



UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition Nos. 888 / 2013 & 919 / 2013

DETERMINATION OF AGGREGATE REVENUE REQUIREMENT (ARR) AND TARIFF FOR FY 2014-15

AND

PETITION FOR TRUE-UP OF ARR AND REVENUE FOR THE FINANCIAL YEARS 2008-09 TO 2011-12

FOR

PURVANCHAL VIDYUT VITRAN NIGAM LIMITED

ORDER UNDER SECTION 62 & 64 OF

THE ELECTRICITY ACT, 2003

1st October, 2014



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Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition Nos. 888/2013 & 919/2013

IN THE MATTER OF:

Determination of Aggregate Revenue Requirement and Tariff for FY 2014-15 and True up for FY 2008-09 to FY 2011-12 of Purvanchal Vidyut Vitran Nigam Limited (PuVVNL)

And

IN THE MATTER OF:

Purvanchal Vidyut Vitaran Nigam Limited (PuVNNL)

Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

ORDER

The Commission having deliberated upon the above Petitions and the subsequent filings by the Petitioner, and the Petitions thereafter being admitted on 3rd June, 2014 and having considered the views / comments / suggestions / objections / representations received during the course of the above proceedings and also in the public hearings held, in exercise of power vested under Sections 61, 62, 64 and 86 of the Electricity Act, 2003, hereby passes this Order signed, dated and issued on 1st October, 2014. The licensee, in accordance with Section 139 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, shall arrange to get published within three days from the date of issue of this Order, the tariffs and regulatory surcharge approved herein by the Commission. 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. The regulatory surcharge shall be applicable as detailed in this Order.



1. BACKGROUND AND BRIEF HISTORY

1.1 BACKGROUND:

1.1.1 The Uttar Pradesh Electricity Regulatory Commission (UPERC) was formed under U.P. Electricity Reforms Act, 1999 by Government of Uttar Pradesh (GoUP) in one of the first steps of reforms and restructuring process of the power sector in the State. Thereafter, in pursuance of the reforms and restructuring process, the erstwhile Uttar Pradesh State Electricity Board (UPSEB) was unbundled into the following three separate entities through the first reforms Transfer Scheme dated 14th January, 2000:

- Uttar Pradesh Power Corporation Limited (UPPCL): vested with the function of Transmission and Distribution within the State.
- Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL): vested with the function of Thermal Generation within the State
- Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL): vested with the function of Hydro Generation within the State.

1.1.2 Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company Limited (KESCO), a company registered under the Companies Act, 1956.

1.1.3 After the enactment of the Electricity Act, 2003 (EA 2003) the need was felt for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines. Therefore, the following four new Distribution companies (hereinafter collectively referred to as 'Discoms' / 'Distribution Licensees') were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme, 2003 dated 12th August, 2003 to undertake distribution and supply of electricity in the areas under their respective zones specified in the scheme:

- Dakshinanchal Vidyut Vitran Nigam Limited (Agra Discom or DVVNL)
- Madhyanchal Vidyut Vitran Nigam Limited (Lucknow Discom or MVVNL)
- Paschimanchal Vidyut Vitran Nigam Limited (Meerut Discom or PVVNL)
- Purvanchal Vidyut Vitran Nigam Limited (Varanasi Discom or PuVVNL)



- 1.1.4 Under this scheme, the role of UPPCL was specified as “Bulk Supply Licensee” as per the license granted by the Commission and as “State Transmission Utility” under sub-section (1) of Section 27-B of the Indian Electricity Act, 1910.
- 1.1.5 Subsequently, the Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), a Transmission Company (Transco), was incorporated under the Companies Act, 1956 by an amendment in the ‘Object and Name’ clause of the Uttar Pradesh Vidyut Vyapar Nigam Limited. The Transco is entrusted with the business of transmission of electrical energy to various utilities within the State of Uttar Pradesh. This function was earlier vested with UPPCL. Further, Government of Uttar Pradesh (GoUP), in exercise of power under the Section 30 of the EA 2003, vide notification No. 122/U.N.N.P/24-07 dated 18th July, 2007 notified Uttar Pradesh Power Transmission Corporation Limited as the “State Transmission Utility” of Uttar Pradesh. Subsequently, on 23rd December 2010, the Government of Uttar Pradesh notified the Uttar Pradesh Electricity Reforms (Transfer of Transmission and Related Activities Including the Assets, Liabilities and Related Proceedings) Scheme, 2010, which provided for the transfer of assets and liabilities from UPPCL to UPPTCL with effect from 1st April, 2007.
- 1.1.6 Thereafter, on 21st January, 2010, as the successor Distribution companies of UPPCL (a deemed Licensee), the Distribution Companies, which were created through the notification of the UP Power Sector Reforms (Transfer of Distribution Undertakings) Scheme, 2003 were issued fresh Distribution Licenses which replaced the UP Power Corporation Ltd (UPPCL) Distribution, Retail & Bulk Supply License, 2000.

1.2 DISTRIBUTION TARIFF REGULATIONS:

- 1.2.1 Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006 (hereinafter referred to as the “Distribution Tariff Regulations, 2006”) were notified on 6th October, 2006. These Regulations are applicable for the purposes of ARR filing and Tariff determination to all the Distribution Licensees within the State of Uttar Pradesh from FY 2007-08 onwards.



2. PROCEDURAL HISTORY

2.1 ARR / TARIFF AND TRUE UP PETITIONS FILING BY THE LICENSEE

- 2.1.1 As per the provisions of the UPERC (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006, the Distribution Licensees' are required to file their ARR / Tariff Petitions before the Commission latest by 30th November each year so that the tariff can be determined and be made applicable from the 1st of April of the subsequent financial year.
- 2.1.2 The ARR / Tariff Petition for FY 2014-15 and True up Petition for FY 2008-09 to FY 2011-12 was filed by PuVVNL (hereinafter referred to as the 'Licensee' or the 'Petitioner') under Sections 62 and 64 of the Electricity Act, 2003 on 29th November, 2013 and 13th May, 2013 respectively (Petition Nos. 919 / 2013 and 888 / 2013).
- 2.1.3 The Commission observed that the Licensee had submitted the audited accounts of FY 2008-09 to FY 2011-12 and provisional accounts for FY 2012-13 along with the calculations of revenue gap for FY 2014-15 and the projected revenue for FY 2014-15 based on current tariff in its ARR Petitions. However, the ARR Petition did not contain a proposal to bridge the revenue gap through tariff hike or through any other mechanism. Further, the Rate Schedule was submitted later on 18th December, 2013.

2.2 PRELIMINARY SCRUTINY OF THE PETITIONS:

- 2.2.1 A preliminary analysis of the Petition was conducted by the Commission wherein it was observed that the ARR Petition did not propose any mechanism to bridge the revenue gap, which was in contravention to the stipulation of Regulation 2.1.4 of the Distribution Tariff Regulations, 2006.
- 2.2.2 In this regard, a deficiency note was issued by the Commission on 22nd February, 2014 directing the Licensee to submit its proposal for bridging the revenue gap. Such deficiency note also sought clarifications on other issues in regard to the ARR Petition filed by the Licensee. The Commission had granted a time of 10 days to respond on the deficiency note, i.e., by 3rd March, 2014.
- 2.2.3 Thereafter, the Petitioner requested for a time extension by 15 days vide letter dated 4th March, 2014, to respond on the deficiency note.
- 2.2.4 The Distribution Licensee submitted the replies to the Deficiency Note on 14th March, 2014.



- 2.2.5 Based on the reply submitted by the Licensee, the Commission issued a second deficiency note, which included all the pending queries along with few additional queries, vide letter dated 21st April, 2014. The Commission also directed the Licensees to submit its replies within 15 days.
- 2.2.6 The Distribution Licensee submitted the replies to the second deficiency note on 22nd May, 2014.
- 2.2.7 The Hon'ble ATE, in its Judgment dated 21st October, 2011 in Appeal No. 121 of 2010 has ruled that if the audited accounts for the previous year are not available for some reasons then the audited accounts for the year just prior to the previous year along with the provisional accounts for the previous year may be considered. Thus, based on the above ruling of the Hon'ble ATE, the audited accounts for FY 2011-12 (i.e., year just prior to the previous year) has been considered for the current proceedings in the matter of approval of Annual Revenue Requirement and Tariff Determination of FY 2014-15.

2.3 ADMITTANCE OF THE TRUE-UP AND ARR / TARIFF PETITIONS

- 2.3.1 The Commission through its Admittance Order dated 3rd June, 2014 directed the Petitioner to publish, within 3 days from the date of issue of that order, the Public Notice detailing the salient information and facts of the True-up Petitions for FY 2008-09 to FY 2011-12, ARR Petition for FY 2014-15 and the Rate Schedule (Tariff Proposed for different categories/ sub-categories of consumers) in at least two daily newspapers (one English and one Hindi) for two successive days for inviting views / objections by all stakeholders and public at large. The Commission had also directed the Petitioner to upload the response to the deficiency notes and all subsequent submissions on their website.
- 2.3.2 The Commission also directed the Petitioner to inform the public at large vide the Public Notice about the Staff Papers prepared by the Commission containing salient features of the Petitions and the In-house Papers on certain additional issues / new matters also available on the Commission's website www.uperc.org for comments from all stakeholders and public at large within the stipulated time of 15 days from the date of publication of the Public Notice.

2.4 PUBLICITY OF THE PETITION

- 2.4.1 The Public Notice detailing the salient features of the True-up Petitions for FY 2008-09 to FY 2011-12 and ARR Petition for FY 2014-15 were made by UPPCL on behalf of



the Petitioner and they appeared in daily newspapers as detailed below, inviting objections from the public at large and all stakeholders:

- Times of India (English) : 7th June, 2014; 8th June, 2014
- Hindustan Times (English) : 7th June, 2014; 8th June, 2014
- The Indian Express (English) : 7th June, 2014; 8th June, 2014
- Dainik Jagran (Hindi) : 7th June, 2014; 8th June, 2014
- Amar Ujala (Hindi) : 7th June, 2014; 8th June, 2014
- Swatantra Bharat (Hindi) : 7th June, 2014; 8th June, 2014
- Rashtriya Sahara (Hindi) : 7th June, 2014; 8th June, 2014
- HIndustan (Hindi) : 7th June, 2014; 8th June, 2014
- Voice of Lucknow (Hindi) : 7th June, 2014; 8th June, 2014
- In Dino (Urdu) : 7th June, 2014; 8th June, 2014

2.4.2 Further, a set of additional queries were sent to the Licensee vide email dated 18th July, 2014, in response to which the Licensee submitted its reply on 4th August, 2014.

2.5 PUBLIC HEARING PROCESS

2.5.1 The Commission invited comments / suggestions from consumers and all other stakeholders on the ARR & Tariff proposals of the licensees. To provide an opportunity to all sections of the population in the State and to obtain feedback from them, public hearings were held by the Commission in the State. Consumer representatives, industry associations and other individual consumers participated actively in the public hearing process.

2.5.2 The Commission conducted the public hearing in the above matter for PuVVNL on 14th July, 2014 at Varanasi.



3. PUBLIC HEARING PROCESS

3.1 OBJECTIVE:

- 3.1.1 The Commission, in order to achieve the twin objective i.e. to observe transparency in its proceedings and functions and to protect interest of consumers has always attached importance to the views / comments / suggestions / objections / representations of the public. 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 True-up and ARR & Tariff Petitions filed by the licensees.
- 3.1.2 The comments of the consumers play an important role in the determination of Tariff and the design of the Rate Schedule. Factors such as quality of electricity supply and the service levels need to be considered while determining the Tariff. The Commission takes into consideration the submissions of the consumers before it embarks upon the exercise of determining the Tariff.
- 3.1.3 The Commission, by holding public hearings, has provided the various stakeholders as well as the public at large, a platform where they were able to share their views / comments / suggestions / objections / representations for determination of the retail Tariff for FY 2014-15. This process also enables the Commission to adopt a transparent and participative approach in the process of Tariff determination

3.2 PUBLIC HEARING:

- 3.2.1 To provide an opportunity to all sections of the population in the State to express their views and to also obtain feedback from them, public hearings for each Distribution Licensee were held by the Commission at various places in the State. The public hearings were conducted from 4th July, 2014 to 30th July, 2014 as per details given below:

Table 3-1: SCHEDULE OF PUBLIC HEARING AT VARIOUS LOCATIONS OF THE STATE

S.No	Date	Place of Hearing	Hearings in the matter of
1.	4.07.2014	Kanpur	KESCO
2.	11.07.2014	Noida	PVVNL
3.	14.07.2014	Varanasi	PuVVNL



S.No	Date	Place of Hearing	Hearings in the matter of
4.	24.07.2014	Agra	DVVNL
5.	30.07.2014	Lucknow	MVVNL

3.2.2 Consumer representatives, industry associations as well as several individual consumers participated actively in the public hearing process.

3.2.3 The views / suggestions / comments / objections / representations on the True-up / ARR / Tariff Petitions received from the public were forwarded to the Licensees for their comments / response. The Commission considers these submissions of the consumers and the response of the Licensees before it embarks upon the exercise of determining the final True-up / ARR / Tariff.

3.2.4 Besides this, the Commission, while disposing the True-up / ARR / Tariff Petitions filed by the Petitioners, has also taken into consideration the oral and written views / comments / suggestions / objections / representations received from various stakeholders during the public hearings or through post or by e-mail.

3.2.5 The Commission has taken note of the views and suggestions submitted by the various stakeholders who provided useful feedback on various issues and the Commission appreciates their participation in the entire process.

3.3 VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON TRUE-UP / ARR / TARIFF PETITION

3.3.1 The Commission has taken note of the various views / comments / suggestions / objections / representations made by the stakeholders and would like to make specific mention of the following stakeholders for their valuable inputs:

- Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP)
- Mr. Rama Shankar Awasthi, Lucknow

3.3.2 The list of the consumers, who have submitted their views / comments / suggestions / objections / representations, is appended at the end of this Order as Annexure



15.5. The major issues raised therein, the replies given by the Licensee and the views of the Commission have been summarised as detailed below:

3.4 GENERAL

A) Comments / Suggestions of the Public

3.4.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbokta Parishad (UPRVUP) submitted that the Petition for the power distribution companies has been prepared by the Commercial division of Uttar Pradesh Power Corporation Ltd. (UPPCL). Director, Commercial division of UPPCL vide letter no. 4026 dated 18th November, 2013 and letter dated 13th November, 2012 had asked for the report from power distribution companies regarding various issues in ARR / Tariff determination. He further requested the Commission to direct UPPCL to bring such report received from the power distribution companies in public domain.

B) The Petitioner's response:

3.4.2 The Petitioner submitted that the revision in Tariff for FY 2013-14 is entirely the prerogative of State Electricity Regulatory Commission. With regard to the issues raised on letters dated 18th November, 2013 and 13th November, 2013, the Petitioner further submitted that such letters are confidential and cannot be put under public domain.

C) The Commission's view:

3.4.3 The Commission would like to ensure the stakeholders that the True-up / ARR / Tariff has been approved by the Commission based on Audited Accounts and various other related documents and submissions of the Petitioner, only after proper scrutiny and prudence check. However, as regards to any report circulated within UPPCL for its internal workings, the Commission cannot direct UPPCL to public all such documents as the same is out of the purview of the Commission.

3.5 COMPLIANCE OF DIRECTIVES

A) Comments / Suggestions of the Public:



- 3.5.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that Upbhokta Parishad on Public Interest had asked for the detailed report from UPPCL regarding high cost of power purchase @ Rs 6.06 per Unit from Reliance and Rs 7.75 per Unit from Bajaj. In this regard, UPPCL has not provided clarification even after continuous requests. He requested the Commission to take appropriate action against UPPCL under Section 142 of Electricity Act, 2003 for not complying with the directives of the Commission. He further submitted that UPPCL should provide the details regarding the compliance of directives issued by the Commission in Tariff Order for FY 2013-14.
- 3.5.2 Mr. Vivek Kumar Singh, Sr. Divl. Elect. Engineer (TR-D), North Central Railway, Allahabad and Mr. Sudhir Ranjan, Chief Electrical Distribution Engineer, North Central Railway, Allahabad submitted that the Commission, in its last Tariff Order dated 31st May, 2013, had directed Distribution Licensees to conduct proper loss estimate studies and put up the same to the Commission within three months which has not been complied by the Licensees. He further submitted that the Distribution Licensees were also directed by the Commission to conduct bench marking studies which have also not been done. They contended that the Licensees are deliberately not conducting proper audit and studies to identify the weak areas and to improve efficiency and reduce losses. They further requested the Commission to take strict action against the Licensees for not complying with the directions of the Commission.
- 3.5.3 Mr. Murli Manohar Matanhelia, President of Bahriach Dal Mill Association submitted that the Commission vide para 6 of the directives issued vide Tariff Order dated 31st May, 2013 had directed Distribution Licensees to bill demand charges on the basis of reading in T.V.M (Demand Recording Meter). However, the billing per month is being done on the basis of approved load which is unjustifiable. He requested the Commission to direct UPPCL to do the billing in accordance with the Tariff Order approved by the Commission so that millers do not suffer any further problems.

B) The Petitioner's response:

- 3.5.4 As regards the objections raised by Mr. Avadhesh Kumar Verma, the Licensees submitted that it has already provided the source wise details of power purchase of nine (9) months (from January 2013 to September 2013) to the Commission. The



Licensees further submitted that the preparation of source wise details of remaining months is still under process and will be provided to the Commission thereafter. The Petitioner further submitted that the source wise power purchase details pertaining to ARR for FY 2014-15, has been provided to the Commission alongwith the ARR Petition in Appendix-1.

- 3.5.5 As regards the contention raised regarding compliance of directives given by the Commission in Tariff Order for FY 2013-14, the Petitioner submitted that it has provided the details regarding its compliance to such directives in its Petition for FY 2014-15. The Petitioner replied that it has been providing compliance to the directives issued by the Commission from time to time to the Commission.
- 3.5.6 With regards to the issue of billing demand charges on the basis of reading in T.V.M (Demand Recording Meter), the Petitioner submitted that the billing is being done as per Rate Schedule approved by the Commission in the Tariff Orders and after considering other provisions of the Supply Code. The Licensees submitted that the Orders of the Commission are being followed in letter and spirit by them, however, in case any specific discrepancy in consumer billing is brought to the knowledge of the licensee, it is immediately rectified and consumer grievance is promptly addressed.

C) *The Commission's view:*

- 3.5.7 As regards the issue of compliance of directives regarding power purchase, the issue has been discussed in detail in Chapter on Annual Revenue Requirement for FY 2014-15 of this Order. As regards compliance of other directives issued by the Commission in its previous Orders the Commission has taken note of the objections / suggestions raised by the stakeholders and the replies submitted by the Licensees on the same. Further, the Commission ensures the stakeholders that it will shortly take appropriate action on the same.

3.6 AUDIT OF ACCOUNTS

A) *Comments / Suggestions of the Public:*

- 3.6.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhokta Parishad (UPRVUP) submitted that Power Companies file the Petition for ARR without any CAG Audit. He further submitted that the Truing-up is then done on the



basis of CAG audit and as a outcome of that the regulatory surcharge is imposed while Truing-up on the basis of CAG accounts which is totally unjustified. In this regard, he suggested the Commission that in case Tariff is being approved without CAG Audit, then 50% loss should not be passed on to the consumers while Truing-up in future. He further requested the Commission to take appropriate action on the Tariff reduction proposal submitted by the Upbhokta Parishad in public interest.

- 3.6.2 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association submitted that the Audited Accounts should be used for ARR. The representatives of Shramik Basti Sewa Samiti submitted that CAG Audit of the ARR should be done.
- 3.6.3 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U.P. submitted that there should be timely audit of the accounts of the Distribution Licensees and only audited balance sheet should be accepted for ARR purposes. Full account of assets be maintained. They further submitted that anything purchased or disposed of by the Utility should be done by an open e-tendering process and a third party pre-inspection should be done to bring in transparency in the process.
- 3.6.4 Mr. Rama Shankar Awasthi submitted that the Auditors have raised numerous and serious objections in the Audits of the Licensees. He further asked the Licensees to submit a compliance report regarding the same before the Commission and the public.
- 3.6.5 M/s Rathi Steel and Power Ltd., Director of M/s Rathi Industries Ltd., Director of M/s K. L. Rathi Steels Ltd., Managing Director of M/s Rathi Super Steel Ltd., General Manager (Operations) of M/s K. L. Steels (p) Ltd. and Director of K.L. Concast Pvt. Ltd. submitted that the copy of Balance Sheet alongwith the Auditor's report thereto of Distribution Licensees should also be provided.

B) The Petitioner's response:

- 3.6.6 As regards the contention raised by Mr. Avadhesh Kumar Verma regarding Tariff reduction proposal, the Petitioner submitted that ARR is done for Tariff determination for the future Tariff period, whereas, audit is done after the Financial



Year is over. The Licensee submitted that the true-up of past years is done on the basis of the Audited Accounts. With regard to the 50% revenue deficit, the Petitioner submitted that the Commission had approved regulatory surcharge in FY 2013-14 and this regulatory surcharge was due to the revenue deficit in True-up dated 21st May, 2013 for FY 2000-01 to FY 2007-08. 50% of regulatory surcharge was approved for FY 2013-14 and the remaining 50% was approved for the further years.

- 3.6.7 Further, the Petitioner submitted that it has already submitted the audited balance sheets along with supplementary audit reports of the Accountant General of Uttar Pradesh (AGUP) for the period up to FY 2012-13. Such audited accounts and AGUP reports have already been published on the website of the Licensees.

C) The Commission's view:

- 3.6.8 The Commission has noted the above objections / suggestions of the stakeholders. The Commission has conducted the Truing-up for FY 2008-09 to FY 2011-12 after considering a strict prudence check on the submissions made by the Licensees and after considering the Audited Accounts provided by the Licensee along with Supplementary Audit Report of the Accountant General of Uttar Pradesh.

3.7 REDUCTION IN TARIFF

A) Comments / Suggestions of the Public

- 3.7.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhokta Parishad (UPRVUP) submitted that Government of Uttar Pradesh had asked the Commission for Report on proposal of Tariff reduction for FY 2013-14. He further submitted that the Commission had intimated the State Govt. that the proposal of Tariff reduction would be considered in the ARR for FY 2014-15. He further requested the Commission to take appropriate steps in this regards.

B) The Petitioner's response:

- 3.7.2 The Petitioner submitted that the reduction in Tariff for FY 2013-14 is entirely the prerogative of State Electricity Regulatory Commission.



C) The Commission's view:

3.7.3 The Commission has noted the objections / suggestions made by the Stakeholder in this regards. The Commission has discussed all the Tariff related aspects in the Chapter titled Tariff Philosophy for all the stakeholders to refer from.

3.8 TARIFF FIXING

A) Comments / Suggestions of the Public

3.8.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) contended that even after issue of tariff fixing came to the notice of the Commission, no appropriate steps to reduce tariffs has been taken by the Commission. He further submitted that the Commission should without any more delay take appropriate action against the people involved in tariff fixing.

B) The Petitioner's response:

3.8.2 The Petitioner submitted that the issue of Tariff fixing is not related to the Petitioner.

C) The Commission's view:

3.8.3 The Commission has taken note of the objection of the stakeholder, however, the Commission is of the view that the above matter is not specifically related to the ARR and Tariff determination of FY 2014-15.

3.9 RAILWAYS

A) Comments / Suggestions of the Public

3.9.1 Mr. Vivek Kumar Singh, Sr. Divl. Elect. Engineer (TR-D), North Central Railway, Allahabad and Mr. Sudhir Ranjan, Chief Electrical Distribution Engineer, North Central Railway, Allahabad submitted that the North Central Railway draw power uniformly during 24 hrs and in fact the peak demand in most cases is during midnight hours. Further, it is a bulk consumer of electricity and invariably pays the bill within 2 days of submission of bill. They submitted that there is no theft of electricity in Railway as supply is taken at 132 / 25 kV and energy meters are installed at UPPCL



side. They further submitted that as Indian Railway is energy efficient and non-polluting system of transport, therefore, unreasonably high tariff is against national interest. They submitted that in FY 2013-14, increase of tariff resulted in an extra financial burden of Rs. 55 Crore on ALD Division of North Central Railway and the proposed tariff hike in FY 2014-15 will result in additional extra financial burden of Rs. 21 Crore on ALD Division of N.C. Railway. They further requested the Commission that the Tariffs for Railways should be brought down to a reasonable level.

- 3.9.2 Further, Mr. Vivek Kumar Singh, Sr. Divl. Elect. Engineer (TR-D), North Central Railway, Allahabad submitted that Hon'ble APTEL in its Judgment in Appeal No. 192 & 206 of 2010 directed Tamil Nadu Electricity Regulatory Commission to determine voltage wise cost of supply & cross subsidy in future. They contended that if the cross subsidy is worked out on voltage wise cost of supply at 132/220 kV, then the actual cross subsidy charged to Railway would be much higher than the cross subsidy given in current Tariff Order which is based on average cost of supply for all classes of consumers and hence, the proposed hike in Tariff is undesirable.
- 3.9.3 Further, Mr. Vivek Kumar Singh and Mr. Sudhir Ranjan submitted that the direct subsidy over 20% to needy consumers should be borne by State Govt. and not by Railways and the cross subsidy on Railway Traction should be reduced. Further, they requested the Commission to consider voltage rebate of at least 5% on 132 kV and 25 kV on billed demand as cost of supply at 132 kV is less than that for 33/11 kV, etc. The objectors added that similar rebate is being given by JVVNL also. They further submitted that there should be the arrangement to provide rebate scheme facility on the prompt payment of energy bill of UPPCL as NTPC is giving 2.1% rebate on prompt payment.
- 3.9.4 They further submitted that the tariff of Railway traction is higher than HV-2 HT Industrial tariff categories and this is a violation of Article 287 of Constitution. APTEL vide its Judgment in appeal no. 148 of 2007 & 124 of 2008 have ordered as under:
“Thus, Article 287 of the Constitution mandates that the tariff of electrical energy sold to the Railways should be less than the price charged to other consumers of a substantial quantity of electricity.”



- 3.9.5 The objectors requested the Commission to consider the above Judgment of Hon'ble APTEL while considering the Tariff.

B) *The Petitioner's response:*

- 3.9.6 The Petitioner submitted that the Railway Traction Tariff has been increased in accordance with Article 287 of the Constitution of India. Further, the billing is being done in accordance with the Rate Schedule approved by the Commission.
- 3.9.7 The Petitioner further submitted that the Tariff for HV-3 consumers is within 120% of the average cost of service of the licensees, as stated in the Tariff Policy, 2006, and not at the voltage wise cost of supply as stated in the Tariff Policy, 2006 framed by the Govt. of India.
- 3.9.8 With regard to the rebate scheme on prompt payment, the Petitioner submitted that the rebate on power purchase payments is duly reduced from the power purchase cost and hence the contentions of the stakeholders are without merits.
- 3.9.9 With regard to the issue of rebate as applicable in JVVNL, the Petitioner further submitted that the Tariff structure in each State is difference and hence the tariff conditions cannot be the same across states.

C) *The Commission's view:*

- 3.9.10 The Tariff for various categories of consumers is being determined by the Commission in accordance with the principles enshrined in the Distribution Tariff Regulations and Tariff Policy. The Commission while approving the Tariff for the State has also made appropriate comparison with various other States. Further, the detailed approach as considered by the Commission for approving the Tariff for various categories has been discussed subsequently in this Order.

3.10 RECOVERY OF ARREARS

A) *Comments / Suggestions of the Public*

- 3.10.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there are large arrears towards receivables from electricity consumers, viz., Rs 30,434 Crore, out of which Rs. 11,000 Crore is due



from Govt. Departments. He submitted that UPPCL had made various plans for recovery of dues and UPPCL should provide the detailed report on the actual status and recovery plans of various dues to be recovered after 31st March, 2014 and accordingly the benefits should be passed on to consumers by reduction in Tariff. In this regard, he suggested that there should be pre-paid metering for Govt. Departments so that the problem of recovery of dues and pending arrears do not arise.

- 3.10.2 The representatives of Lucknow Jan Kalyan Mahamanch including Mr. Pitambar Bhatt, representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh), Mr. Ashok Tyagi of Bhartiya Janta Party, Meerut and the representatives (including Mr. Babu Lal Singhal) of Lohiavadi Vichaar Munch submitted that all the receivables should be recovered so that there is no need for hike in Tariff.
- 3.10.3 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that no efforts are visible from the Tariff Petitions filed by Distribution Licensees in realising heavy outstanding dues of around Rs. 30000 Crore, which include recoverable of Rs. 10000 Crore from Govt. Deptt. / Offices. They submitted that if sincere efforts are made to recover, even part of these dues, passing on the burden to honest power consumers may be avoided.
- 3.10.4 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that dues beyond 3 months against Govt. Deptts should not be provided for in ARR.
- 3.10.5 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that responsibilities and accountability of the officers must be fixed for non-recovery and accumulation of dues. He suggested that an electronic system may be developed so that no dues outstand towards any the Govt. Department beyond more than 3 months period and the dues more than 3 months towards the Govt. Offices must not be allowed to have any provisions in the ARR.
- 3.10.6 Mr. Rama Shankar Awasthi and Dr. Pradeep Kumar Garg suggested that the Licensees should endeavour to realize government dues so that they will not be any requirement to raise the Tariff.
- 3.10.7 Chief Manager of Bilaspur Kisan Sahkari Chini Mills Ltd. submitted that their 150 kVA residential colony connection of light and fan was transferred from LMV-2 category to LMV-1 (1A) category for the period December 2004 to August 2007. Accordingly,



the Tariff difference of Rs. 1153695/- was calculated due to category change of the connection for the period December 2004 to August 2007. This amount is shown as arrears in the bills. He requested the Commission to cancel such arrear.

