future monthly energy bills. On such advance deposit the consumers shall be paid interest, at the interest rate applicable on security deposit, for the period during which advance exists for each month on reducing balance method and amount so accrued shall be adjusted in the electricity bills which shall be shown separately in the bill of each month. Further, quarterly report regarding the same must be submitted to the Commission.

19. FACILITATION CHARGE FOR ONLINE PAYMENT:

(i) No transaction charge shall be collected from the consumers making their payment through internet banking.

(ii) The Licensees shall bear the transaction charges for transactions up to Rs. 4,000 for payment of bill through internet using Credit Card / Debit Card.

20. MINIMUM CHARGE:

Minimum charge is the charge in accordance with the tariff in force from time to time and come into effect only when sum of fixed / demand charges and energy charges are less than a certain prescribed amount i.e. Minimum Charges. For each month, consumer will pay an amount that is higher of the following:

- Fixed / Demand charges plus Energy Charge on the basis of actual consumption for the month and additional charges such as Electricity Duty, Regulatory Surcharges, FPPCA Surcharges and any other charges as specified by the Commission from time to time.
- Monthly minimum charge as specified by the Commission and computed at the contracted load and additional charges such as Electricity Duty, Regulatory Surcharges, FPPCA Surcharges and any other charges as specified by the Commission from time to time.

21. EXEMPTION FROM MINIMUM CHARGE FOR USING SOLAR POWER:

If a consumer under LMV-2 (Non domestic light, fan and power) category installs a rooftop solar plant under the provisions of UPERC (Rooftop Solar PV Grid Interactive Systems Gross / Net Metering) Regulations, 2015 with maximum peak capacity of the grid connected rooftop solar PV system not exceeding 100% of the sanctioned connected load / contract demand of the consumer, then such consumer shall be exempted from payment of monthly minimum charges. Such exemption shall be in force till the time the solar plant remains fully operational.

22. INTEREST ON DUES PAYABLE TO CONSUMER BY THE LICENSEE:

If a consumer becomes eligible for dues from the Licensee which may arise out of rectification / adjustment / settlement of bill(s), then such consumer will also be entitled to get interest at an interest rate applicable for interest on security deposits on all the dues payable by the Licensee to the consumer. The Licensee shall compute the interest amount for the period during which such pending amounts exists and adjust such interest towards the future monthly bills of consumers. After adjustment of the interest amount in a particular month, the balance amount, will be carried forward to next month for adjustment with interest on balance amount. The details of such interest amount and adjustment made during the month shall be shown separately in the bill. Further, separate accounting of interest paid must be maintained by the Licensees.

23. DEFINITION OF RURAL SCHEDULE:

Rural Schedule means supply schedule as defined and notified by State Load Despatch Centre (SLDC), Lucknow from time to time.

RATE SCHEDULE LMV – 1:

DOMESTIC LIGHT, FAN & POWER:

1. APPLICABILITY:

This schedule shall apply to:

a) Premises for residential / domestic purpose, Accommodation for Paying Guests for Domestic purpose (Excluding Guest Houses), Janata Service Connections, Kutir Jyoti Connections, Jhuggi / Hutments, Places of Worship (e.g. Temples, Mosques, Gurudwaras, Churches) and Electric Crematoria.

b) Mixed Loads

i. 50 kW and above

a. Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with the condition that at least 70% of the total contracted load shall be exclusively for the purposes of domestic light, fan and power. The above mixed load, within 70%, shall also include the load required for lifts, water pumps and common lighting,

b. Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).

ii. Less than 50 kW

Except for the case as specified in Regulation 3.3 (e) of Electricity Supply Code, 2005 as amended from time to time, if any portion of the load is utilized for conduct of business for non-domestic purposes then the entire energy consumed shall be charged under the rate schedule of higher charge

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule':

Description	Description	Fixed charge	Energy charge)
i) Un-metered	Load up to 2 kW	Rs. 180 / kW / month	Nil
	Load above 2 kW	Rs. 200 / kW / month	Nil
ii) Metered	All Load	Rs. 50 / kW / month	Rs. 2.20 / kWh

(b) Supply at Single Point for bulk loads (50 kW and above, Supplied at any Voltage):

Description	Fixed Charge	Energy Charge
For Townships, Registered Societies, Residential Colonies, multi-storied residential complexes (including lifts, water pumps and common lighting within the premises) with loads 50 kW and above with the restriction that at least 70% of the total contracted load is meant exclusively for the domestic light, fan and power purposes and for Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).	Rs. 85.00 / kW / Month	Rs. 5.50 / kWh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 5% additional charge on the above specified 'Rate' from its consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

The 5% additional charge shall be towards facilitating supply of electricity to the individual members to recover its expenses towards supply of electricity, distribution loss, electrical maintenance in its supply area, billing, accounting and audit etc.

The deemed franchisee is required to provide to all its consumers and the licensee, a copy of the detailed computation of the details of the amounts realized from all the individual consumers and the amount paid to the licensee for every billing cycle on half yearly basis. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee shall arrange to get its account(s) audited by a Chartered Accountant mandatorily. The audited accounts will be made available to all the consumers of the deemed franchisee within 3 months of the closure of that financial year. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee should separately meter the electricity supplied from back up arrangements like DG sets etc. The bill of its consumers should clearly depict the units and rate of electricity supplied through back up arrangement and electricity supplied through Licensee.

The deemed franchisee shall not disconnect the supply of electricity of its consumers on the pretext of defaults in payments related to other charges except for the electricity dues regarding the electricity consumed by its consumers and electricity charges for lift, water lifting pump, streetlight if any, corridor / campus lighting and other common facilities.

In case the deemed franchisee exceeds the contracted load / demand under the provisions of Clause 7(ii) – 'Charges for Exceeding Contracted demand' of the General Provisions of this Rate Schedule, only in such case the deemed franchisee will recover the same from the individual members who were responsible for it on the basis of their individual excess demands.

(c) OTHER METERED DOMESTIC CONSUMERS:

1. **Lifeline consumers:** Consumers with contracted load of 1 kW, energy consumption up to 150 kWh / month.

Description	Fixed Charge	Energy Charge
Loads of 1 kW only and for consumption up to 50 kWh / month (0 to 50 kWh / month)	Rs. 50.00 / kW / month	Rs. 2.00 / kWh
Loads of 1 kW only and for consumption above 50 kWh / month up to 150 kWh / month (51 to 150 kWh / month)		Rs. 3.90 / kWh

2. **Others:** Other than life line consumers (i.e. consumers who do not qualify under the criteria laid down for lifeline consumers.)

Description	Consumption Range	Fixed Charge	Energy Charge
All loads	For first 150 kWh / month	Rs. 90.00 / kW / month	Rs. 4.40 / kWh
	For next 151 - 300 kWh / month		Rs. 4.95 / kWh
	For next 301 – 500 kWh / month		Rs. 5.60 / kWh
	For above 500 kWh / month (Starting from 501st unit)		Rs. 6.20 / kWh

Note:

For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data of maximum demand.

RATE SCHEDULE LMV– 2:

NON DOMESTIC LIGHT, FAN AND POWER:

1. APPLICABILITY:

This schedule shall apply to all consumers using electric energy for Light, Fan and Power loads for Non-Domestic purposes, like all type of Shops including Patri Shopkeepers, Hotels, Restaurants, Private Guest Houses, Private Transit Hostels, Private Students Hostels, Marriage Houses, Show-Rooms, Commercial / Trading Establishments, Cinema and Theatres, Banks, Cable T.V. Operators, Telephone Booths / PCO (STD / ISD), Fax Communication Centres, Photo Copiers, Cyber Café, Private Diagnostic Centres including X-Ray Plants, MRI Centres, CAT Scan Centres, Pathologies and Private Advertising / Sign Posts / Sign Boards, Commercial Institutions / Societies, Automobile Service Centres, Coaching Institutes, Private Museums, Power Looms with less than 5 kW load and for all companies registered under the Companies Act, 1956 with loads less than 75 kW.

2. Character and Point of Supply:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule'

Description	Description	Fixed charge	Energy charge)
i) Un-metered	All Load	Rs. 600 / kW / month	Nil
ii) Metered	All Load	Rs. 65 / kW / month	Rs. 3.50 / kWh

(b) Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex*:

For all commercial (road side / roof tops of buildings) advertisement hoardings such as Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex, the rate of charge shall be as below:

Description	Fixed Charge	Energy Charge
Metered	-	Rs. 18.00 / kWh

**Minimum bill payable by a consumer under the category "(b) Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex category" shall be Rs. 1600 / kW / Month.*

Note:

1. For application of these rates Licensee shall ensure that such consumption is separately metered.

(c) In all other cases, including urban consumers and consumers getting supply through rural feeders but exempted from scheduled rostering / restrictions or through co-generating radial feeders in villages / towns.

Contracted Load	Fixed Charge
Up to 2 kW	Rs. 225.00 / kW / month
Above 2 kW to 4 kW	Rs. 275.00 / kW / month
Above 4 kW	Rs. 355.00 / kW / month

Consumption Range	Energy Charge
For first 300 kWh / month	Rs. 6.70 / kWh
For next 301 – 1000 kWh / month	Rs. 7.75 / kWh
For above 1000 kWh / month (Starting from 1001st unit)	Rs. 7.95 / kWh

***Note:** Minimum charge (as defined under Clause 20 of General Provisions) payable by a consumer under the category "(c) In all other cases"shall be Rs. 500 / kW / month (From April to September) and Rs. 375 / kW / month (From October to March).*

Note:

1. For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data on maximum demand.

4. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be applicable in accordance with the Government order dated June 14, 2006 and the Commission’s order dated July 11, 2006 subject to adherence of provision of advance subsidy.

RATE SCHEDULE LMV -3:

PUBLIC LAMPS:

1. APPLICABILITY:

This schedule shall apply to Public Lamps including Street Lighting System, Road Traffic Control Signals, Lighting of Public Parks, etc. The street lighting in Harijan Bastis and Rural Areas are also covered by this rate schedule.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate gives the fixed and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Un-metered Supply:

Description	Gram Panchayat	Nagar Palika and Nagar Panchayat	Nagar Nigam
To be billed on the basis of total connected load calculated as the summation of individual points	Rs. 1700 per kW or part thereof per month	Rs. 2600 per kW or part thereof per month	Rs. 3500 per kW or part thereof per month

(b) Metered Supply:

Description	Gram Panchayat		Nagar Palika and Nagar Panchayat		Nagar Nigam	
All loads	Fixed Charges	Energy Charges	Fixed Charges	Energy Charges	Fixed Charges	Energy Charges
	Rs. 120 / kW / month	Rs. 5.75 / kWh	Rs. 150 / kW / month	Rs. 6.00 / kWh	Rs. 160 / kW / month	Rs. 6.25 / kWh

TOD Rates applicable for the metered supply (% of Energy Charges):

18:00 hrs – 06:00 hrs	0%
06:00 hrs – 18:00 hrs	(+) 20%

4. For 'Maintenance Charges', 'Provision of Lamps' and 'Verification of Load' refer ANNEXURE 14.3.1.

RATE SCHEDULE LMV– 4:

LIGHT, FAN & POWER FOR PUBLIC INSTITUTIONS AND PRIVATE INSTITUTIONS:

1. APPLICABILITY:

LMV- 4 (A) - PUBLIC INSTITUTIONS:

This schedule shall apply to:

(a) Government Hospitals / Government Research Institutions / Offices of the Government Organizations other than companies registered under Companies Act 1956.

(b) Government & Government aided (i) Educational Institutions (ii) Hostels (iii) Libraries

(c) Religious and charitable trusts & Institutions having a valid registration under Section 12 AA & 30G issued by the Income Tax department including orphanage homes, old age homes, hospitals, colleges and those providing services free of cost or at the charges / structure of charges not exceeding those in similar Government operated institutions.

(d) Railway Establishments (excluding railway traction, industrial premises & Metro) such as Booking Centres, Railway Stations & Railway Research and Development Organization, Railway rest houses, Railway holiday homes, Railway inspection houses.

(e) All India Radio and Doordarshan

(f) Guest houses of Government., Semi-Government, Public Sector Undertaking Organisations

LMV-4 (B) - PRIVATE INSTITUTIONS:

This schedule shall apply to non-Government hospitals, nursing homes / dispensaries / clinics, private research institutes, and schools / colleges / educational institutes & charitable institutions / trusts not covered under **(A)** above**.**

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

Description	Contracted Load	Fixed Charge
(A) For Public Institutions	Up to 2 kW	Rs. 220 / kW / month
	Above 2 kW to 4 kW	Rs. 230 / kW / month
	Above 4 kW	Rs. 240 / kW / month
(B) For Private Institutions	Up to 3 kW	Rs. 250 / kW / month
	Above 3 kW	Rs. 330 / kW / month

Description	Consumption Range	Energy Charge
(A) For Public Institutions	For first 1000 kWh / month	Rs. 7.00/ kWh
	For next 1001 – 2000 kWh / month	Rs. 7.20/ kWh
	For above 2000 kWh / month (Starting from 2001st unit)	Rs. 7.40/ kWh
(B) For Private Institutions	For first 1000 kWh / month	Rs. 7.75 / kWh
	For above 1000 kWh / month (Starting from 1001st unit)	Rs. 7.95 / kWh

RATE SCHEDULE LMV– 5:

SMALL POWER FOR PRIVATE TUBE WELLS / PUMPING SETS FOR IRRIGATION PURPOSES:

1. APPLICABILITY:

This schedule shall apply to all power consumers getting supply as per Rural / Urban Schedule for Private Tube-wells / Pumping Sets for irrigation purposes having a contracted load up to 25 BHP and for additional agricultural processes confined to Chaff-Cutter, Thresher, Cane Crusher and Rice Huller. All new connections under this category shall necessarily have the ISI marked energy efficient mono-bloc pump sets with power factor compensation capacitors of adequate rating to qualify for the supply. All existing pump sets shall be required to install power factor compensation capacitors.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(A) For consumers getting supply as per **Rural Schedule**:

(i) Un-metered Supply

Fixed Charge	Energy Charge
Rs. 100 / BHP / month	Nil
Consumer under this category will be allowed a maximum lighting load of 120 Watts.	

(ii) Metered Supply

Fixed Charge	Minimum Charges	Energy Charge
Rs. 30.00 / BHP / month	Rs. 75 / BHP / month	Rs. 1.00 / kWh

Note: *Minimum bill payable by a consumer under the category "Rural Schedule (Metered Supply) shall be Rs. 75 per BHP per month, till the installation of the meter.*

(B) For consumers getting supply as per **Urban Schedule** (Metered Supply) including consumers getting supply through rural feeders exempted from scheduled rostering or through co-generating radial feeders in villages and towns.

Fixed Charge	Minimum Charges	Energy Charge
Rs. 75.00 / BHP / month	Rs. 160 / BHP / month	Rs. 5.20 / kWh

Note: *Minimum bill payable by a consumer under the category "Urban Schedule (Metered Supply) shall be Rs. 160.00 per BHP per month, till the installation of the meter.*

For PTW consumers of Bundelkhand Area located in Gram Sabha, the minimum bill payable by a consumer shall be Rs. 100.00 per BHP per month, till the installation of the meter.

RATE SCHEDULE LMV– 6:

SMALL AND MEDIUM POWER:

1. APPLICABILITY:

This schedule shall apply to all consumers of electrical energy having a contracted load up to 100 HP (75 kW) for industrial / processing or agro-industrial purposes, power loom (load of 5 kW and above) and to other power consumers, not covered under any other rate schedule. Floriculture / Mushroom farming units having loads up-to 100 BHP (75kW) shall also be covered under this rate schedule. This schedule shall also apply to pumping sets above 25 BHP.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the fixed and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(A) Consumers getting supply other than Rural Schedule:

Contracted Load	Fixed Charge
Up to 4 kW	Rs. 245 / kW / month
Above 4 kW to 9 kW	Rs. 255 / kW / month
Above 9 kW	Rs. 275 / kW / month

Consumption Range	Energy Charge
Up to 1000 kWh / month	Rs. 7.00 / kWh on entire consumption
Up to 2000 kWh / month	Rs. 7.35 / kWh on entire consumption
For above 2000 kWh / month	Rs. 7.60 / kWh on entire consumption

TOD Rates (% of Energy Charges):

22:00 hrs – 06:00 hrs	(-) 7.5%
06:00 hrs – 17:00 hrs	0%
17:00 hrs – 22:00 hrs	(+) 15%

Optional TOD Structure

For all such consumers who want to operate at full potential only during the specified night hours with restricted consumption in remaining hours may opt for the TOD structure as follows:

For all such consumers who opt for this structure, the rebate can be availed between 22.00 hrs to 06.00 hrs specifically by such consumers operating at its full potential during this period and for such consumers the load during other hours i.e. 06:00 to 22:00 hours, shall be restricted to 15% of its contracted load. The TOD structure for such consumers is as given below:

Optional TOD Structure for Specific Consumers

Hours	TOD Rates
06:00 hrs – 22:00 hrs	Restricted Load as specified
22:00 hrs – 06:00 hrs	-15%

Such consumers would be required to ask for such ToD structure in advance. However, if the consumer who has opted for optional TOD structure, exceeds the restricted load as specified during the time slot of 06.00 - 22.00 hours in any month, the TOD structure as applicable for LMV-6 category (i.e. as per TOD Rates specified for all Consumers) will be applicable for such consumer for that particular month.

(B) Consumers getting supply as per Rural Schedule:

The consumer under this category shall be entitled to a rebate of 7.5% on demand & energy charges as given for under urban schedule without TOD rates.

4. PROVISIONS RELATED TO SEASONAL INDUSTRIES:

Seasonal industries will be determined in accordance with the criteria laid down below. No exhaustive list can be provided but some examples of industries exhibiting such characteristics are sugar, ice, rice mill and cold storage. The industries which operate during certain period of the year, i.e. have seasonality of operation, can avail the benefits of seasonal industries provided:

i) The load of such industry is above 13.4 BHP (for motive power loads) & 10 kW (other loads) and have Tri-vector Meters / TOD meters installed at their premises.

ii) The continuous period of operation of such industries shall be at least 4 (four) months but not more than 9 (nine) months in a financial year.

iii) Any prospective consumer, desirous of availing the seasonal benefit, shall specifically declare his season at the time of submission of declaration / execution of agreement mentioning the period of operation unambiguously.

iv) The seasonal period once notified cannot be reduced during the next consecutive 12 months. The off-season tariff is not applicable to composite units having seasonal and other category loads.

v) The off-season tariff is also not available to those units who have captive generation exclusively for process during season and who avail Licensees supply for miscellaneous loads and other non-process loads.

vi) The consumer opting for seasonal benefit has a flexibility to declare his off seasonal maximum demand subject to a maximum of 25% of the contracted demand. The tariff rates (demand charge per kW / kVA and energy charge per kWh / kVAh) for such industries during off-season period will be the same as for normal period. Further, during the off season fixed charges shall be levied on the basis of maximum demand recorded by the meter (not on normal billable demand or on percentage contracted demand). Rates for the energy charges shall however be the same as during the operational season. Further, first violation in the season would attract full billable demand charges and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period but only for the month in which the consumer has defaulted. However, on second default the consumer will forfeit the benefit of seasonal rates for the entire season.

5. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be applicable in accordance with the Government order dated June 14, 2006 and the Commission’s order dated July 11, 2006 subject to adherence of provision of advance subsidy.

6. FACTORY LIGHTING:

The electrical energy supplied shall also be utilized in the factory premises for lights, fans, coolers, etc. which shall mean and include all energy consumed for factory lighting in the offices, the main factory building, stores, time keeper’s office, canteen, staff club, library, crèche, dispensary, staff welfare centres, compound lighting, etc. No separate connection for the same shall be provided.

RATE SCHEDULE LMV– 7:

PUBLIC WATER WORKS:

1. APPLICABILITY:

This schedule shall apply to Public Water Works, Sewage Treatment Plants and Sewage Pumping Stations functioning under Jal Sansthan, Jal Nigam or other local bodies.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

(A) Consumers getting supply other than "Rural Schedule":

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

Fixed Charge	Energy Charge
Rs. 290.00 / kW / month	Rs. 7.95 / kWh

(B) Consumers getting supply as per "Rural Schedule":

The consumer under this category shall be entitled to a rebate of 7.5% on demand & energy charges as given for under other than rural schedule.

RATE SCHEDULE LMV – 8:

STATE TUBE WELLS / PANCHAYTI RAJ TUBE WELL & PUMPED CANALS:

1. APPLICABILITY:

(i) This schedule shall apply to supply of power for all State Tube wells, including Tube wells operated by Panchayti Raj, World Bank Tube wells, Indo Dutch Tube wells, Pumped Canals and Lift Irrigation schemes having a load up to 100 BHP.

(ii) Laghu Dal Nahar having load above 100 BHP.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

Description	Fixed Charge	Energy Charge
Metered	Rs. 200.00 / BHP / month	Rs. 6.80 / kWh
Un-metered	Rs. 2100.00 / BHP / month	Nil

4. For finding out net load during any quarter of the year for this category refer ANNEXURE 14.3.2

RATE SCHEDULE LMV – 9:

TEMPORARY SUPPLY:

1. APPLICABILITY:

A) Un-metered Supply for Illumination / Public Address / Temporary Shops in Melas:

This schedule shall apply to temporary supply of light, fan & power up to 20 KW, Public address system and illumination loads during functions, ceremonies and festivities and temporary shops, not exceeding three months.

B) Metered Supply for all other purposes:

This schedule shall apply to all temporary supplies of light, fan and power load for the purpose other than mentioned in (A) above.

This schedule shall also apply for power taken for construction purposes including civil work by all consumers and Govt. Departments.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE (SEPARATELY FOR EACH POINT OF SUPPLY):

Rate gives the fixed and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

A. Un-metered:

(i) Fixed charges ***for illumination / public address / ceremonies*** for load up to 20 kW per connection plus Rs. 100 per kW per day for each additional kW.	Rs. 3500.00 / day
(ii) Fixed charges for ***temporary shops*** set-up during festivals / melas or otherwise and having load up to 2KW	Rs. 300.00 / day / shop

B. Metered*:

Description	Energy Charge
Individual Residential construction	Rs. 7.00 / kWh
	From 3rd year onwards: Base Tariff applicable for current year plus additional 10% of the applicable tariff
Others	Rs. 7.95 / kWh
	From 3rd year onwards: Base Tariff applicable for current year plus additional 10% of the applicable tariff

**Minimum bill payable by a consumer under the category "Metered" shall be Rs. 200.00 / kW / week.*

Note:

Charge as specified at A, shall be paid by the consumer in advance.

RATE SCHEDULE LMV– 10:

DEPARTMENTAL EMPLOYEES AND PENSIONERS:

1. APPLICABILITY:

This schedule shall apply only to such employees (including the cases of retired / voluntary retired or deemed retired) of Licensees / successor entities of erstwhile Uttar Pradesh State Electricity Board (UPSEB), who own electricity connection in their own name and opt for the same for their own use for light, fan and power for domestic appliances, where the energy is being fed directly from Licensee mains. The Schedule shall also apply to spouse of employees served under Licensees / successor entities of erstwhile UPSEB.

2. RATE:

On all such consumers LMV-1 rate schedule will be applicable. However the Licensees are authorised to provide "rebate" as they deem fit to the consumers eligible to get supply under this category.