B) The Petitioner's response:

- 3.10.8 The Petitioner replied that arrear in the books of accounts include a huge amount against consumers whose permanent disconnection are pending for final settlement. The Licensee submitted that in the past it has launched One Time Settlement (OTS) schemes, wherein old arrears were settled; but in some cases the arrears are still shown in commercial records. The Licensees further submitted that True-up Petitions up to FY 2011-12 have already been filed on the basis of Audited Accounts, so every concern of the consumers would be taken care of in yearly calculation which will depict the correct picture of the revenue and expenditure. The Petitioner further submitted that the Tariff and True-up Petitions have been filed in accordance with the Tariff Regulations. The Petitioner replied that the burden of arrears and the recovery thereof, if any, would have no impact on the allowable True-up and ARR of any year. The Petitioner further submitted that the ARR / Tariff would be determined by the Commission based on audited accounts of (n-2th) year which reflect true and fair view of the financial transaction and since this exercise will be carried on yearly basis hence it will take care of the concern of the stakeholders.
- 3.10.9 The Petitioner further submitted that the Tariff is approved based on normative principles provided in the Distribution Tariff Regulations, 2006 and the accumulated losses of past years has no bearing on the ARR being determined for the ensuing year. The Licensees further submitted that the interest on working capital is also approved on normative basis in accordance with the principles provided in the Distribution Tariff Regulations, 2006 without any regard to the actual working capital employed in the Distribution Licensees.
- 3.10.10 The Petitioner submitted that the Commission fixes the Tariff on accrual basis and not on cash basis. The Petitioner replied that the past dues cannot be treated as income of the Distribution Licensees and hence it has no effect on determination of Tariff. The Licensees submitted that the electricity charges are recognised as income once the bills are raised on accrual basis and hence cannot be recognised as income source when arrears are collected. The Licensees added that treating the realization of arrears as income would amount to double counting of income and therefore, it cannot be treated as income again on realization. The Licensees submitted that this



issue has been fairly established by the Hon'ble APTEL in its Judgment in Appeal No. 15 of 2012 and Appeal No. 152 of 2011.

- 3.10.11 As regards the contention raised by Bilaspur Kisan Sahkari Chini Mills Ltd. for cancelling their arrears of Rs. 1153695/-, the Petitioner replied that this issue does not pertain to ARR and Tariff Petition for FY 2014-15. The Petitioner in its reply urged that the consumer may approach the concerned executive engineer of the division in which such consumer falls. The Licensee submitted that since the consumer has not attached the relevant Annexures, etc., regarding the issue, hence, the Licensee does not have the complete set of information to pursue this matter and address the difficulty faced by the consumer.

C) The Commission's view:

- 3.10.12 The Commission agrees with the Licensee's submission that the past dues cannot be treated as income of the Distribution Licensee and further treating the realization of arrears as income would amount to double accounting of income as also established by the Hon'ble ATE in its above mentioned Judgments.
- 3.10.13 The Commission has ensured that Truing-up and Tariff determination has been done in accordance with the philosophies and principles laid in the Distribution Tariff Regulations, 2006 and the past Orders of the Commission. In the True up Sections of this Order the Commission has also conducted revenue side Truing up, which has ensured that the burden of poor collection efficiency and consequent larger arrears is not passed on to the consumers.
- 3.10.14 The Commission in its Orders dated 21st May, 2013 and 31st May, 2013 had directed the Distribution Licensee to formulate a policy for identifying and writing off fictitious arrears within a period of 6 months from the date of Order and submit a copy of such report before the Commission. However, the same has not been submitted so far, as detailed subsequently the Commission in this Order the Commission has accorded a final opportunity to the Licensee to comply with the directive of the Commission.

3.11 ENCOURAGING RENEWABLE ENERGY

A) Comments / Suggestions of the Public

- 3.11.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there is demand-supply gap in the State and,



therefore, the electricity generation from renewable energy sources should be encouraged. In this regard, he suggested the Commission that for certain range of consumers, solar panel should be made compulsory beyond a certain norm fixed for power consumption. Further, Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group) suggested that incentives may be provided for use of solar energy.

- 3.11.2 Mr. D. S. Verma (Executive Director, Indian Industries Association) requested the Commission that any consumer installing solar systems may be given rebate on fixed charges equivalent to the kW of solar systems installed. He further suggested that a system of net metering may be introduced and the equipment required to do so should be provided by the Govt. of U.P. / UPPCL. He added that such provisions in Tariff will solve the dual advantage of easing out power shortage problems at a nominal cost and maintaining clean environment.
- 3.11.3 Mr. Rama Shankar Awasthi suggested that the Commission should give rebate in fixed charges / demand charges if any consumer installs roof top solar plant in their premises. He further added that this rebate will also be given in terms of energy charges, as provided by Government of Karnataka in its State.

B) The Petitioner's response:

- 3.11.4 With regard to making solar panel compulsory, the Petitioner submitted that the works regarding solar panel comes under the purview of NEDA. The Licensees submitted that they are not responsible for any such works regarding solar panels.
- 3.11.5 The Petitioner submitted that it is a Distribution Licensee and it is not in a position to provide incentives for use of solar energy. However, as part of RPO, it only procures solar energy.

C) The Commission's view:

- 3.11.6 The Commission has taken of the objections / suggestions made by the stakeholders in this regards. The Commission is of the view that use of renewable sources at the consumer level must be encouraged. This is essential given the power shortages being faced in the State. In view of this, to begin with, the Commission has introduces a rebate on the monthly bill for all consumers using solar water heaters as detailed further in Rate Schedule.



3.12 LINE LOSSES AND T&D LOSSES

A) Comments / Suggestions of the Public

- 3.12.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that at present there are line losses of more than 35%. He contended that the major reason behind power theft is the difficulty in getting power connection as a result of which such consumers opt for power theft. He suggested that in view of the above, the procedure of getting a new electricity connection should be made easier so that consumers will be able to get new electricity connection without much difficulty which will result in reduction of power theft.
- 3.12.2 The representatives of Lucknow Jan Kalyan Mahamanch (including Mr. Pitambar Bhatt), Mr. J. K. Jain of U.P. Govt. Pensioners Association, Ghaziabad and the representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh), Lt. CDR (Retd) G.C. Shrivastava, Mr. Sharad Jaipuria of PHD Chamber and Mr. Ajay Verma submitted that power theft should be reduced and strict actions should be taken against the people involved in power theft.
- 3.12.3 Mr. Saurabh Sanyal, Executive Director, Progress Harmony Development (PHD) Chamber and Mr. Yogesh Baweja of M/s Raunaq Automotive Components Ltd. submitted that UPPCL has estimated losses of 26.15%, which is very much higher when compared to the national average. He submitted that certain States in the country have losses between 20-22%. He further submitted that UPPCL should initiate actions and put proper institutional mechanism in place to check the power theft so that the Tariff hike burden is not imposed on consumers, who pay timely bills. They further contended that UPPCL should focus on reduction in power losses that is occurring due to technical reasons / power theft.
- 3.12.4 Mr. Shyamdev Ray Chaudhry (Dada), Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Mukesh Agarwal, Sikandra Factory Owner's Association of Agra, Mr. Ashok Tyagi of Bhartiya Janta Party, Meerut and Mr. Manish Agarwal of National Chamber of Industries & Commerce submitted



that functional efficiency of Distribution Licensees should be improved in respect of improving high line losses and preventing thefts and pilferages of power.

- 3.12.5 The representatives (including Mr. Babu Lal Singhal) of Lohiavadi Vichar Munch suggested that the line losses could be improved by the following ways:
- Computerized meters should be installed at the premises of the electricity departmental employees (both working and retired). Accordingly, they should be billed with some subsidy in Tariff.
 - The excessive number of street lights in towns / cities should be reduced. This will reduce the excessive electricity wastage.
 - Power theft should be reduced.
- 3.12.6 Mr. Akhilesh Saxena of Lucknow submitted that free electricity supply should not be provided to the electricity departmental employees (both working and retired). Free electricity may be provided on limited number of units. The limit of number of units for free supply shall be on the basis of designation of the electricity departmental employees. Further, clarification should be provided regarding the poor revenue realization from the govt. departments.
- 3.12.7 The representatives of Confederation of NCR Residents Welfare Associations ((including Mr. P. S. Jain) submitted that line losses represent the inefficient manpower of Licensees. Therefore, there should be audit of such high line losses. They further submitted that since Noida and Ghaziabad have less line losses, therefore, electricity Tariff for such areas should be reduced.
- 3.12.8 The representatives of Shramik Basti Sewa Samiti (including Mr. M. Ahmed) submitted that no steps have been taken by the Licensees for reducing the line losses. In this regard, he suggested the Commission not to approve the ARR of the Licensees if the line losses are more than 15%.
- 3.12.9 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt. submitted that there is no scientific method to work out line (energy) losses, if some billing data is missing and in case there is genuine mistake it should be mentioned. He further submitted that the Licensees are religiously giving trajectories of reduction of line losses in future which have increased over the years



rather than decreasing. He submitted that the actual total losses are still about 50% as some thefts are still going on undetected and about 7% consumers do not appear on record and still no effort has been done by any of the Licensee to reduce line losses to the desired level as per directions of the Commission. He added that there are heavy transmission losses which are mainly responsible for the overall losses and these line losses should be reduced to 15%.

- 3.12.10 Mr. Magta Singh, Mr. Rajiv Goyal and Mr. D. S. Verma (Executive Director, Indian Industries Association) submitted that the unmetered supply of electricity is the major reason behind the high line losses and this should be stopped. Further, Mr. Magta Singh submitted that electricity saving should be encouraged.
- 3.12.11 Mr. Saurabh Sanyal of PHD Chambers submitted that the Licensees should focus on reduction in power losses that are occurring due to technical reasons / power theft. Mr. D. S. Verma (Executive Director, Indian Industries Association) requested the Commission to take strict actions against heavy T&D losses.
- 3.12.12 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. suggested that the metered power supply should be made mandatory and where ever the policy calls for any unmetered or free supply, the cost of electricity consumed should be reimbursed. He submitted that this will discourage wastage, misuse and diversification making enormous energy available. He further suggested that all the sub-stations to the point of 11 kVA transformer should be metered so that the leakages can be detected. He also suggested that the Distribution Licensees should provide data of losses on big sub-stations, so that the revenue losing sub-stations could be checked which will help in reduction in distribution losses and accountability. He further submitted that miscellaneous income like penalty, assessment of theft cases are kept by the Licensees and ultimately consumed by book transfer and not paid to GoUP. He further suggested that honest consumers should be encouraged by restoring Clause 9 of earlier Tariff of providing 5% discount to LMV-6 and HV consumers where the difference between pole meter and billing meter is less than 2% as abolition of this facility will only encourage theft.
- 3.12.13 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that line losses figures are very likely to be tampered / manipulated by the Distribution Licensees and there is an urgent need to identify feeder / division wise theft for accountability. He further submitted that the data related to the line losses submitted by Licensees should be approved by an outside independent



agency duly appointed by the Commission. He also suggested that accountability of related officers responsible for such line losses under their control must be fixed.

- 3.12.14 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that the distribution losses for the state of Uttar Pradesh are the highest in the country. He submitted that the inability of the power distribution utilities to reduce and control their power distribution losses have resulted in consumers being penalized by paying for excess power procured. In this regards, he requested the Commission to direct the Licensees to come up with a plan to decrease the power distribution losses in Uttar Pradesh.
- 3.12.15 Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that the losses % for the last six years continues to be above 26% which clearly shows that there is no desire in PVVNL to reduce the losses as the Commission continuously accepts these losses and adjust Tariff accordingly. He further submitted that according to the Petition of PVVNL, it has a revenue gap of Rs. 1157.57 Crore and at an average sale price of Rs 5.28 per unit, this translates to 2192.36 MU against losses of 7323 MU. He further added that considering the above, PVVNL will be able to achieve breakeven at existing Tariff of average Rs 5.28 / unit by bringing down the line losses from the existing level of 26.68% to a level of 18.6%.
- 3.12.16 The representatives of Bhartiya Janta Party, Agra suggested the Commission that the time of power supply should be increased in the area of high revenue realization, whereas, it should be reduced in the area of poor revenue realization.
- 3.12.17 Dr. Pradeep Kumar Garg of Agra submitted that the honest consumers should not be burdened for the recovery of revenue deficit which is due to theft of huge amount electricity and due to failure to recover very huge arrear dues. He contended that an honest consumer is neither involved in it nor is he officially responsible for prevention of the theft and recovery of arrear dues while at the other hand in Petition No. 01 of 1999, UPPCL has itself accepted the existence of Katiya connection / theft of the electricity, non payment of arrear dues.

B) The Petitioner's response:

- 3.12.18 As regards the contention raised by Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP), the Licensees submitted that under R-APDRP scheme successful efforts are being made for reduction in line losses and stop power theft for which drives are being conducted wherein departmental / vigilance teams are conducting raids. The



Licensees further submitted that drive has been started from 1st July, 2014 for checking of power theft, providing new connection and replacement of defective meters in 168 cities of UP identified under R-APDRP.

- 3.12.19 The Licensees further submitted that it has planned and proposed a gradual reduction in distribution losses up to FY 2021-22 in line with the directives of the Ministry of Power, Govt. of India and all efforts are being made to reduce the losses as the same is beneficial to the utility as well. The Licensees submitted that Tariff revision exercise is done on the basis of assumption of loss level. The Licensees in its reply further submitted that it may be noted that when losses are assumed on lower side then Tariff will automatically be lesser and hence loss level projection is not against the interest of the consumers.
- 3.12.20 The Licensees replied that although the infrastructure is sufficient to cater for supply to all consumers, however to cater for future growth, action is being taken for addition of matching infrastructure. The Licensees submitted that the Commission has already issued directions to the Licensees to initiate base line loss estimation studies for assessment of technical and commercial losses and they shall be appointing consulting firms for undertaking the said studies.
- 3.12.21 The Licensees submitted that they have adopted the following measures to prevent theft of electricity:
- For proper accounting of energy and reducing chances of theft, double metering system is being implemented and is yielding encouraging results.
 - For speedy redressal of consumer grievances, call centres have been established and control rooms have been set up.
 - In all theft prone areas, overhead conductors are being replaced with ABC (Aerial Bunched Conductor). This has helped in the reduction of line losses and break-downs and has resulted in better quality of supply and consumer satisfaction.
 - Provision of periodic checking of all static and tri-vector meters installed in high value consumers premises.
 - Special drive to check the cases of theft / unauthorized use of electricity / checking of excess load being carried out in different distribution divisions by officers of the licensees.



- Special team of departmental engineers and Vigilance teams comprising of licensee's officers and Police personnel's have been formed in each circle. With these teams surprise raids are conducted to check theft of energy / katiya connections.

3.12.22 As regards the contention raised by Mr. R. K. Jain regarding deviation in T&D losses in different filings, the Petitioner submitted that Mr. Jain has referred to different Petitions when audited data was not available. However, now the ARR and Tariff Petitions for FY 2014-15 have been filed along with Audited Accounts upto FY 2012-13. The figures are authenticated by the statutory auditor and by CAG. Also, the Commission conducts a strict prudence check and analyses the submissions of the licensees before approving any Order.

C) The Commission's view:

3.12.23 The Commission recognises the fact that the Licensee has been taking measures to reduce T&D losses by implementing schemes such as laying Aerial Bunch Conductors (ABC), APDRP, R-APDRP, etc., but these efforts are yet to yield satisfactory results. On the aspect of T&D losses, the Licensee should undertake necessary strengthening and R&M of the distribution networks to reduce losses which would result in higher availability of power for sale to consumers.

3.12.24 In this regard, the Commission vide its Letter No. UPERC/Secy./D(Tariff)/13-074 dated 11th April, 2013 to the Licensee and Tariff Order dated 31st May, 2013 had directed the Licensee to conduct the base line loss estimation studies for assessment of technical and commercial losses. As discussed in subsequent chapters of this Order the Licensees submitted that M/s PFC Consulting Ltd. has been appointed to draft a strategy paper for the turnaround of the Distribution Licensees, which covers the voltage wise loss studies. The Commission stresses that the Distribution Licensees may act speedily upon the directives and report the status on a regular monthly basis to the Commission as losses play a very crucial role in the entire process.

3.13 INFRASTRUCTURE

A) Comments / Suggestions of the Public



- 3.13.1 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that the Distribution Licensees spend crores of rupees in procuring different material but quality of materials procured is of poor quality.
- 3.13.2 Mr. Rakesh Goel, President of Samarpan Sankalp Samiti submitted that consumers are suffering due to poor power supply in terms of under voltage, high voltage, frequency variations and frequent interruptions. He contended that the Licensees have failed to install and maintain an efficient distribution network which results in high line and transformer losses. He further submitted that lack of transformer maintenance (including checking, oil quantity and breakdown strength) and non existence/failure of protection devices leads to unacceptable transformer failures and the consumer is not liable to pay higher Tariff for such callous, indifferent and negligent practices of the Licensee. They also complained that the consumer services are non-existent.
- 3.13.3 Mr. Rajiv Goyal submitted that the distribution organisation structure and appraisal system of the Licensees' are too orthodox to handle the day-to-day problems. He submitted that there is virtually a non-IT organisation at division level and immediate implementation of full ERP with process re-engineering is a must for increasing efficiency and customer facilitation of the Licensees. He further added that Profit Centre Concept should be introduced in which each division may be declared as Profit Centre.
- 3.13.4 Mr. Shamshudoha Ansari of Varanasi submitted that Arial Bunch conductors should be replaced with overhead lines.
- 3.13.5 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that social audit should be conducted to check the poor quality equipments that do not match with the BIS standards.
- 3.13.6 The representatives of Bhartiya Kisan Union, Aligarh submitted that there should be transparent tendering process for installing electricity lines and other equipments.

B) The Petitioner's response:

- 3.13.7 With regard to the consumer services, the Licensee submitted that it has undertaken a slew of e-governance initiatives which are aimed at higher revenue realization, better consumer satisfaction and maintaining the highest standard of



professionalism and ethics in the organization. Some of the initiatives are: M-Dhristi, online bill payment, payment through mobile phones, Interactive Voice Response System (IVRS), SMS based payment solution, payment through ATM, launch of initiative Urja Mitra, KESCO Priority Card, 24x7 dedicated call centre, etc.

C) The Commission's view:

3.13.8 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission appreciates the initiatives taken by the Licensee. The Commission is of the view that all the above mentioned initiatives should not only be the kept as initiatives but the works regarding the same may also be completed at the earliest so that the benefit of the same can be passed on to the consumers.

3.14 IMPROPER BEHAVIOUR OF THE EMPLOYEES

A) Comments / Suggestions of the Public

3.14.1 Some of the stakeholders submitted that some of the linemen are indulged in malpractices and harass the consumers. He contended that the consumer services should be improved by the Licensees. While other stakeholders have objected that a lot of corruption is prevailing amongst the employees of UPPCL. The stakeholders submitted that if the consumers approach the employees with some grievance neither the employees behave properly with the consumers nor do they allow them to meet the senior officials with regards to their complaints. They submitted that in case the senior officials would meet the consumers many of the issues can be solved without even going to the CGRF.

B) The Petitioner's response:

3.14.2 The Licensees during the hearing has agreed to develop a mechanism wherein quarterly meetings between the MDs of the Licensees shall meet the consumer representatives and discuss the grievances of the consumers.

C) The Commission's view:



3.14.3 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The Commission appreciates the endeavours of the Licensees and furthers directs the Licensees to implement the above suggestion and arrange for quarterly meetings between the MDs of the Licensees and the consumer representatives.

3.15 ADDITIONAL SUBSIDY

D) Comments / Suggestions of the Public

3.15.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that in Truing-up for FY 2007-08, the Power Distribution Companies had to recover the additional subsidy of Rs 1,119 Crore from State Govt. In this regard, clarification should be provided.

E) The Petitioner's response:

3.15.2 In this regard, the Petitioner submitted that the issue is not related to ARR for FY 2014-15.

F) The Commission's view:

3.15.3 It may be noted that the Commission had approved an additional subsidy of Rs. 1086.11 Crore for FY 2007-08 in its Order dated 21st May, 2013. However, the Licensees have filed an Appeal on the issue before the Hon'ble ATE. Since, the matter is sub-judice before the Hon'ble ATE, the Commission opines that it will be not be appropriate to comment on the same in the present Order.

3.16 FINANCIAL RESTRUCTURING PLAN (FRP)

A) Comments / Suggestions of the Public

3.16.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that under FRP, GoUP had to provide subsidy of Rs. 4,725 Crore to Power Companies. He asked the Licensees to submit a detailed report with clarification on the subsidy received and utilised by them.



3.16.2 He further submitted that under FRP, the Licensees had to reduce the line losses by 5% in FY 2013-14. However, the line losses were reduced by 2.5% in FY 2013-14, due to which, there was a gain of Rs. 1100 Crore to the Licensees. He requested the Commission that this gain should be passed on to consumers with no Tariff hike.

B) *The Petitioner's response:*

3.16.3 The Licensees submitted that the Commission approves the ARR on the basis of normative parameters in accordance with the Distribution Tariff Regulations, 2006 while the True-up is done on the basis of actual Audited Accounts. The Licensees further submitted that the benefits due to higher reduction in line losses in the True-up of FY 2013-14 could be possible on the availability of Audited Accounts for FY 2013-14.

C) *The Commission's view:*

3.16.4 The Commission has provided its 'In-Principle Approval' to the FRP vide letter dated 19th March, 2013. However, while providing the 'In-Principle Approval', the Commission has laid a condition that the ARR and Tariff would be determined by it, based on the Regulations framed by the Commission from time to time. Further, the Commission has taken into consideration different sets of data for losses submitted while approving the distribution losses for FY 2014-15. The details of the same have been discussed in Chapter on Annual Revenue Requirement for FY 2014-15.

3.17 ENERGY AND TARIFF HIKE

A) *Comments / Suggestions of the Public*

3.17.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there was the energy hike of 5% in FY 2010-11, 11% in FY 2011-12, 5% in FY 2012-13 and 7% in FY 2013-14. He asked the Licensees to provide the details regarding the percentage of revenue recovered due to energy and Tariff hikes. He further contended that the Uttar Pradesh Upbhokta Parishad had raised various issues on Tariff hike in the 14th State Advisory Committee meeting



and the Commission had asked the Licensees to submit a report on the same issues within 15 days, however, the Licensees have not provide any such report.

- 3.17.2 Mr. Saurabh Sanyal, Executive Director, Progress Harmony Development (PHD) Chamber and Mr. Yogesh Baweja of M/s Raunaq Automotive Components Ltd. submitted that UPPCL had increased the Tariff by almost 46% to Industrial Users in 2012. He further submitted that as on date power Tariff for Industrial consumption in UP is highest in India and any further hike in Tariff will invariably put industrial users to further hardships.
- 3.17.3 He further added that the losses has been estimated to be 26.15%, which is very much high as compared to national average. He suggested that the Licensees should initiate actions and put proper institutional mechanism in place to check the power theft so that the Tariff hike burden should not be imposed on to the honest consumers who pay timely bills.
- 3.17.4 The representatives of Lucknow Jan Kalyan Mahamanch (including Mr. Pitambar Bhatt), representatives of Bhartiya Janta Party Yuva Morcha, Mathura, Mr. Mahesh Meghani of Association of Industrialists & Merchants, Mohd. Khalid of Bhartiya Communist Party of Lucknow, Mr. Shyamdev Ray Chaudhry (Dada), Mr. Pratap Chandra (President of Rashtriya Rashtravadi Party) and Mr. Sashi Bhushan Mishra (Sachiv of Upbhokta Sanrakshan Aivam Kalyan Samiti, Sitaram Nidhi, Radhaniwas, Vrindavan, Mathura) submitted that any hike in Tariff is unjustified and should not be encouraged.
- 3.17.5 Mr. Ghanshyam Khandelwal (Chapter Chairman of Indian Industries Association and Managing Director of M/s B. L. Agro Oils Ltd.) submitted that 40 paise per unit increase in Tariff for industries will put financial burden on them and such increase is unwarranted and should be reduced.
- 3.17.6 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP contented that the proposed upward increase in energy charges by around 13% for LMV-6 and 8% for HV-2 category respectively is unjustified in the present scenario of Uttar Pradesh, when industries are heavily suffering from non-availability of power.
- 3.17.7 Mr. Baburam Singhal along with the representatives of Lohiavadi Vichaar Munch submitted that the power Tariff in State should be reduced by 20%, thereby reducing



fixed charges from Rs. 75 / kW to Rs. 25 / kW and the same can be compensated by improving the line losses.

- 3.17.8 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt suggested the Commission that increase in rates of industrial units either in LMV-6 or HV-2 should not be allowed till planning is done in such a manner that industrial units may not suffer any power cut.
- 3.17.9 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that interest cost by Licensees has increased in Uttar Pradesh (in FY 2014-15, increase of 32.8% in MVVNL, 20.37% in DVVNL, 23.76% in PVVNL and 10.6% in PuVNNL) which clearly indicates poor planning of the Licensees to manage interest costs and this should not be passed on to the consumers. He therefore, requested the Commission to disallow the Tariff hike proposed by the Licensees.
- 3.17.10 Mr. D. S. Verma (Executive Director, Indian Industries Association) requested the Commission to disallow the proposed increase in Tariff. Further, Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that PVVNL had proposed for almost 40% hike in electric tariff to HV-2 consumers in FY 2012-13 because of which 18 steel plants have already shut down permanently and inspite of all this PVVNL has again proposed to increase the Tariff applicable on HV-2 consumers.
- 3.17.11 The representatives of Bhartiya Kisan Union, Aligarh submitted that Licensees should not pass their inefficiencies on to the consumers by any Tariff hike.
- 3.17.12 Mr. Rama Shankar Awasthi submitted that over the past years the increase given to other categories (say for e.g. LMV-1 etc.) has not been in proportion to the Tariff rise given to the Industry and the principle of $\pm 20\%$ of average cost of supply as provided in the Regulations has not been followed which has resulted into over/excess cross subsidization by the Industry. In this regard, he has requested the Commission to decrease the existing tariff of industry and further suggested the Commission that Tariff should be calculated voltage wise.
- 3.17.13 Mr. Jaspreet Singh Vadhwa of Antarashtriya Manavadhikar Association submitted that Tariff should be increased only when load shedding is curtailed.
- 3.17.14 Mr. Ravi Agarwal of Popular Cycles (Auto) submitted that Tariff of LMV -2 consumers should not be hiked as it was increased heavily just last year.

B) The Petitioner's response:



- 3.17.15 In reply to the objections of Uttar Pradesh Upbhokta Parishad regarding issues raised in the 14th State Advisory Committee meeting, the Licensees submitted that it has already replied to the Commission on such issues. Further, with regard to the energy hike done in FY 2010-11 and FY 2011-12, the Licensees submitted that they have submitted the Petitions for True-up from FY 2008-09 to FY 2011-12 to the Commission.
- 3.17.16 With regard to the issue raised on Tariff hike of various consumer categories, the Licensees submitted that they have proposed hike in electricity Tariff as the cost of service has gone up and the detailed rationale for hike in Tariff has been provided in the ARR Petition.

C) The Commission's view:

- 3.17.17 The Commission has noted the objections / suggestions of the stakeholders in this regards. The details related to all the aspects of Tariff design has been discussed in Chapter named Tariff Philosophy and Rate Schedule provided subsequently in the Order.

3.18 EFFECTIVE DATE FOR APPLICABILITY OF TARIFF ORDER OF FY 2012-13

A) Comments / Suggestions of the Public

- 3.18.1 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U. P. submitted that the Commission had issued Tariff Orders of the Distribution Licensees for FY 2012-13 to be effective from 1st October, 2012. Salient features of these Tariff Orders were published in daily newspapers on 23rd October, 2012. He further submitted that Para 3.8(a) of the Electricity Supply Code 2005 stipulates that Tariff or charges shall take effect only after 7 days from the date of publication in atleast 2 daily newspapers having wide circulation in area of supply. Further, Hon'ble ATE vide its Judgment dated 26th November, 2012 reads as under:

"However, after hearing the learned counsel for the parties, we deem it appropriate to direct that pending disposal of the Appeal the Impugned Order



dated 19th November, 2012 will become effective from November 1, 2012 as per the Regulation 139 of the UPERC Conduct of Regulations.”

- 3.18.2 Accordingly, Mr. S. B. Agrawal requested the Commission to clarify regarding the effective date of Tariff Order for FY 2012-13.
- 3.18.3 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that Allahabad High Court, vide its Judgment dated 1st April, 2014 in the Civil Writ Petitions Nos. 13514, 17090 & 15122 of 2014 of M/s Shakumbari Pulp & Paper Mills Ltd. and two other Petitioners, had directed to make Tariff Order of FY 2012-13 effective from 1st November, 2012. He further requested the Commission that in order to avoid any further multi-litigation in the courts and to avoid wastage of time, the Commission should issue the Order modifying the Tariff Order of FY 2012-13 to be effective from 1st November, 2012 instead of 1st October, 2012.
- 3.18.4 Mr. Neeraj Singhal, General Secretary, Indian Industries Association submitted that few industries have paid the electricity bills starting from 1st October, 2012 as per the new Tariff Order while certain industries have paid the electricity bills partially, starting from 1st October, 2012 as per the new Tariff Order. He further submitted that in accordance with the Hon'ble APTEL's Judgment dated 26th November, 2012, the new Tariff Order for FY 2012 is effective from 1st November, 2012. In this regards, he requested the Commission to issue directives to the Licensees to refund / adjust the excess electricity charges paid by LMV-6 and HV-2 consumers from 1st October, 2012 to 30th October, 2012.

B) The Petitioner's response:

- 3.18.5 The Licensees submitted that the matter has been settled by the Commission vide Order dated 6th June, 2014.

C) The Commission's view:

- 3.18.6 As clarified by the Licensee, the Commission has settled the above issue regarding implementation of Tariff Order dated 19th October, 2012 vide its Order dated 6th June, 2014 which can be referred by the stakeholders for further clarifications.



3.19 ROSTERING AND QUALITY OF POWER

A) Comments / Suggestions of the Public

- 3.19.1 Mr. Ghanshyam Khandelwal (Chapter Chairman of Indian Industries Association, Mr. Vishwanath Rai of Matdata vichar Samiti, Varanasi and Managing Director of M/s B. L. Agro Oils Ltd.) submitted that electricity supply to industries is not given as per fixed schedule of rostering and this causes enormous inconvenience to consumers.
- 3.19.2 Further, Mr. Ghanshyam Khandelwal, Mr. Shyamdev Ray Chaudhry (Dada), Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Abdul Ali of BHEL and Dr. Pradeep Kumar Garg of Agra submitted that there is poor quality of electricity supply along with high load shedding.
- 3.19.3 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that some of the janpads of Uttar Pradesh don't get 24 hours continuous supply. In this regard, clarification should be provided.
- 3.19.4 Lt. CDR (Retd) G.C. Shrivastava submitted that the quality of electricity supplied by the Licensees is poor.
- 3.19.5 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that the industrial units are facing problem of unscheduled power cuts, low voltage on dedicated feeders and inadequate supply in rural areas. He contended that even Industrial feeders are not getting 24 hours supply as committed by GoUP. He further submitted that there are irregular trends in line losses and temporary consumption and no consistency in category wise consumption has been observed which indicates inconsistencies in billing, i.e. line losses for each Distribution Licensee should be separated.
- 3.19.6 The representatives of Sanyukt Udyog Vyapar Sangh Kharkhauda, Meerut submitted that there are around one thousand of commercial connections in Kharkhauda which get 10 hours electricity supply only which after rostering and local faults is reduced to 6 to 7 hrs in a day. In this regards, he requested the Commission to direct the Licensee to provide 16 hours of electricity supply to commercial category consumers in Kharkhauda.