3. ELECTRICITY DUTY:

Electricity duty on the above shall be levied in addition at the rates as may be notified by the State Government from time to time.

4. OTHER PROVISIONS:

(i) For serving / retired employees and their spouse, the supply will only be given at one place where Licensee's mains exist. The electric supply under this tariff will be given only at one place, within the area of erstwhile UPSEB / its successor companies.

(ii) Concerned executive engineers will take an affidavit from all employees and pensioners that the electricity supplied to their premises is being used exclusively for the purpose of domestic consumption of themselves and their dependants. It will have to be certified by the employees/pensioners that such electricity is not being used for any other purpose or to any individual to whom his house has been rented out. Without any prejudice to any legal action as provided in the legal framework, any misuse to above effect shall invalidate him from the facility of LMV-10 on permanent basis.

(iii) In the event of transfer of the employee, this tariff shall be applied at the new place of posting only when a certificate has been obtained from the concerned Executive Engineer of the previous place of posting, that the supply under this tariff has been withdrawn at previous place of posting. Further, the employee shall also be required to submit an affidavit that he is not availing the benefit of LMV-10 connection anywhere else in the state.

(iv) Those who are not availing this tariff shall also give a declaration to this effect. This declaration shall be pasted / kept in his service book / personal file / Pensioners record. If the declaration is found wrong, necessary action against the employee shall be taken as per the provisions of service rules. If declaration has already been given at the present place of posting then further declaration is not necessary due to this revision. Pensioners shall also have to give a similar declaration for availing departmental tariff at only one place. In case this declaration is found wrong, this tariff shall be withdrawn forever.

(v) No other concession shall be admissible on this tariff.

(vi) The schedule of miscellaneous charges as appended with Licensee's General Tariff as amended from time to time and Electricity Supply (Consumers) Regulation, 1984 as enforced from time to time shall also be applicable on the employee / pensioner receiving supply under this schedule.

(vii) Retired employees drawing pension from the Treasury / Bank will have to pay the monthly electricity charges as per the rates given in the rate schedule applicable to their category.

RATE SCHEDULE HV– 1:

NON INDUSTRIAL BULK LOADS:

1. APPLICABILITY:

This rate schedule shall apply to:

(a) Commercial loads (as defined within the meaning of LMV-2) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels.

(b) Private institutions (as defined within the meaning of LMV-4 (b)) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels.

(c) Non domestic bulk power consumer (other than industrial loads covered under HV-2) with contracted load 75 kW & above and getting supply at single point on 11 kV & above voltage levels and feeding multiple individuals (owners / occupiers / tenants of some area within the larger premises of the bulk power consumer) through its own network and also responsible for maintaining distribution network.

(d) Public institutions (as defined within the meaning of LMV-4 (a)) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels. The institution / consumer seeking the supply at Single point for non-industrial bulk loads under this category shall be considered as a deemed franchisee of the Licensee.

(e) Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with contracted load 75 kW & above and getting supply at single point on 11 kV & above voltage levels and having less than 70% of the total contracted load exclusively for the purposes of domestic light, fan and power. Figure of 70%, shall also include the load required for lifts, water pumps and common lighting,

(f) For Offices / Buildings / Guesthouses of UPPCL / UPRVUNL / UPJVNL / UPPTCL / Distribution Licensees having loads above 75 kW and getting supply at 11 kV & above voltages.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the demand and energy charges at which the consumer shall be billed for consumption during the billing period applicable to the category:

(a) Commercial Loads / Private Institutions / Non domestic bulk power consumer with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above:

	For supply at 11kV		For supply at 33 kV & above	
Contracted Load	**Upto 100 kVA**	**Above 100 kVA**	**Upto 100 kVA**	**Above 100 kVA**
Demand Charges	Rs. 320.00 / kVA / month	Rs. 360.00 / kVA / month	Rs. 320.00 / kVA / month	Rs. 360.00 / kVA / month

	For supply at 11kV		For supply at 33 kV & above	
Consumption Range	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**
Energy Charges	Rs. 7.60 / kVAh	Rs. 7.95 / kVAh	Rs. 7.40 / kVAh	Rs. 7.75 / kVAh

(b) Public Institutions, Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings including Residential Multi-Storied Buildings with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above voltage levels:

	For supply at 11kV		**For supply at 33 kV & above**	
Contracted Load	**Upto 100 kVA**	**Above 100 kVA**	**Upto 100 kVA**	**Above 100 kVA**
Demand Charges	Rs. 285.00 / kVA / month	Rs. 300.00 / kVA / month	Rs. 285.00 / kVA / month	Rs. 300.00 / kVA / month

	For supply at 11kV		**For supply at 33 kV & above**	
Consumption Range	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**
Energy Charges	Rs. 7.20 / kVAh	Rs. 7.40 / kVAh	Rs. 7.00 / kVAh	Rs. 7.20 / kVAh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 5% additional charge on the above specified ‘Rate’ from its consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

The 5% additional charge shall be towards facilitating supply of electricity to the individual members to recover its expenses towards supply of electricity, distribution loss, electrical maintenance in its supply area, billing, accounting and audit etc.

The deemed franchisee is required to provide to all its consumers and the licensee, a copy of the detailed computation of the details of the amounts realized from all the individual consumers and the amount paid to the licensee for every billing cycle on half yearly basis. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee shall arrange to get its account(s) audited by a Chartered Accountant mandatorily. The audited accounts will be made available to all the consumers of the deemed franchisee within 3 months of the closure of that financial year. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee should separately meter the electricity supplied from back up arrangements like DG sets etc. The bill of its consumers should clearly depict the units and rate of electricity supplied through back up arrangement and electricity supplied through Licensee.

The deemed franchisee shall not disconnect the supply of electricity of its consumers on the pretext of defaults in payments related to other charges except for the electricity dues regarding the electricity consumed by its consumers and electricity charges for lift, water lifting pump, streetlight if any, corridor / campus lighting and other common facilities.

In case the deemed franchisee exceeds the contracted load / demand under the provisions of Clause 7(ii) – 'Charges for Exceeding Contracted demand' of the General Provisions of this Rate Schedule, only in such case the deemed franchisee will recover the same from the individual members who were responsible for it on the basis of their individual excess demands.

RATE SCHEDULE HV– 2:

LARGE AND HEAVY POWER:

1. APPLICABILITY:

This rate schedule shall apply to all consumers having contracted load above 75 kW (100 BHP) for industrial and / or processing purposes as well as to Arc / induction furnaces, rolling / re-rolling mills, mini-steel plants and floriculture & farming units and to any other HT consumer not covered under any other rate schedule.

Supply to Induction and Arc furnaces shall be made available only after ensuring that the loads sanctioned are corresponding to the load requirement of tonnage of furnaces. The minimum load of one-ton furnace shall in no case be less than 400 kVA and all loads will be determined on this basis. No supply will be given on loads below this norm.

For all HV-2 consumers, conditions of supply, apart from the rates, as agreed between the Licensee and the consumer shall continue to prevail as long as they are in line with the existing Regulations & Acts.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the demand and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(A) Urban Schedule:

	For supply up to and including 11 kV	For supply above 11 kV and up to & including 66 kV	For supply above 66 kV and up to & including 132 kV	For supply above 132 kV
BASE RATE				

	For supply up to and including 11 kV	For supply above 11 kV and up to & including 66 kV	For supply above 66 kV and up to & including 132 kV	For supply above 132 kV
Demand Charges	Rs. 250.00 / kVA / month	Rs. 240.00 / kVA / month	Rs. 220.00 / kVA / month	Rs. 220.00 / kVA / month
Energy Charges	Rs. 6.65 / kVAh	Rs. 6.35 / kVAh	Rs. 6.15 / kVAh	Rs. 5.95 / kVAh
TOD RATE				
*22:00 hrs – 06:00 hrs	(-) 7.5%	(-) 7.5%	(-) 7.5%	(-) 7.5%
06:00 hrs – 17:00 hrs	0%	0%	0%	0%
17:00 hrs – 22:00 hrs	(+) 15%	(+) 15%	(+) 15%	(+) 15%

*Note: The TOD rate applicable to the Induction Furnaces / Arc Furnaces, Rolling / Re-Rolling Mill industrial consumers will be (-) 20% in place of (-) 7.5% for 22:00 hrs-06:00 hrs. time period.

Optional ToD Structure

For all such consumers who want to operate at full potential only during the specified night hours with restricted consumption in remaining hours may opt for the new TOD structure as follows:

For all such consumers who opt for this structure, the rebate can be availed between 22.00 hrs to 06.00 hrs specifically by such consumers operating at its full potential during this period and for such consumers the load during other hours i.e. 06:00 to 22:00 hours, shall be restricted to 15% of its contracted load. The TOD structure for such consumers is as given below:

Optional TOD Structure for Specific Consumers

Hours	TOD Rates
06:00 hrs – 22:00 hrs	Restricted Load as specified
22:00 hrs – 06:00 hrs	-15%

Such consumers would be required to ask for such ToD structure in advance. However, if the consumer who has opted for optional ToD structure, exceeds the restricted load as specified during the time slot of 06.00 - 22.00 hours in any month, the TOD structure as applicable for HV-2 category (i.e. as per ToD Rates specified for all Consumers) will be applicable for such consumer for that particular month.

(B) Rural Schedule:

This schedule shall be applicable only to consumers getting supply up to 11 kV as per 'Rural Schedule'. The consumer under this category shall be entitled to a rebate of 7.5% on demand & energy charges as given for 11 kV consumers under urban schedule without TOD rates.

(C) Consumers already existing under HV-2 category with metering arrangement at low voltage:

Existing consumer under HV-2 with metering at 0.4 kV shall be required to pay as per schedule applicable to 11 kV consumers under HV-2 category.

4. PROVISIONS RELATED TO SEASONAL INDUSTRIES:

Seasonal industries will be determined in accordance with the criteria laid down below. No exhaustive list can be provided but some examples of industries exhibiting such characteristics are sugar, ice, rice mill and cold storage. The industries which operate during certain period of the year, i.e. have seasonality of operation, can avail the benefits of seasonal industries provided:

i. The continuous period of operation of such industries shall be at least 4 (four) months but not more than 9 (nine) months in a financial year.

ii. Any prospective consumer, desirous of availing the seasonal benefit, shall specifically declare his season at the time of submission of declaration / execution of agreement mentioning the period of operation unambiguously.

iii. The seasonal period once notified cannot be reduced during the next consecutive 12 months. The off-season tariff is not applicable to composite units having seasonal and other category loads.

iv. The off-season tariff is also not available to those units who have captive generation exclusively for process during season and who avail Licensees supply for miscellaneous loads and other non-process loads.

v. The consumer opting for seasonal benefit has a flexibility to declare his off seasonal maximum demand subject to a maximum of 25% of the contracted demand. The tariff rates (demand charge per kW / kVA and energy charge per kWh / kVAh) for such industries during off-season period will be the same as for normal period. Further, during the off season fixed charges shall be levied on the basis of maximum demand recorded by the meter (not on normal billable demand or on percentage contracted demand). Rates for the energy charges shall however be the same as during the operational season. Further, first violation in the season would attract full billable demand charges and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period but only for the month in which the consumer has defaulted. However, on second default the consumer will forfeit the benefit of seasonal rates for the entire season.

5. FACTORY LIGHTING:

The electrical energy supplied shall also be utilized in the factory premises for lights, fans, coolers, etc. which shall mean and include all energy consumed for factory lighting in the offices, the main factory building, stores, time keeper's office, canteen, staff club, library, crèche, dispensary, staff welfare centres, compound lighting, etc. No separate connection for the same shall be provided.

RATE SCHEDULE HV – 3:

A: RAILWAY TRACTION:

1. APPLICABILITY:

This schedule shall apply to the Railways for Traction loads only.