B) The Petitioner's response:

3.19.7 The Licensee in its reply submitted that hours of supplying electricity is normally as per schedule, however sometimes it may be less than that of schedule hours due to emergency rostering which is beyond the control of the Licensee. The Licensee submitted that the complaints of quality of supply, turnaround time for fault repair, etc. are not related to present Tariff Petition, however, it is assured that these issues will be dealt by the concerned local officers of the Licensees. The Licensees submitted that it is endeavouring to reduce the distribution losses to reduce the demand supply gap for which the capacity augmentation is being planned by the State Government also. The Licensees added that the growth in capacity addition has been outnumbered by the growth in the demand.

C) The Commission's view:

3.19.8 The Commission has taken note of the objections / suggestions made by the stakeholders in this regard. The Commission is also concerned about the above issue of quality of supply and would take appropriate steps to guide the Licensee in improving the same.

3.20 TIME OF DAY TARIFF

A) Comments / Suggestions of the Public

3.20.1 Mr. Ghanshyam Khandelwal of Indian Industries Association submitted that the proposed increase in peak hours from 5 hours to 9 hours is unjustified and will put financial burden on industries. He contended that M.S.M.Es work in one shift only, i.e., from 8 AM to 8 PM and the proposed increase in peak hours of day time will affect them badly and increase their expenses.

3.20.2 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that supply of power at discounted rates (7.5% below the normal rate) has been proposed to reduce from 8 hours to 6-7 hours and supply at higher rate (15% above the normal rate) has been proposed to increase from 5 hours to 6-7 hours while the supply at normal rate has been proposed to decrease from 11 hours to 8-9 hours. They contended that such proposed change in timings of ToD



rates is unfair for industrial consumers including LMV-6 (small and medium power) and HV-2 (large and heavy power) consumers.

- 3.20.3 Mr. D. S. Verma (Executive Director, Indian Industries Association) and Mr. Mukesh Agarwal, Sikandra Factory Owner's Association of Agra submitted that it is not possible for micro, small and medium industries to shift its manufacturing away from the time slot 9:00 hours to 13:00 hours slab which is mid of the day. They requested that the Commission should not accept the Licensees' proposal of peak hour Tariff for winter season (October to March) between 9:00 hours to 13:00 hours. They added that on the contrary, the incentive and disincentive for off peak hours and peak hours should be the same, i.e. +/-7.5%.
- 3.20.4 Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group) submitted that with the proposed change in ToD tariff will completely overturn the existing ToDs and the newspaper industries, which has so far been enjoying off-peak rates (by getting a rebate of 7.5% on normal charges) is overnight being converted to peak usage rates (paying 15% enhanced rate over normal charges). He contended that this difference of 22.5%, even notwithstanding the proposed Tariff hike, will be severely enervating to the newspaper industry. In this regard, he suggested the Commission to direct the Licensees' for re-classification of ToDs and treat the newspaper printing establishments in Uttar Pradesh at par with the Agriculture Category, thereby reducing the effect of proposed Tariff hike.
- 3.20.5 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that surcharge on slab of ToD be modified in the following manner:
- -7.5% be increased to -10%
 - +15% be decreased to +10%.
 - Bifurcation of present ToD must not be disturbed.
- 3.20.6 Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that PVVNL has proposed a hefty increase in peak hour charges. He added that it is only during peak hours that a stable quality of power is received by the industry.
- 3.20.7 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that there should be flat rate instead of ToD tariff. He contended that till date, the Licensees have not been able to provide lead / lag reading in the meter.



Further, Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that ToD should either be same as existing or removed completely.

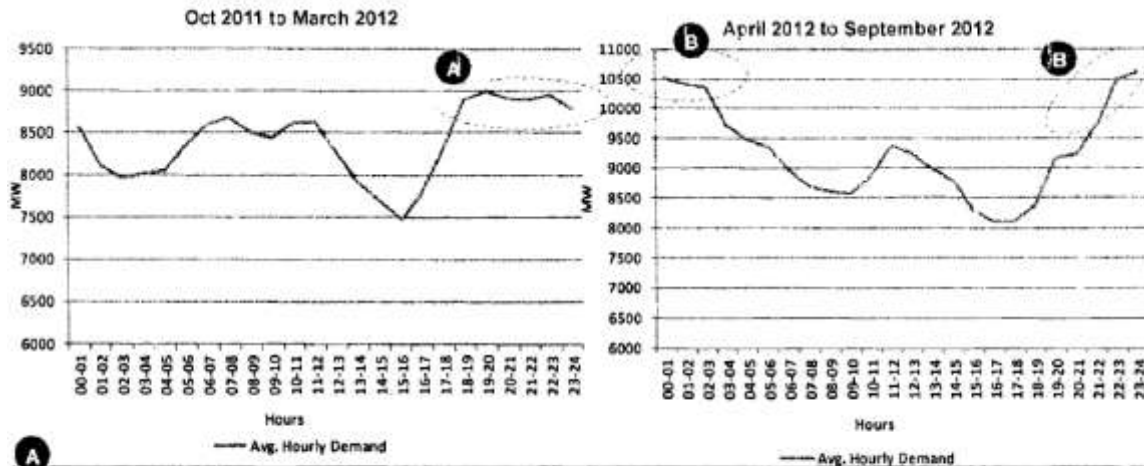
- 3.20.8 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that the proposed TOD is not practical and is mostly for LMV-6 & HV-2 category of consumers.
- 3.20.9 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association submitted that the proposed increased in ToD tariff is improper. It is not possible for micro, small and medium industries (MSME Industries) to shift its manufacturing away from the time slot 9:00 hours to 13:00 hours slab which is mid of the day. Therefore, the Commission should not accept peak hour tariff for winter season (October to March) between 9:00 hrs to 13:00 hrs. On the contrary, the incentive and disincentive for off peak hours and peak hours should be the same, i.e. +/-7.5%.

B) The Petitioner's response:

- 3.20.10 The Licensees submitted that the system conditions and availability of supply have been considered while proposing the concession and penalty for off-peak and peak timings. The Licensees further submitted that the Time of Day tariff (ToD) is a widely accepted Demand side Management (DSM) measure for energy conservation by price as it encourages the Distribution Licensees to move towards separation of peak and off-peak Tariffs which helps in reducing consumption as well as costly power purchase at the peak time. The Licensees further submitted that the Tariff is set in such a way that it inherently provides incentives and disincentives for the use of electricity in different time periods and while the basic objective of implementing Time of Day Tariff is to flatten the load curve over a period of a day resulting in reduction in the peaking power requirement it also enhance power requirement during off-peak period. The pattern of load of UP over the last 2 years as submitted by the Licensees is depicted in the following graphs:



*Determination of ARR and Tariff of PuVVNL for FY 2014-15
and True-up of FY 2008-09 to FY 2011-12*

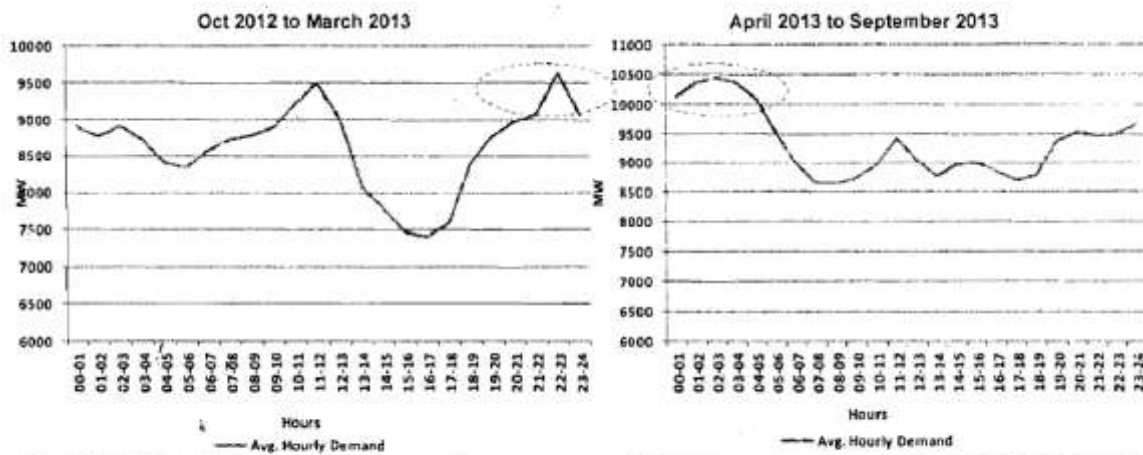


- A**

 - As observed, during the winter season, the peak occurs between 18:00 hrs to 24:00 hrs and between 05:00 hrs to 12:00 hrs in the morning.
 - The off-peak hours are during the day between 12:00 hrs to 18:00 hrs

B

 - Similarly in the summer season, the peak occurs between 20:00 hrs to 02:00 hrs
 - The off-peak occurs between 07:00 hrs to 10:00 hrs and 15:00 hrs to 19:00 hrs.



- The trend is established when the next year data is analysed for both the seasons which demonstrate peaks and off peaks during same time of day.

3.20.11 The Licensees submitted that from the above load curves it is clear that the system is experiencing peaks during evening and night hours and the reasons behind peaks during night hours is because UPPCL has endeavoured to supply energy to domestic consumers as much as possible during the night hours so that they are able to rest and sleep peacefully after hard days' work. The Licensees submitted that this would however require extra supply to domestic consumers during night hours, which can



be achieved by having some kind of deterrent on the industry and accordingly, in view of the already existing peaks and the need to supply more power to domestic consumers during night hours, the Licensees have proposed that the existing TOD structure be reviewed and existing peak rebate during night hours should be removed and in place of that a mark-up may be considered on consumers covered under the TOD Rate Schedule.

3.20.12 The Licensees further submitted that from the load curves provided by the SLDC, it may further be seen that system has slightly shifted in peak and off peak hours during summer and winter seasons. The Licensee submitted that based on above facts, UPPCL has proposed separate TOD structures for the summer and winter seasons as given below:

Existing Vs Proposed TOD Rates

1 Existing Structure

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%

2 Proposed Structure

For Summer Season (April to Sept):

Off Peak Hours	
04:00 hrs. to 10:00 hrs	(-)7.5%
Normal Hours	
10:00 hrs – 19:00 hrs	0%
Peak Hours	
19:00 hrs – 4:00 hrs	(+) 15%

For Winter Season (Oct to March):

Off Peak Hours	
13:00 hrs. to 20:00 hrs	(-)7.5%
Normal Hours	
1:00 hrs – 9:00 hrs	0%
Peak Hours	
9:00 hrs – 13:00 hrs	(+) 15%
20:00 hrs – 1:00 hrs	(+) 15%

3.20.13 As regards the contention raised by Dhanush Vir Singh regarding Tariff for newspaper printing, the Licensees submitted that the newspaper industry run with commercial motives. The Licensees submitted that such industries pass the incidence of their cost on to their consumers in terms of hike in the charges of their products and services such as advertisement rates and any move to reduce the Tariff of such



consumers would hurt the Licensees who are already reeling under severe financial crisis. The Licensees submitted that no subsidy is being received from the State Government towards such newspaper industry, hence, any reduction in their Tariffs would be uncovered gap for the Licensees.

3.20.14 As discussed subsequently in this Order, the Petitioner has submitted the revised TOD slabs for the winter season, considering the fact that the industries would get 8 hours of time slab to operate at off-peak or normal hours.

C) *The Commission's view:*

3.20.15 The Commission has taken note of the above objections / suggestions given by the stakeholders in this regards. The detailed design for TOD Tariff has been further, discussed in Chapter on Tariff Philosophy and the Rate Schedule provided subsequently in this Order.

3.21 BILLABLE DEMAND MULTIPLIER

A) *Comments / Suggestions of the Public*

3.21.1 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association and Mr. D. S. Verma (Executive Director, Indian Industries Association) submitted that the Distribution Licensees are not able to meet the demand of the consumers and demand-supply gap is ever increasing and therefore, it is unjustified to increase the billable demand multiplier from 75% to 85% of the contract demand. He requested the Commission to not agree to the proposed increase in the billable demand multiplier till the quality and quantity of power supply is improved.

B) *The Petitioner's response:*

3.21.2 In this regard, the Petitioner replied that the issue of billable demand multiplier is approved by the Commission in the General Terms and Conditions of the Rate Schedule and the broad general terms and conditions and rates should be aligned across States so as to bring uniformity in approach towards Tariff determination.

C) *The Commission's view:*



3.21.3 The Commission has taken note of the objections / suggestions given by the stakeholders in this regards. The details regarding billable demand multiplier has been discussed in chapter on Tariff Philosophy and the Rate Schedule provided subsequently in this Order.

3.22 TARIFF FOR DOMESTIC CATEGORY

A) Comments / Suggestions of the Public

3.22.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the proposed imposition of fixed charge of Rs. 50 per kW and Rs. 75 per kW for domestic consumers is unjustified. He submitted that the Licensees are not able to provide the electricity as per rostering schedule and in such a case levy of fixed charge is illegal. He further contended that earlier the Licensees used to levy fixed charge at per connection basis, whereas, now this fixed charge is levied at per kW for the urban domestic households and as a result, the consumers are burdened by every per kW consumption, and this system needs to be rectified now.

3.22.2 He objected to the increase in slabs for urban domestic consumers. He submitted that the condition of energy availability and distribution has deteriorated since FY 2012-13 and in such a scenario the Licensees should not have proposed for increase in Tariff of domestic category of consumers. He submitted that UPRVUP is of the opinion that instead of increasing the Tariff, the Licensees should focus on increasing the number of domestic consumers.

3.22.3 He submitted that the Licensees have projected additional revenue of Rs. 3267 Crore from increase in Tariff out of which Rs. 1242 Crore revenue has been projected to be earned from domestic consumers which works out to approximately 40% and is completely unjustifiable.

3.22.4 He further submitted that there is variation in electricity supply in different districts of Uttar Pradesh, but the fixed charge is same for all districts which is unjustifiable.



He further suggested the Commission that fixed charge should not be charged from consumers under domestic category.

- 3.22.5 Brigadier J Ahmad Ali, the Pro-Vice Chancellor of Muslim Aligarh University (AMU) requested the Commission that AMU being a Residential University affording education to deprived Sections of society at minimal cost may be charged as per the prescribed rate for domestic consumer under Tariff code LMV-01 instead of Tariff code HV-1B as per Tariff applicable to Military Engineer Service (MES).
- 3.22.6 The representatives of Bhartiya Janta Party, Agra submitted that the minimum tariff rate in Uttar Pradesh is Rs. 4/kWh for domestic category of consumers, whereas, the rate should have been Rs. 2-3/kWh. In this regard, they suggested the Commission to reduce the Tariff rate for domestic category of consumers. They further submitted that 3-phase supply is provided to consumers with 5 kW connections, however, for domestic category of consumers, such 3-phase supply should be provided at the connections of 2 kW.

B) The Petitioner's response:

- 3.22.7 As regards the contention raised by Mr. Avadhesh Kumar Verma regarding Tariffs for domestic category, the Licensees submitted that Tariff charged from consumers consist of fixed charge and variable charge and fixed charges are collected to recover the fixed cost including its distribution infrastructure and fixed cost paid to power generators. The Licensee submitted that at present its fixed cost is around 40% however, lower revenue is realised in this regards. The Licensee further submitted that even if the consumers don't utilize the power it has to maintain to its system in accordance with its contracted demand, hence, fixed charges are justifiable.
- 3.22.8 The Licensees submitted that the Tariff policy formulated under the Electricity Act 2003 envisages a gradual reduction of cross subsidy with a trajectory so as to bring the tariffs within $\pm 20\%$ of the average cost of supply and accordingly the slabs under domestic category have been proposed in such a way that the consumers with more consumption are abide by the above Tariff Policy. The Licensees further submitted that the contention of UPRVP that the increase in Tariff of domestic consumers was done in Tariff fixing is irrelevant and baseless.
- 3.22.9 With regard to the contentions raised on charging Aligarh Muslim University at Tariff code LMV-01 instead of Tariff code HV-1B, the Petitioner submitted that the billing is



being done in accordance with the Rate Schedule approved by the Commission in the Tariff Order dated 31st May, 2013. The Licensee emphasised that the Tariff for HV-1 consumers is within 120% of its average cost of service.

C) The Commission's view:

3.22.10 The Commission is entrusted with the role of protecting the interests of the consumers as well as those of the Licensees. Tariff rationalisation is crucial to achieve the objectives of the Electricity Act, 2003. Hence, the tariff for the domestic category of consumers has been approved by the Commission considering the stipulations of the Electricity Act, 2003, National Electricity Policy and Tariff Policy. The details of all the aspects related to Tariff design for various categories of consumers has been covered under Chapter Tariff philosophy and the Rate Schedule approved by the Commission.

3.23 POWERLOOM CONSUMERS FALLING UNDER LMV-6 CATEGORY

A) Comments / Suggestions of the Public

- 3.23.1 Mr. Sanjay Verma requested the Commission to provide the confirmation pertaining to electricity duty exemption / applicability / leviability status on power loom consumers falling under LMV-6 category and accordingly availing subsidy rebate in Tariff on flat rate basis as per norms provided under prevailing DVVNL Tariff Schedule for FY 2013-14.
- 3.23.2 Mr. D. S. Verma (Executive Director, Indian Industries Association) submitted that burdening small and medium power consumers with 18.5% Tariff hike is highly unjustified. He submitted that the contribution of this sector in socio economic development of the nation as well as the power sector is next to agriculture. He further submitted that consumers of this category are required to be spared from the load of any kind of cross-subsidies / further Tariff hike and therefore, requested the Commission to not accept the proposal of increasing the energy charges of LMV-6 Category.
- 3.23.3 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. suggested the Commission to direct Distribution Licensees to accept bank guarantee from LMV-6 consumers where payment record is bad. He further submitted that for small LMV-



6 consumers, the fixed charges should be on contract load and not on connected load, as per the direction of the Commission. He added that for any overload the consumer is already paying Penal Charges on tariff and there should not be double penalty.

- 3.23.4 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association submitted that burdening small and medium power consumers with 18.5% Tariff hike is highly unjustified. He submitted that the contribution of this sector in socioeconomic development of the nation as well as the power sector is next to agriculture. He further submitted that consumers of this category are required to be spared from the load of any kind of cross-subsidies / further Tariff hike and therefore, requested the Commission to not accept the proposal of increasing the energy charges of LMV-6 Category.

B) *The Petitioner's response:*

- 3.23.5 With regard to Tariff hike for small and medium industries, the Petitioner submitted that it has proposed hike in electricity Tariff as the cost of service has gone up and the detailed rationale for hike in Tariff has been provided in the ARR Petition.

C) *The Commission's view:*

- 3.23.6 As regards matter related to confirmation pertaining to electricity duty exemption / applicability / leviability status on power loom consumers falling under LMV-6 category, the Commission opines that the matter related to electricity duty exemption and subsidy relates to GoUP and the stakeholders may approach GoUP in the matter. While as regards the approved tariff rates, the detailed design may be referred in the Rate Schedule provided subsequently in this Order.
- 3.23.7 As regards the matter of obtaining Bank Guarantee, the matter is not related to ARR and Tariff Determination process, however the Licensees are directed to look into the matter and take appropriate action on the same.

3.24 TARIFF FOR BPL CATEGORY

A) *Comments / Suggestions of the Public*



- 3.24.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that there are around 7 to 8 lakh poor domestic B.P.L / Lifeline Consumers and there is a proposal by the Licensees to reduce the life line slab from 150 units to 50 units per month which is unjustified and would overburden such consumers. He further submitted that in 11th five year plan, there was a programme of providing free electricity connections to 2 lakh BPL households of the State for which the Central Government had provided the grant of Rs 44 Crore @ Rs 2200/- per connection to the State Government. He further submitted that at present consumers having 1kW and 150 units have to pay approximately Rs. 400, however, if the proposal of the Licensees is to be accepted then such consumers will have to pay Rs. 700 Crore resulting in an increase of around 75% which proves that the proposal of the Licensees is irrelevant and against the poor consumers. He further requested the Commission to not to accept the Licensees' proposal in this regards. He further submitted that the details of report regarding giving free connections to BPL consumers as per the scheme mentioned above should be sought from the Licensees and accordingly the proposal for change in consumption slab of BPL should be considered in the ARR of FY 2015-16.
- 3.24.2 He further submitted that on one hand poor rural unmetered domestic are being booked energy at 108 units per KW per month, and on other hand, the urban life line slab is being reduced from 150 units to 50 units per month, despite increasing requirements of consumption pattern which is unjustified. He added that the as far as the issue of reduction in Tariff of such consumers is concerned it is pertinent to mention that the GoUP provides subsidy for such consumers and if this subsidy is added to the prevailing Tariffs, then the actual tariffs will also appear to be higher.
- 3.24.3 Dr. Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic requested the Commission to issue an Order so that weaker / life line consumers get only restricted and reasonable subsidized units.
- 3.24.4 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that the data of BPL consumers along with losses and number of connections should be made publicly available as the same will help in identification and checking high loss areas.

B) *The Petitioner's response:*



- 3.24.5 With regard to the proposal to reduce the life line slab from 150 units to 50 units per month, the Licensee submitted that in accordance with the EA 2003 the Tariff policy envisages a gradual reduction of cross subsidy with a trajectory so as to bring the tariffs within $\pm 20\%$ of the average cost of supply and accordingly the lifeline / BPL consumers slab has been reduced to 50 units per month. The Licensee further submitted that the tariff of poor rural unmetered domestic consumers is less as it is facilitated by the State Govt. and such assistance by State Govt. is not provided to the lifeline consumers.
- 3.24.6 The Licensee added that the tariff for Lifeline / BPL consumers has been proposed with another objective apart from mentioned above of alignment of consumption norms for BPL category consumers with other States.

C) *The Commission's view:*

- 3.24.7 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission considers the above matter of concern and has appropriately dealt the same in the Chapter Tariff Philosophy and Rate Schedule provided subsequently in this Order.

3.25 RATE SCHEDULE LMV-10

A) *Comments / Suggestions of the Public*

- 3.25.1 The representatives of Vidyut Karmchari Sanyukt Sangharsh Samiti, Uttar Pradesh requested the Commission to not modify the provisions of Rate Schedule of LMV-10 under Electricity Reforms Act 1999, U.P Reform Transfer Scheme 2000 and Electricity Act 2003.
- 3.25.2 Mr. D. C. Dixit, Chief Secretary, Uttar Pradesh Rajya Vidyut Parishad Abhiyanta Sangh submitted that the distribution power companies have proposed a hike of 45% for LMV-10 category which is applicable for departmental employees / pensioners / Retired employees. He contended that the tariff hike for LMV-1 category is only 10% while the tariff hike of 45% for LMV-10 is unreasonable and unjustifiable. He suggested that a tariff hike of 5% for LMV-10 category would be justifiable.
- 3.25.3 Mr. D. C. Sharma of U.P. Vidyut Mazdoor Sangh submitted that the Licensees have proposed a tariff hike of 66%, 75%, 30% on LMV-10 category which is unjustified. In



this regard, he suggested the Commission that there should be tariff hike of only 10% to 15%.

B) The Petitioner's response:

3.25.4 The Petitioner replied that it has submitted an appropriate proposal after due deliberations and the proposals submitted may be accepted by the Commission.

C) The Commission's view:

3.25.5 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards and has appropriately designed the Tariff as detailed in Rate Schedule provided subsequently in this Order.

3.26 ASHRAMS

A) Comments / Suggestions of the Public

3.26.1 The representatives of Agra Mandal Vyapar Sangathan submitted that the ashrams for old, blinds, orphans, widows, handicapped and NGOs have been categorised under LMV-4 or commercial category. They submitted that such organisations are for social benefits and do not have sufficient source of income due to which they are able to pay their bills with difficulty. They further requested the Commission to either charge such organisations only fixed charge as per rural connection or provide 50% subsidy or categorise such organisations under domestic category. They further suggested the Commission that in case actual load of consumer is less than sanctioned load for continuous period of 3 months, then in such cases Licensees' should reduce the load of such consumer for charging fixed charge.

3.26.2 He further submitted that meters are installed outside the premises of consumers, which may be destroyed by culprits. They requested the Commission to clarify on issue of responsible entity for such destroyed meters.

B) The Petitioner's response:

3.26.3 The Licensee submitted that no subsidy is being received from the State Government towards 'Ashrams', hence any reduction in their tariffs would be uncovered gap for



the Licensees. Any move to to reduce the tariff of such consumers would hurt the Licensees who are already reeling under severe financial crisis.

- 3.26.4 As regards meters outside the premises of consumers, the Licensee submitted that it is adopting measures to curb theft and is acting within the provisions of the Supply Code and other orders by appropriate authorities in this regard.

C) *The Commission's view:*

- 3.26.5 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission retains the existing dispensation regarding the category and tariff structure of such consumers. The details of the tariff applicable on such consumers have been discussed in the Rate Schedule provided subsequently in this Order.

3.27 HIGH COST OF POWER PURCHASE

A) *Comments / Suggestions of the Public*

- 3.27.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that inspite of purchasing cheaper power from Power Exchange, Power Companies purchase expensive power from Reliance and Bajaj. This is totally unjustified. In this regard, he further suggested that power should be purchased from different sources on the basis of Merit Order, which in turn should be computed by adding both fixed cost and variable cost and the Tariffs should be accordingly set. He further contended that the Licensees are not able to purchase power from the exchange and instead are purchasing expensive power from sources like Bajaj and Reliance which has to be borne by the consumers and is not justifiable.
- 3.27.2 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that the Utility is procuring nearly 35% of its power from expensive source @ Rs. 4.63 / unit from IPPs & JVs and @ Rs. 4.89 / unit from cogeneration and other sources while power procurement cost from NHPC is currently Rs. 2.91 / unit, i.e., a difference of over 68%. He submitted that power procurement of expensive power indicates poor planning of the Licensees in their power procurement strategy. He further contended that it is thus unfair to penalize the consumers for poor planning and



therefore requested the Commission to review the power procurement strategy of the Utility.

- 3.27.3 Mr. Rama Shankar Awasthi submitted that the power purchase projection submitted by the Licensees is bogus / illogical and highly inflated. He further requested the Commission to summon the Licensees under Section 142 for repeated and wilful non-compliance of the repeated directions of the Commission in the above matter. He added that since the power purchase cost is uncontrollable in nature and should be allowed as per actual therefore the Commission should also do a thorough prudence check.
- 3.27.4 Mr. Rama Shankar Awasthi further submitted that the Tariff for the unmetered categories in the villages is calculated on the basis of 72 units per month. He further submitted that the Distribution Licensees receives subsidy from the GoUP for only 8 hours electricity supply to villages, and, if the Licensees are supplying electricity for more hours to the villages as per the directions of the State Government, then they should claim additional subsidy from the State which they are not claiming. He further contended that instead the Licensees are considering the resulting power purchase into account in the True-up Petition with the higher revenue gap. He further submitted that the same is not taken into account by the Commission at the time of finalization of True-up Petition and this higher power purchase is allowed by the Commission which results in regulatory surcharge or higher Tariff for the consumers.
- 3.27.5 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that the Licensees should provide clarification with regards to the cheaper power purchase from hydro generation of 350 MW as declared by CM of UP.

B) The Petitioner's response:

- 3.27.6 With regard to the contentions raised by Mr. Avadhesh Kumar Verma, the Licensees submitted that the power is purchased from different sources on the basis of merit order, which is dependent on the variable cost and the source having the lowest variable cost is given the preference while purchase of power. The Licensees submitted that they have already submitted the detailed responses to the Commission vide letter no. 1710/RAU/ARR and Tariff FY 2014-15 dated 8th July, 2014.



C) The Commission's view:

3.27.7 As regards high power purchase cost, the Commission took the matter seriously and had asked the Licensee to submit the actual power purchase data for FY 2012-13 and first three quarters (April 2013 to December 2013) of FY 2013-14. Based on the submission made by the Licensee the Commission has done prudence check and has determined and approved power purchase plan as detailed subsequently in this Order.

3.28 CAPACITY OF SUBSTATIONS

A) Comments / Suggestions of the Public

3.28.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the sub-stations of the Licensees are of less capacity due to which there is poor electricity supply to consumers and thus, the Licensees should improve its capacity before any Tariff hike.

3.28.2 The representatives of Lucknow Jan Kalyan Mahamanch including Mr. Pitambar Bhatt submitted that old transformers / electric lines should be replaced with the higher capacity transformers / electric lines.

B) The Petitioner's response:

3.28.3 As regards the contention raised regarding less capacity of sub-stations, the Licensees submitted that the Commission has approved the capacity increase of various sub-stations in the Capital Investment Plan which will help in improving the power supply to consumers.

C) The Commission's view:

3.28.4 The Commission has taken note of the objection / suggestion given by the stakeholder. The Licensee must expedite the work of increasing the capacity of various sub-stations in accordance with the Capital Investment Plan so that above issue is resolved at the earliest.



3.29 LATE PAYMENT

A) Comments / Suggestions of the Public

- 3.29.1 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that overdue interest upto 3 months is 1.25% and afterwards it is 1.5%. He further contended that the interest cannot be compounded and should be shown separately in the bills. He also requested that Interest on late payment of disputed charges where matters are sub-judice should be waived off.
- 3.29.2 Smt. Neerja Gautam of Dayal Bagh, Agra submitted that the late payment charge of her premises (which is vacant since the last 12 years) is Rs. 92,271.93 and on adding the interest the same has increased to around Rs. 1 lakh. In this regard, she requested the Commission to provide some relief in this matter of late payment charge along with extension in due date.

B) The Petitioner's response:

- 3.29.3 As regards late payment surcharge the Licensee submitted that the issue does not pertain to the ARR and Tariff Petition for FY 2014-15. The Licensee urged the consumer may approach the concerned executive engineers of the division in which such consumers fall.

C) The Commission's view:

- 3.29.4 The issue regarding the late payment surcharge has been appropriately dealt in the subsequent section named Tariff Philosophy.

3.30 TARIFF LINKED TO NUMBER OF HOURS OF SUPPLY

A) Comments / Suggestions of the Public

- 3.30.1 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt, Mr. J. K. Jain of U.P. Govt. Pensioners Association, Ghaziabad and the representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) submitted that no demand charge/ fixed charge should be



allowed till there is power shortage in U. P. or it should be linked with the hours of power supply.

- 3.30.2 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that additional Tariff should be linked with hours of supply. He submitted that if the above concept is applied then Load Factor Rebate shall be given on actual hours of supply on MDI meters which is based on the assumption of 24 hours electricity supply and accordingly proportionate rebate shall be allowed.