2. CHARACTER OF SERVICE AND POINT OF SUPPLY:

Alternating Current, single phase, two phase or three phase, 50 cycles, 132 kV or below depending on the availability of voltage of supply and the sole discretion of the Licensee. The supply at each sub-station shall be separately metered and charged.

3. RATE:

Rate, gives the demand and energy charges at which the consumer shall be billed for consumption during the billing period applicable to the category:

Description	Charges
(a) Demand Charge	
For supply at and above 132 kV	Rs. 340.00 / kVA / month
Below 132 kV	Rs. 350.00 / kVA / month
(b) Energy Charge (all consumption in a month)	
For supply at and above 132 kV	Rs. 6.95 / kVAh
Below 132 kV	Rs. 7.20 / kVAh

Note: *Minimum bill payable by a consumer under this category shall be Rs. 725.00 / kVA / month.*

4. DETERMINATION OF THE DEMAND:

Demand measurement at a particular time will be made on basis of simultaneous maximum demands recorded in summation kilovolt-ampere meter installed at contiguous substation serviced by same grid transformer.

The demand for any month shall be defined as the highest average load measured in Kilo Volt amperes during any fifteen consecutive minutes period of the month.

B: METRO RAIL:

1. APPLICABILITY:

This schedule shall apply to the Metro Rail Corporation.

2. CHARACTER OF SERVICE AND POINT OF SUPPLY:

Alternating Current, single phase, two phase or three phase, 50 cycles, 132 kV or below depending on the availability of voltage of supply and the sole discretion of the Licensee. The supply at each sub-station shall be separately metered and charged.

3. RATE:

Rate, gives the energy charges at which the consumer shall be billed for consumption during the billing period applicable to the category:

Demand Charges	Rs. 125.00 / kVA / month
Energy Charges	Rs. 5.60 / kVAh

Note: *Minimum bill payable by a consumer under this category shall be Rs. 600 / kVA / month.*

- Penalty @ Rs. 540 / kVA will be charged on excess demand, if demand exceeds contracted load.

4. DETERMINATION OF THE DEMAND:

Demand measurement shall be made by suitable kilovolt ampere indicator at the point of delivery. The demand for any month shall be defined as the highest average load measured in Kilo Volt Amperes during any fifteen consecutive minutes period of the month.

RATE SCHEDULE HV – 4:

LIFT IRRIGATION WORKS:

1. APPLICABILITY:

This Rate Schedule shall apply to medium and large pumped canals having load of more than 100 BHP (75kW).

2. CHARACTER OF SERVICE & POINT OF SUPPLY:

As per applicable provisions of Electricity Supply Code.

3. RATE:

Rate, gives the demand and energy charges at which the consumer shall be billed for his consumption during the billing period applicable to the category:

(a) Demand Charges:

Voltage Level	Rate of Charge
For supply at 11 kV	Rs. 290.00 / kVA / month
For supply at 33 kV and 66 kV	Rs. 280.00 / kVA / month
For supply at 132 kV	Rs. 270.00 / kVA / month

(b) Energy Charges:

Voltage Level	Rate of Charge
For supply at 11 kV	Rs. 7.40 / kVAh
For supply at 33 kV and 66 kV	Rs. 7.25 / kVAh
For supply at 132 kV	Rs. 7.05 / kVAh

c) Minimum Charges:

Minimum bill payable by a consumer under this category shall be Rs. 800.00 / kVA / month irrespective of supply voltage

4. DETERMINATION OF THE DEMAND:

Demand measurement shall be made by suitable kilovolt ampere indicator at the point of supply. In the absence of suitable demand indicator, the demand as assessed by the Licensee shall be final and binding. If, however, the number of circuits is more than one, demand and energy measurement will be done on the principle of current transformer summation metering.

14.3.1 PUBLIC LAMPS:

1. MAINTENANCE CHARGE:

In addition to the "Rate of Charge" mentioned above, a sum of Rs. 10.00 per light point per month will be charged for operation and maintenance of street lights. This Maintenance Charge will cover only labour charges, where all required materials are supplied by the local bodies. However, the local bodies will have an option to operate and maintain the public lamps themselves and in such case, no maintenance charge shall be recovered. This charge shall not apply to the consumers with metered supply.

2. PROVISION OF LAMPS:

Streets where distribution mains already exist, the Licensee will provide a separate single-phase, 2-wire system for the street lights including light fitting and incandescent lamps of rating not exceeding 100 Watts each. In case the above maintenance charge is being levied, the labour involved in replacements or renewal of lamps shall be provided by the Licensee. However, all the required materials shall be provided by the local bodies. The cost of all other types of street light fittings shall be paid by the local bodies.

The cost involved in extension of street light mains (including cost of sub - stations, if any) in areas where distribution mains of the Licensee have not been laid, will be paid for by the local bodies.

3. VERIFICATION OF LOAD:

The number of light points including that of traffic signals together with their wattage will be verified jointly by the representatives of Licensee and Town Area / Municipal Board / Corporation at least once in a year. However, additions will be intimated by the Town Area / Municipal Board / Corporation on monthly basis. The Licensee will carry out the checking of such statements to satisfy themselves of the correctness of the same. The monthly bills shall be issued on the basis of verified number of points at the beginning of the year and additions, if any, during the months as intimated above. The difference, if any, detected during joint verification in the following year shall be reconciled and supplementary bills shall be issued.

Further, if the authorized representative of concerned local body does not participate in the work of verification of light points, a notice will be sent by concerned Executive Engineer in writing to such local bodies for deputing representative on specific date(s), failing which the verification of the light points shall be done by the concerned representative of Licensee which shall be final and binding upon such local body.

14.3.2 STATE TUBE-WELLS

NET LOAD:

(i) Net load hereinafter shall mean the total load connected during the quarter less the load of failed and abandoned tube-wells accounted for during that quarter.

(ii) The connected load as on 31^{st} March of the preceding year will be worked out on the basis of 'Net load' reported by the Executive Engineers of concerned Divisions after joint inspection and verification of the same by the concerned officers of the State Government / Panchayat, joint meter reading shall also be taken during the inspection on quarterly basis. The monthly bills for three months of the first quarter will be issued on the connected load worked out as such at the above rates. The same process shall be repeated for subsequent quarters.

14.4 ANNEXURE: SCHEDULE OF MISCELLANEOUS CHARGES

Sl. No.	NATURE OF CHARGES	UNIT	RATES (₹)
1.	Checking and Testing of Meters:		
	a. Single Phase Meters	Per Meter	50.00
	b. Three Phase Meters	Per Meter	50.00
	c. Recording Type Watt-hour Meters / Prepaid Meters	Per Meter	175.00
	d. Maximum Demand Indicator	Per Meter	350.00
	e. Tri-vector Meters	Per Meter	1000.00
	f. Ammeters and Volt Meters	Per Meter	50.00
	g. Special Meters / Net Meters	Per Meter	400.00
	h. Initial Testing of Meters	Per Meter	Nil
2.	Disconnection and Reconnection of supply for any reason whatsoever (Disconnection & Reconnection to be separately treated as single job)		
	a. Consumer having load above 100 BHP/75kW	Per Job	500.00
	b. Power consumers up to 100BHP/75kW	Per Job	275.00
	c. All other categories of consumers.	Per Job	150.00
3.	Replacement of Meters:		
	a. By higher capacity Meter	Per Job	50.00
	b. Installation of Meter and its subsequent removal in case of Temporary Connections	Per Job	75.00
	c. Changing of position of Meter Board at the consumer's request	Per Job	100.00
4.	Service of Wireman :		
	a. Replacement of Fuse	Per Job	20.00
	b. Inserting and Removal of Fuse in respect of night loads.	Per Job	25.00
	c. Hiring of services by the consumer during temporary supply or otherwise.	Per wireman /day of 6 Hrs.	60.00
5.	Resealing of Meters on account of any reason in addition to other charges payable in terms of other provision of charging of penalties, etc.)	Per Meter	100.00

Sl. No.	NATURE OF CHARGES	UNIT	RATES (₹)
6.	Checking of Capacitors (other than initial checking) on consumer's request: a. At 400 V / 230 V b. At 11 kV and above.	 Per Job Per Job	 100.00 200.00

14.5 ANNEXURE: LIST OF POWER FACTOR APPARATUS

FOR MOTORS:

Sl. No.	Rating of Individual Motor	KVAR Rating of Capacitor			
		750 RPM	1000 RPM	1500 RPM	3000 RPM
1.	Up to 3 HP	1	1	1	1
2.	5 HP	2	2	2	2
3.	7.5 HP	3	3	3	3
4.	10 HP	4	4	4	3
5.	15 HP	6	5	5	4
6.	20 HP	8	7	6	5
7.	25 HP	9	8	7	6
8.	30 HP	10	9	8	7
9.	40 HP	13	11	10	9
10.	50 HP	15	15	12	10
11.	60 HP	20	20	16	14
12.	75 HP	24	23	19	16
13.	100 HP	30	30	24	20
14.	125 HP	39	38	31	26
15.	150 HP	45	45	36	30
16.	200 HP	60	60	48	40

FOR WELDING TRANSFORMERS:

Sl. No.	Name Plate Rating in KVA of Individual Welding Transformer	Capacity of the Capacitors (KVAR)
1.	1	1
2.	2	2
3.	3	3
4.	4	3
5.	5	4
6.	6	5
7.	7	6
8.	8	6
9.	9	7
10.	10	8
11.	11	9

Sl. No.	Name Plate Rating in KVA of Individual Welding Transformer	Capacity of the Capacitors (KVAR)
12.	12	9
13.	13	10
14.	14	11
15.	15	12
16.	16	12
17.	17	13
18.	18	14
19.	19	15
20	20	15
21.	21	16
22.	22	17
23.	23	18
24.	24	19
25.	25	19
26.	26	20
27.	27	21
28.	28	22
29.	29	22
30.	30	23
31.	31	24
32.	32	25
33.	33	25
34.	34	26
35.	35	27

14.6 ANNEXURE: SHORT TERM PROCUREMENT OF POWER BY NPCL

Petitions No.: 1077/2016 and 1103/2016

IN THE MATTER OF:

Petition under Section 63 of Electricity Act, 2003 read with Clause 10.4 of the "Guidelines for short-term (i.e. for a period less than or equals to one year) Procurement of Power by Distribution Licensees through Tariff based bidding process" issued by Ministry of Power on 15thMay, 2012, for adoption of tariff for purchase of electricity by Noida Power Company Limited, a licensee of the Commission, from the Prospective/Successful Bidders pursuant to tariff determined through a transparent and Competitive Bidding Process adopted in accordance with the Guidelines.

Background:

Two Petitions have been filed by NPCL, Greater Noida in the matter of Short Term Power Purchase, one for the period April, 2016 to June, 2016 (hereafter referred as "First Petition") with Petition No. 1077/2016 and the other for the period of July, 2016 to September, 2016 (hereafter referred as "Second Petition") with Petition No. 1103/2016 u/s 63 of the EA, 2003 read with Cl. 10.4 of the Guidelines for Short-term (i.e. for a period less than or equals to one year) Procurement of Power by Distribution Licensees notified by MoP on May 15, 2012.

The facts mentioned in the Petition briefly are as under:

The Petitioner is a company incorporated under the provisions of the Companies Act, 1956 with Registered Office at Commercial Complex, H-Block, Alpha – II Sector, Greater Noida, Uttar Pradesh and is engaged in the business of distribution and retail supply of electricity in the Greater Noida Area, Uttar Pradesh since December, 1993.

The Petitioner in its Petition has submitted that the Commission in its various Tariff Orders has directed the Petitioner to procure Short-term power through competitive bidding process under the Guidelines for Short-term (i.e. for a period less than or equals to one year) Procurement of Power by Distribution Licensees through Tariff based bidding process dated May 15, 2012 issued by the Ministry of Power, Government of India.

The Petitioner in its Petition submitted that it has filed its ARR / Tariff Petition for FY 2016-17 on November 26, 2015, wherein, it has detailed the plan for procurement of power for FY 2016-17 vis-à-vis demand for the approval of the Commission. The Petitioner in the ARR Petition for FY 2016-17 has stated the following:

<u>Long term PPA with the Essar Power (Jharkhand) Limited (hereinafter referred to as "EPJL"):</u>

Quote

24.That, as the Hon'ble Commission is kindly aware that the Petitioner after several attempts was successful in entering into a Long term Power Purchase Agreement for 240 MW power with Essar Power Jharkhand Ltd. (EPJL). The Long Term Power Purchase Agreement (PPA) along with Escrow Agreement and Agreement to Hypothecate cum Deed of Hypothecation was executed with M/s EPJL on 9th May, 2012. Subsequently, the Hon'ble Commission vide its order dated 4th September, 2012 had approved the same.

25.That, as per the terms of the aforesaid PPA, EPJL was required to commence power supply to the Petitioner from 30th April, 2014 for a period of 25 years. However, EPJL informed in February, 2013 that due to certain reasons they would not be able to supply power from the Scheduled Delivery Date i.e. 30th April, 2014. Moreover, EPJL failed to fulfill the "Conditions Subsequent" within the time prescribed under the provisions of the PPA dated 9th May, 2012 and also failed to furnish Additional Contract Performance Guarantee in terms of the provisions of the PPA. Therefore, the Petitioner terminated the PPA dated 9th May, 2012 in line with the provisions of the PPA on 22nd August, 2013. EPJL in response to the same filed a Petition before this Hon'ble Commission for quashing of the said termination letter. The matter is subjudice before the Hon'ble Commission.

26.That, the Hon'ble Commission, considering EPJL's inability to supply power in near future, vide its various Judgments and orders dated 30th May, 2014, 10th September, 2014 and 23rd September, 2014 directed the Petitioner to enter into Long Term Power Purchase Agreement (PPA) by 31st December, 2014.

Unquote

<u>Long-term PPA with Dhariwal Infrastructure Limited (DIL):</u>

Quote

27. That, in compliance of the aforesaid directions of the Hon'ble Commission, the Petitioner herein explored the possibilities of signing long term PPA preferably with such supplier whose power plant is almost ready and who is in a position to supply power in shortest possible span of time. After lot of discussions the Petitioner finalized one of the Generation company viz. M/s Dhariwal Infrastructure Limited (herein after referred to as "DIL") whose plant has already been commissioned and is ready to supply power on Long-term basis. Considering the DIL's preparedness in commencing power supply with effect from1st April, 2015 subject to approval of this Hon'ble Commission, the Petitioner on 26th September, 2014 signed a Long Term PPA for 187 MW power supply at ex-bus of Generator and filed the Petition for approval of the said PPA before the Hon'ble Commission on 29th September, 2014. The matter was last heard on 4th November, 2015, and the Hon'ble Commission reserved its order. The Petitioner has considered supply of 187 MW power at generator's bus from M/s Dhariwal Infrastructure Ltd. while estimating the Power Purchase plan and cost under ***Chapter-4*** *for FY 2016-17.*

Unquote

It should be noted that both the Petitions No. 903 of 2013 and 1027 of 2015 filed by M/s EPJL against the termination of the PPA dated May 9, 2012 have been disposed of by the Commission vide its Order dated November 27, 2015.The relevant portion of the said Order has been reproduced below:

"6. In view of above, the Commission in exercise of its powers under 86(1) (f), tried to adjudicate the dispute between the licensee and the generating company. All efforts were made to reach to an amicable solution but in vain. In the mean while the de-allocation of coal mine has further put a constraint. NPCL has served notice of termination long back on 22.8.2013. EPJL is protecting encashment of Bank Guarantee. In the last hearing it was directed to the parties to come up with a consented solution in the present circumstances but none of the parties has given an ear to it and no consented statement has been filed. In such a state of affairs, one thing is sure that despite all promises, electricity is not going to be made available to the consumers of NPCL's licensed area. It is also

clear that even after all efforts spanning a period of two years, no harmonious solution could be arrived.

*7. **In the given circumstances, the Commission finds that there is no other solution to resolve the issue than to avail the terms as provided in the agreement which are always binding on the parties as non performance can only be addressed through the terms of the agreement.** It has come on record that NPCL has terminated PPA vide letter dated 22.8.2013. The power purchase agreement for procurement of power in Para 14.3.1.1 of the standard bidding document provides for determination of disputes of Commission in matters relating to any change or determination of tariff or any matter related to tariff or any claim made by any party concerning tariff shall be determined by the Commission. However Para 14.3.2.1 provides that any dispute in connection with any claim not covered in Art. 14.3.1.1 shall be resolved by Arbitration under the Indian Arbitration & Reconciliation Act.*

*8**. It is evident that there is no way the power can be arranged through this PPA. It has been accepted by both the parties**. The PPA being frustrated, now comes the question of consequences of this and liability of either parties. These consequences can be addressed only within the provisions of the agreement which in our opinion does not fall under the Commission's jurisdiction.*

*9. As far as the fulfillment of requirement of power supply to the distribution area is concerned, **the Commission reiterates its earlier order dated 1.9.2014 wherein NPCL has been directed to take up the process for long term supply contract through the competitive route as per the standard bidding documents."**[Emphasis Supplied]*

In compliance of the aforesaid directions of the Commission, the Petitioner has submitted to have explored the possibilities of signing a long term PPA preferably with such supplier whose power plant is almost ready and who is in a position to supply power in shortest possible span of time. After lot of discussions the Petitioner has submitted to have finalized one of the Generation company viz. M/s Dhariwal Infrastructure Limited (herein after referred to as "DIL") who not only has already achieved COD but also ready to supply power from 1stApril, 2015 and also have Long Term Access from Power Grid Corporation of India Ltd. (PGCIL - CTU). Considering the DIL's preparedness in commencing power supply with effect from 1st April, 2015 subject to approval of the Commission, the Petitioner on 26th September, 2014 signed a Long Term PPA for 187 MW power supply at ex-bus of Generator and filed the Petition for approval of the said PPA dated 26th September, 2014 before this Commission on 29th September, 2014. Accordingly, the Petitioner has submitted to have considered the supply of 187 MW power from M/s Dhariwal Infrastructure Ltd. while estimating the Power Purchase plan and cost for FY 2016-17. The aforementioned matter was sub-judice before the Commission during the filing of the current Petitions for the approval of purchase of power from the short term sources. The Commission approved the long term PPA of NPCL with M/s. Dhariwal Infrastructure Ltd. vide its Order dated April 20, 2016.

In view of the above, the Petitioner was required to procure remaining power from other Short-term sources along with meeting the demand supply gap which may arise due to pendency of approval of PPA with DIL. Therefore, the Petitioner decided to conduct a short term competitive bidding process for procurement of power for the first and second quarter of FY 2016-17 commencing from 1stJuly 2016 to 30th September, 2016.

First Petition <u>(For procurement of power for the month of April, 2016 to June, 2016)</u>**:**

In view of the above and for procuring the power through Short-term sources the Petitioner published a notice in "The Times of India" and "The Economic Times" on November 26, 2015, inviting Bids from Generators, Captive Power Plants, Licensed Power Traders, State Utilities and Distribution Licensees from all over India, for procurement of up to 180 MW power on Short Term basis for meeting its power requirements from April, 2016 to June, 2016 latest by December 8, 2015. The Petitioner submitted that the Request for Proposal (RfP) was prepared detailing all the terms and conditions for supply of following power:

TABLE 13-14:1: POWER PROCUREMENT QUANTUM AS PER RFP

Period	Duration (Hrs.)	Quantum (MW)
01.04.2016 to 30.04.2016	RTC (00:00 – 24:00)	150
01.05.2016 to 31.05.2016	RTC (00:00 – 24:00)	180
01.06.2016 to 30.06.2016	RTC (00:00 – 24:00)	180

Note: 1) With minimum bid capacity of 50 MW

2) With maximum capacity of 100 MW from a single generating source for RTC power bidders.

The petitioner has submitted that in pursuance to the bidding process as per the Guidelines, it formed a Bid Monitoring Committee consisting of its employees. Further, the Petitioner submitted that it also formed the Standing Committee which consisted of its employees and an External Independent Member namely Shri. Harit Agarwal (Chartered Accountant, Member of Executive Committee of Northern India Regional Committee of Institute of Chartered Accountants of India).

The Petitioner has submitted that in response to the competitive bidding process it received seven (7) proposals / bids till the last date of bid submission i.e. December 8, 2015. The names of the seven bidders participated in the bidding process are as shown in the table below:

TABLE 13-14:2: NAME OF THE BIDDERS PARTICIPATED IN THE BIDDING PROCESS

Sl. No.	Name of the Bidder
1	M/s PTC India Limited
2	M/s JSW Power Trading Company Limited
3	M/s Shree Cement Limited
4	M/s GMR Energy Trading Limited
5	M/s Tata Power Trading Company Limited
6	M/s Adani Energy Limited
7	M/s Knowledge Infrastructure Systems (P) Limited

The Petitioner has submitted that the Non-Financial Bids were opened and evaluated by the Bid Monitoring Committee and were found in order. The Bid Monitoring Committee then proceeded to open the Financial Bids of all the bidders on the same day i.e. December 8, 2015 in the presence of representatives of the Bidders and the information like quoted tariff at delivery point, trading margin (if any) etc. quoted by each bidder was also read out to all the Bidders at the time of opening of the Financial Bids. The Bid Monitoring Committee also tabulated the results of the bids and submitted the same to the Standing Committee for evaluation and finalization.

The Petitioner has submitted that the Bidders in their bids quoted the Tariff at Delivery Point in the prescribed format as set out in Annexure-III of the RfP. The tariff quoted by the bidders was inclusive of transmission charges and losses from the Injection

Point till the point of drawl. Petitioner submitted that the tariffs quoted by the bidders were inclusive of the followings:

(a) The POC rates applicable for short term slab as notified by CERC vide its order No. L-1/44/2010-CERC dated 3.11.2015.

(b) The prevailing ST - Transmission Charges of State of U.P. as Rs. 172.30/- per MWh.

(c) Applicable Open Access charges like RLDC / SLDC Operation Charges and Application as notified by CERC.

(d) The Transmission Losses (POC losses) as notified by NLDC for the period commencing from 23.11.2015 to 29.11.2015 shall be added for the evaluation purpose.

(e) U.P. State Transmission Losses as approved by UPERC, which is presently 3.59%.