B) The Petitioner's response:

- 3.30.3 As regards the suggestion of the objections related demand charges to be linked with hours of supply the Licensees submitted that fixed charges are part of Tariff and are levied for developing the required infrastructure and to meet the expenses incurred to maintain the supply at all the times. The Licensees submitted that these charges cannot be withdrawn, as they are levied as per provisions of Electricity Act, 2003. In the Tariff Order for FY 2002-03, the Commission has defined the said charges as below :

“Fixed / Demand Charge is meant to defray the capital related and other fixed costs while Energy Charges is meant to meet the running expenses i.e. fuel cost / variable portion of power purchase cost, etc. A Licensee requires machinery, plant equipment, sub-stations, and transmission lines, etc., all of which need a large capital outlay. For this purpose it has to raise funds by obtaining loans. The loans have to be repaid with interest. In the total cost, provision is also to be made for depreciation on machinery, equipment and buildings, plants, machines, sub-stations and lines that have to be maintained. All these activities require large staff and their related cost. These costs are largely fixed in nature and are levied as a part of tariff to recover such costs.”

- 3.30.4 It has been further mentioned in the said Order that:

“the minimum charges are recovered as Licensee keeps in readiness of energy for the consumer to the extent of contracted demand. If the consumer does not avail of it, energy cannot be stored or preserve. The consumer is therefore, required to pay a fixed sum for energy generation/purchase, even if he does not consume electricity at the contractual level. The levy of minimum charges has been upheld legally, and is being used in several states to enable the utility to recover a part of fixed cost. The difference between levy of fixed charges and



minimum charges is that while fixed charges are charged from consumer irrespective of consumption the minimum charges comes into effect only when the bill amount is less than certain prescribed amount. If the minimum charges are not levied than there will be increase in some other charges as the utility has to recover on its prudently incurred cost from consumer.”

3.30.5 The Licensee submitted that in view of the above, these charges are logical and necessary. The Licensee submitted that fixed charges constitute around 40% of the total expenses of the Distribution Licensees; however, the revenue assessment from fixed charges is less than the 40% of the total expenses of the Licensees.

C) The Commission’s view:

3.30.6 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards and accordingly in this Tariff Order the Commission has initiated fixation of tariff based on the number of hours of supply.

3.31 FIXED CHARGE AND ENERGY CHARGE

A) Comments / Suggestions of the Public

3.31.1 Dr. Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic requested the Commission to remove the sanctioned load based fixed charge from the Tariff recommended for the Ordinary LMV-1&2 consumers.

3.31.2 He further submitted that the sanctioned load is basically aimed to protect the distribution mains from the overload. He further submitted that ordinary consumer is forced to accept this allowed sanctioned load under fear of the monopoly of the UPPCL and provision of overload assessment penalty. He contended that sanctioned load is the upper limit which a consumer can create on the system and the consumer pays for the sanctioned load via system loading charges. He further submitted that charging of both the fixed charge and cost of depreciation to recover the cost of fixed assets from the consumers is unjustified.

3.31.3 The representatives of Confederation of Residents Welfare Associations (Regd.), Mr. Mahesh Meghani of Association of Industrialists & Merchants, Mr. Vishwanath Rai of Matdata vichar Samiti, Varanasi, Retd. Major Sukhbir Singh and Mr. Avadhesh Kumar



Verma, Chairman, Uttar Pradesh Rajya Vidyut Upphoktha Parishad (UPRVUP) submitted that fixed charges should either be avoided or reduced. Further, the representatives of Bhartiya Janta Party, Agra submitted that fixed charges should be reduced similar to that in Gujarat.

- 3.31.4 The representatives of Shramik Basti Sewa Samiti (including Mr. M. Ahmed) requested the Commission to clarify about the increase of fixed charges by Rs. 10/kW. He also suggested that fixed charges should be linked with the hours of power supply.
- 3.31.5 Mr. B.C. Mittal submitted that the minimum fixed charges are being charged in addition to the actual consumption of units which is illogical as the power supply is restricted. He further submitted that there is no logic for graduated scale of rates and the charging of minimum fixed charges, especially when the schedule of rates is worked out to cater these issues. He further contended that fixed duty is charged on the total electricity bills, instead it should be on actual consumption of units. He added that justification should be provided for the increase of electricity duty.
- 3.31.6 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the rate charge should be redefined to read energy charge-Load Factor amount. He further submitted that electricity duty should be charged on kWh reading and not on kVAh reading and there should be no compulsory RMU charges if multi feeder supply is not opted. He added that beyond 200 kVA, the charge can be made if multi feeder supply system is available and physically connected.
- 3.31.7 The representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh) submitted that the total sanctioned load of UP is 35000 MW against available power supply of 11000 MW. However, UPPCL have been levying fixed charges on the basis of connected load which is manifold than the available power supply, hence, it is unjustifiable to charge fixed charges.
- 3.31.8 Mr. Narendra Kumar Dubey of Bhartiya Janta Party, Agra submitted that earlier free units were provided with fixed charge per kW. He suggested that free units should be provided to consumers for payment of fixed charge per kW and fixed charge should be reduced in case the usable demand is less than the sanctioned demand for continuous 3 months.
- 3.31.9 Mr. Pradeep Singhal, Director of Rama Agro & Allied Industries Pvt. Ltd. submitted that consumers should not be penalized with demand charges penalty if actual load is more than sanctioned load.



- 3.31.10 Mr. Rajni Kant Shukla, submitted that clarification should be provided by the Licensee for increasing load of consumers continuously from 2008 to 2013 without physical verification.
- 3.31.11 Mr. D. C. Sharma, UP Vidyut Majdoor Sangh, Lucknow, Mr. Govind Agarwal, Agra Mandal Vyapar Sangathan, Agra submitted that if the actual load of any consumer is higher than the sanctioned load due to any reason in one month in such case the Licensees increases the load of the consumers and fixed charge and penalty are levied on this increased load whereas as per the Commission's direction the load can be increase only if the actual load is more than sanction load for continuous 3 cycles. However, if the actual load is continuously lower than the sanctioned load, the load is not decreased. They further suggested that in case actual load of consumer is less than sanctioned load for 3 continuous cycles , then in such cases Licensees' should reduce the load of such consumer for levying fixed charges.
- 3.31.12 Mr. Rama Shankar Awasthi submitted that the proposed fixed charges / demand charges being collected by the Licensees are greater than the cumulative transmission capacity available in the State. He requested the Commission to study proposed fixed charges / demand charges in detail and only then allow any increase in fixed charges / demand charges.
- 3.31.13 Mr. G. C. Chaturvedi of Indian Industries Association submitted that demand charges should be proportionate to the electricity consumed and as such proposal of levying minimum 85% demand charges of the contracted load is illogical and unfair. He further submitted that electricity duty is being charged on fixed charges /demand charges as well as the charges of electricity consumed. He contended that charging electricity duty on fixed / demand charges are illogical and hence should not be approved by the Commission.
- 3.31.14 Mr. Mohan Singh Chahan, Chairman of Kisan Bachao Sangharsh Samiti suggested that for metered domestic category of consumers, fixed charge should be reduced from Rs. 75/- to Rs. 50/-.
- 3.31.15 Lt. CDR (Retd) G.C. Shrivastava submitted that fixed charges are imposed on kW load (minimum 2 kW), but in low voltage electrical gadgets cannot be used regularly and safely and eventually the consumers are paying extra charges for improper services provided.



B) The Petitioner's response:

3.31.16 The Licensees submitted that fixed charges are part of Tariff and are levied for developing the required infrastructure and to meet the expenses incurred to maintain the supply at all the times. These charges cannot be withdrawn, as they are levied as per provisions of Electricity Act, 2003. The Licensees submitted that in the Tariff Order for FY 2002-03, the Commission has defined the said charges as below:

“Fixed / Demand Charge is meant to defray the capital related and other fixed costs while Energy Charges is meant to meet the running expenses i.e. fuel cost / variable portion of power purchase cost, etc. A Licensee requires machinery, plant equipment, sub-stations, and transmission lines, etc., all of which need a large capital outlay. For this purpose it has to raise funds by obtaining loans. The loans have to be repaid with interest. In the total cost, provision is also to be made for depreciation on machinery, equipment and buildings, plants, machines, substations and lines that have to be maintained. All these activities require large staff and their related cost. These costs are largely fixed in nature and are levied as a part of tariff to recover such costs.”

3.31.17 It has been further mentioned in the said Order that:

“the minimum charges are recovered as Licensee keeps in readiness of energy for the consumer to the extent of contracted demand. If the consumer does not avail of it, energy cannot be stored or preserve. The consumer is therefore, required to pay a fixed sum for energy generation/purchase, even if he does not consume electricity at the contractual level. The levy of minimum charges has been upheld legally, and is being used in several states to enable the utility to recover a part of fixed cost. The difference between levy of fixed charges and minimum charges is that while fixed charges are charged from consumer irrespective of consumption the minimum charges comes into effect only when the bill amount is less than certain prescribed amount. If the minimum charges are not levied then there will be increase in some other charges as the utility has to recover on its prudently incurred cost from consumer.”



- 3.31.18 The Licensees submitted that in view of above, it is clarified that these charges are logical and necessary. In this regard, the Petitioner further submitted that fixed charges constitute around 40% of the total expenses of the Distribution Licensees. However, the revenue assessment from fixed charges is less than the 40% of the total expenses of the Distribution Licensees.
- 3.31.19 As regard the contention related to increase in load the Licensee submitted that the Commission has recently issued an Order to clarify this issue and it would strictly abide by the directions contained in such Order.
- 3.31.20 The Licensee submitted that billing is being done as per the Rate Schedule approved by the Commission in the Tariff Orders and considering other provisions of the Supply Code, etc. The Orders of the Commission are being followed in letter and spirit by the Licensees. However, in case any specific discrepancy in consumer billing is brought to the knowledge of the Licensee, it is immediately rectified and consumer grievance is promptly addressed.

C) The Commission's view:

- 3.31.21 The Commission has taken note of the above objections / suggestions made by the stake holders in this regards. Fixed / Demand Charge is meant to defray the capital related and other fixed costs. A distribution Licensee requires machinery, plant equipment, sub-stations, and transmission lines etc., all of which need a large capital outlay. Laying down the said infrastructure requires funds which are raised either through debt or equity; both of which come at a cost. Further debt funds are to be repaid and equity has to be serviced through return. In the total cost, provision is also to be made for depreciation on machinery, equipment and buildings, plants, machines, sub-stations and lines that have to be maintained. All these activities require large staff and their related cost. These costs are largely fixed in nature and are levied as a part of tariff to recover such costs. The Commission has, only after considering the interest of consumer as well as of the Licensee, approved the hike in fixed charges as it reflects cost of supply.
- 3.31.22 The demand charges and energy charges have been increased in consideration of the Electricity Act, 2003 and the National Tariff Policy.



3.32 LOAD FACTOR REBATE

A) Comments / Suggestions of the Public

- 3.32.1 Mr. S. B. Agrawal, Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U.P., Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that the Electricity Duty and Regulatory Surcharge is being calculated on gross amount of energy charges + demand / fixed charges. However, in accordance with the computation method given in Tariff Order for FY 2013-14, 'Rate Charge' for computing Electricity Duty and Regulatory Surcharge should be applicable on net amount of bill for energy, i.e. energy charges + demand / fixed charges – load factor / power factor rebate amount. Further, in another submission Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. and Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter suggested that the demand charges should be excluded from the definition of 'Rate Charge' and it should only be Energy Charge – Load Factor Amount.
- 3.32.2 Further, Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that the rate of electricity duty is presently ad-volentem at the rate of 7.5% of Rate Charge (as against earlier rate of 9%) and further, the Commission vide its Order dated 6th June, 2014 has decided to levy regulatory surcharge at 2.84% for extended period of 2 years, i.e. 2014-15 and 2015-16.
- 3.32.3 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that 'Rate Charge' should be clearly defined as 'Unit Charge + Demand Charge - Rebate based on units of consumption'. He further suggested that Electricity Duty should also be calculated on same ground after deducting the load factor rebate.
- 3.32.4 Further, Mr. K. L. Aggarwal submitted that the provisions of load factor rebate for consumers of HV-2, LMV-2 and LMV-6 categories should be modified and the minimum requirement for consumption of energy units per kVA should be decreased from 396 units to 360 units.



- 3.32.5 Mr. Rama Shankar Awasthi submitted that the proposed load factor rebate will increase the Tariff by around 12.5% on an average. In this regard, he requested the Commission to retain the existing LFR and modify it as follows:
- >392 - 7.5% of full tariff
 - >452 - 10% of full tariff
 - >504 - 15% of full tariff
- 3.32.6 Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter submitted that the Licensees should provide clarification regarding abolition of load factor rebate.

B) The Petitioner's response:

- 3.32.7 As regards the issue of charging Regulatory Surcharge on the bill amount after netting off Power Factor Load factor rebate, the Licensees replied that the Commission has already clarified the issue in the Clarifications in regard to the Tariff Order for FY 2013-14 (Clarification No. 1) vide Ref No: UPERC/D(T)RAU/2013-402 dated 25th June, 2013.
- 3.32.8 As regards to the issue of decreasing minimum requirement for consumption of energy units per KVA from 396 units to 360 units, the Licensees replied that the load factor rebate has been abolished in the Tariff Proposal for FY 2014-15, hence, this issue is no more relevant.
- 3.32.9 As regards the abolition of load factor rebate, the Licensees clarified that Load Factor rebate was approved by the Commission in the Tariff Order for FY 2001-02 with a view to encourage better load utilisation to HV-2 consumers above 50% utilisation and lower system losses and better system operation. The Licensees submitted that at that point of time, theft in industries was rampant, however, in the current context, the situation has changed. The Licensees submitted that Load factor rebate had been introduced earlier in large and heavy consumers to curb the theft of electricity, however, now the Licensees have installed high precision meters to monitor the trend and other parameters and as such it appears that there is no need to provide incentive for consumption and therefore they has proposed to abolish the load factor rebate.



C) The Commission's view:

- 3.32.10 The Commission has noted the above objections / suggestions made by the stakeholders in this regards. The Commission has decided to discontinue with the Load Factor Rebate as also proposed by the Licensee. The detailed rationale has been discussed in Chapter Tariff Philosophy of this Order.
- 3.32.11 As regards the suggestions given by the stakeholders on the definition of 'Rate Charge' the Commission has taken note of the above. The term 'Rate' and 'Rate Charge' are same and the term 'Rate' has been clearly defined in the Rate Schedule. As per the definition, Rate comprises of only Fixed / Demand charge and energy charges.

3.33 TARIFFS FOR RURAL DOMESTIC / AGRICULTURAL CATEGORY

A) Comments / Suggestions of the Public

- 3.33.1 Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the charge of Rs. 180 per connection for the rural consumers is totally wrong and this should be reduced to Rs. 150 per connection. He also submitted that the Tariff fixing of Rs. 100 / B.H.P / month for rural agricultural consumers should be reduced to Rs. 75 / B.H.P / month.
- 3.33.2 Mr. P. N. Kanki of Akhil Bhartiya Matadhikari Sangh submitted that electricity is not supplied properly in rural areas and is being supplied for only 2-6 hours for the time duration between 11 PM to 3 AM at night or 11 AM to 4 PM at day, when there is no need of electricity. He further submitted that the villages getting 24 hour electricity supply get poor quality supply with very low voltage. Moreover, the villages are billed with the addition of fixed charge for poor quality of electricity. He added that the rural consumers are ready to pay electricity Tariffs for their PTW connections at even commercial Tariff if they get quality power.
- 3.33.3 The residents of Block Alia, distt. Sitapur and an individual from village Akbarpur, block Maal, distt. Lucknow submitted that their area gets only 9-10 hours of electricity and in these hours also there are power cuts due to old and outdated power lines.



- 3.33.4 The residents of gram sabha Itari, district Sitapur submitted that they get power supply for only 6 hours. They further submitted that they are billed once in 6 months and get an electricity bill of Rs 800 per month. They requested the Commission to take appropriate action in this regards.
- 3.33.5 Mr. Dilip Kumar of gram sabha Mumtazpur, the residents of gram sabha Moholi, gram sabha Budanpur, gram sabha Mirchauri, gram sabha Fattepur, gram sabha Mallapur and block Laharpur of distt. Sitapur and nyaya panchayats of Gadhi, Mirchauri, Kakori, Keshra and Sadila complained that they get electricity supply for only 5-6 hours and that too of very low voltage. They further contended that the connections are not metered and the consumers are being billed heavily.
- 3.33.6 Mr. Mohan Singh Chahan, Chairman of Kisan Bachao Sangharsh Samiti submitted that farmers use PTW connection for irrigation purpose. He submitted that the electricity is supplied for PTW connection for only 6-7 hours and the connection is not even used for 4 months of rainy season. He objected that in spite of this the Licensees have proposed tariff hike from Rs. 75 / BHP to Rs. 140 / BHP, which is too high. In this regard, he requested the Commission to not to approve any Tariff hike rather reduce the present Tariff also. He also objected that the burnt transformers are being replaced at heavy expenditure.
- 3.33.7 The residents of Kashiram Shehri Gari Aawas Yojna Hanskhara Nayi Colony Char Manzil submitted that their premises have not been electrified.
- 3.33.8 Mr. Bhupendra Singh submitted that his PTW connection no. 975 was approved on 16th September, 2013 but till now it has not been installed. In this regard, he requested the Commission to take necessary actions to get his PTW connection no. 975 install.

B) The Petitioner's response:

- 3.33.9 With regard to the issue of Tariff hike for rural domestic / agricultural consumers, the Licensees submitted that they have not proposed for any Tariff hike in FY 2014-15 for rural domestic and rural private tube well consumers.

C) The Commission's view:

- 3.33.10 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 Tariff Philosophy and Rate Schedule provided in this Order.

- 3.33.11 As regards installation of PTW connection, the Licensee is directed to look into the matter and ensure the connection after looking into all the conditions required for the same.

3.34 TARIFF STRUCTURE

A) Comments / Suggestions of the Public

- 3.34.1 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that too many slabs in Tariff structure, like LMV-4 and LMV-6, small and medium power, is counterproductive as it leads to attempts of manipulation and create complication in billing. He submitted that there could be one rate without loss of revenue. He added that the tariff for all small scale industrial units having connected load upto 100 units should be at par with "Rural Schedule" Tariff called as "SSI Schedule" as this will encourage SSI units to set up units in "Rural Areas" giving employment and better viability to SSI units.
- 3.34.2 Mr. R. K. Jain further submitted that the comparison with aggregate Tariff rate per unit for all consumers is a misnomer. Further, he suggested that the Commission should direct all the Distribution Licensees to give per unit revenue in the following format:

Tariff Schedule	Total Consumer	Total Load in kVA	Total Consumption in Units	Rate per unit sold
LMV-I to LMV-IO are to be shown separately				
Likewise HV- I to HV-4 are to be shown separately				

- 3.34.3 Dr. Pradeep Kumar Garg of Agra submitted that Tariff should be designed in line with the Electricity Act, 2003 and Tariff Policy.



- 3.34.4 Mr. Mohan Singh Chahan, Chairman of Kisan Bachao Sangharsh Samiti submitted that for 1 kW capacity of domestic category, the energy charge is Rs 2.20 /unit for slab of 0-100 units. In this regard, he suggested the Commission to increase this slab to 250 units.
- 3.34.5 The representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) and the representatives of Federation of Noida Residents Welfare Association (including Mr. N. P. Singh) suggested that there should be separate Tariff for Noida Supply area.

B) *The Petitioner's response:*

- 3.34.6 The Petitioner submitted that the ARR and Tariff Proposal are strictly in line with the Distribution Tariff Regulations, 2006, Tariff Policy, 2006 and Electricity Act, 2003.
- 3.34.7 As regards the issue of multiple slabs in Tariff structure, the Licensees submitted that they have endeavoured to keep the Rate Schedule as simple as possible. However, different categories have been created to differentiate amongst consumers considering their load factor, power factor, voltage, total consumption of electricity during any specified period of time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required.
- 3.34.8 As regards the contention raised for separate Tariff in Noida supply area, the Licensees submitted that the retail tariff within the State has been kept uniform as per guidelines provided in the Section 8.4 (2) of the National Tariff Policy issued by Ministry of Power, Government of India.

C) *The Commission's view:*

- 3.34.9 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 Tariff Philosophy and Rate Schedule provided in this Order.



3.34.10 As regards the issue of separate Tariff in Noida supply area the Commission opines that current tariff of consumers justifies the rationalization policy of the Commission and is totally in line with the National Tariff Policy.

3.35 RATE REVISION OF CATEGORY LMV 1 (B)

A) Comments / Suggestions of the Public

3.35.1 Mr. Sanjay Kumar Jain, Director, M/s Galaxy Real Estate Developers and Builders Pvt. Ltd., Mr. Bhagat Singh Baghel (secretary of M/s Bhawana Sehkari Awas Samiti Ltd.), Mr. Vishal Solanki (secretary of M/s APGCE, Agra City Chapter), Mr. Anil Kumar Goyal (Director/Secretary of M/s CEMG Engineers and Consultants), Mr. Sanjay Kumar Jain (Director of M/s Galaxy Real Estate Developers and Builders Pvt. Ltd.), Mr. Radhe Shyam Sharma (Director of M/s Nalanda Builders Pvt. Ltd.), Mr. Ashok Kumar Goyal (Director of M/s Beriwal Construction), Mr. Hemant Agrawal (Director of M/s JSR Housing and Developers Pvt. Ltd.), Mr. Sudeep Kumar Agrawal (Director of M/s SJP Real Estate Ltd.), Mr. Surendra Kumar Singh (Director of M/s Deeksha Housing Private Ltd.) and Mr. D. S. Chaudhary (Consultant) submitted that UPPCL is having huge losses in terms of transmission and distribution Losses. They submitted that the residential Sector constitute a big share of electricity and energy losses in this Sector can be reduced by providing power at single point and transferring the responsibility of further distribution on some Society taking single point connection. They further submitted that in its latest Tariff Petition for FY 2014-2015, the Licensees have proposed hike in kWh and Demand rates. They submitted that in the Domestic category the Licensees has proposed hike of as 7% but in case of Single Point this hike is proposed as 16.7%. The stakeholders further submitted that at Single point distribution losses are very less say 2-5% and the operational and maintenance charges are in between 7-10%. In this regard, they further suggested that the society should be allowed to sale the power at the rates prescribed for other domestic consumers and bulk rate to society should be less by 10-15%. They added that even after lowering the rates by say 10-15%, the Licensees will still be in profit since there will be no distribution loss and no power theft. They also submitted that there is a separate head for loading charge and no guidelines have been developed for Single Point Residential Complex LMV-1(b). They suggested that there should be clear guideline for charging contract demand and rates chargeable to this category and



the Commission consider separate overhead charges for Distribution losses, operational and maintenance charges.

- 3.35.2 The residents of K. P. S Ashiyana (Om Shri Green Homes) submitted that since July 2013 their builder is distributing power to them on Single Point Connection without their approval. They complained that the builder charges them heavily with a connection charge of Rs 25000/-, late payment of Rs 250/- and reconnection charge of Rs 500/-. Further, the builder, whenever require, cancels their connection. Therefore, the residents of K.P.S Ashiyana have requested the Commission to disapprove the builder's single point connection from their residents and provide them with the new connection from the Licensee.
- 3.35.3 Mr. Sanjeev of SKS Developers submitted that as per the rate schedule of LMV-1 consumers (*point 3 (b) of ARR 2013-14 - Supply at Single Point for bulk loads applicable 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)*) it is granted by the Commission / Distribution Licensees that 'The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee'. However, for HV-1 consumers – '*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,*' the status of deemed franchisee has not been explicitly granted by the Commission / State Distribution Licensees
- 3.35.4 In order to maintain parity in treatment of LMV-1 consumers and HV-1 consumers, he requested the Commission that deemed franchisee status should also be granted to HV-1 consumers having supply at Single Point for bulk loads.



3.35.5 The secretary of Millennium Apartments- Resident Welfare Association, Noida submitted that the metering in co-operative societies is done by the Distribution Licensee at 11 kV, however all the distribution losses, including the 11 / 0.4 kV transformer losses, are borne by the society because of which the “effective rate of energy charges” paid by the residents living in co-operative societies is always higher than the “notified rate” charged by Distribution Licensee. In this regard, he further submitted that the proposed energy charges for Bulk loads having Single Point Connection is Rs. 5.25 per kWh (without any slab) whereas the other domestic consumers (being catered directly by Distribution Licensee under Consumer Category LMV-1(c)) have been provided with slabs of Rs. 4.00 per kWh (for 100 units) / Rs. 4.50 per kWh (for 101-300 units) / Rs. 5.00 per kWh (for 301-500 units) and Rs. 5.50 per kWh (for more than 501 units). He further submitted that this shows that even the notified Tariff of Rs. 5.25 per kWh falls outside the 500 kWh slab of domestic consumer category, which definitely is not the average consumption in any domestic household. Moreover, no incentive or discount has been provided for consumers having Single Point Connection at higher voltage levels like 11 kV under Category LMV-1(b). He further requested the Commission for suitable revision of the energy Tariff under Category LMV-1(b) so as to remove the above discrepancy so that some relief can be provided to consumers availing Single Point Connection at 11 kV under Category LMV-1(b).

B) The Petitioner's response:

3.35.6 In this regard, the Petitioner submitted that as per the Tariff Policy, Tariff Regulations and Electricity Act, 2003, the Licensee is entitled to charge the cost of service from the consumers and the Tariff for single point consumers is still significantly below the cost of service.

C) The Commission's view:

3.35.7 As regards the single point supply for LMV-1 category, the Commission in the Rate Schedule for FY 2013-14 has clearly specified that the body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee.



- 3.35.8 As a deemed franchisee the single point bulk supplier shall purchase the power from the Licensees at the single point bulk rate approved by the Commission in the Rate Schedule. The tariff applicable for the end consumer of the single point supplier has been detailed subsequently in the Rate Schedule.
- 3.35.9 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.
- 3.35.10 As regards the single point bulk rate for HV-I category, the Commission has taken note of the above objection / suggestion of the stakeholders and accordingly the Commission has incorporated the deemed franchisee status to HV-1 consumers having supply at Single Point for bulk loads.

3.36 SYSTEM LOADING CHARGES

A) Comments / Suggestions of the Public

- 3.36.1 Dr. Pradeep Kumar Garg of Agra and Mr. Rama Shankar Awasthi submitted that the Licensees need to submit details of the works done using the amount under System Loading Charges. They contended that the capex should take care of the system enhancement and hence system loading charges are totally illegal and against the Distribution Tariff Regulations, 2006.
- 3.36.2 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur and Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. Submitted that the System Loading Charges should be discontinued in ARR.
- 3.36.3 Mr. Vishnu Bhagwan Agarwal of M/s the Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the transformers after utilization of 80% installed capacity and the lines and meters should be maintained and upgraded at the Licensees' cost in accordance with the cost data book and such expenditure must be met from Pool of System Loading Charges.
- 3.36.4 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that System Loading Charges is recovered for creation of



asset and has been considered in tariff determination, however, there is no proper accounting of assets created through the pool. Further Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter submitted that system loading charges should be abolished.

B) The Petitioner's response:

3.36.5 On the issue of abolishing system loading charges, the Licensees replied that system loading charges are being recovered as per the Cost Data Book and Supply Code issued by the Commission.

C) The Commission's view:

3.36.6 The Commission, in the proceedings for determination of ARR / Tariff for FY 2012-13, had gone into the detailed procedure for accounting of system loading charges. The Commission had observed that the system loading charges were accounted by the Licensee as part of consumer contributions under Accounting Group Code 55 (AG-55).

3.36.7 The Commission in its earlier Orders while Truing-up the interest on long term loan has considered a normative tariff approach with a gearing of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. The portion of capital expenditure financed through consumer contributions (including system loading charges), capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. Allowable depreciation for the year has been considered as normative loan repayment. The actual weighted average rate as per audited accounts has been considered for computing the interest. The approved interest capitalisation has been considered at a rate equivalent to the rate as per audited accounts.

3.36.8 The same philosophy has been extended while determining the ARR / Tariff for FY 2014-15. This has ensured that no charges in respect of assets created out of consumer contributions (including system loading charges), capital subsidies and grants are imposed on the consumers' beginning from FY 2008-09 to FY 2014-15.

3.37 FIXED ASSET REGISTERS



A) Comments / Suggestions of the Public

- 3.37.1 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd., Dr. Pradeep Kumar Garg of Agra and Mr. Rama Shankar Awasthi submitted that despite repeated Orders of the Hon'ble APTEL and the Commission from time to time, the fixed asset registers have not been prepared by the Licensees.
- 3.37.2 Mr. Rama Shankar Awasthi submitted that the details of inter unit transfer have not been submitted by the Licensees, failing which such amounts should not be approved by the Commission while doing the True-up.

B) The Petitioner's response:

- 3.37.3 With regard to the issue raised on preparation of fixed asset registers, the Petitioner submitted that fixed asset registers could not be prepared as the Transfer Scheme is yet to be finalised and the asset wise opening balances are yet to be finalised.
- 3.37.4 The Licensee submitted that the broad level opening balances have been adopted from the Transfer Scheme approved by the GoUP. Further, year wise capitalisations, as provided in the audited financial statements, have been considered for Tariff purposes and the same have been approved by the independent statutory auditor as well as by the CAG. The Licensee further submitted that the growth in the distribution network and consumer base is also a testimony of the large capital investment undertaken by the Licensee in the State. Hence, it cannot be denied that the capital investment has been put to beneficial use.
- 3.37.5 The Licensees further submitted that the accounting policy in relation to fixed assets is provided as part of the Audited Accounts. However, the fixed assets are shown at the value transferred as per the second Transfer Scheme as opening balance. The Licensee submitted that all the costs relating to the acquisition and installation of fixed assets till the date of their commissioning are capitalised in the accounts. The Licensee submitted that based on this policy, the capitalisations have been accounted in Audited Accounts of each year and the statutory auditors have approved the overall balance sheet of the Licensees. The Licensees added that even the supplementary audit report of the AGUP has not found any discrepancy in this policy.