TABLE 13-14:3: TARIFFS QUOTED BY THE BIDDERS FOR EACH OF THE MONTH AT NPLC'S BUS AS SUBMITTED BY THE PETITIONER

Apr-16				May-16				Jun-16			
Source	Region	Quantum (MW)	Rate at NPCL bus (Rs./kWh)	Source	Region	Quantum (MW)	Rate at NPCL bus (Rs./kWh)	Source	Region	Quantum (MW)	Rate at NPCL bus (Rs./kWh)
TPTCL (DB Power, Maha)	WR	100.00	3.700	TPTCL(DB Power, Maharashtra)	WR	100.00	3.700	TPTCL(DB Power, Maharashtra)	WR	100.00	3.700
PTC (Jaypee, M.P.)	WR	100.00	3.740	PTC India Ltd(Jaypee Nigrie, M.P.)	WR	100.00	3.740	PTC India Ltd(Jaypee Nigrie, M.P.)	WR	100.00	3.740
PTC (MB Power, M.P.)	WR	100.00	3.750	PTC India Ltd(MB Power, M.P.)	WR	100.00	3.750	PTC India Ltd(MB Power, M.P.)	WR	100.00	3.750
PTC (Balco, Chattisgarh)	WR	50.00	3.760	PTC India Ltd(BALCO, Chattisgarh)	WR	50.00	3.760	PTC India Ltd(BALCO, Chattisgarh)	WR	50.00	3.760
GMR (GMR, Chattisgarh)	WR	100.00	3.790	GMR Energy(GMR, Chattisgarh)	WR	100.00	3.790	GMR Energy(GMR, Chattisgarh)	WR	100.00	3.790
Adani (Korba, West)	WR	100.00	3.791	Adani(Korba West, Chattisgarh)	WR	100.00	3.791	Adani(Korba West, Chattisgarh)	WR	100.00	3.791
JSW (Kacham Wangtoo, H.P.)	NR	50.00	3.810	JSW(Kacham Wangtoo, H.P.)	NR	100.00	3.840	KISPL(JPL, Chattisgarh)	WR	100.00	3.860
KISPL (JPL, Chattisgarh)	WR	100.00	3.860	KISPL(JPL, Chattisgarh)	WR	100.00	3.860	KISPL(ACBIL, Chattisgarh)	WR	50.00	3.860
KISPL (ACBIL, Chattisgarh)	WR	50.00	3.860	KISPL(ACBIL, Chattisgarh)	WR	50.00	3.860	Adani(APL, Mundra, Gujarat)	WR	80.00	3.890
Adani (APL, Mundra)	WR	50.00	3.890	Adani(APL, Mundra, Gujarat)	WR	80.00	3.890	JSW(Kacham Wangtoo, H.P.)	NR	100.00	3.910
PTC (Malana, 1st to 15th April, 2016)	NR	10.00	3.930	PTC India Ltd(Malana Hydro Electric (1st to 15th May'16), H.P.)	NR	20.00	3.930	PTC India Ltd(Malana Hydro Electric (1st to 15th Jun'16))	NR	30.00	3.930

Apr-16				May-16				Jun-16			
Source	Region	Quantum (MW)	Rate at NPCL bus (Rs./kWh)	Source	Region	Quantum (MW)	Rate at NPCL bus (Rs./kWh)	Source	Region	Quantum (MW)	Rate at NPCL bus (Rs./kWh)
PTC (Malana, 16st to 30th April, 2016)	NR	15.00	3.930	PTC India Ltd(Malana Hydro Electric (16th to 31st May'16), H.P.)	NR	25.00	3.930	PTC India Ltd(Malana Hydro Electric (16th to 30th Jun'16))	NR	40.00	3.930
PTC (ADHPL, 1st to 15th April, 2016, H.P.)	NR	15.00	3.930	PTC India Ltd(ADHPL (1st to 15th May'16), H.P.)	NR	40.00	3.930	PTC India Ltd(ADHPL (1st to 30th Jun'16))	NR	70.00	3.930
PTC (ADHPL, 16st to 30th April, 2016, H.P.)	NR	20.00	3.930	PTC (ADHPL (16th to 31st May'16, H.P.)	NR	50.00	3.930	PTC (BALCO, Chattisgarh)	WR	50.00	4.050
PTC (Balco, Chattisgarh)	WR	50.00	4.050	PTC India Ltd(BALCO, Chattisgarh)	WR	50.00	4.050	PTC (Essar Power MP Ltd, M.P.)	WR	100.00	4.087
PTC (Essar Power, M.P.)	WR	100.00	4.087	PTC (Essar power MP Ltd, M.P.)	WR	100.00	4.087	TPTCL(Adunik Power, Orissa)	ER	50.00	4.110
TPTCL (Adhunik Power, Jharkhand)	ER	50.00	4.110	TPTCL(Adunik Power, Jharkhand)	ER	50.00	4.110	PTC (Adhunik Power, Orissa)	ER	50.00	4.110
PTC (Adhunik Power, Jharkhand)	ER	50.00	4.110	PTC (Adunik Power, Jharkhand)	ER	50.00	4.110	PTC (Govt. of HP (16th May'16 to 30th Jun'16))	NR	50.00	4.200
Shree Cement (SCL (CTU), Rajasthan)	NR	100.00	4.250	PTC India Ltd(Govt. of HP (16th May'16 to 30th Jun'16), H.P.)	NR	50.00	4.200	Shree Cement(SCL (CTU), Rajasthan)	NR	100.00	4.250
PTC (Vedanta, Odisha)	ER	50.00	4.310	Shree Cement(SCL (CTU), Rajasthan)	NR	100.00	4.250	PTC India Ltd(Vedanta Ltd., Orissa)	ER	50.00	4.310
TPTCL (GUVNL, Gujarat)	WR	70.00	4.410	PTC India Ltd(Vedanta Ltd., Orissa)	ER	50.00	4.310	TPTCL(GUVNL, Gujarat)	WR	70.00	4.410

Apr-16				May-16				Jun-16			
Source	**Region**	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**	**Source**	**Region**	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**	**Source**	**Region**	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**
PTC (PSPCL, Punjab)	NR	150.00	4.560	TPTCL(GUVNL, Gujarat)	WR	70.00	4.410	PTC India Ltd(PSPCL, Punjab)	NR	50.00	4.560
Shree Cement (SCL (STU),Rajasthan)	NR	50.00	5.000	PTC India Ltd(PSPCL, Punjab)	NR	180.00	4.560	Shree Cement(SCL (STU), Rajasthan)	NR	50.00	5.000
TPTCL (JITPL, Odisha)	ER	100.00	6.500	Shree Cement(SCL (STU), Rajasthan)	NR	50.00	5.000	TPTCL(JITPL, Odisha)	ER	100.00	6.500
				TPTCL(JITPL, Odisha)	ER	100.00	6.500				
Total / Wt .Avg. Rate		**1,630.00**	**4.184**	**Total / Wt .Avg. Rate**		**1,865.00**	**4.167**	**Total / Wt .Avg. Rate**		**1,740.00**	**4.141**

The Petitioner has submitted that one bidder i.e., PTC (Source: Jaypee Nigrie, Western Region) offered to match the lowest rates and other bidder i.e. Shree Cement Limited (SCL) (Source: SCL (CTU), Northern Region) showed willingness to reduce their rates in all the three months. In view of the downward revision of rates, the Standing Committee decided to evaluate the bids based on the revised offers from PTC and SCL. The Standing Committee was informed that only SCL, JSW, PTC and Adani Power had agreed to supply on Day-ahead basis in case of non-consent on firm applications by UPSLDC.

The Commission vide its e-mail dated January 29, 2016 asked the Petitioner to submit supporting document that only SCL, JSWPTC and Adani Power had agreed to supply on Day-ahead basis in case of non-consent on firm applications by UPSLDC. The Petitioner in its affidavit dated February 10, 2016 submitted that as per Clause-11 of the RFP, successful bidders were required to schedule power on day-ahead basis in case of non-consent on firm applications by UPSLDC. The Clause-11 of the RFP is reproduced below:

> "*Further, in case of non-consent on the firm applications by UPSLDC, the power shall be scheduled on Day-ahead basis. However, any additional charges pertaining to extra applications shall be borne by NPCL. Denial in this respect by the successful bidder shall be considered short-supply and shall be subjected to Compensation as per clause 12...*"

Further, as per the tender conditions, bidders were required to give unconditional acceptance on the terms & conditions of the Bid Document. However, apart from SCL, JSWPTC, and Adani Power, all other bidders had submitted deviation in scheduling power on day-ahead basis. The Petitioner has also submitted the copies of letters regarding unconditional acceptance from above three bidders.

The Commission vide its e-mail dated January 29, 2016 also asked the Petitioner to clarify as to whether opportunity for revising the rate was provided to all the bidders of NR and ER region or only to some short-listed bidders. If opportunity was provided to the short-listed bidders, what was the basis of short-listing. The Petitioner in its affidavit dated February 10, 2016 replied that though regional transmission links have some margin for flow of Short Term power occasionally on account of limited Import capacity by NR region, actual power flow into NR region had not happened as evidenced by the NLDC TTC-ATC reports. In addition to this, due to ongoing dispute between UPSLDC and the Company, firm scheduling of power is not certain and therefore, contracting power from sources other than NR may lead to curtailment at last moment resulting in total uncertainty of availability of requisite power as well as rates thereof. To mitigate such risks and to provide uninterrupted power supply to the consumers, NR sources have been recommended by the Standing Committee.

The Petitioner further clarified that it had not asked any bidder to revise rates. The revised offers were submitted by the bidders voluntarily within the bid validity period, which the standing committee accepted in the interest of consumers.

After examining the landed cost of the residual bidders including the revised quotes from PTC and SCL the Standing Committee observed that, low rates are offered by those bidders who are situated in WR/NR region. Petitioner submitted that it is pertinent to mention here that during various meetings at NRLDC/PGCIL, all Northern States have been appraised about the availability of transmission corridor and upcoming transmission capacities. Petitioner submitted that during the summer season the transmission capacity shall be restricted as per the revised Inter-regional schedule of NLDC.

Petitioner further submitted that during the current financial year it was not able to import full contracted power from Western Region due to unavailability of transmission corridor and insufficient import capacity of Northern Region. Due to limited import capacity in Northern Region even if transmission margin is available in inter-regional links, it will not able to import any quantum from Western Region. Also, the current trends indicate that there will be shortage of transmission corridor in WR-NR link even in FY 2016-17. Therefore, the Petitioner submitted that the power scheduled from the sources situated in Western Region would not be materialized in substance even if the scheduling is done on advance basis. The Commission vide its e-mail dated January 29, 2016 had asked the Petitioner to substantiate these arguments with supporting documents. The Petitioner in its affidavit dated February 10, 2016 submitted that the WR-NR transmission link was severely congested in 2015-16 which may be ascertained from the TTC-ATC report of NLDC for corresponding period. The report showed that there was no margin on WR-NR transmission corridor. The Petitioner also submitted the copies of the reports. Further, the Petitioner submitted that the key transmission lines which are crucial to relieve congestion on WR-NR link are getting delayed due to various reasons. The 800 kV Champa-Kurukshetra transmission link which was scheduled to be commissioned in early 2016 is delayed. Similarly, the other crucial line viz. 756 kV Jabalpur-Orai has also got delayed.

Petitioner submitted that the Standing Committee also observed that, at present, UPSLDC is arbitrarily allowing firm power to the Petitioner at their discretion for which scheduling of power on month-ahead basis cannot be assured. Furthermore, if NPCL/Bidders are to schedule power on day-ahead basis by UPSLDC then availability of transmission corridor cannot be ascertained as day-ahead scheduling has least priority in terms of allocation of transmission corridor as per the CERC (Open Access in Inter-state Transmission) Regulations, 2008 and its subsequent amendments thereof. In the absence of firm allocation of transmission corridor from WR-NR link, the Standing Committee decided to evaluate bids submitted by Eastern Region (ER) and Northern Region (NR) generating sources which has maximum chances to get the transmission corridor from the Regional Load Dispatch Centre, even if they are scheduled on day-ahead basis, to secure the interest of the consumers of Greater Noida area.

The Petitioner further submitted that the Standing Committee noticed, with the present surrounded uncertainty in allotment of transmission corridor in WR-NR link and day ahead scheduling as imposed by UPSLDC, it would be prudent for the Petitioner to contract requisitioned quantum preferably from NR or ER Region so that it can ensure reliable and stable power supply for its consumers. Considering all the factors mentioned herein above, the transmission scenario, the prevailing market rates, and constraints regarding scheduling of power and power tied-up / proposed from various sources, the Standing Committee recommended to tie-up following quantum of power at respective weighted average rates of which is as follows:

TABLE 13-14:4: QUANTUM OF POWER AT RESPECTIVE WEIGHTED AVERAGE RATES

Month	Region of Generator	Quantum (MW)	Rate* (Rs./kWh)
Apr-16	NR	150	3.80
May-16	NR	175	3.83
Jun-16	NR	175	3.90

Note:*

The Quantum will be scheduled at NPCL Bus after considering PoC Withdrawal Losses prevalent at the time of scheduling, Intra-state Transmission Losses of U.P. prevalent at the time of scheduling.
The Rates quoted by Bidders are at NPCL Periphery considering PoC Withdrawal Charges @ Rs.171.30/MWh, PoC Withdrawal Losses@ 2.37%, Intra-state Transmission Charges of U.P. @ Rs. 172.30/MWh, Intra-state Transmission Losses of U.P. @ 3.59%.