C) The Commission's view:



- 3.37.6 The Commission has taken note of the objections / suggestions made by the stakeholders in this regards. The Commission has already expressed its displeasure on the non-availability of fixed asset registers of the Licensee.
- 3.37.7 As a first step towards reprimanding the Licensees over the issue of non-preparation of fixed asset registers, the Commission in its Tariff Order dated 31st May, 2013 had withheld 20% of the allowable depreciation for FY 2013-14 alongwith the direction that the same would be released for recovery through tariff, upon submission of fixed assets registers up to the current year i.e., FY 2012-13 by 30th November, 2013.
- 3.37.8 The Commission in the same Order had also observed as follows:
- “The Commission is also not satisfied with the explanation provided that the fixed asset registers could not be prepared as the Transfer Scheme finalisation is pending. The responsibility of the Transfer Scheme finalisation also rests with the Licensee. The Licensee needs to pursue with the GoUP to get the Transfer Scheme finalised. Nevertheless, it cannot be argued, that fixed asset registers capturing at least the yearly capitalisations could always have been prepared. The Commission directs the Licensee to prepare the fixed asset registers duly accounting for the yearly capitalisations from FY 2012-13 onwards. The capitalisations for the period before that may be shown on gross level basis. Upon finalisation of the Transfer Scheme, the Licensees may update the fixed asset registers appropriate by passing necessary adjustments.”*
- 3.37.9 However, the Licensees have shown no improvement in this front and the details of fixed asset registers have still not been submitted till the finalization of ARR and Tariff for FY 2014-15.
- 3.37.10 Continuing with its earlier approach the Commission has withheld the allowable depreciation for FY 2014-15 to an extent of 25%, i.e. an additional 5% over the last year’s limit of 20%. However, the Commission has accorded final opportunity to the Licensee in this regards for submission of the fixed asset registers failing which the Commission shall disallow any kind of recovery of the same in the future as detailed in the Chapter titled Annual Revenue Requirement of FY 2014-15.
- 3.37.11 The Commission while approving the past years capitalisation in true up orders have relied on the gross fixed asset balances as per audited accounts. While approving the



investment for the FY 2014-15, the Commission has considered only 70% of the investment proposed in the ARR Petitions.

3.38 TARIFF AND NON TARIFF ITEMS

A) Comments / Suggestions of the Public

3.38.1 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur and Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the Licensees should provide clarification regarding the Tariff and Non-tariff items. He suggested that the Load Factor Rebate is a Tariff item and hence should be considered in ARR.

B) The Petitioner's response:

3.38.2 As regard the contention raised by Mr. P. K. Maskara regarding the Tariff and Non-Tariff items, the Licensees replied that it has submitted all the relevant information in the ARR and Tariff Petitions for FY 2014-15. The Licensee further submitted that since the query of the stakeholder is dated 27th November, 2013 hence it is understood that the same does not pertain to the ARR and Tariff filings for FY 20 14-15.

C) The Commission's view:

3.38.3 The Commission has taken note of the suggestion of the stakeholders in this regards. The Distribution Tariff Regulations, 2006 clearly provides the distinction between the Tariff items to be included in the ARR and the Non- tariff items to be considered while approving the revenue. And thus, revenue from Tariff or Non Tariff items both gets included in the revenue.

3.39 METERING AND BILLING

A) Comments / Suggestions of the Public

3.39.1 The representatives of Lucknow Jan Kalyan Mahamanch including Mr. Pitambar Bhatt submitted that proper seals should be placed while replacing the electric meters and a proper inspection at site should be there.



- 3.39.2 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P, Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group), Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd., Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh, Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP, the representatives (including Mr. Babu Lal Singhal) of Lohiavadi Vichar Munch, the representatives of Shramik Basti Seva Samiti of Kanpur, Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter and Dr. Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic submitted that Licensees should ensure 100% metered supply, including rural consumers and its employees (present as well as retired). They further submitted that the Licensees should install prepaid meters in the premises of all such consumers who opt for it and such consumers in accordance with the Electricity Act 2003.
- 3.39.3 Further, Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur suggested that prepaid meters should be installed in premises of all such consumers who want to opt for it and this will control supply to the industries having independent feeder from 132 / 33 kV sub-stations.
- 3.39.4 The representative of National Chamber of Industries & Commerce, U. P. submitted that there is a long standing demand of consumers and trade associations to install prepaid meters and the Licensee should clarify the schedule of implementation of such schemes.
- 3.39.5 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that the consumers seeking prepaid meters should not be made to pay additional security as it is obligatory for the Licensees to make arrangement of easily available meters. Further, Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P requested the Licensees to provide the graph of target achieved in last few years for installing meters on unmetered supply. He suggested that the Govt. can provide subsidy to such consumers instead of providing unmetered connections. They further requested the Commission to direct the Licensees to accept Bank Guarantee from LMV-6 consumers where payment record is bad for any delay or failure.
- 3.39.6 Mr. Naveen Khanna, Chairman, Kanpur Chapter of Indian industries Association, Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P., Mr.



Vishwanath Rai of Matdata vichar Samiti, Varanasi, the representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) and Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter submitted that unmetered electricity supply to all category of power consumers including the staff must be stopped and should be metered. They further submitted that all heavy consumers must be provided pre-paid meters and arrangement must be made by the Distribution Licensees to provide pre-paid meters.

- 3.39.7 Mr. Anil Rathi of Associated Chambers of Commerce & Industries submitted that there have been repeated directions by the Commission to all the Licensees to provide all the departmental employees and pensioners metered supply only. He contended that inspite of such directions unmetered supply is still being given to departmental employees and pensioners at price which is not even relevant to the cost price. He also added that in such a scenario HV-2 industries also demand that they should also be given unmetered supply till the time all supplies are metered so as to provide a level playing field to all consumers.
- 3.39.8 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. requested the Commission to consider the proposal of compulsory installation of AMR meters and roll out of consolidated billing for large consumers with multiple connections. He further suggested that in this regard, the Commission should issue appropriate directions to the Licensees to consider such implementation on high priority for telecom towers.
- 3.39.9 He further submitted that in accordance with supply code, the Licensee has to provide a minimum of 15 days to the consumers to pay their bills. However, very few bills are received by the consumer with a time period of 15 days for bill payment. He contended that 94% of the bills received by Indus Towers have payment period of less than 15 days for payment which results in Indus Tower to pay excessive late payment surcharge to the Licensees for no fault of its own. He requested the Commission to direct the Licensees to ensure that it gives a time period of 15 days from the date of despatch to the final date to ensure timely payment of bills. He also requested the Commission to direct the Licensee to should refund the Indus Tower for the excess late payment surcharge paid by it.
- 3.39.10 Mr. Rama Shankar Awasthi and Mr. Mahesh Meghani of Association of Industrialists & Merchants requested the Commission to continue previous provision of late payment surcharge specified in last Tariff Order. They submitted that the Licensees should also specify excess payment recovered by them from consumer and this should be included in the Tariff Order. They further requested the Commission to



direct all the Licensees for providing monthly M.R.I. report (full) to consumer so that the consumer are able to verify consumption mentioned in monthly bill issued by the Licensees as in the absence of M.R.I. report and reading sheets (at present licensee take monthly reading through modem in their office), consumer are never able to verify the consumption mentioned in TOD slot of monthly bill prepared by the Licensee.

- 3.39.11 Mr. Narendra Kumar Dubey of Bhartiya Janta Party, Agra suggested that consumers should be intimated by SMS for bills.
- 3.39.12 Mr. J. P. Singh of Kamala Nagar, Agra submitted that he has opened school till class 2 and has only 17 poor students in his school. He submitted that on February 2014, his connection was converted from LMV-1 to LMV-4, as a result of which he has to pay the bill applicable for LMV-4 category. He contended that Torrent power has given him a bill with a Tariff difference of Rs. 34421 / 15. Therefore, in interest of poor students getting education from his school, he requested the Commission to change his school connection from LMV-4 to LMV-1 category and also reduce the bill given by Torrent Power.
- 3.39.13 The representatives of Sanyukt Udyog Vyapar Sangh Kharkhauda, Meerut requested the Commission to direct the Licensees to replace the meter reading based billing with the billing applicable to rural electricity supply.
- 3.39.14 Mr. Rajiv Goyal, Mr. Ajay Verma and the representatives of Bharat Ka Jan Andolan of Lucknow submitted that all the consumers should be billed on the basis of meter reading.
- 3.39.15 Mr. Rama Shankar Awasthi submitted that the Commission decide all the rates on which Licensee bills the consumers and Torrent Power, being a franchisee takes the electricity from DVVNL to distribute in the city of Agra. He submitted that clarification should be provided regarding the rate of Torrent Power below the bulk supply tariff determined by the Commission. He further submitted that as per the agreement a quantum of 1905 MU has to be provided by DVVNL and the rest has to be purchased from outside by the franchisee and the Licensees should provide a clarification for non-compliance in this regards.
- 3.39.16 Mr. Avadhesh Kumar Verma submitted that due to the high losses of Torrent power which is a distribution franchisee in Agra City the ARR of the Licensee has increased. He submitted that the losses of the DVVNL are higher due to input based distribution franchisee. Further some of the others stakeholders also submitted that Torrent



power has caused a loss of around Rs. 5000 crore to DVVNL and has worsened the the State conditions.

- 3.39.17 Mr. Rakesh Goel, President of Samarpan Sankalp Samiti submitted that perusal of ARRs submitted reveals that around 25-30% energy supplied is truly and correctly metered. He submitted that many categories of consumers, including the working and retired employees of MVVNL, are being supplied electricity without metering in spite of the Orders issued by the Commission. He further contended that although new meters have been installed in several 33 / 11 kV substations, yet no data logging is being done for the purpose of energy accounting. He added that in an efficiently managed transmission and distribution system, losses of more than 10% should not be considered.
- 3.39.18 Mr. Abdul Haq and the representatives of Samajvadi Party, Agra requested the Commission to cancel the bills issued to domestic category of uneducated, poor, old and sick consumers. He contended that Licensees had no survey or meter reading for past many years and today under Torrent Power, such domestic households have been billed with Lakh of rupees which is purely unjustified. He requested that such bills should be cancelled as most of such premises are vacant since many years and in very poor condition.

B) The Petitioner's response:

- 3.39.19 With regard to the metering of departmental employees, the Licensees submitted that Section 23 (7) of Electricity Reforms Act, 1999 provides as follows:

“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”.

- 3.39.20 The Licensees submitted that same spirit has been echoed under first proviso of section 133 (2) of the Electricity Act, 2003. Also, the benefits for employees / pensioners as provided in section 12 (b)(ii) of the Uttar Pradesh Reform Transfer Scheme, 2000 include “concessional rate of electricity”, which means concession in rate of electricity to the extent it is not inferior to what was existing before 14th January, 2000. The Licensees submitted that the rates and charges and terms and



conditions of supply have been proposed in strict adherence of above statutory provisions.

- 3.39.21 As regards the issue of 100% metering the Licensee replied that the same was discussed at length in the Brainstorming meeting held with the Commission on 18th February, 2014 and subsequently, the Licensees have undertaken a comprehensive exercise to regularise 'katiya' connections and metering of un-metered connections. The Licensees informed that in this regard, an Office Order No. 832 dated 19th June, 2014 has been issued by Chairman, UPPCL directing all Distribution Licensees to strictly comply with such Order.
- 3.39.22 As regards pre-paid meters the Licensees informed that pre-paid meters are being procured and will be installed at consumers' premises in near future.
- 3.39.23 As regards imposition of late payment surcharge, the Licensees submitted that the late payment surcharge is imposed to enforce payment discipline on the consumers; otherwise working capital issues may arise leading to increase in cost of service to consumers.
- 3.39.24 The Licensee clarified that the Bulk power tariff for M/s Torrent Power Ltd., has been fixed with due diligence taking into consideration all relevant parameters and data. The terms and conditions of the agreement with M/s Torrent Power Limited are governed by the Franchisee Agreement.
- 3.39.25 The Licensee has treated the energy supplied to M/s Torrent Power Limited as bulk sales by DVVNL. The audited balance sheet has been finalised based on the advice and overview of the statutory auditor. However, the Commission considers the retail sales of Agra City for tariff purposes and therefore, there is no impact on the ARR and consumer's w.r.t the input based distribution franchisee in Agra City.

C) The Commission's view:

- 3.39.26 The Commission has taken note of the objections / suggestions made by the objectors regarding prepaid meters and on other hand it also appreciates the endeavours made by the Licensees for installation of prepaid meters. Further, the Commission feels that prepaid meters will go a long way towards reducing



commercial losses of the Licensee. The billing and collection through Franchisee model has been widely accepted in different parts of the country and the main purpose is to help the Licensee in reducing inefficiency in billing, collection and loss reduction. Keeping the above in mind, implementation of the franchisee model will be a welcome move by the Licensees.

- 3.39.27 The Licensees are directed to provide the monthly MRI reports to all the applicable consumers through email. The consumers would be required to register their email to the Licensee.
- 3.39.28 As regards the objections related to individual objectors for settlement of bills etc. the Commission has taken a note of all such objections, however, the Commission is of the view that such objections do not specifically pertain to the ARR and Tariff related matter. The licensees are directed to look into the matter and take appropriate actions on the same.

3.40 ELECTRICITY DUTY AND INTEREST ON SECURITY DEPOSITS

A) Comments / Suggestions of the Public

- 3.40.1 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P submitted that in accordance with the Distribution Tariff Regulations, 2006 the Licensees has are required to pay interest to the consumers at bank rate or more on the consumer security deposits. He further submitted that the Commission has considered the prevalent bank rate of the Reserve Bank of India (RBI) for approval of the interest rate applicable for such payments and accordingly, interest on security deposit for FY 2012-13 should be payable at 9.5% which was the effective bank rate as on April 1, 2012, however, despite repeated requests no action has been taken by the Licensees in this regard.
- 3.40.2 Further, Mr. S. B. Agrawal, Mr. Rajeev Gupta, Vice President of Associated Chambers of Commerce & Industry of Uttar Pradesh, Retd. Major Sukhbir Singh and Mr. Atul Gupta, President of National Chamber of Industries & Commerce, UP submitted that security deposit is being calculated on Electricity Duty also. They contended that as Electricity Duty is being recovered from the Licensees on behalf of GoUP, hence, no Security Deposit should be charged for this.



- 3.40.3 Mr. S. B. Agrawal further submitted that while calculating security deposit two months equivalent billing amount is being considered. He further submitted that the meter readings are being recorded and bills are being issued just on first day of the succeeding month and the consumers are required to pay bills within seven days, therefore, security deposit should be equivalent to 1 month or maximum 45 days.
- 3.40.4 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that additional Security Deposit equivalent to 2 month consumption including duty and other surcharges are unreasonable. He submitted that like other States, Security Deposit should not be increased and also the Licensees are not paying the interest timely and fully. He further submitted that Interest on security has not been paid in the past and the matter remains pending despite directions to clear all outstanding. He added the Licensees should pay the same now and that too with interest.
- 3.40.5 Sr. Plant Manager of Indian Oil Corporation Ltd. L.P.G Bottling Plant requested the Commission to provide them the rate of interest on security deposit with the Licensees against their electricity connection for FY 2009-10 to FY 2014-15 and also to verify the amount received from the Licensees for the given years.
- 3.40.6 The representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain) submitted that consumers should be provided interest on the security deposit. The representative of National Chamber of Industries & Commerce, U. P. (including Mr. Manish Agarwal) submitted that the interest on security deposit should be paid fully to the consumers for the period 2003 to 2006 and FY 2011-12.
- 3.40.7 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that all the Licensees may be directed to pay interest on security for 2014-15 as per bank rate of RBI on April 1, 2014.
- 3.40.8 Mr. K. L. Aggarwal, Chairman, Associated chambers of Commerce & Industry of U.P submitted that the Commission vide its letter dated 20th August, 2007 and another letter no. UPERC /2008-3261 dated 6th October, 2008 treated non-payment of additional security as an arrear for the purpose to calculate Load Factor Rebate (LBR) of Industrial Consumers. He further submitted that on the same subject, UPPCL has issued letter No. 816/Gen. File 13 dated 10th June, 2014 to MDs of all Distribution Licensees. He added that in this regard, the Hon'ble High Court Allahabad Bench in writ C. No. 7764 of 2011 (K. L. Concast Pvt. Ltd.) Judgment dated 24th February, 2011 ruled as law that non-payment of additional security cannot be treated as arrears for



the purpose to deny LBR and also held the Commission's letter dated 6th June, 2008 as illegal. He requested the Commission to examine the matter and take immediate actions and direct the Licensees to withdraw UPPCL letter No. 816/Gen. File 13 dated 10th June, 2014 issued to MDs of all the Licensees in this regards.

- 3.40.9 Mr. Rama Shankar Awasthi submitted that the Licensees should provide details validating the payment of interest on security to all consumers in a timely fashion. He further submitted that it is the duty of the Licensee to adjust the amount of interest on security deposit in each financial year. He also suggested that if Licensees fail to adjust this amount in, specified time mentioned in distribution code then Licensee should pay interest equivalent to late payment surcharge claimed by licensee in case of delay payment by consumer.
- 3.40.10 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that for calculating security deposit equal to two months of bill, non-tariff income must be eliminated from bill average of two months.
- 3.40.11 Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur and Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that Electricity Duty is a state tax and therefore it should be on net amount of bill. On similar lines he added that calculation of security deposit figures should be only on tariff items (excluding electricity duty as non-tariff item).
- 3.40.12 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that there should be no electricity duty on old / sick / nursing units in line with new units to help them sustain.
- 3.40.13 Some of the stakeholders submitted that electricity duty should be applicable on units and not on the percentage basis.
- 3.40.14 Further, Mr. Mahesh Meghani of Association of Industrialists & Merchants submitted that clarification may be provided regarding the consumer security deposit of 9.5% only.

B) The Petitioner's response:

- 3.40.15 The Licensees submitted that interest on consumer security deposit is being given to consumer as per Orders of the Commission and the provisions related to security deposit and the interest payable on the same are amply clear and are dealt with in detail in the Distribution Tariff Regulations, 2006 and are being followed in letter and



spirit by the Licensees. However, in case any specific discrepancy is brought to the knowledge of the licensee, it is then immediately rectified and consumer is credited with the interest on consumer security deposit.

3.40.16 Further, the Licensees submitted that electricity duty is payable to State Government and its chargeability and rates are not governed by the Tariff Order.

3.40.17 As regards computation of security deposit on Electricity Duty, the Licensees submitted that the security deposit amount is being calculated as per the Cost Data Book and Supply Code issued by the Commission.

C) The Commission's view:

3.40.18 Matters related to electricity duty exemption relate to GoUP and the stakeholders desiring any such favours may approach the GoUP alongwith their proposal.

3.40.19 The provisions related to security deposit and the interest payable on the same are amply clear and are dealt with in detail in the Distribution Tariff Regulations, 2006. It needs to be followed in the same spirit by both, the Licensee as well as the consumers.

3.40.20 The Reserve Bank of India vide circular no. RBI/2013-14/469 dated 28th January, 2014 has revised the bank rate from 8.75% to 9.00% w.e.f 28th January, 2014. The Commission in this Order has approved a rate of 9.00% on interest on consumer security deposit for the period 1st April, 2014 to 31st March, 2015.

3.40.21 The Commission in its earlier Orders has directed the Licensee on the above matter and it once again directs the Licensee to pay the applicable interest as per the Orders of the Commission and submit the compliance report with the next ARR filing. Licensees are directed to ensure the timely payment of the interest on security deposit to the consumers.

3.41 REGULATORY SURCHARGE

A) Comments / Suggestions of the Public

3.41.1 Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P and Mr. Pratap Chandra (President of Rashtriya Rashtravadi Party) submitted that regulatory surcharge @ 3.71% was imposed to cover the losses



incurred by UPPCL between FY 2000-01 to FY 2007-08. They further submitted that one of the consumer of PVVNL has filed the writ Petition against this and accordingly the Hon'ble High Court of Allahabad vide its Judgment dated 18th September, 2013 has observed as follows:

“as an interim measure, we direct that the surcharge, imposed by the notification dated 10-6-2013 shall be paid by the petitioner @3.71% but the.....Paschimanchal Vidyut Vitran Nigam Ltd., shall ensure that the said amount of regulatory surcharge be kept in a separate interest bearing account of a national bank. The deposit so made by the petitioner shall be subject to the further orders passed in the writ petition”.

- 3.41.2 They further requested that to avoid similar writ Petitions from consumer of HV-2 categories of other Licensees' area, the Commission may order similar procedure for other Licensees as well.
- 3.41.3 The representatives of Confederation of NCR Residents Welfare Associations (including Mr. P. S. Jain), the representatives Federation of Noida Residents Welfare Association (including Mr. N. P. Singh), Mr. M. Ahmed of Shramik Basti Sewa Samiti, Retd. Major Sukhbir Singh and National Chamber of Industries & Commerce, U. P. including Mr. Manish Agarwal submitted that the Licensees should not charge regulatory surcharge from the consumers.
- 3.41.4 Mr. B.C. Mittal submitted that surcharge is levied on the consumers for no fault of theirs. Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that regulatory surcharge should not be repeated as it is unreasonable, illogical and illegal as per Electricity Act, 2003.
- 3.41.5 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that regulatory surcharge should not be imposed in public interest.
- 3.41.6 M/s Rathi Steel and Power Ltd., Director of M/s Rathi Industries Ltd., Director of M/s K. L. Rathi Steels Ltd., Managing Director of M/s Rathi Super Steel Ltd., General Manager (Operations) of M/s K. L. Steels (p) Ltd. and Director of K.L. Concast Pvt. Ltd.



submitted that the Petitions submitted by the Licensees should provide clarification regarding the recovery of Regulatory Assets from Open Access Consumers.

- 3.41.7 Further, Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. and Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur submitted that clarification should be provided whether regulatory surcharge is a Tariff or Non-Tariff item.

B) The Petitioner's response:

- 3.41.8 With regard to the issue of regulatory surcharge @3.71% for FY 2013-14, the Licensees submitted that Clause 6.12 of the Distribution Tariff Regulations, 2006 provide as follows:

- "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."*

- 3.41.9 The Licensees submitted that regulatory asset had been created by the Commission towards unrecovered gap pursuant to the final True-up for FY 2000-01 to FY 2007-08 based on Audited Accounts and thereafter regulatory surcharge @ 3.71% was approved by the Commission to amortize 50% of the revenue gap approved in such True-up Order. The Licensees submitted that in view of the above regulatory surcharge is valid in law and is in accordance with the Distribution Tariff Regulations, 2006.

C) The Commission's view:

- 3.41.10 The matter of Regulatory surcharge is of great concern to the Commission and accordingly it has issued appropriate directions on the same as detailed subsequently in this Order.



3.42 CROSS SUBSIDY AND CROSS SUBSIDY SURCHARGE

A) Comments / Suggestions of the Public

3.42.1 Dr. Pradeep Kumar Garg of Dr. Garg Nursing Home & X-Ray Clinic requested the Commission to issue an Order so that cross subsidy component levied on better class of consumer shall be unit linked and clearly reflected in their bills.

3.42.2 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. submitted that the Commission vide letter dated 20th August, 2007 directed to treat pending due to surcharge liability as an arrear. However, such amount of surcharge liability is not conveyed to the consumer. He submitted that it is a settled law that until and unless a demand is raised against any due or the same is added in next bill giving an opportunity to the consumer to pay off the due / liability, then any such liability cannot suo-moto be treated as an arrear.

3.42.3 Ms. Shruti Bhatia, Vice President (Policy & Communications) of IEX has suggested the following formula for computation of cross subsidy surcharge (CSS):

“Formula should be in line with the National Tariff Policy i.e. $S = T - [C (I + L / 100) + D]$.

- i. 'T' should be specified as Tariff applicable for the consumer category in Rs/unit. This should exclude those charges which are payable by the relevant category of consumer which are fixed in nature and payable by the OA consumer to the DISCOM irrespective of whether the consumer choose for procuring power from open access or not since presently all OA consumers seek open access with their contract demand intact. When tariff which are fixed in nature considered in 'T', it leads to double charges as these fixed charges are anyway has to be paid by the consumer.*
- ii. 'C' should be taken as “Weighted average variable cost of power purchase of top 5% at the margin in the merit order of including short term power and excluding liquid fuel based generation and renewable power”. To start with, the Commission may take top 10% instead of 5%.*
- iii. 'D' should be the average wheeling charges for transmission and distribution of power.*
- iv. 'L' should be the system losses for the applicable voltage level, expressed as a percentage. In absence of loss data, the Commission may take 7.8% as loss*



and may change the loss figure as and when actual figures will be available with the Commission.”

- 3.42.4 Mr. Rama Shankar Awasthi submitted that in accordance with the previous Tariff Orders, the Government has not been providing adequate subsidy, which is against Section 65 of the Electricity Act, 2003 and this leads to cross subsidization of other categories which is against the spirit of the Electricity Act, 2003. He contended that the Licensees have not provided the detailed computation of the Government subsidy provided to them. In this regard, he requested the Commission to direct the Licensees to provide such details before finalizing and designing the Tariffs of various categories of consumers as the True-up can also not be approved by the Commission without this data.
- 3.42.5 Mr. G. C. Chaturvedi of Indian Industries Association submitted that cross subsidy burden must be removed from the industry.
- 3.42.6 Mr. Dhanush Vir Singh (General Manager of M/s Bennett Coleman & Co Ltd., Times of India Group) submitted that the Commission may persuade the State Government to grant an appropriate power subsidy to the newspaper printing establishments.

B) The Petitioner's response:

- 3.42.7 As regards the CSS the Licensee submitted that the schedule of open access charges and CSS are notified by the Commission in the Tariff Orders. The Licensees submitted that they are duty bound to abide by the Electricity Act, 2003 which provides for open access in the distribution segment. The Licensees further submitted that in this background they have already made a Petition before the Commission for determination of CSS which would pave way for operationalization of open access. The Commission has also issued In-house paper on the matter. The Licensees added that the Commission is seized with this matter and it is expected that in the ARR and Tariff Order for FY 2014-15, the Commission would provide details of open access charges and cross subsidy surcharge.
- 3.42.8 With regard to granting power subsidy to the newspaper printing establishments, the Petitioner submitted that it is the prerogative of the State Govt to decide on the issue of subsidy and the distribution licensee is not in a position to influence the decision making process of the State Govt.



3.42.9 As regards the issue of cross subsidy burden to be removed from the industries, the Licensees submitted the cross subsidy is within the threshold limits prescribed under the Tariff Policy.

C) The Commission's view:

3.42.10 The Commission is of the view that tariff should be rationalized. However, it is also aware of the socio-economic condition of different groups of the population. Therefore, it is of the opinion, that there is a need to have a feasible solution that helps the cause of rationalization. The Commission has ensured that the tariff payable by these consumers is low, keeping in mind that they belong to the most disadvantaged sections of the society. The current tariff for this category of consumers, well justifies the rationalization policy of the Commission and is in line with the National Tariff Policy.

3.42.11 In accordance with the National Electricity Policy, consumers below poverty line who consume electricity below a specified level may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply. The tariff has been designed in such a way that it shall progressively reflect the cost of supply of electricity.

3.42.12 As regards the cross subsidy surcharge the Commission has noted the suggestions made by the stakeholders and has accordingly discussed the issue in detail in Chapter Open Access Charges.

3.43 REBATE IN TARIFF

A) Comments / Suggestions of the Public

3.43.1 Mr. Deepak Agarwal, Jt. Managing Director, A2Z Infrastructure Ltd. submitted that pursuant to the affidavit filed by the Union of India in Writ Petition (Civil) No. 888 of 1996 in the Hon'ble Supreme Court of India by Mrs. Almitra Patel & Others vs Union of India & on Solid Waste Management, the Ministry of Urban Development, Government of India constituted an Inter-Ministerial Task Force on "Integrated Plant Nutrient Management using City Compost" comprising of experts from various Government bodies and special invitees / NGOs. The recommendation number (xxi) of the Task Force under Financial Recommendations states in the Para (12) as:



“Composter should be supplied electricity and water on the same rates as provided to agriculture sector or at concessional rate, whichever is less”

- 3.43.2 He further submitted that while considering the Report of the Task Force, the Hon’ble Supreme Court of India had directed for immediate implementation of the recommendations of the Task Force. In this regard, he requested the Commission to provide electricity to A2Z Infrastructure Ltd. for its MSW Projects at agricultural / concessional Tariff as per the directives of the Hon’ble Supreme Court and may accordingly take the same into consideration in the ARR for FY 2014-15, which promotes composting of city waste with twin objective of cleaning the cities and replenishing the soils with much needed humus rich in nutrients and moderating soil environment.
- 3.43.3 Dr. Sunil Kumar submitted that the rebate in Tariff should be continued for the supply of power to the clinics established at the premises of Doctors.
- 3.43.4 Mr. R. K. Jain, Secretary, Western U. P. Chamber of Commerce and Industry, Bombay Bazar, Meerut Cantt submitted that rebate should be reintroduced to power consumers on the bills paid in time.
- 3.43.5 Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that load factor rebate should be given on actual hours of supply on MDI meters, which is on the assumption of 24 hours supply and accordingly proportionate rebate should be allowed.
- 3.43.6 Mr. Atul Kanojia submitted that the shop opened in the residential premises should be considered in domestic category.
- 3.43.7 Mr. Kedar Nath Gupta of Avinash Ghan Neer Girls Inter College, Kanpur requested the Commission to provide concessional Tariff for un-aided educational institutions.
- 3.43.8 Mr. Satyajeet Thakur of U. P. Khadi & Village Industries Board submitted that the hand-made paper products are eco-friendly and such cottage industries provide employment to rural population and therefore, there should be reduction in Tariff for cottage industries of hand-made paper products.
- 3.43.9 The representatives of Hath Kagaz Nirmata Samiti Kalpi-Jaunpur, U. P. (including Mr. Rabindra Nath Gupta) submitted that hand-made paper cottage industry is in very poor condition and requested the Commission to provide 50% subsidy to hand-made paper cottage industry and supply electricity to them at rate based on horse power.



3.43.10 The representatives of Uttar Pradesh Madhyamik Vidyalaya Prabandhak Mahasabha submitted that there are two types of private schools wherein the first category of private schools are those where State Govt. has no control over the fees charged from the students while the second category of private schools are run under the aid of State Govt. and the teachers of such category get the salary from the State Govt. Remaining expenses of the such second category of schools are borne by the school by its own. They submitted that the fees charged by second category of private schools are controlled by the State Govt. They contended that there is a separate category for Private Schools in the Tariff structure whose Tariff are Rs. 6.50 / 6.75 per Unit, which is even more than the commercial category. They submitted that the connections of most of the second category of private schools have been disconnected due to inability to pay bills and hence they requested the Commission to provide a provision for free / subsidized electricity for the second category of private schools.

B) The Petitioner's response:

3.43.11 As regards the contention raised by Mr. Deepak Agarwal regarding electricity supply to MSW projects at concessional agriculture Tariff, the Licensees submitted that UPPCL had communicated vide letter no. 654 / RAU / ARR general dated 2nd May, 2012 stating that it would not be possible to supply electricity at subsidised rates without any provision of subsidy from the Central or State Government. The Licensees added that since subsidy provision is not available, as per the terms of the Tariff Policy, it would not be possible to supply electricity at subsidised rates to MSW projects.

3.43.12 The Petitioner submitted that Section 62 (3) of the Electricity Act 2003 states as follows:

“Appropriate Commission shall not while determining the tariff under this Act, show undue preference to any consumer of electricity, but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required”.



- 3.43.13 The Licensees submitted that based on above distinction has been done in the Rate Schedule such that consumers who consume power for commercial purposes are charged near the cost of supply.
- 3.43.14 As regards reduction in Tariff for khadi and village industries, paper industry and cottage industry, the Licensees replied that such industries run with commercial motives and such industries pass the incidence of their cost on to their consumers in terms of hike in charges of products and services. The Licensees submitted that any reduction in Tariff of such consumers would hurt the Licensees who are already reeling under severe financial crisis. The Licensees added that since no subsidy is being received from the State Government towards such industries, hence any reduction in their Tariffs would be uncovered gap for the Licensees.

C) *The Commission's view:*

- 3.43.15 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The Commission has determined the Tariff for different category of consumers in accordance with the Electricity Act, 2003 and the Tariff Policy. All the aspects related to tariff design have been discussed in detail in Chapter Tariff Philosophy and the Rate Schedule approved by the Commission.
- 3.43.16 As regards subsidy for any particular category of consumers is concerned, the Commission opines that it is outside the purview of the Commission and is related to the State Government. The stakeholders desiring any relief in this regards may approach the State Government with their proposal. As far as applicable Tariff for different category of consumers is concerned, the same shall be in accordance with the Rate Schedule approved by the Commission.

3.44 OPEN ACCESS

A) *Comments / Suggestions of the Public*

- 3.44.1 Mr. R. N. Singh, Secretary, Chamber of Industries, Gorakhpur submitted that Open Access is available to Independent Feeders, immersing from 132 kV / 33 kV sub-stations and therefore wheeling loss would be less than 0.1%. However, there are



two different rates for two Licensees i.e. in the Tariff Order for the Licensees it is 7% while for NPCL it is 2.76%. He submitted that in the ARR filed by Chief Engineer (RAU), UPPCL on 6th February, 2013, the wheeling loss was only 1.91% for the current year. He submitted that under the system of double metering, two meters are installed at two places, i.e., main meter at factory's entry point and other at exit point of transmission sub-station which is an independent feeder and the variation of both meters is less than 0.1% hence, wheeling loss should be less than 0.5%. In this regard, Mr. S. B. Agrawal, General Secretary of Associated Chambers of Commerce & Industry of U.P suggested the wheeling loss should not be considered more than 1%. Further, Mr. P. K. Maskara, Director of Mahabir Jute Mills Limited of Gorakhpur requested the Commission to allow not more than 0.5% wheeling loss for 33 kV feeder.

- 3.44.2 Mr. Anil Sardana, Chairman, Confederation of Indian Industry (CII) National Committee on Power submitted that denial of Open Access affects the State and its economy as a whole. He submitted that when an Industrial Consumer in a State is denied access to competitive power leading to lower turnover, the economy the State is hampered leading to lesser Income from taxes for the State and increased unemployment. He added that the Licensees are deprived of wheeling and other charges applicable on the consumer availing open access and the aspects like cross subsidy charge and surcharge are causing difficulties in promoting open access. He requested the Commission to frame policy and regulations pertaining to rationalization of wheeling charges, cross subsidy surcharge and other OA charges in such a way that OA is promoted.
- 3.44.3 M/s Rathi Steel and Power Ltd., Director of M/s Rathi Industries Ltd., Director of M/s K. L. Rathi Steels Ltd., Managing Director of M/s Rathi Super Steel Ltd., General Manager (Operations) of M/s K. L. Steels (p) Ltd. and Director of K.L. Concast Pvt. Ltd. submitted that proposed wheeling charges with detailed explanation on the different voltage level should be specified and clarified and the Petitions filed by the Licensees are silent about subsidy to be granted by U.P. Govt. to them. They submitted that the charges to be recovered from Open Access consumers on account of cross subsidy should be provided with justification and the details of category wise and voltage wise charges to be recovered from open access consumers should also be clarified. They further submitted that rate of bulk



consumer on HT supply system may be fixed without taking into consideration the cost of L.T. supply system.

- 3.44.4 The director of M/s Mahabir Jute Mills Ltd. submitted that wheeling loss should be considered on case to case basis and requested the Commission to allow them appropriate wheeling loss of about 1%.

B) The Petitioner's response:

- 3.44.5 As regards accounting of wheeling losses for computation of open access charges, the Licensees submitted that the issue has already been dealt with by the Commission in Para 5.2.6 of the suo-motu Tariff Order dated 31st May, 2013 for FY 2013-14. The relevant extract submitted by the Licensees is reproduced below:

"In addition to the payment of wheeling charges, the customers also have to bear the wheeling losses in kind."

- 3.44.6 The Licensees further submitted that the voltage wise losses will be determined under the MYT regime.

- 3.44.7 As regards open access, the Licensees submitted that they are duly bound to abide by the Electricity Act, 2003 which provides for open access in the distribution segment and in this background, they have already made a Petition before the Commission for determination of cross subsidy surcharge which will pave way for operationalisation of open access. The Licensees further submitted that the Commission has also issued an In-house paper on this matter and is seized with this matter. The Licensees added that it is expected that in the ARR and Tariff Order for FY 2014-15, the Commission would provide the details of the open access charges and cross subsidy surcharge such that open access is a revenue neutral event to the distribution licensees.

- 3.44.8 As regards the subsidy granted by GoUP, the Licensees submitted that details of the proposed subsidy have been duly submitted in the ARR and Tariff Petition and the Govt. Orders in this regards have also been submitted before the Commission. The Licensees added that all such details have been published on the website of the Petitioner.



3.44.9 On the issue of applicability of regulatory surcharge on open access charges, the Licensees submitted that the Commission has already clarified the issue in the Clarifications in regard to the Tariff Orders for FY 2013-14 (Clarification No. 1) vide Ref No: UPERC/D(T)RAU/2013-402 dated 25th June, 2013.

C) The Commission's view:

3.44.10 The Commission has taken note of the above objections / suggestions made by the stakeholders in this regards. The details of the charges applicable to open access consumers along with the wheeling losses approved by the Commission have been discussed in subsequent Chapter titled Open Access Charges.

3.45 PUBLIC PARTICIPATON

A) Comments / Suggestions of the Public

3.45.1 Mr. Rajata Mehta, General Secretary, Amausi Industries Association requested the Commission to list Amausi Industries Ltd. in the list of registered associations that represent micro-small and medium enterprises so that they will be able to participate in the discussions organised by the Commission and put forward issues, grievances and suggestions before the Commission.

3.45.2 Mr. Vishnu Bhagwan Agarwal of M/s the Popular Cycle Mfg. Co. (Pvt.) Ltd. submitted that public hearing should be video graphed and made transparent. He also submitted that speaking Order should be given on individual points of objections raised by the stakeholders.

3.45.3 Mr. K. L. Aggarwal, Chairman, Associated Chambers of Commerce & Industry of U. P. and Mr. R. K. Chaudhary, Chairman, Indian Industries Association Varanasi Chapter submitted that the video-recording of the proceeding of all public hearings should be made compulsorily and copy thereof be made available to the interested parties on demand.

B) The Petitioner's response:

3.45.4 The Licensee has not replied to the above objections.

C) The Commission's view:



- 3.45.5 As regards the issue of speaking Order is concerned, the Commission has taken note of the suggestions made by the stakeholder and also ensures the stakeholders that the Commission diligently considers valuable suggestions provided by various stakeholders during the process and duly incorporates the same in the Tariff Order issued by it after taking all the necessary actions in this regards.
- 3.45.6 The Commission ensures the stakeholders that the public hearings are a transparent process and all necessary procedures in this regards are followed by the Commission as well as the Licensee which also include video-recording of the proceedings. The copy of the video-recording of the proceedings is always available with the Licensee and in case any interested stakeholder desires a copy, it may seek the same from the Licensees.

3.46 NEW SUB-CATEGORY FOR TELECOM TOWERS WITHIN COMMERCIAL CATEGORY

A) Comments / Suggestions of the Public

- 3.46.1 Mr. Rupak Gautam, Energy Controller, Indus Tower Ltd. submitted that all the telecom towers which are owned by Indus and which are being supplied by rural feeders are currently being billed on the basis of urban tariffs. He submitted that the towers being supplied electricity by rural feeders receive a continuous supply of electricity for a much smaller time period than urban areas. He further submitted that to ensure uninterrupted operation of telecom towers and to guarantee mobile connectivity, Indus Towers has to supply large volumes of diesel fuel to each of the towers and this additional expenditure on diesel, coupled with the excess tariff billed provides a major and unjustified financial strain on Indus Towers, affecting its liability to operate effectively. In this regard, he requested the Commission to direct the Licensee to bill telecom towers located in rural areas based on rural tariffs applicable to it. In addition, he also requested the Commission to direct the Licensee to refund excess billing made by the Utility to Indus Towers.
- 3.46.2 Further, Mr. Rupak submitted that in accordance with Section 62(3) of the EA 2003, Commissions across various States in India have introduced specific sub-categories for certain type of consumers under the Commercial category. Further, Hon'ble APTEL in its Judgment dated 20th October, 2010 in Appeal No. 70, 71, 78, 79, 80, 81 & 82 of 2010 in the matter of Association of Hospitals c/o Bombay Hospital vs. Mumbai Electricity Regulatory Commission and Reliance Energy Ltd. stated that the



differentiation between consumers can be based on the use of electricity by hospital, educational institutions as compared to the commercial utilities such as malls and multiplexes etc. He submitted that the Commission has the right to differentiate between consumers on the basis of the “purpose for which the supply is required”. In this regard, he requested the Commission to consider telecom as a special sub-category under the commercial category. He added that telecom tower industry forms a very different consumption profile and comes under the domain of essential service provider for social benefit and considering the ease of serving consumers, appropriate relaxations in tariff should be provided for telecom tower industry.

B) *The Petitioner’s response:*

- 3.46.3 In this regard, the Licensees submitted that the Commission is already seized with this matter and hence it would not be appropriate for the Petitioner to comment on the same in this proceeding. The Licensees further added that this matter does not specifically pertain to the determination of the ARR and Tariff for FY 2014-15.
- 3.46.4 The Licensees submitted that it has endeavoured to keep the Rate Schedule as simple as possible. However, different categories have been created to discriminate among consumers considering their load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required as the telecom companies pass the incidence of their cost on to their consumers in terms of hike in the charges of their services; any move to re-categorise the consumer category which has impact on Tariff of such consumers would hurt the Licensees who are already reeling under severe financial crisis.

C) *The Commission’s view:*

- 3.46.5 The Commission does not agree with the contentions of the stakeholder to provide special relaxation to the telecom towers based on the kind of services provided by them. The Commission understands that the telecom companies are allowed to pass over the burden of legitimate costs through increase in tariffs to consumers. The Judgment cited by the stakeholder also does not apply in the current case.



Accordingly, the Commission does not agree with the proposal to create a separate category for mobile tower in this Tariff Order.

3.47 MINIMUM CONSUMPTION GUARANTEE

A) Comments / Suggestions of the Public

- 3.47.1 Mr. Vishnu Bhagwan Agarwal and Mr. Ravi Agarwal of Popular Cycles (Auto) submitted that UPPCL has proposed to impose MCG Rs. at 600/- per kW on LMV-2 consumer which is unreasonable.
- 3.47.2 Mr. K. S. Parmar, Pramukh Sachiv of Upbhokta Kalyan Parishad submitted that and Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbhoktha Parishad (UPRVUP) submitted that the concept of levy of minimum consumption charges is unjustifiable and should be avoided.

B) The Petitioner's response:

- 3.47.3 The Licensees submitted that a Petition for levy of minimum consumption guarantee (MCG) charges for LMV-2 (c) consumers has been submitted before the Commission on 2nd July, 2014. The Licensees submitted that the Commission is seized with this matter and the Licensee may proceed on the matter based on the directions of the Commission as it may deem fit.
- 3.47.4 The Licensees further replied that fixed charges are part of tariff and are levied for developing the required infrastructure and to meet the expenses incurred to maintain the supply at all the times and cannot be withdrawn, as they are levied as per provisions of Electricity Act, 2003. The Licensee submitted that in the Tariff Order for FY 2002-03, the Commission has defined the said charges as below:

“the minimum charges are recovered as Licensee keeps in readiness of energy for the consumer to the extent of contracted demand. If the consumer does not avail of it, energy cannot be stored or preserve. The consumer is therefore, required to pay a fixed sum for energy generation/purchase, even if he does not consume electricity at the contractual level. The levy of minimum charges has been upheld legally, and is being used in several states to enable the utility to recover a part of fixed cost. The difference between levy of fixed charges and



minimum charges is that while fixed charges are charged from consumer irrespective of consumption the minimum charges comes into effect only when the bill amount is less than certain prescribed amount. If the minimum charges are not levied then there will be increase in some other charges as the utility has to recover on its prudently incurred cost from consumer.”

3.47.5 The Licensee added that in view of the above these charges are logical and necessary.

C) The Commission’s view:

3.47.6 The above mentioned Petition submitted by the Licensees in this regard was not a part of the original submissions made during the proceedings of the ARR and Tariff determination process for FY 2014-15 instead it was an entirely separate Petition which was not circulated in the public domain by the Licensee. Since issues like above have significant impact on the stakeholders hence, the Petitions of this kind should be made public for consultation process i.e. inviting suggestions of the stakeholders and by holding public hearings. Therefore the Commission has not considered the Licensee’s proposal in this regard during the proceedings of the current Tariff Order. However, the Licensee is directed to re-submit its above proposal for the Commission’s consideration alongwith the next ARR filing.

3.48 OTHER GENERAL ISSUES

A) Comments / Suggestions of the Public

3.48.1 The Commission during the public hearing process have received many individual complaints which are not related to the ARR and Tariff Petitions like Mr. Surendra Singh Yadav submitted that he is a resident of 32A/F 983/7A Panchayati Pajaya Kamla Nagar, Agra and has requested the Commission to direct the Licensees to remove the illegal electricity line passing through the roof of his premises. Ms. Nandini Rawat requested the Commission to direct Licensee to remove the connection box installed near her residential plot no. 59, khasra no.8, deversi nagar, Budhpuri. Shri Dinesh Chand of Agra submitted that the connection No. 5060627 of Torrent Power Ltd. is illegal. Mr. Ravikant, Mr. Bhujan Singh and Mr. Jaswant Singh submitted that connection no. 248450 in the name of Mrs. Sandhya Pokhal w/o Mr. Prakash Chand Pokhal, resident of Chitrakut Ashram Shamshan Ghat, Balkeshwar,



Agra should be cancelled, Mr. Vishnu Bhagwan Agarwal of M/s The Popular Cycle Mfg. Co. (Pvt.) Ltd. also submitted that overload penalty is 10% up to excess usage or 10% and 20% over above 10% to 20% i.e. in two tier, however, the Licensees are wrongly charging 20% on total overload etc.

B) *The Petitioner's response:*

3.48.2 In response to such complaints the Licensee have replied that the issue does not pertain to the ARR and Tariff Petition for FY 2014-15 and the consumer may approach the concerned executive engineer of the division in which such consumers fall.

C) *The Commission's view:*

3.48.3 The Commission has noted the above objections raised by the stakeholders. The Commission directs the Licensees to look into the matters and take appropriate action on the same. Further, the Licensee must ensure that proper advertising regarding CGRF is done to bring awareness amongst the consumers. The chairperson of the CGRF should also be part of such public hearings so that a direct interaction may take place and the grievances of the consumers could be settled in a more appropriate manner.



4. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2008-09

4.1 INTRODUCTION

4.1.1 The Petitioner has sought the final truing up of expenditure and revenue for FY 2008-09 to FY 2011-12 based on actual expenditure and revenue as per audited accounts. In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2008-09 and has undertaken the truing up of expenses and revenue after prudence check on the data made available by the Petitioner.

4.2 POWER PURCHASE EXPENSES

4.2.1 The Commission, in the Tariff Order for FY 2008-09, had approved the power purchase quantum of 58328 MU and total power purchase expenses of Rs. 13686.11 Crore at UPPCL level. The Petitioner, in its True-up Petition, has submitted that the actual power purchase expenses for FY 2008-09 are Rs. 14531.47 Crore towards power procurement of 56351.74 MU at UPPCL level. There has been an under-achievement of the T&D loss target by the Petitioner in FY 2008-09. The actual T&D loss has been 28.38% as against 26.02% approved by the Commission for FY 2008-09 at UPPCL level.

4.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The allowable power purchase input has been calculated by grossing up the actual energy sales by the approved T&D loss target of the relevant financial year.
- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per audited accounts.

4.2.3 As per the above philosophy, the Bulk Supply Tariff as worked out by the Petitioner is shown in the Table below:

Table 4-1: BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2008-09

Particulars	Units	Petitioner
Actual Power Purchase	MU	56351.74
Actual Energy Sales	MU	40361.41
Actual Power Purchase Cost per unit	Rs./kWh	2.58
Actual T&D Loss	%	28.38%
Normative T&D Loss	%	26.02%



Particulars	Units	Petitioner
Actual Power Purchase Cost	Rs. Crore	14531.47
Allowable Power Purchase Input	MU	54554.73
Allowable Power Purchase Cost at pooled cost	Rs. Crore	14068.07
Energy Input for Discoms	MU	52719.15
Bulk Supply Tariff	Rs. /kWh	2.67

- 4.2.4 It has been observed that the philosophy adopted by the Petitioner for computing the Bulk Supply Rate (BST) is in variation with the philosophy approved by the Commission in its Order dated 21st May, 2013, in which the Commission undertook the Truing up of ARR for FY 2000-01 to FY 2007-08. The Petitioner while computing the BST has grossed up both the target Transmission and Distribution Losses for arriving at the BST, i.e., power purchase rate at the Discom periphery. As loss in electricity occurs only in the Transmission network from the generating end to the Discoms end, therefore only the transmission losses may be considered for computing the BST.
- 4.2.5 In view of the same, the Commission in its deficiency note asked the Petitioner to submit the detailed computation of BST for FY 2008-09 to FY 2011-12 as per the methodology followed by the Commission in its earlier Orders.
- 4.2.6 In this regard, the Petitioner submitted that the philosophy for computation of trued up bulk supply tariff was established in the True up Order dated 21st May, 2013, however, the True up Petitions for FY 2008-09 to FY 2010-11 were filed by the licensees before 21st May, 2013 and thus a different computation philosophy was adopted. Accordingly, the Petitioner has submitted the revised computations for allowable bulk supply tariff for FY 2008-09 as shown in the Table below:

Table 4-2: REVISED BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2008-09

Particulars	Unit	Petitioner Revised Submission
Power Purchase	MU	55,494
Transmission Loss	MU	2,775
Transmission Loss	%	5.00%
Energy available at Licensee End	MU	52,719
Power Purchase Cost (including PGCIL charges)	Rs. Crore	14,531
Power Purchase Cost per unit	Rs./kWh	2.58



Particulars	Unit	Petitioner Revised Submission
Allowable Power Purchase Cost at Discom end	Rs. Crore	14,310
Power Purchase Cost per unit at Discom end (BST)	Rs. /kWh	2.71

4.2.7 As depicted above, the Petitioner has submitted the revised Bulk Supply Tariff, however, the Petitioner has not submitted the revised Power Purchase Cost based on its revised BST. The Commission has thus, computed the claimed power purchase based on the revised BST submitted by the Petitioner.

4.2.8 The Commission has computed the BST based on the same philosophy as adopted in its True up Order dated 21st May, 2013. The Commission further asked the Petitioner to submit the breakup of the Transmission Losses between Intra-State and Inter-State. UPPTCL, vide its letter No./72/ Dir(Comm.)/ UPPTCL/2014 dated 30th July, 2014, submitted the losses of UPPTCL, however, the losses submitted by UPPTCL are combined losses for Intra-State and Inter-State. Neither the Petitioner nor UPPTCL has been able to provide the actual Intra-State losses in the State. In absence of the required details, the Commission while computing the BST has considered the entire actual Transmission Losses as Intra-State losses. The reply in this regard as submitted by UPPTCL is also extracted below:

“This is with reference to your e-mail dated 26-06-14 requesting for submission of actual Transmission Loss of U.P. Power Transmission Corporation Ltd. from FY 2008-09 to FY 2011-12. In this connection, based on Audited accounts of the respective years, we are confirming actual transmission loss of UPPTCL as noted below: “

Year	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	Remarks
MUs Import	56392	60679	65375	74479.6	#- Loss is inclusive of central pool losses
MUs Export	52719	56892	62268	70371	
Transmission Loss (#)	6.446%	6.240%	4.751%	5.516%	

In order to work out actual transmission loss of UPPTCL by excluding central pool losses, required measures are being under taken to ensure that all ABT metered data is captured at G-T, CTU-STU, and T-D periphery.”

4.2.9 The Petitioner, based on the target distribution losses and the actual sales, has computed the allowable power purchase input at the Discom periphery as shown in the Table below:

Table 4-3: POWER PURCHASE COST AS COMPUTED BY PETITIONER FOR FY 2008-09



*Determination of ARR and Tariff of PuVVNL for FY 2014-15
and True-up of FY 2008-09 to FY 2011-12*

Particulars	True up Petition
Power Purchase (MU)	11971.01
Sales (MU)	9011.28
Distribution Loss Target (%)	22.80%
Allowable Power Purchase (MU)	11,671.90
Trued up Bulk Supply Tariff	2.67
Allowable Power Purchase Cost (Rs. Crore)	3114.64
Allowable Power Purchase Cost based on revised BST submitted by Petitioner (Rs. Crore)	3163.08

4.2.10 The Commission agrees with the Petitioner that efficiency target of T&D loss level has to be considered as a controllable parameter, and therefore, the power purchase cost consequent to under-achievement of T&D losses needs to be disallowed.

4.2.11 The Commission, in para 5.3.9.2 of the FY 2008-09 Tariff Order had approved a ceiling rate of Rs. 4.92 per kWh for short-term and emergency purchases. The Commission has obtained the break-up of the rates and energy procured through short-term sources and unscheduled interchange (UI). The table below depicts that the Petitioner has purchased energy through Adani Export, NVVNL, PTC, Tata Power Trading Corporation Limited, Lanco EU Ltd and through UI at an average rate of Rs. 8.68, Rs. 10.11, Rs. 6.88, Rs. 8.53, Rs. 8.49 and 7.49 per kWh, respectively, which is higher than the ceiling rate of Rs. 4.92 per kWh. The Commission has disallowed such costly purchases over and above the ceiling rate as shown in the Table below:

Table 4-4: DISALLOWANCE IN POWER PURCHASE EXPENSES FOR FY 2008-09

Source	Units Procured (MU)	Amount Incurred (Rs. Crore)	Rate (Rs./kWh)	Ceiling Rate (Rs./kWh)	Disallowance (Rs./kWh)	Disallowance (Rs. Crore)
A	B	C	$d=c/b*10$	E	$f=e-d$	$g=f*b/10$
Adani Export	4.32	3.75	8.68	4.92	-3.76	-1.62
NTPC VVNL	2.79	2.82	10.11	4.92	-5.19	-1.45
PTC	1847.74	1270.33	6.88	4.92	-1.96	-361.24
Tata Power Trading Corporation Ltd	2.60	2.22	8.53	4.92	-3.61	-0.94
Lanco EU Ltd	6.08	5.17	8.49	4.92	-3.57	-2.17
UI	746.28	555.61	7.45	4.92	-2.53	-188.44
Total	2609.82	1839.90	7.05	4.92	-2.13	-555.87

4.2.12 The Petitioner, in its Petition, submitted that the Commission in FY 2012-13 Tariff Order had directed the Distribution Companies to consider the apportionment of the



O&M expenses of UPPCL and submit the share of each Discom. Petitioner submitted that considering the above, it has apportioned the O&M cost of UPPCL to all the Discoms in the power purchase ratio for each relevant year. Petitioner submitted that UPPCL also resorts to short-term borrowings on behalf of Distribution Companies to meet the power purchase liabilities of Discoms. It incurs interest expenses on behalf of such working capital loans. Also it incurs expenditure towards LC and OD charges incidental to power purchase expenses. The Petitioner requested the Commission to consider these expenses and allow UPPCL to claim such expenses from the Petitioner and other Distribution companies through an internal adjustment without any impact on the ARR of the Petitioner.

- 4.2.13 The apportionment of the O&M expenses of UPPCL for FY 2008-09 as submitted by the Petitioner is shown in the Table below:

Table 4-5: ALLOCATION OF THE O&M EXPENSES OF UPPCL FOR FY 2008-09 AS SUBMITTED BY THE PETITIONER

Name of Discom	FY 2008-09	
	Energy at Discom End (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	11,798	21.86
MVVNL	8,872	16.44
PVVNL	17,078	31.64
PuVVNL	11,971	22.18
Kesco	2,650	4.91
NPCL	350	0.65
Total	52,719	97.69

- 4.2.14 The Commission has verified the above amount from the Audited Accounts of UPPCL and has allowed such expenses based on actual for FY 2008-09. As the above expenses have been incurred by UPPCL, which is mostly for procuring the power for the Discoms, the above expenses for the purpose of Truing up has been considered as a part of Bulk Supply Tariff. It may further be noted that the procurement of power is the responsibility of the Distribution Licensee for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensee. The Commission has allowed such expenses for the past years, however, for future years, i.e., from FY 2014-15 onwards, the Licensee is directed to manage such O&M Expenses for procuring the power from the O&M Expenses allowed to it.



4.2.15 The Table below summarises the sales, transmission losses, energy balance, power purchase quantum and cost submitted by the Petitioner and as approved by the Commission at UPPCL level and the Bulk Supply Tariff for FY 2008-09:

Table 4-6: ENERGY BALANCE AND BULK SUPPLY RATE APPROVED FOR FY 2008-09

Particulars	Unit	Tariff Order	True up Petition	Actual	Approved
Power Purchase	MU	58328.00	55494	56351.74	55493.84
Transmission Loss	MU	2917.00	2775	3632.59	2774.69
Transmission Loss	%	5.00%	5.00%	6.45%	5.00%
Energy available at Discom End	MU	55411.00	52719	52,719	52719.15
Power Purchase Cost (including PGCIL charges)	Rs. Crore	13686.11	14531	14531.47	13975.60 ¹
Power Purchase Cost per unit	Rs. /kWh	2.35	2.58	2.58	2.48
O&M Expenses of UPPCL	Rs. Crore		-	97.69	97.69
Allowable Power Purchase Cost at Discom end	Rs. Crore		14310		13860.53
Power Purchase Cost per unit at Discom end (BST)	Rs. /kWh	2.47	2.71	2.77	2.63

4.2.16 The Commission in the Tariff Order for FY 2008-09 had prescribed the Distribution loss targets for the Licensee. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. The allowable power purchase input has been multiplied by the trued up bulk supply tariff to derive the allowable power purchase cost of the Licensee. Accordingly, the Table below provides the allowable power purchase cost for the Licensee for FY 2008-09:

Table 4-7: ALLOWABLE POWER PURCHASE COST FOR FY 2008-09

Particulars	Approved	True up Petition	Allowed
Power Purchase (MU)	12722.00	11971.01	11971.01
Sales (MU)	9822.00	9011.28	9011.28
Distribution Loss Target (%)	22.80%	22.80%	22.80%
Allowable Power Purchase (MU)		11,671.90	11672.64
Trued up Bulk Supply Tariff (Rs. / kWh)		2.71	2.63
Allowable Power Purchase Cost (Rs. Crore)		3163.08	3068.88*

* Including O&M Expenses of UPPCL

¹ Considering disallowance of Rs. 555.87 Crore



4.3 TRANSMISSION CHARGES

- 4.3.1 The Petitioner submitted that in the Tariff Order for FY 2008-09, the Commission had approved the Transmission Charges of Rs. 274.39 Crore towards projected power purchase of 12722.00 MU. The Petitioner submitted that as per the audited accounts, it has incurred Rs. 131.68 Crore towards transmission charges. The Petitioner further submitted that the allowable power purchase input for FY 2008-09 works out to 11671.90 MU and therefore, for the purpose of claiming the trued up transmission charges, the allowable power purchase input has been taken into consideration. The Petitioner submitted that the per unit rate of Transmission Charge has been considered equivalent to the rate submitted by UPPTCL in its True-up Petition for FY 2008-09 filed before the Commission. The Petitioner further submitted that the allowable Transmission Charges for FY 2008-09 works out Rs. 167.86 Crore.
- 4.3.2 Accordingly, the Petitioner has claimed allowable transmission charges of 167.86 Crore against the actual transmission charges of Rs. 131.68 Crore.
- 4.3.3 The Commission in its Tariff Order had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. It is observed that the Petitioner has considered the Transmission Charge equivalent to the rate submitted by UPPTCL in its true-up Petition, however, the true up Order in the mentioned matter was issued by the Commission on 31st May, 2013. Thus, to derive the allowable transmission charges, allowable power purchase input has been multiplied by the trued up transmission tariff as approved by the Commission in its Order dated 31st May, 2013.
- 4.3.4 Accordingly, the table below provides the allowable transmission charges for the Petitioner for FY 2008-09:

Table 4-8: ALLOWABLE TRANSMISSION CHARGES FOR FY 2008-09

Particulars	Approved	True up Petition	Allowed
Units Wheeled (MU)	12722.00	11,671.90	11672.64
Trued up Transmission Charge (Rs. /kWh)	0.2157	0.1438	0.1511
Transmission Charges (Rs. Crore)	274.39	167.86	176.37



4.4 O&M EXPENSES

- 4.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.
- 4.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2008-09, and the Commission's analysis on the truing up of the O&M expenditure heads are detailed below:
- 4.4.3 The Petitioner submitted that the actual net employee expenses for FY 2008-09 is Rs. 216.65 Crore, against the approved expenses of Rs. 208.28 Crore. The Petitioner requested the Commission to consider the Employee expenses as per its audited accounts.
- 4.4.4 The Petitioner has submitted that the 6th Pay Revision Committee Recommendations was adopted by the PuVVNL in the month of February 2009. The pay revision was made retrospectively applicable w.e.f 1st January, 2006. The provision for arrear liability from 1st January 2006 to 31st March 2008 was made in the audited accounts of FY 2007-08 itself. Further, the liability for FY 2008-09 to the tune of Rs. 26.03 crore was charged to the employee costs for FY 2008-09. Thus, the normal gross employee expenses for FY 2008-09 are to the tune of Rs. 252.65 Crore (Rs. 278.68 Crore – Rs. 26.03 Crore)
- 4.4.5 The Petitioner submitted the actual net administrative and general expenses for FY 2008-09 is Rs. 27.67 Crore against the approved expenses of Rs. 19.95 Crore. The Petitioner requested the Commission to consider the A&G Expenses as per its audited accounts.
- 4.4.6 The Petitioner has submitted the actual Repair and Maintenance (R&M) Expenses for FY 2008-09 as Rs. 114.85 Crore as against the approved expenses of Rs. 65.12 Crore. The Petitioner has claimed the actual R&M Expenses for FY 2008-09.
- 4.4.7 In reply to the Commission's query regarding the basis of capitalisation of Employee Expenses and A&G Expenses, the Petitioner submitted that the capitalisation of Employee expenses and A&G expenses for FY 2008-09 has been done on actual as per the Audited Accounts.
- 4.4.8 Regulation 4.3 of Distribution Tariff Regulations, 2006 stipulates the methodology for consideration of the O&M Expenses, wherein such expenses are linked to the



inflation index determined under these Regulations. The relevant provisions of the Distribution Tariff Regulations, 2006 are reproduced below:

“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.....**”[Emphasis added]*

4.4.9 The Commission, in accordance with the above Regulation, has calculated the inflation index for FY 2008-09 to FY 2014-15 based on the weighted average index of WPI and CPI. The Commission has considered the WPI and CPI as available on the website of Economic Advisor, Ministry of Commerce and Industry Ministry of Labour, respectively. Accordingly, the Commission has calculated the inflation index for approval of O&M expenses as shown in Table below:



TABLE 4-9: ESCALATION INDEX

Month	Wholesale Price Index							Consumer Price Index							Consolidated Index							
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
April	115	124	125	139	152	164	171	128	138	150	170	186	205	226	120	129	135	151	166	180	193	
May	115	124	126	139	152	164	171	129	139	151	172	187	206	228	120	130	136	152	166	181	194	
June	115	127	127	140	153	165	173	130	140	153	174	189	208	231	121	132	137	153	167	182	196	
July	116	129	128	141	154	166	176	132	143	160	178	193	212	235	122	134	141	156	170	184	199	
August	116	129	130	141	155	167	179	133	145	162	178	194	214	237	123	135	143	156	171	186	202	
September	116	129	130	142	156	169	181	133	146	163	179	197	215	238	123	136	143	157	173	187	204	
October	116	129	131	143	157	169	181	134	148	165	181	198	217	241	123	136	145	158	173	188	205	
November	117	127	133	144	157	169	182	134	148	168	182	199	218	243	124	135	147	159	174	188	206	
December	117	125	133	146	157	169	180	134	147	169	185	197	219	239	124	134	148	162	173	189	203	
January	118	124	135	148	159	170	179	134	148	172	188	198	221	237	124	134	150	164	174	191	202	
February	119	123	135	148	159	171	180	135	148	170	185	199	223	238	125	133	149	163	175	192	203	
March	122	124	136	150	161	170	180	137	148	170	185	201	224	239	128	133	150	164	177	192	204	
Average	117	126	131	143	156	168	178	133	145	163	180	195	215	236	123	134	144	158	172	187	201	
															Calculation of Inflation Index (CPI-40%, WPI-60%)							
Weighted Average of Inflation																8.51%	7.52%	9.96%	8.69%	8.75%	7.69%	7.69%



4.4.10 The Commission has determined the trued up O&M expenses of the base year, i.e., FY 2007-08, in the Order dated 21st May, 2013 on Petition No. 809 of 2012. The approved O&M expenses for FY 2007-08 have been escalated using the inflation index of FY 2008-09 to derive the normative O&M Expenses for FY 2008-09. It is observed that while approving the O&M Expenses for FY 2013-14 in Order dated 31st May, 2013, the escalation rate was inadvertently considered for the previous year. The Commission while computing the normative O&M Expenses in this Order has considered the escalation rates as shown in the above Table.