The Petitioner submitted that the Standing Committee observed that the Weighted Average Price for procurement of power from April 2016 to June 2016 as tabulated above would be Rs. 3.85 per kWh which is, quite competitive as compared to the prices prevailing in the market and is the most reliable considering the entire power from NR region only. It will be in the best interest of the consumers of Greater Noida and will enable the petitioner to provide reliable power supply to its consumers. The Standing Committee also compared the landed cost at Petitioner's Bus with the benchmarked cost of the CERC's Market Monitoring Cell Report as on October 2015 (as provided in the table below).

TABLE 13-14:5: COMPILED DATA FROM MARKET MONITORING CELL REPORT AS ON OCTOBER, 2015

Month	Peak (1800-2300 Hrs)	Off-peak (0000-1800 & 2300-2400 Hrs)	RTC (0000-2400 Hrs)	Wt. Avg. Price
Jan'15	4.15	3.53	4.43	4.39
Feb'15	4.57	3.60	4.38	4.33
Mar'15	4.08	3.34	4.57	4.49
Apr'15	3.05	3.64	4.29	4.20
May'15	4.13	3.55	4.07	4.00
Jun'15	3.91	3.54	3.98	3.90
Jul'15	3.60	3.57	4.07	3.99
Aug'15	3.52	3.52	4.25	4.18
Sep'15	3.61	3.30	4.35	4.06
Oct'15	3.68	3.81	4.92	4.74

It can be observed from above table that the weighted average price of the RTC power under bilateral segment from January 2015 and October 2015 was Rs. 4.23 per kWh, which is significantly higher than the proposed power purchase cost recommended by the Standing Committee. In view of the above observations and after considering all aspects to ensure stable and reliable supply to the consumers of Greater Noida Area at reasonable rates, the Standing Committee recommended the Petitioner to procure power from April, 2016 to June, 2016 as per following details:

TABLE 13-14:6: DETAILS OF POWER PROCUREMENT AS RECOMMENDED BY THE STANDING COMMITTEE FOR APRIL, 2016 TO JUNE, 2016

Sl. No.	Bidders	Source	Period	Quantum (MW)	Rate at NPCL Bus (Rs./kWh)
1	SCL	SCL, Rajasthan	Apr' 2016	100	3.80
			May' 2016	125	3.83
			Jun' 2016	125	3.89

2	JSW (PTC)	Karcham-Wangtoo, H.P.	Apr' 2016	50	3.81
			May' 2016	50	3.84
			Jun' 2016	50	3.91
	Wt. Average Price				**3.85**

The Petitioner has also submitted a copy of the Standing Committee Report duly signed by all its members, certifying that the bid evaluation has been done in conformance with the provisions of the RfP.

In view of the above, the Petitioner has requested the Commission to adopt the Tariff as mentioned in the above table which is arrived through the process of competitive bidding. Petitioner submitted that it has also entered into Power Purchase Agreements with the successful bidders on January 12, 2016 (SCL), January 12, 2016 (JSWPTC).

Second Petition (For procurement of power for the month of July, 2016 to September, 2016)**:**

For procuring the power through Short-term sources the Petitioner published a notice in "The Indian Express" and "The Financial Express" on February 15, 2016, inviting Bids from Generators, Captive Power Plants, Licensed Power Traders, State Utilities and Distribution Licensees from all over India (northern Region), for procurement of up to 260 MW power on Short Term basis for meeting its power requirements from July, 2016 to September, 2016 latest by March 1, 2016. The Petitioner has submitted that the Request for Proposal (RfP) was prepared detailing all the terms and conditions for supply of following power:

TABLE 13-14:7: POWER PROCUREMENT QUANTUM AS PER RFP

Period	Duration (Hrs)	Quantum (MW)
01.07.2016 to 31.07.2016	**RTC (00:00–24:00)**	**260**
01.08.2016 to 31.08.2016	**RTC (00:00–24:00)**	**260**
01.09.2016 to 30.09.2016	**RTC (00:00–24:00)**	**260**

Note: With minimum bid capacity of 25 MW

The petitioner has submitted that in pursuance to the bidding process as per the Guidelines, it formed a Bid Monitoring Committee consisting of its employees. Further, the Petitioner submitted that it also formed the Standing Committee which consisted of its employees and an External Independent Member namely Shri. Harit Agarwal (Chartered Accountant, Member of Executive Committee of Northern India Regional Committee of Institute of Chartered Accountants of India).

The Petitioner has submitted that in response to the competitive bidding process it received five (5) proposals / bids till the last date of bid submission i.e. March 1, 2016. The names of the five bidders who participated in the bidding process are as shown in the table below:

TABLE 13-14:8: NAME OF THE BIDDERS PARTICIPATED IN THE BIDDING PROCESS

Sl. No.	Name of the Bidder
1	M/s PTC India Limited
2	M/s JSW Power Trading Company Limited
3	M/s Shree Cement Limited
4	M/s Tata Power Trading Company Limited
5	M/s Manikaran Power Limited

The Petitioner has submitted that the Non-Financial Bids were opened on March 1, 2016 and evaluated by the Bid Monitoring Committee and were found in order except one bidder namely, M/s Manikaran Power Limited (MPL) who quoted a Western Region source for supply of power which was not in consonance with the terms & conditions of tender document for which the bid was rejected. Also, the Standing Committee was further informed that M/s Tata Power Trading Company Limited (“TPTCL”) and M/s PTC India Limited (“PTC”) had also submitted deviations from the terms & conditions of the tender documents as both TPTCL and PTC had given deviation in scheduling of power on Day-ahead basis which is a critical requirement for supply of power to the Petitioner due to on-going dispute in allocation of firm transmission corridor to Petitioner by Uttar Pradesh State Load Dispatch Center (“UP-SLDC”).The Petitioner has submitted that at present, UP-SLDC is arbitrarily allowing firm consents to the Petitioner at their discretion. In this context, it was informed by the Petitioner that it had filed a Petition before the Commission on this issue and got a favourable judgment also. However, the above decision of the Commission was challenged before the Hon’ble Appellate Tribunal for Electricity (APTEL) by UP-SLDC &Uttar Pradesh Power Corporation Ltd. (“UPPCL”). At present the matter is sub-judice before the Hon’ble APTEL. It was also informed to the Standing Committee that PTC and TPTCL were requested to drop their deviations however, they have not agreed for the same. Therefore, the Standing Committee proceeded to open the Financial Bids of all the bidders. The Bid Monitoring Committee then proceeded to open the Financial Bids of all the bidders on the same day i.e. March 1, 2016in the presence of representatives of the Bidders and the information like quoted tariff at delivery point, trading margin (if any) etc. quoted by each bidder were also read out to all the Bidders at the time of opening of the Financial Bids. The Bid Monitoring Committee also tabulated the results of the bids and submitted the same to the Standing Committee for evaluation and finalization.

The Petitioner has submitted that the Bidders in their bids quoted the Tariff at Delivery Point in the prescribed format as set out in Annexure-III of the RfP. The tariff quoted by the bidders was inclusive of transmission charges and losses from the Injection Point till the point of drawl. Petitioner submitted that the tariffs quoted by the bidders were inclusive of the followings:

(a) The POC rates applicable for short term slab as notified by CERC vide its order No. L-1/44/2010-CERC dated 3.11.2015.

(b) The Transmission Charges of State of U.P. as Rs. 172.30/- per MWh.

(c) Applicable Open Access charges like RLDC / SLDC Operation Charges and Application as notified by CERC.

(d) The Transmission Losses (POC losses) as notified by NLDC for the period commencing from 22.02.2016 to 28.02.2016 shall be added for the evaluation purpose.

(e) U.P. State Transmission Losses as approved by UPERC, which is presently 3.59%.

TABLE 13-14:9: TARIFFS QUOTED BY THE BIDDERS FOR EACH OF THE MONTH AT NPLC'S BUS AS SUBMITTED BY THE PETITIONER

Jul-16			Aug-16			Sep-16		
Source	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**	**Source**	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**	**Source**	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**
PTC (GoHP, H.P. (NHPC))	50	3.700	PTC (GoHP, H.P. (NHPC))	50	3.800	PTC (Malana, H.P.)	30	3.900
TPTCL (GoHP, H.P. (Karcham-Wangtoo))	50	3.700	PTC (Malana, H.P.)	50	3.800	PTC (ADHEP, H.P.)	50	3.900
PTC (Malana, H.P.)	50	3.750	PTC (ADHEP, H.P.)	100	3.800	SCL (Unit-I, Rajasthan)	105	3.999
PTC (ADHEP, H.P.)	100	3.750	TPTCL (GoHP, H.P. (Karcham-Wangtoo))	50	3.800	JSW (KWHEP, H.P.)	30	4.060
SCL (Unit-I, Rajasthan)	105	3.999	SCL (Unit-I, Rajasthan)	105	3.999	SCL (Unit-II, Rajasthan)	95	4.350
JSW (KWHEP, H.P.)	100	4.060	JSW (KWHEP, H.P.)	100	4.060	PTC (Jaypee -Churk, U.P.)	35	5.510
SCL (Unit-II, Rajasthan)	95	4.350	SCL (Unit-II, Rajasthan)	95	4.350	**Total**	**345**	**4.231**
PTC (Jaypee -Churk, U.P.)	35	5.510	PTC (Jaypee -Churk, U.P.)	35	5.510	Manikaran (Vandana Vidyut, Chattisgarh)	80	3.390
Total	**585**	**4.042**	**Total**	**585**	**4.072**			
Manikaran (Vandana Vidyut, Chattisgarh)	80	3.390	Manikaran (Vandana Vidyut, Chattisgarh)	80	3.390			

The Petitioner has submitted that the bidders had observed considerable increase in U.P. State transmission charges during past 2-3 years. Therefore, though the rates are quoted at NPCL's bus, they will not bear the increase in transmission charges & losses of U.P. state from the current level during the tenure of the contract. They have further clarified that any deviation in the CTU charges and losses shall be borne by them. The Petitioner has submitted to have clarified to them that any changes in transmission charges / losses applicable for the State of U.P. will be included in bidding rates and paid according to rates computed with new tariff of transmission charges and losses as and when the same are being approved by the Commission.

As per the directions of Standing Committee, the Petitioner wrote to PTC and TPTCL to drop deviations vide e-mail dated 10.03.2016 and requested the two aforementioned bidders along with JSW and SCL to increase the bid validity period. All the bidders except PTC (Source: ADHEP, H.P. and Malana, H.P.) declined to extend validity of their bid, therefore, Letter of Intent was issued to PTC (Source: ADHEP, H.P.) on 10.03.2016. Further, JSW extended the validity period till 11.03.2016 only while other bidders viz. TPTCL, SCL, and PTC (Source: GoHP, H.P.) had extended the bid validity till 14.03.2016.

The Commission vide its e-mail dated June 14, 2016 asked the Petitioner to submit the reasons for non-finalisation of the contracts before the original bid validity date to which the Petitioner vide its e-mail dated June 15, 2016 replied that as per the tender conditions, the original validity period was 10 days from the date of opening of the bids i.e. March 10, 2016 and the bidders were required to submit their bids without any deviation. However, few bidders including L1 bidder submitted deviations from the terms and conditions of the bid. The major deviation sought by the bidders was non-acceptance of scheduling of power on day-ahead basis in case UPSLDC didn't provide its consent on firm applications. Therefore, the Standing Committee directed the Petitioner to pursue bidders to waive the deviations submitted in their bids. However, the bidders took time in responding to our communications due to which they were requested to extend their bid validity and delay was caused in finalization of successful bidders.