4.4.11 Further, in addition to the normative O&M expenses based on inflation, the Distribution Tariff Regulations, 2006 provide for incremental O&M expenses at 2.5 % on addition to asset during the previous year. Regulation 4.3 (3) of the Distribution Tariff Regulations, 2006 specifies as follows:

“4.3 Operation & Maintenance Expenses (O&M):

...

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).”

4.4.12 It is observed from the Table 4-12 below that the normative O&M expenses computed based on the above Regulations is working out higher than the actual audited O&M expenses for FY 2008-09. Since, the expenses in FY 2008-09 have already been incurred, hence, there is no point in allowing excess cost in the ARR of FY 2008-09 and increase the revenue gap which will result in an unnecessary increase in Tariff. The Commission has therefore approved the actual audited O&M expenses as claimed by the Petitioner for FY 2008-09.

4.4.13 Further, in reply to the Commission’s query regarding whether CGRF expenses have been included in O&M expenses, the Petitioner submitted that the CGRF expenses are part of the O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence,



details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in the CGRF framework approved by the Commission.

4.4.14 As the account for CGRF expenses is not separately maintained by the Licensee, no additional allowance towards this head has been considered by the Commission.

4.4.15 Further, as discussed earlier, in its reply to the Commission's query regarding the details of expenses incurred towards apportionment of O&M Expenses of UPPCL, the Petitioner submitted the following Table depicting the allocation of O&M Expenses of UPPCL:

TABLE 4-10: ALLOCATION OF O&M EXPENSES IN FY 2008-09 (RS. CRORE)

Particulars	Amount
Employees Expenses	4.91
Administrative, General & Other Expenses	12.20
Repairs and Maintenance Expenses	80.58
Total	97.69

TABLE 4-11: ALLOCATION OF O&M EXPENSES AMONG DISCOMS IN FY 2008-09

Name of Discom	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	11,798	21.86
MVVNL	8,872	16.44
PVVNL	17,078	31.64
PuVVNL	11,971	22.18
KESCO	2,650	4.91
NPCL	350	0.65
Total	52,719	97.69

4.4.16 As detailed in para 4.2.14, the above apportionment of the O&M Expenses of UPPCL has been considered in the Bulk Supply Tariff.

4.4.17 The Regulations 2.4 and 4.11 of the Distribution Tariff Regulations, 2006 specify as follows:



"2.4 Amendment of Tariffs

...3. Subject to other provisions of these regulations, the ARR determined by the Commission for any financial year shall be trued up on the basis of actual financial and operational results. Any deficit or surplus arising out of such true up shall be adjusted while determining the tariff for the subsequent years.

...Provided further that the profit arising out of improvement in operational efficiency such as over achievement of loss reduction target, better collection efficiency, saving in O&M Expenditure etc. shall be shared between the distribution licensee and the consumers as specified in Para 4.11 of these regulations."

"4.11 Profit Sharing

...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."

- 4.4.18 It may be observed that the above Regulations allow sharing of efficiency gains on account of total O&M expenses. Since, the actual O&M expenses for FY 2008-09 are lower than the normative O&M expenses sharing of actual O&M expenses with the normative O&M expenses have been done in accordance with the above Regulations. However, the Commission has allowed sharing of efficiency gain separately in the ARR for FY 2008-09.



4.4.19 The summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and as approved by the Commission in this Order for Truing up of ARR for FY 2008-09, is shown in the Table below:

Table 4-12: O&M EXPENSES AS APPROVED BY THE COMMISSION FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Normative	Allowable [#]
Employee Expenses	245.04	278.68	278.68	358.44	278.68
Repair & Maintenance Expenses	65.12	114.85	114.85	105.11	114.85
Administrative and General Expenses	23.47	34.03	34.03	35.14	34.03
Gross Operation and Maintenance Expenses	333.63	427.55	427.55	498.69	427.55
Less: Capitalisation					
Employee Cost Capitalized	36.76	62.43	62.43	62.43	62.43
A&G Expenses Capitalized	3.52	6.36	6.36	6.36	6.36
Total Capitalization	40.28	68.79	68.79	68.79	68.79
Net Operation and Maintenance Expenses	293.35	358.76	358.76	429.90	358.76
Efficiency Gain			0.00		35.55

the allowable O&M also includes the arrear of Rs. 26.03 Crore

4.5 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans

4.5.1 The Petitioner has claimed the net Interest on long term loan for FY 2008-09 as Rs. 117.27 Crore, against the approved expenses of Rs. 71.87 Crore. The Petitioner has submitted the interest capitalization for FY 2008-09 as Rs. 5.97 Crore, against Rs. 21.47 Crore approved by the Commission in the Tariff Order.

4.5.2 The Commission, vide its preliminary deficiency note, asked the Petitioner to submit the details of actual loans along with computation of Interest on Loan as claimed by the Petitioner for FY 2008-09 in its True up Petition. In reply to the Commission's query, the Petitioner submitted that subsequent to the filing of the true up Petitions for FY 2008-09 to 2010-11, the Commission issued the true up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which the Commission had adopted a normative approach to consider the debt



equity ratio of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order for FY 2013-14.

4.5.3 The Petitioner submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner re-worked the loan balances, additions based on normative funding of capital expenditure, normative repayment linked with allowable depreciation of the respective year and the weighted average interest rate of the licensee as per audited accounts. The revised interest on long term loan claimed by the Petitioner based on the normative approach is Rs. 63.10 Crore.

4.5.4 In line with the approach adopted by the Commission in its previous Orders, interest expenses has been considered as an uncontrollable cost as the interest rates are determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the licensee.

4.5.5 For the above purpose, the Commission has derived the actual capital investments undertaken by the Licensee in FY 2008-09, based on the audited accounts. The details are provided in the Table below:

Table 4-13: CAPITAL INVESTMENTS IN FY 2008-09 (Rs. Crore)

Particulars	Derivation	FY 2008-09			
		Tariff Order	Audited	Petition	Allowable
Opening WIP as on 1st April	A	-	395.88	395.88	395.88
Investments	B	-	506.78	506.78	506.78
Employee Expenses Capitalisation	C	-	62.43	62.43	62.43
A&G Expenses Capitalisation	D	-	6.36	6.36	6.36
Interest Capitalisation on Interest on long term loans	E	-	5.97	5.97	5.97
Total Investments	F= A+B+C+D+E	509.32	977.42	977.42	977.42
Transferred to GFA (Total Capitalisation)	G	468.91	569.03	569.03	569.03
Closing WIP	H= F-G	137.44	408.39	408.39	408.39



- 4.5.6 The Commission has followed the same approach as in previous Orders and therefore, considered the funding of capital expenditure in the ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions.
- 4.5.7 The Commission, in its deficiency note, also asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2008-09. In reply to the Commission's query, the Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies.
- 4.5.8 The Consumer Contributions, capital grants and subsidies as submitted by the Petitioner and as allowed by the Commission are shown in the Table below:

Table 4-14: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES RECEIVED AS ALLOWED BY THE COMMISSION FOR FY 2008-09 (Rs. Crore)

Particulars	FY 2008-09			
	Tariff Order	Audited	Petition	Allowable
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	-	426.50	426.50	426.50
Additions during the year	-	163.64	163.64	163.64
Less: Amortisation	-	20.26	20.26	20.26
Closing Balance	-	569.87	569.87	569.87

- 4.5.9 The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The Commission has also verified the above amounts as per the audited accounts of the Petitioner.
- 4.5.10 Thus, based on the above, the approved financing of the capital investment is depicted in the Table below:



Table 4-15: FINANCING OF THE CAPITAL INVESTMENTS AS APPROVED BY THE COMMISSION FOR FY 2008-09 (Rs. Crore)

Particulars	FY 2008-09				
	Derivation	Tariff Order	Audited	Petition	Allowable
Investment	A	-	506.78	506.78	506.78
Less:					
Consumer Contribution	B	-	163.64	163.64	163.64
Investment funded by debt and equity	C=A-B	-	343.14	343.14	343.14
Debt Funded	70%	-	240.20	240.20	240.20
Equity Funded	30%	-	102.94	102.94	102.94

4.5.11 From the above tables, it is seen that the total investments made in distribution segment in FY 2008-09 were to the tune of Rs. 506.78 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 163.64 Crore. Thus, balance Rs. 343.14 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 240.20 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 102.94 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.

4.5.12 The Commission considered the closing loan balance of FY 2007-08 as the opening loan balance of FY 2008-09. The actual weighted average rate as per audited accounts has been considered for computing the interest.

4.5.13 Considering the above, the gross interest on long term loan has been worked out as shown in the Table below. The interest capitalisation has been considered at the same rate as per audited accounts.

Table 4-16: INTEREST ON LONG TERM LOAN FOR FY 2008-09 (Rs Crore)

Particulars	FY 2008-09			
	Tariff Order	Audited	Petition	Allowable
Opening Loan	-	868.99	437.97	437.97
Loan Additions (70% of Investments)	-	-	240.20	240.20



Particulars	FY 2008-09			
	Tariff Order	Audited	Petition	Allowable
Less: Repayments (Depreciation allowable for the year)	-	-	179.54	179.54
Closing Loan Balance	-	871.61	498.63	498.63
Weighted Average Rate of Interest	-	14.16%	14.16%	14.16%
Interest on long term loan	93.34	123.24	66.31	66.31
Less: Interest Capitalized	21.47	5.97	3.21	3.21
Net Interest Charged	142.07	117.27	63.10	63.10
Interest Capitalisation Rate	23.00%	4.84%	4.84%	4.84%

Finance Charges

- 4.5.14 The Petitioner submitted that items claimed under this head are towards items such as bank charges, finance charges, interest on consumer security deposits, etc.
- 4.5.15 The Petitioner has claimed Rs. 162.12 Crore against Rs. 25.48 Crore approved by the Commission towards finance charges during FY 2008-09.
- 4.5.16 Further, the Commission in its deficiency note has asked the Licensee that, in True-up Petition for FY 2008-09 it has claimed bank charges as Rs. 143.82 Crore which seems to be abnormally high as compared to other Discoms. The same had also been observed in FY 2007-08 while undertaking the Truing up exercise.
- 4.5.17 In reference to the above query the Licensee vide email dated 4th August, 2014 submitted that the audited accounts for FY 2007-08 and 2008-09 depicted amounts of Rs. 111.65 Crore and Rs. 143.82 Crore respectively towards 'Bank Charges'. Such charges were towards the payment made by UPPCL towards LC charges. However, such expenses were reversed in FY 2009-10 under Prior Period Items. This was the reason why the Commission disallowed such expenses in the true up for FY 2007-08 vide order dated 21st May, 2013.



- 4.5.18 Thus, in line with the approach adopted by the Commission in its Order dated 21st May, 2014 the bank charges for FY 2008-09 has been disallowed by the Commission.
- 4.5.19 The interest on consumer security deposits and finance charges have been allowed at actual based on audited accounts.
- 4.5.20 Thus, the Commission has approved finance charges amounting to Rs. 18.30 Crore for FY 2008-09.

Table 4-17: ALLOWABLE FINANCE CHARGES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Audited	Petition	Allowable
Interest to Consumers	-	18.25	18.25	18.25
Bank Charges	-	143.82	143.82	0.00
Discount to Consumers	-	0.05	0.05	0.05
Finance Charges	25.48	-	-	-
Total Finance Charges	25.48	162.12	162.12	18.30

Interest on Working Capital:

- 4.5.21 The Petitioner submitted that the Tariff Regulations provide for normative interest on working capital based on the principles outlined in the Distribution Tariff Regulations, 2006. The Petitioner has submitted that Regulation 4.8(2)(B) of the Distribution Tariff Regulations, 2006 specifies the rate of interest on working capital borrowings as bank rate specified by RBI plus a margin as decided by the Commission. The Petitioner submitted that it has accordingly considered a rate of 12.50%, which is in line with the rate approved by the Commission in its Tariff Order for FY 2008-09. Thus, the Petitioner has claimed the normative interest on working capital as Rs. 10.62 Crore against the approved expenses of Rs. 44.72 Crore.
- 4.5.22 Regulation 4.8(2) of the Distribution Tariff Regulations, 2006 specifies as follows:

“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.”

4.5.23 Based on the methodology specified in the above Regulations, the Commission in the Tariff Order for FY 2008-09 had allowed normative interest on working capital of Rs. 44.72 Crore. Following the similar approach and in accordance with the Regulations, the Commission in this Order has assessed the working capital and interest thereon based on the trued up ARR of the Petitioner.

4.5.24 The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2008-09, claimed by the Petitioner and that approved by the Commission in the present Truing up Order is shown in the Table below:

Table 4-18: INTEREST ON WORKING CAPITAL FOR FY 2008-09 (Rs. Crore)

Particulars	FY 2008-09			
	Tariff Order	Audited	Petition	Allowable
One month's O & M Expenses	-	-	29.90	29.90
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	-	-	20.10	20.10
Receivables equivalent to 60 days average billing on consumers	-	-	358.20	358.20
Grand Total	-	-	408.19	408.19
Less:				



Particulars	FY 2008-09			
	Tariff Order	Audited	Petition	Allowable
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	-	-	323.23	323.23
Net Working Capital	-	-	84.96	84.96
Rate of Interest on Working Capital	-	-	12.50%	12.50%
Interest on Working Capital	44.72	0.00*	10.62	10.62

* In the Audited accounts separate head for Interest on working capital is not present.

4.5.25 The following table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 4-19: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	93.34	123.24	66.31	66.31
Less: Interest Capitalisation	21.47	5.97	3.21	3.21
Net Interest on Long Term Loans	71.87	117.27	63.10	63.10
B: Finance and Other Charges				
Finance Charges	25.48	0.00	0.00	0.00
Bank Charges	0.00	143.82	143.82	0.00
Discount to Consumers on sale of energy	0.00	0.05	0.05	0.05
Interest on Consumer Security Deposits	0.00	18.25	18.25	18.25
Total Finance Charges	25.48	162.12	162.12	18.30
C: Interest on Working Capital	44.72	0.00	10.62	10.62
Total (A+B+C)	142.07	279.39	235.84	92.02

4.6 DEPRECIATION



- 4.6.1 The Petitioner submitted that in the Tariff Order for FY 2008-09, the Commission had approved the depreciation expense of Rs. 274.12 Crore on a gross fixed asset base of Rs. 3730.92 Crore.
- 4.6.2 The Petitioner has submitted that the actual depreciation expense as per audited accounts is Rs. 94.02 Crore. However, the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable for FY 2008-09.
- 4.6.3 The Petitioner further submitted that in the earlier Tariff Orders, the Commission has approved depreciation expense on the basis of the projected gross fixed asset balances after prudence check of the capital investment proposed by Petitioner. The Petitioner further submitted that the depreciation has been allowed at the rates specified in the MoP's notifications in the initial years and thereafter in line with the Distribution Tariff Regulations, 2006, which also prescribe depreciation rates as per the Ministry of Power notification No. S.O. 265(E) dated 27th March 1994. The Petitioner also submitted that in some years where asset class wise details of capitalisation were not available, the Commission had allowed weighted average depreciation rates on composite basis.
- 4.6.4 The Petitioner submitted that for the purpose of true-up, the depreciation expense has been computed on the actual gross fixed asset base using the same depreciation rates, which were considered by the Commission in the Tariff Order for FY 2008-09. Considering this philosophy, the entitlement towards depreciation has been computed by the Petitioner as Rs. 199.80 Crore against the approved depreciation of Rs. 274.12 Crore in FY 2008-09.
- 4.6.5 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True up Order for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative ratio of 70:30 and 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further



submitted that in its Order, the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.

4.6.6 The Petitioner added that since it is agreeable to this normative approach approved by the Commission, hence, no deviation in this approach has been sought by it. Based on the above, the depreciation as claimed by the Petitioner for FY 2008-09 is shown in the Table below:

Table 4-20: DEPRECIATION CLAIMED BY LICENSEE FOR FY 2008-09 (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
Land & Land Rights						
i) Unclassified	-	-	-	-		-
ii) Freehold Land	-	-	-	-		-
Buildings	16.74	1.55	0.00	18.28	7.84%	1.37
Other Civil Works	-	-	-	-	7.84%	-
Plant & Machinery	189.34	383.69	268.10	304.93	7.84%	19.38
Lines, Cable Network etc.	337.31	183.69	44.38	476.62	7.84%	31.91
Vehicles	-	-	-	-	7.84%	-
Furniture & Fixtures	0.09	0.00	0.00	0.09	7.84%	0.01
Office Equipments	0.17	0.10	0.00	0.27	7.84%	0.02
Jeep & Motor Car	-	-	-	-		-
Total	543.65	569.03	312.48	800.19		52.68
Fixed Asset as per Transfer Scheme	1,876.52	-	-	1,876.52	7.84%	147.12



Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
GRAND TOTAL	2,420.17	569.03	312.48	2,676.71		199.80

- 4.6.7 In reply to the Commission's query regarding claimed depreciation rate of 7.84%, the Licensee has submitted that it has considered a weighted average depreciation rate of 7.84% for the truing up in respect of FY 2008-09 to FY 2011-12, which is in line with the rate considered by the Commission in its Tariff Order for relevant year.
- 4.6.8 It was further observed that the Petitioner, while claiming the depreciation for FY 2008-09, has not reduced the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on GFA. In this regard, the Commission vide its deficiency note, sought the justification for not deducting the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on the GFA along with the revised computation of depreciation after reducing depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy.
- 4.6.9 In its reply, the Petitioner submitted that the philosophy for reduction of depreciation on assets created out of consumer contributions, grants and subsidies from the gross depreciation expense was settled in the True up Order for FY 2000-01 to 2007-08 before which the True up Petitions for FY 2008-09 to 2010-11 were filed by the Distribution Licensee. The Petitioner further submitted that subsequent to the principle being established by the Commission, it is agreeable to this methodology and has submitted the revised depreciation expense of Rs. 179.54 Crore (i.e., Rs. 199.80 Crore – Rs. 20.26 Crore).
- 4.6.10 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2008-09 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Distribution Tariff Regulations, 2006 which the Petitioner confirmed in the reply to deficiency note.
- 4.6.11 Considering the same philosophy as adopted by the Petitioner, which is also in line with the approach followed by the Commission in the previous Truing up



Order, and after verifying from the audited accounts for FY 2008-09 as submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing up of FY 2008-09 is shown in the Table below:

Table 4-21: DEPRECIATION EXPENSES FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Gross Allowable Depreciation	274.12	114.46	199.80	199.80
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy		20.26	20.26	20.26
Net Allowable Depreciation	274.12	94.20	179.54	179.54

4.7 PRIOR PERIOD EXPENSES

4.7.1 The Petitioner submitted that there are certain expenses and incomes, which are omitted to be accounted for in one or more financial years. The Petitioner submitted that the financial statements of the Petitioner are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. There are certain prior period items, which have been identified and incorporated in the audited financial statements for FY 2008-09. Accounting Standard (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' states:

"Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods"

4.7.2 The Petitioner has submitted that it has recognized Rs. 28.64 Crore of prior period income in the audited financial statements for FY 2008-09. The Petitioner further submitted the break-up of the prior period items for FY 2008-09 as per audited accounts, as shown in the Table below:



TABLE 4-22: PRIOR PERIOD EXPENSES / INCOME FOR FY 2008-09 CLAIMED BY PETITIONER

Particulars	Rs Crore
Prior Period Income	
Excess Power Purchase wheeling charges	64.66
Fringe Benefit Tax	0.21
Other Excess Provisions	0.01
Sub Total of Prior Period Income	64.88
Prior Period Expenditure	
O&M Expenses	-
Employees Cost	17.94
short Provision for Power Purchase	18.30
A&G Expenses	
Sub Total of Prior Period Expenditure	36.25
Net Prior Period Income	28.64

- 4.7.3 As regards the prior period expenses, the Commission vide its deficiency note asked the Petitioner to submit the detailed breakup of prior period expenses along with the details of years to which they pertain and the justification for not booking such amount in the annual accounts of the respective years. In its reply, the Petitioner has submitted the year-wise breakup of prior period expenses; however, the submission does not provide clarification regarding the heads under which these expenses have been booked.
- 4.7.4 It is clarified that the Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like power purchase expenses, O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and true-up determination. In the absence of clarity and details of each item booked under prior period expenses with respect to the financial year to which they pertain, the Commission in its previous Orders has not allowed any claims towards such items except in one case, i.e., towards provision for arrear liability consequent to 6th Pay Revision.
- 4.7.5 It is to be noted that the Commission while doing Truing up of the previous years had allowed certain expenses like O&M expenses, Interest expenses,



depreciation, etc. on normative basis. The Petitioner in its Petition should clearly indicate that the impact of such prior period expenses / incomes plus the actual O&M expenses does not exceed the normative expense for that year. For example, if the Commission while doing Truing up of particular year has approved actual O&M expenses of Rs. 38 Crore, which is lower than the normative O&M expenses of Rs. 40 Crore for that particular year and the Petitioner in some future year claims prior period O&M expenses of Rs. 4 Crore, the total O&M expenses would be Rs. 42 Crore (Rs. 38 Crore actual + Rs. 4 Crore prior period). As the total allowable O&M Expenses in such a case cannot be more than Rs. 40 Crore, i.e., normative O&M expenses, only Rs. 2 Crore expenses towards prior period O&M expenses is allowable after scrutiny and prudence check as Rs. 38 Crore of actual O&M has been allowed and the total amount of O&M expenses cannot exceed the normative O&M expense of Rs. 40 Crore.

4.7.6 Thus, the Petitioner is directed to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head-wise year-wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components, and such impact should not exceed the normative expenses for any particular year. Based on the data submitted by the Petitioner, the Commission after scrutiny and prudence check, shall consider the expenses under the above head as it deems fit.

4.7.7 The summary of the prior period expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Commission in this Order for Truing up of FY 2008-09 is shown in the Table below:

Table 4-23: PRIOR PERIOD EXPENSES / INCOME FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Prior Period Income	0.00	28.64	28.64	0.00

4.8 PROVISION FOR BAD AND DOUBTFUL DEBTS



- 4.8.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order for FY 2008-09 even though the Distribution Tariff Regulations, 2006 provide for allowing 2% provision in respect of revenue receivables.
- 4.8.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in a sector like banking where the provisioning of un-collectable dues is considered as a normal commercial practice.
- 4.8.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per audited accounts of the relevant financial year for Distribution business.
- 4.8.4 The Petitioner has claimed Rs. 96.27 Crore towards provision for bad and doubtful debts for FY 2008-09.
- 4.8.5 As regards provision for bad and doubtful debts, the Commission in its previous Orders had directed as follows:

True up Order for FY 2000-01 to FY 2007-08 dated 21st May, 2013

"The Commission directs the Petitioner to formulate a policy for identifying and writing off fictitious arrears and submit a copy of such report before the Commission." (within six months from the date of issue of True-up Order).

Tariff Order for FY 2013-14 dated 31st May, 2013

"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." (within one month from the date of issuance of the Order.)



4.8.6 The Commission, further in its deficiency note, has enquired from the Petitioner about the policy followed by it to identify and write off bad debts. In its reply, the Petitioner has submitted that the entitlement towards provision for bad and doubtful debts has been computed at 2% of the closing revenue receivables as per audited accounts of FY 2008-09. However, it was observed that the Petitioner has submitted the approach for creation of provision of bad debts instead of the policy followed by it for identification of actual bad debts and writing off the same. The Commission, in its additional queries, reiterated that the Petitioner is required to submit the policy followed by it for identification and writing off actual bad debts at the earliest. In reply to the same, the Petitioner submitted that it has recently framed a policy for identifying and writing off old arrears, which has been provided to the Commission along with the replies and appropriate directions have been issued to the field units to compile the sample cases based on this recently issued order of the licensee. However, from the Regulations it is amply clear that the Petitioner is required to submit its policy for identifying and writing off doubtful debts to the Commission for prior approval, which the Petitioner has not done.

4.8.7 Regulation 4.4 of the Distribution Tariff Regulations, 2006 specifies as follows:

“4.4 Bad and Doubtful Debts:

*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**. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income.”(emphasis supplied)*

4.8.8 The Commission in the Tariff Order for FY 2008-09 had disallowed the claims towards provision for bad and doubtful debts due to the absence of a clear policy and procedure for identifying and writing off receivables. Any provisioning towards bad and doubtful debts needs to be backed up with processes to identify consumers who are not paying up and then making adequate attempts to collect from such consumers. Further, the above Regulations provide for the prior approval of the Commission of the



transparent policy for identification of bad and doubtful debts, which the Petitioner has not taken.

4.8.9 Thus, in accordance with the Distribution Tariff Regulations, 2006 proper guidelines and procedures for identifying, physically verifying and writing off the bad debts is a must for approval of provision for bad debts. Since, the Petitioner is yet to satisfy the Commission of the sincere and concerted efforts to comply with the Commission's directives; the Commission is not giving any allowance for bad debts for FY 2008-09 during the final truing up exercise for FY 2008-09.

4.8.10 Therefore, in the absence of proper policy in place for identifying and writing off receivables, the Commission disallows the claims towards provision for bad and doubtful debts.

Table 4-24: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	23.61	96.27	0.00

4.9 RETURN ON EQUITY

4.9.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, the Commission has also not allowed any amount towards return on equity for FY 2008-09.

4.10 REVENUE SUBSIDY FROM GOUP

4.10.1 The Petitioner has submitted that the actual revenue subsidy received from GoUP was Rs. 472.39 Crore during FY 2008-09 as against Rs. 532.32 Crore approved in the Tariff Order.

4.10.2 The Commission has accepted the submission of the Petitioner under this head.



4.11 ADDITIONAL SUBSIDY REQUIREMENT FROM GOUP

- 4.11.1 The Distribution Tariff Regulations, 2006 are effective from FY 2007-08. Clause 6.10 of the Distribution Tariff Regulations, 2006 specifies:

“6.10 Provision of Subsidy

1. The Commission, while determining the tariff, shall see that the tariff progressively reflects the cost of supply of electricity and the cross subsidy is reduced or eliminated.

2. If the State Government decides to subsidize any consumer or class of consumers, the State Government shall pay the amount to compensate the affected licensee by grant of such subsidy in advance.

Provided that no such direction of the State Government to grant subsidy shall be operative if the payment is not made in accordance with the relevant provisions contained in these Regulations and the Act. In such a case, the tariff of the applicable categories may be revised excluding the subsidy.