In the Petition, the Petitioner has submitted that there was considerable gap between L2 on one side and L3 and L4 on the other side, the L3 bidder i.e. M/s Shree Cement Limited ("SCL") and L4 bidder i.e. M/s JSW Power Trading Company Limited ("JSW") were approached to reduce their rates. Consequently, they agreed to lower their rates. The Petitioner has attached Letter/e-mail in this regard received from

JSW and SCL. In view of the downward revision of rates, the Standing Committee decided to evaluate the bids based on the revised offers from JSW and SCL.

The revised rates and quantum of power as considered by the Standing Committee for evaluation of the bids based on the revised offers from JSW and SCL is provided below:

TABLE 13-14:10: REVISED TARIFFS QUOTED BY THE BIDDERS FOR EACH OF THE MONTH AT NPLC'S BUS AS SUBMITTED BY THE PETITIONER

Jul-16			Aug-16			Sep-16		
Source	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**	**Source**	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**	**Source**	**Quantum (MW)**	**Rate at NPCL bus (Rs./kWh)**
PTC (GoHP, H.P. (NHPC))	50	3.700	PTC (GoHP, H.P. (NHPC))	50	3.800	PTC (Malana, H.P.)	30	3.900
TPTCL (GoHP, H.P. (Karcham-Wangtoo))	50	3.700	PTC (Malana, H.P.)	50	3.800	PTC (ADHEP, H.P.)	50	3.900
PTC (Malana, H.P.)	50	3.750	PTC (ADHEP, H.P.)	100	3.800	SCL (Unit-I, Rajasthan)	160	3.920
PTC (ADHEP, H.P.)	100	3.750	TPTCL (GoHP, H.P. (Karcham-Wangtoo))	50	3.800	JSW (KWHEP, H.P.)	50	4.030
SCL (Unit-I, Rajasthan)	160	3.920	SCL (Unit-I, Rajasthan)	160	3.920	SCL (Unit-II, Rajasthan)	95	4.350
JSW (KWHEP, H.P.)	50	4.030	JSW (KWHEP, H.P.)	50	4.030	PTC (Jaypee -Churk, U.P.)	35	5.510
SCL (Unit-II, Rajasthan)	95	4.350	SCL (Unit-II, Rajasthan)	95	4.350	**Total**	**420**	**4.159**
PTC (Jaypee -Churk, U.P.)	35	5.510	PTC (Jaypee -Churk, U.P.)	35	5.510	Manikaran (Vandana Vidyut, Chattisgarh)	80	3.390
Total	**590**	**4.012**	**Total**	**590**	**4.042**			
Manikaran (Vandana Vidyut, Chattisgarh)	80	3.390	Manikaran (Vandana Vidyut, Chattisgarh)	80	3.390			

Considering all the factors mentioned herein above, the transmission scenario, the prevailing market rates and constraints regarding scheduling of power and power tied-up / proposed from various sources, the Standing Committee recommended to tie-up following quantum of power at respective rates weighted average of which is as follows:

TABLE 13-14:11: QUANTUM OF POWER AT RESPECTIVE WEIGHTED AVERAGE RATES

Month	Region of Generator	Quantum (MW)	Rate* (Rs./kWh)
Jul-16	NR	255	3.91
Aug-16	NR	255	3.92
Sep-16	NR	255	3.94

Note:*

1. *The Quantum will be scheduled at NPCL Bus after considering following:*
   - *(i) PoC Withdrawal Losses prevalent at the time of scheduling*
   - *(ii) Intra-state Transmission Losses of U.P. prevalent at the time of scheduling*
2. *The Rates quoted by Bidders are at NPCL Periphery considering following charges & losses:*
   - *(i) PoC Withdrawal Charges @ Rs.171.30/MWh*
   - *(ii) PoC Withdrawal Losses@ 3.09%*
   - (iii) *Intra-state Transmission Charges of U.P. @ Rs. 172.30/MWh*
   - (iv) *Intra-state Transmission Losses of U.P. @ 3.59%*

The Petitioner submitted that the Standing Committee observed the Weighted Average Price for procurement of power from July, 2016 to September, 2016 as tabulated above would be Rs. 3.92 per kWh which is, quite competitive as compared to the prices prevailing in the market and is the most reliable considering the entire power from NR region only. It will be in the best interest of the consumers of Greater Noida and will enable the petitioner to provide reliable power supply to its consumers. The Standing Committee also compared the landed cost at Petitioner's Bus with the benchmarked cost of the CERC's Market Monitoring Cell Report as on December 2015 (as provided in the table below).

TABLE 13-14:12: COMPILED DATA FROM MARKET MONITORING CELL REPORT AS ON DECEMBER, 2015

Month	Peak	Off-peak	RTC	Wt. Avg. Price
	(1800-2300 Hrs)	(0000-1800 & 2300-2400 Hrs)	(0000-2400 Hrs)	
Jan'15	4.15	3.53	4.43	4.39
Feb'15	4.57	3.60	4.38	4.33
Mar'15	4.08	3.34	4.57	4.49
Apr'15	3.05	3.64	4.29	4.20

Month	Peak	Off-peak	RTC	Wt. Avg. Price
	(1800-2300 Hrs)	(0000-1800 & 2300-2400 Hrs)	(0000-2400 Hrs)	
May'15	4.13	3.55	4.07	4.00
Jun'15	3.91	3.54	3.98	3.90
Jul'15	3.60	3.57	4.07	3.99
Aug'15	3.52	3.52	4.25	4.18
Sep'15	3.61	3.30	4.35	4.06
Oct'15	3.68	3.81	4.92	4.74
Nov'15	3.89	3.55	5.37	4.44
Dec'15	-	2.92	5.42	4.26

It can be observed from above table that the weighted average price of the RTC power under bilateral segment from January 2015 to December 2015 was Rs. 4.24 per kWh, which is significantly higher than the proposed power purchase cost recommended by the Standing Committee. In view of the above observations and after considering all aspects to ensure stable and reliable supply to the consumers of Greater Noida Area at reasonable rates, the Standing Committee recommended the Petitioner to procure power from July, 2016 to September, 2016 as per following details:

TABLE 13-14:13: DETAILS OF POWER PROCUREMENT AS RECOMMENDED BY THE STANDING COMMITTEE FOR JULY, 2016 TO SEPTEMBER, 2016

Sl.No.	Bidders	Source	Period	Quantum at NPCL Bus (MW)	Rate at NPCL Bus (Rs./kWh)
1	PTC	ADHEP, H.P.	Jul'16	50	3.75
			Aug'16	50	3.80
			Sep'16	50	3.90
2	SCL	SCL, Rajasthan	Jul'16	155	3.92
			Aug'16	155	3.92
			Sep'16	155	3.92
3	JSW	Karcham-Wangtoo, H.P.	Jul'16	50	4.03
			Aug'16	50	4.03
			Sep'16	50	4.03
	Wt. Average Price				**3.92**

The Petitioner has also submitted a copy of the Standing Committee Report duly signed by all its members, certifying that the bid evaluation has been done in conformance with the provisions of the RfP.

The Commission vide its e-mail dated June 14, 2016 asked the Petitioner to submit reasons for not considering the L1 bid for purchase of power to which the Petitioner vide its e-mail dated June 15, 2016 replied that the L1 bidder namely, PTC (Source: GoHP-NHPC) and TPTCL (Source: GoHP- Karcham Wangtoo) did not agree to schedule power on day-ahead basis in case UPSLDC didn't provide its consent on application for scheduling. The Petitioner further submitted that UPSLDC is arbitrarily allowing firm consents to the Petitioner at their discretion. On this issue, the Petitioner had filed a petition before the Commission and got a favourable judgment also. However, the above decision of the Commission was challenged before the Hon'ble Appellate Tribunal for Electricity (APTEL) by UPSLDC & UPPCLand the matter is sub-judice. Therefore, considering overall scenario and to provide smooth and reliable power supply in the Greater Noida area, the Standing Committee advised the Petitioner, not to consider these bids with reservation on day-ahead scheduling.

In view of the above, the Petitioner has requested the Commission to adopt the Tariff as mentioned in the recommended by the Standing Committee which is arrived through the process of competitive bidding. Petitioner submitted that it has also entered into Power Purchase Agreements with the successful bidders on March 11, 2016(JSW), March 28, 2016 (SCL), March 28, 2016 (PTC India Ltd.).

The Petitioner further, submitted that the Section 63 of the Electricity Act, 2003 states that the Commission shall adopt the tariff arrived through transparent process of bidding in accordance with guidelines issued by Central Government. The said provision is reproduced below:

> *"**Section 63 (Determination of tariff by bidding process):** Notwithstanding anything contained in section 62, the Appropriate Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government."*

The relevant para 2 of Clause 10.4 of the Guidelines for Short-term Procurement of power dated May 15, 2012 issued by Ministry of Power is reproduced below:

> *"In all other cases, the procurer(s) shall submit a petition to the Appropriate Commission for adoption of tariff within 2 days from the date of signing of PPA. Appropriate Commission should communicate the decision within 7 days from the date of submission of Petition"*

Commission's Analysis:

It has been observed that the Petitioner has initiated the power procurement process for procurement of Short-term power in accordance with the Guidelines for Short-term Procurement of Power by Distribution Licensees through Tariff based Bidding process, notified by the Ministry of Power on May 15, 2012.

As per the submissions of the Petitioner which also includes the supporting documents, such as copy of RfP document, copy of clipping of the advertisement, copy of the report of Standing Committee, Copy of letters from bidders it has been observed that the Petitioner has followed the bidding process as per the guidelines issued by the Central Government. It has also been observed that an appropriate comparison has also been made with the prevailing or estimated tariff in the procurement period before finalizing the bidders.

After considering the transmission constraints submitted by the petitioner and based on the prices prevailing in the market as indicated in CERC's MMC reports the Commission is of the opinion that the prices discovered through bidding are reasonable. It is pertinent to mention here that these rates are after considering the Long-term Open Access Transmission charges of UPPTCL approved by this Commission vide its order dated June 18, 2015.

Considering that the power procurement has been done as per guidelines of the Central Government and the due procedure of competitive bidding as per the guidelines issued by Ministry of Power have been followed, the Commission adopts the tariff discovered through the competitive bidding process under section 63 of EA, 2003 for the period April, 2016 to June, 2016 and for the period of July, 2016 to September, 2016 as follows:

TABLE 13-14:14: DETAILS OF POWER PROCUREMENT AS ADOPTED BY THE COMMISSION

Sl. No.	Bidders	Source	Period	Quantum (MW)	Rate at NPCL Bus (Rs./kWh)
1	SCL	SCL, Rajasthan	Apr' 2016	100	3.80
			May' 2016	125	3.83
			Jun' 2016	125	3.89
2	JSW (PTC)	Karcham-Wangtoo, H.P.	Apr' 2016	50	3.81
			May' 2016	50	3.84
			Jun' 2016	50	3.91

Sl. No.	Bidders	Source	Period	Quantum (MW)	Rate at NPCL Bus (Rs./kWh)
Q-1	**Wt. Average Price**				**3.85**
3	PTC	ADHEP, H.P.	Jul'16	50	3.75
			Aug'16	50	3.80
			Sep'16	50	3.90
4	SCL	SCL, Rajasthan	Jul'16	155	3.92
			Aug'16	155	3.92
			Sep'16	155	3.92
5	JSW	Karcham-Wangtoo, H.P.	Jul'16	50	4.03
			Aug'16	50	4.03
			Sep'16	50	4.03
Q-2	**Wt. Average Price**				**3.92**