3. The Government shall, by notification, declare the consumers or class of consumers to be subsidized.

4. Tariff of the subsidized category shall be designed taking into account the subsidy allocated to that category.

5. The Distribution Licensee shall furnish details of power consumed by the subsidized category to the State Government and the Commission. The Distribution Licensee shall provide meters on all rural distribution transformers and shall also furnish the power consumption details in respect of agricultural and rural domestic consumption based on readings from such meters and normative distribution losses on a monthly basis.”
(Emphasis supplied)

- 4.11.2 The Commission, in its Tariff Order for FY 2013-14, regarding additional subsidy requirement from GoUP has stipulated as under:



“The Commission in the true up Order dated 21st May, 2013 had computed the additional subsidy requirement from GoUP as the difference between actual cost of sales to subsidised categories and the revenue assessment to the subsidised categories of LMV-1 (a): Consumer getting supply as per "Rural Schedule" and LMV-5: Private Tube wells (PTW). Similarly, the Commission in this Order also, has computed the additional subsidy requirement from GoUP which ensures that commensurate subsidy from GoUP is factored in the ARR being approved for FY 2013-14.”

- 4.11.3 Regarding the above matter, the Distribution Licensees have filed an Appeal before the Hon'ble APTEL on applicability of additional subsidy. As the matter is sub-judice, the same approach has been continued by the Commission as adopted in True up Order dated 21st May, 2013.
- 4.11.4 The Commission, in its Deficiency Note, as well as in the Admittance Order dated 3rd June, 2014 had asked the Distribution Licensees to submit the actual revenue, sales and the through rate for all the categories and sub-categories, essentially for the subsidised categories, i.e., “Rural Domestic in LMV 1 Category” and “PTW – LMV 5” for FY 2008-09 to FY 2011-12. Further, in this regard, the Petitioner vide letter dated 04th August, 2014, in its reply has submitted the above mentioned details.
- 4.11.5 However, while computing the actual subsidy requirement, the Commission has considered the actual sales of the subsidised categories, namely LMV-1 (a): Consumer getting supply as per "Rural Schedule" and LMV-5: Private Tube wells (PTW), which is also same as submitted by the Petitioner in reply to the Deficiency Note. Further, the through rate for the LMV-1 (a) Consumer getting supply as per "Rural Schedule" has been worked out based on the actual revenue submitted by the Petitioner. However, as the Revenue for the LMV-5: Private Tube wells (PTW) category has been clearly mentioned in the Audited Accounts, the through rate has been worked out by the Commission based on the actual revenue received by the Petitioner as mentioned in the Schedule 12 of Audited Accounts.
- 4.11.6 As per the table provided below, the balance subsidy of Rs. 454.57 Crore has been considered for reduction from the ARR being trued up. The Distribution Licensees need to realise such sum from the State Government.



Table 4-25: COMPUTATION OF SUBSIDY REQUIREMENT FOR FY 2008-09 (Rs Crore)

Particulars	Sales	Cost of Service	Thru Rate	Loss	Loss
	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs/kWh)	(Rs Crore)
LMV-1: (a) Consumer getting supply as per "Rural Schedule"	2130.61	4.33	1.18	3.15	672.04
LMV-5: PTW	783.90	4.33	1.08	3.25	254.92
Total Loss	2914.50				926.96
Subsidy Available					472.39
Additional Subsidy Requirement from GoUP					454.57

4.12 REVENUE SIDE TRUING UP

NON-TARIFF INCOME

4.12.1 The Petitioner has submitted that the actual non-tariff income during FY 2008-09 was Rs. 5.23 Crore as compared to Rs. 13.64 Crore approved by the Commission in the Tariff Order.

4.12.2 As regards the Commission's query regarding detailed break-up of non-tariff Income, the Petitioner submitted as follows:

Table 4-26: NON – TARIFF INCOME SUBMITTED BY LICENSEE FOR FY 2008-09 (Rs. Crore)

Particulars (Rs Crore)	FY 2008-09
Loans to Staff	0.01
Fixed Deposits	2.84
Others	-
Income from Contractors/Suppliers	2.12
Rental From Staff	0.04
Misc Receipts	0.10
Excess found on physical verification of stores	0.11
Total	5.23

4.12.3 The Commission has accepted the submission of the Petitioner under this head and has accordingly approved Non-Tariff Income of Rs. 5.23 Crore for FY 2008-09.



4.13 REVENUE FROM SALE OF POWER

- 4.13.1 The Petitioner has submitted that the actual revenue from sale of power during FY 2008-09 is Rs. 2149.19 Crore (out of which, Rs. 49.20 Crore is towards delayed payment surcharge) towards electricity sales of 9011.28 MU against Rs. 3071.57 Crore approved by the Commission in its Tariff Order.
- 4.13.2 The Commission, in its deficiency note, asked the Petitioner to confirm that Delayed Payment Surcharge has not been double accounted in the total revenue and further it should also submit the detailed break-up of revenue from sale of power. In its reply, the Licensee has submitted that “Delayed Payment surcharge” has not been double accounted in the total revenue and it has been added up to the Revenue from Sales and deducted from ‘Other Income’. Further, the complete breakup of the total revenue and delayed payment surcharge as per the audited accounts is also submitted by the Petitioner.
- 4.13.3 The Commission has accepted the revenue from sale of power as submitted by the Petitioner and has accordingly approved the actual revenue of Rs. 2149.19 Crore including delayed payment surcharge as per the audited accounts for FY 2008-09 towards sales of 9011.28 MU. The summary of revenue approved in the Tariff Order, as claimed by the Petitioner and as approved by the Commission in this Order for Truing up of FY 2008-09 is shown in the Table below:

Table 4-27: REVENUE FOR FY 2008-09 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Revenue from Tariff incl. Delayed Payment Surcharge	3071.57	2149.19	2149.19	2149.19
Non tariff income	13.64	5.23	5.23	5.23
Total Revenue	3085.21	2154.42	2154.42	2154.42



4.14 ARR AND REVENUE GAP/ (SURPLUS) FOR FY 2008-09 AFTER TRUING UP

4.14.1 The Aggregate Revenue Requirement for FY 2008-09 after final truing up is summarized in the Table below:

Table 4-28: ARR, REVENUE AND GAP SUMMARY FOR FY 2008-09 (Rs. Crore)

Particulars	Approved	Actual as per audited accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses	3142.18	2956.84	3163.08	3068.88
Apportionment of O&M Expenses of UPPCL#			22.18	-
Transmission Expenses	274.39	131.68	167.86	176.37
Gross O&M Expenses	333.63	427.55	427.55	427.55
Gross Interest on Long Term Loans	93.34	123.24	66.31	66.31
Finance Charges	25.48	162.12	162.12	18.30
Interest on Working Capital	44.72	0.00	10.62	10.62
Depreciation	274.12	94.20	179.54	179.54
Prior Period Expenses	0.00	-28.64	-28.64	0.00
Other Misc Expenses	0.00	0.00	0.00	0.00
Provision for Bad and Doubtful Debts	0.00	23.61	96.27	0.00
Gross Expenditure	4187.86	3890.61	4266.91	3947.58
Total Capitalisation	61.75	74.76	72.00	72.00
Net Expenditure	4126.11	3815.84	4194.91	3875.58
Add: Return on Equity	0.00	0.00	0.00	0.00
Less: Non-tariff Incomes	13.64	5.23	5.23	5.23
Add: Efficiency Gains	0.00	0.00	0.00	35.55
Annual Revenue Requirement	4112.47	3810.62	4189.68	3905.92
Revenue from Tariff incl DPS	3071.57	2149.19	2149.19	2149.19
GoUP Subsidy	532.52	472.39	472.39	472.39
Net Revenue Gap	508.38	1189.04	1568.10	1284.33
Less: Additional Subsidy to be provided by GoUP				454.57
Tariff Increases	457.80			



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Particulars	Approved	Actual as per audited accounts	True-up Petition	Allowable
Efficiency Improvement initiatives, Tariff rationalisation and other initiatives	50.59			
Net Revenue Gap	0.00	1189.04	1568.10	829.75

Apportionment of O&M Expenses of UPPCL has been allowed while computing BST

- 4.14.2 The Petitioner requested the Commission to consider the revenue side true-up and expense side true-up as per the aforementioned sections wherein the net revenue gap has been computed at Rs. 1568.10 Crore.
- 4.14.3 However, as observed from the above Table, against the gap of Rs. 1568.10 Crore claimed by the Petitioner for truing up of FY 2008-09, the Commission has worked out the gap of Rs. 829.75 Crore while carrying out the truing up on the basis of the audited accounts. The Commission has discussed the treatment of above revenue gap subsequently in this Order.



5. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2009-10

5.1 INTRODUCTION

5.1.1 In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2009-10 and has undertaken the truing up of expenses and revenue after prudence check on the data made available by the Petitioner.

5.2 POWER PURCHASE EXPENSES

5.2.1 The Commission, in the Tariff Order for FY 2009-10 had approved the power purchase quantum of 56441 MU and total power purchase expenses of Rs. 14281.00 Crore at UPPCL level. The Petitioner, in its True-up Petition has submitted that the actual power purchase expenses for FY 2009-10 are Rs.17699.53 Crore towards power procurement of 60678.93 MU at UPPCL level. There has been an under-achievement of the T&D loss target by the Petitioner in FY 2009-10. The actual T&D loss has been 30.40 % as against 24.41 % approved by the Commission for FY 2009-10 at UPPCL level.

5.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The allowable power purchase input has been calculated by grossing up the actual energy sales by the approved T&D loss target of the relevant financial year.
- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per audited accounts.

5.2.3 As per the above philosophy, the Bulk Supply Tariff as worked out by the Petitioner is shown in the Table below:

Table 5-1: BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2009-10

Particulars	Units	Petitioner
Actual Power Purchase	MU	60678.93
Actual Energy Sales	MU	42232.05
Actual Power Purchase Cost per unit	Rs/kWh	2.92



Particulars	Units	Petitioner
Actual T&D Loss	%	30.40%
Normative T&D Loss	%	24.41%
Actual Power Purchase Cost	Rs. Crore	17699.53
Allowable Power Purchase Input	MU	55871.19
Allowable Power Purchase Cost at pooled cost	Rs. Crore	16297.15
Energy Input for Distribution Licensees	MU	56892.53
Bulk Supply Tariff	Rs/kWh	2.86

5.2.4 As detailed in the previous chapter the Petitioner has also submitted the revised computations for allowable bulk supply tariff for FY 2009-10 as per the methodology adopted by the Commission in its previous Orders as shown in the Table below:

Table 5-2: REVISED BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2009-10

Particulars	Unit	Petitioner Revised Submission
Power Purchase	MU	59,263
Transmission Loss	MU	2,371
Transmission Loss	%	4.00%
Energy available at Licensees End	MU	56,893
Power Purchase Cost (including PGCIL charges)	Rs Crore	17,700
Power Purchase Cost per unit	Rs/kWh	2.92
Allowable Power Purchase Cost at Licensees end	Rs Crore	17,287
Power Purchase Cost per unit at Licensees end (BST)	Rs/kWh	3.04

5.2.5 As depicted above, the Petitioner has submitted the revised Bulk Supply Tariff, however the Petitioner has not submitted the revised Power Purchase Cost based on its revised BST. The Commission has computed the claimed power purchase based on the revised BST submitted by the Petitioner.

5.2.6 The Petitioner based on the target distribution losses and the actual sales has computed the allowable power purchase input at the Distribution Licensees periphery as shown in the Table below:



Table 5-3: POWER PURCHASE COST AS COMPUTED BY PETITIONER FOR FY 2009-10

Particulars	True up Petition
Actual Power Purchase (MU)	12700.61
Sales (MU)	9596.86
Distribution Loss Target (%)	22.50%
Allowable Power Purchase (MU)	12383.11
Trued up Bulk Supply Tariff	2.86
Allowable Power Purchase Cost (Rs. Crore)	3547.2
Allowable Power Purchase Cost based on revised BST submitted by Petitioner (Rs. Crore)	3764.47

5.2.7 The Commission agrees with the Petitioner, that efficiency target of T&D loss level, has to be considered as a controllable parameter, and therefore, the power purchase cost consequent to under-achievement of T&D losses needs to be disallowed.

5.2.8 Regulation 4.2 (11) of Distribution Tariff Regulations, 2006 specifies as below:

“4.2 Power Purchase Cost:

11. In the regime of Availability Based Tariff (ABT), the cost of power purchase through UI shall be allowed to be passed through in tariff of the subsequent year subject to the following conditions:

a) The average rate for power purchased through UI should not exceed the maximum rate for power purchased under the Merit Order of the licensee as approved by the Commission.

b) The total cost of electricity units purchased through UI shall be restricted to 10% of total power purchase cost approved by the Commission.

Provided that where the average rate for power purchased under UI exceeds the maximum specified rate of power purchase under the Merit Order of the licensee, the cost of such power purchase shall be allowed to be passed through in tariffs of the subsequent year at the maximum rate for power purchase under the Merit Order of the licensee as approved by the Commission whether the ceiling limit of 10% as stated in 11 (b) above has reached or not.”



5.2.9 The Commission has obtained the rates and energy procured through unscheduled interchange (UI). The table below depicts that the Licensees has purchased 3675.38 MU through UI at an average rate of Rs. 5.16 per kWh which is higher than the maximum rate of Rs. 5 per kWh for power purchased under the Merit Order of the Licensees as approved by the Commission for FY 2009-10. In view of the above quoted Regulation, the Commission has disallowed such costly purchase through UI over and above the approved maximum rate for power purchase under the Merit Order for FY 2009-10.

Table 5-4: DISALLOWANCE IN POWER PURCHASE EXPENSES FOR FY 2009-10

Source	Units Procured (MU)	Amount Incurred (Rs Crore)	Rate (Rs/kWh)	Ceiling Rate (Rs/kWh)	Disallowance (Rs/kWh)	Disallowance (Rs Crore)
A	B	c	d=c/b*10	e	f=e-d	g=f*b/10
UI	3675.38	1897.91	5.16	5.00	-0.16	-60.22
Total	3675.38	1897.91	5.16	5.00	-0.16	-60.22

5.2.10 The Petitioner in its Petition submitted that the Commission in FY 2012-13 Tariff Order had directed the Distribution Companies to consider the apportionment of the O&M expenses of UPPCL and submit the share of each Distribution Licensee. Petitioner submitted that considering the above, it has apportioned the O&M cost of UPPCL to all the Distribution Licensees in the power purchase ratio for each relevant year. Petitioner submitted that UPPCL also resorts to short term borrowings on behalf of Distribution Companies to meet the power purchase liabilities of Distribution Licensees. It incurs interest expenses on behalf of such working capital loans. Also it incurs expenditure towards LC and OD charges incidental to power purchase expenses. The Petitioner requested the Commission to consider these expenses and allow UPPCL to claim such expenses from the Petitioner and other Distribution Companies through an internal adjustment without any impact on the ARR of the Petitioner.

5.2.11 The apportionment of the O&M expenses of UPPCL for FY 2009-10 as submitted by the Petitioner is shown in the Table below:



Table 5-5: ALLOCATION OF THE O&M EXPENSES OF UPPCL FOR FY 2009-10 AS SUBMITTED BY THE PETITIONER

Name of Distribution Licensee	FY 2009-10	
	Energy at Licensee End (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	12,959	27.74
MVVNL	9,755	20.88
PVVNL	18,237	39.04
PuVVNL	12,701	27.19
Kesco	2,740	5.87
NPCL	354	0.76
Total	56,746	121.48

5.2.12 The Commission has verified the above amount from the Audited Accounts of UPPCL and has allowed such expenses based on actual for FY 2009-10. As the above expenses have been incurred by UPPCL, which is mostly for procuring the power for the Distribution Licensees, the above expenses for the purpose of Truing up has been considered as a part of Bulk Supply Tariff. It may further, be noted that the procurement of power is the responsibility of the Distribution Licensee for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensee. The Commission has allowed such expenses for the past years, however for future years i.e. from FY 2014-15 onwards, the Licensee is directed to manage such O&M Expenses for procuring the power from the O&M Expenses allowed to it.

5.2.13 The table below summarises the sales, transmission losses, energy balance, power purchase quantum and cost submitted by the Petitioner and as approved by the Commission at UPPCL level and the Bulk Supply Tariff for FY 2009-10:

Table 5-6: ENERGY BALANCE AND BULK SUPPLY TARIFF APPROVED FOR FY 2009-10

Particulars	Unit	Tariff Order	True Up Petition	Actual	Approved
Power Purchase	MU	56441.00	59263	60678.93	59263.05
Transmission Loss	MU	2257.64	2371	3786.40	2370.52
Transmission Loss	%	4.00%	4.00%	6.24%	4.00%
Energy available at Licensee End	MU	54183.36	56893	56892.53	56892.53



Particulars	Unit	Tariff Order	True Up Petition	Actual	Approved
Power Purchase Cost (including PGCIL charges)	Rs Crore	14281.00	17700	17699.53	17639.31 ²
Power Purchase Cost per unit	Rs/kWh	2.53	2.92	2.92	2.91
O&M Expenses of UPPCL	Rs Crore			121.48	121.48
Allowable Power Purchase Cost at Licensee end	Rs Crore		17287		17349.19
Power Purchase Cost per unit at Licensee end (BST)	Rs/kWh	2.64	3.04	3.13	3.05

5.2.14 The Commission in the Tariff Order for FY 2009-10 had prescribed the distribution loss targets for the Licensee. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. The allowable power purchase input has been multiplied by the trued up bulk supply tariff to derive the allowable power purchase cost of the Licensee. Accordingly, the table below provides the allowable power purchase cost for the Licensee for FY 2009-10:

Table 5-7: ALLOWABLE POWER PURCHASE COST FOR FY 2009-10

Particulars	Approved	True up Petition	Allowed
Actual Power Purchase (MU)	12182	12700.61	12700.61
Sales (MU)	9441	9596.86	9596.86
Distribution Loss Target (%)	22.50%	22.50%	22.50%
Allowable Power Purchase (MU)		12383.11	12383.05
Trued up Bulk Supply Tariff (Rs. / kWh)		3.04	3.05
Allowable Power Purchase Cost (Rs Crore)		3764.47	3776.17*

* Including O&M Expenses of UPPCL

5.3 TRANSMISSION CHARGES

5.3.1 The Petitioner submitted that in the Tariff Order for FY 2009-10, the Commission had approved the Transmission Charges of Rs. 153.00 Crore towards projected power purchase of 12182 MU. The Petitioner submitted that as per the audited accounts it has incurred Rs. 200.13 Crore towards transmission charges. The Petitioner further submitted that the allowable power purchase input for FY 2009-10 works out to 12383.11 MU and

² Considering disallowance of Rs. 60.22 Crore



therefore for the purpose of claiming the trued up transmission charges the allowable power purchase input has been taken into consideration. The Petitioner submitted that per unit rate of Transmission Charge has been considered equivalent to the rate submitted by UPPTCL in its True-up Petition filed before the Commission. The Petitioner further submitted that the allowable Transmission Charges for FY 2009-10 works out Rs. 187.78 Crore.

5.3.2 Accordingly, the Petitioner has claimed allowable transmission charges of 187.78 Crore against the actual transmission charges of Rs. 200.13 Crore.

5.3.3 The Commission in its Tariff Order had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. It is observed that the Petitioner has considered the Transmission Charge equivalent to the rate submitted by UPPTCL in its true-up Petition, however, the true up Order in the mentioned matter was issued by the Commission on 31st May, 2013. Thus, to derive the allowable transmission charges the allowable power purchase input has been multiplied by the trued up transmission tariff as approved by the Commission in its Order dated 31st May, 2013.

5.3.4 Accordingly, the Table below provides the allowable transmission charges for the Petitioner for FY 2009-10:

Table 5-8: ALLOWABLE TRANSMISSION CHARGES FOR FY 2009-10

Particulars	Approved	True up Petition	Allowed
Units Wheeled (MU)	12182	12700.61	12383.05
Trued up Transmission Charge (Rs/kWh)	0.1256	0.1479	0.1278
Transmission Charges (Rs Crore)	153	187.78	158.26

5.4 O&M EXPENSES

5.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.

5.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2009-10, and the Commission's analysis on the truing up of the O&M expenditure heads are detailed below:



- 5.4.3 The Petitioner submitted that the actual net employee expenses for FY 2009-10 is Rs. 268.98 Crore, against the approved expenses of Rs. 267.45 Crore.
- 5.4.4 The Petitioner has submitted that the year on year increase (FY 2009-10 Vs FY 2008-09) in gross employee expenses is around 43 %. This is on account of the increased salaries, grade pay and allowances consequent to the pay revision as such expenses are uncontrollable in nature and over the above the normal employee expenses of previous year i.e. FY 2008-09.
- 5.4.5 The Petitioner has submitted the actual net Administrative and General expenses for the FY 2009-10 as Rs. 21.65 Crore as against the approved expenses of Rs. 18.33 Crore. The Petitioner has claimed the actual A&G Expenses for FY 2009-10.
- 5.4.6 The Petitioner has submitted the actual Repair and Maintenance (R&M) Expenses for FY 2009-10 as Rs. 151.21 Crore against the approved expenses of Rs. 115.16 Crore.
- 5.4.7 The Commission in its Tariff Order for FY 2013-14 has considered the allowable gross employee expenses for FY 2009-10 by escalating the component wise approved O&M expenses for FY 2008-09 by 33.76 % which is inclusive of the escalation index of 8.51% as approved by the Commission. However, the Licensee in its True up Petition for FY 2008-09 has submitted the pay revision provision in employee expenses of Rs. 26.03 Crore as compared to Rs. 8.09 Crore approved by the Commission in the Tariff Order for FY 2013-14. The Commission has considered such expenses as uncontrollable in nature and allowed the claim of the Licensee in this regard.
- 5.4.8 The Commission has estimated the percentage increase in normal employee expenses for FY 2009-10 by isolating the impact of pay revision arrear in 2008-09. The normal gross employee expenses increased from Rs. 252.65 Crore (excluding pay revision arrear) in FY 2008-09 to Rs. 361.93 Crore in FY 2009-10 consequent to pay revision, which translates to an increase of 43.26 %. Thus, the Commission has considered the escalation rate of 43.26% which is also same as that proposed by the Petitioner, which is inclusive of the escalation index of 7.52% (revised by the Commission in the earlier section) for the purpose of Truing up of FY 2009-10. As this higher escalation rate claimed by



the Petitioner is on account of the increased salaries, grade pay and allowances consequent to the pay revision, the Commission has considered such expenses as uncontrollable in nature and allowed this escalation over the above the allowable employee expenses of previous year i.e. FY 2008-09.

- 5.4.9 Further, in addition to the normative O&M expense based on inflation, incremental O&M expenses at 2.5% on addition to assets during the previous year has also been computed in accordance with the Regulation 4.3 (3) of the Distribution Tariff Regulations, 2006.
- 5.4.10 As depicted in the Table 5-10 below, the normative O&M expenses are higher than the actual O&M expenses; hence, the Commission has approved the actual O&M expenses for FY 2009-10.
- 5.4.11 In reply to the Commission's query regarding whether CGRF expenses have been included in O&M expenses, the Petitioner submitted that the CGRF expenses are part of the O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence, details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in the CGRF framework approved by the Commission. As the account for CGRF expenses is not separately maintained by the Licensee no additional allowance towards this head has been considered by the Commission.
- 5.4.12 Further, as discussed earlier, in its reply to the Commission's query regarding the details of expenses incurred towards apportionment of O&M Expenses of UPPCL, the Petitioner submitted the following Table depicting the allocation of O&M Expenses of UPPCL:

TABLE 5-9: ALLOCATION OF O&M EXPENSES AMONG DISTRIBUTION LICENSEES IN FY 2009-10

Name of Distribution Licensee	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	12,959	27.74
MVVNL	9,755	20.88
PVVNL	18,237	39.04
PuVVNL	12,701	27.19



Name of Distribution Licensee	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
KESCO	2,740	5.87
NPCL	354	0.76
Total	56,746	121.48

- 5.4.13 As detailed in para 5.2.12, the above apportionment of the O&M Expenses of UPPCL has been considered in the Bulk Supply Tariff.
- 5.4.14 The Commission in previous section has already explained in detail that the Regulations allow sharing of efficiency gains on account of total O&M expenses. Since the total actual O&M expenses for FY 2009-10 are lower than the total normative O&M expenses thus, sharing as per the Regulations has been considered by the Commission.
- 5.4.15 Accordingly, the summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and as approved by the Commission in this Order for Truing up of FY 2009-10 is shown in the Table below:

Table 5-10: O&M EXPENSES IN FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Normative	Allowable
Employee Expenses	314.65	361.93	361.93	478.99	361.93
Repair & Maintenance Expenses	115.16	151.21	151.21	115.22	151.21
Administrative and General Expenses	35.27	27.13	27.13	38.09	27.13
Gross Operation and Maintenance Expenses	465.08	540.27	540.27	632.30	540.27
Less: Capitalisation					
Employee Cost Capitalized	47.20	92.95	92.95	92.95	92.95
A&G Expenses Capitalized	5.29	5.48	5.48	5.48	5.48
Total Capitalization	52.49	98.44	98.44	98.44	98.44
Net Operation and Maintenance Expenses	412.59	441.84	441.84	533.86	441.84
Efficiency Gains			0.00		46.01

5.5 INTEREST AND FINANCE CHARGES



Interest on Long Term Loans

- 5.5.1 The Petitioner has claimed the net Interest on Long Term Loan for FY 2009-10 as Rs. 90.53 Crore as against the approved expenses of Rs. 56.73 Crore. The Petitioner has capitalized the interest for FY 2009-10 as Rs. 5.62 Crore as against Rs. 16.94 Crore approved by the Commission in the Tariff Order.
- 5.5.2 The Commission vide its preliminary deficiency note asked the Petitioner to submit the details of actual loans along with computation of Interest on Loan as claimed by the Petitioner for FY 2009-10 in its True up Petition. In reply to the Commission's query the Petitioner submitted that subsequent to the filing of the true up Petitions for FY 2008-09 to 2010-11, the Commission issued the true up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which the Commission had adopted a normative approach to consider the debt equity ratio of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order for FY 2013-14.
- 5.5.3 The Petitioner submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner re-worked the loan balances, additions based on normative funding of capital expenditure, normative repayment linked with allowable depreciation of the respective year and the weighted average interest rate of the licensee as per audited accounts. The revised interest on long term loan claimed by the Petitioner based on the normative approach is Rs. 66.10 Crore.
- 5.5.4 In line with the approach adopted by Commission in its previous Orders interest expenses has been considered as an uncontrollable cost as the interest rates are determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the licensee.
- 5.5.5 For the above purpose, the Commission has derived the actual capital investments undertaken by the Licensee in FY 2009-10, based on the audited accounts. The details are provided in the Table below:



Table 5-11: CAPITAL INVESTMENTS IN FY 2009-10 (Rs. Crore)

Particulars	Derivation	FY 2009-10			
		Tariff Order	Audited	Petition	Allowable
Opening WIP as on 1st April	A	779.00	408.39	408.39	408.39
Investments	B	369.00	1309.68	1309.68	1309.68
Employee Expenses Capitalisation	C	47.00	92.95	92.95	92.95
A&G Expenses Capitalisation	D	5.00	5.48	5.48	5.48
Interest Capitalisation on Interest on long term loans	E	17.00	5.62	5.62	5.62
Total Investments	F= A+B+C+D+E	1217.00	1822.13	1822.13	1822.13
Transferred to GFA (Total Capitalisation)	G	487.00	711.54	711.54	711.54
Closing WIP	H= F-G	730.00	1110.59	1110.59	1110.59

5.5.6 The Commission has followed the same approach as in previous Orders and therefore considered the funding of capital expenditure in the ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions.

5.5.7 The Commission in its deficiency note also asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2009-10. In reply to the Commission's query the Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies.

5.5.8 The Consumer contributions, capital grants and subsidies as submitted by the Petitioner and as allowed by the Commission are shown in the Table below:



Table 5-12: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES RECEIVED AS ALLOWED BY THE COMMISSION FOR FY 2009-10 (Rs. Crore)

Particulars	FY 2009-10			
	Tariff Order	Audited	Petition	Allowable
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	-	569.87	569.87	569.87
Additions during the year	-	215.29	215.29	215.29
Less: Amortisation	-	27.07	27.07	27.07
Closing Balance	-	758.10	758.10	758.10

5.5.9 The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The Commission has also verified the above amounts as per the audited accounts of the Petitioner.

5.5.10 Thus, based on the above the approved financing of the capital investment is depicted in the Table below:

Table 5-13: FINANCING OF THE CAPITAL INVESTMENTS AS APPROVED BY THE COMMISSION FOR FY 2009-10 (Rs. Crore)

Particulars	FY 2009-10				
	Derivation	Tariff Order	Audited	Petition	Allowable
Investment	A	-	1,309.68	1,309.68	1,309.68
Less:					
Consumer Contribution	B	-	215.29	215.29	215.29
Investment funded by debt and equity	C=A-B	-	1,094.39	1,094.39	1,094.39
Debt Funded	70%	-	766.07	766.07	766.07
Equity Funded	30%	-	328.32	328.32	328.32

5.5.11 From the above tables it is seen, that the total investments made in distribution segment in FY 2009-10 were to the tune of Rs. 1309.68 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 215.29 Crore. Thus, balance Rs. 1094.30 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 766.07 Crore or 70% of the capital investment is approved to be



funded through debt and balance 30% equivalent to Rs. 328.32 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.

5.5.12 The Commission considered the closing loan balance of FY 2008-09 as the opening loan balance of FY 2009-10. The actual weighted average rate as per audited accounts has been considered for computing the interest.

5.5.13 Considering the above, the gross interest on long term loan has been worked out as shown in the Table below. The interest capitalisation has been considered at the same rate as per audited accounts.

Table 5-14: INTEREST ON LONG TERM LOAN FOR FY 2009-10 (Rs Crore)

Particulars	FY 2009-10			
	Tariff Order	Audited	Petition	Allowable
Opening Loan	-	871.61	498.63	498.63
Loan Additions (70% of Investments)	-	-	766.07	766.07
Less: Repayments (Depreciation allowable for the year)	-	-	197.75	197.75
Closing Loan Balance	-	1,272.49	1,066.95	1,066.95
Weighted Average Rate of Interest	-	8.97%	8.97%	8.97%
Interest on long term loan	73.67	96.16	70.21	70.21
Less: Interest Capitalized	16.94	5.62	4.11	4.11
Net Interest Charged	56.73	90.53	66.10	66.11
Interest Capitalisation Rate	23.0%	5.85%	5.85%	5.85%

Finance Charges

5.5.14 The Petitioner submitted that items claimed under this head are towards items such as bank charges, finance charges, interest on consumer security deposits, etc.

5.5.15 The Petitioner has claimed Rs. 19.45 Crore against Rs. 26.16 Crore approved by the Commission towards finance charges during FY 2009-10.



- 5.5.16 The bank charges and interest on consumer security deposits and finance charges have been allowed at actual based on audited accounts.
- 5.5.17 Thus, the Commission has approved finance charges amounting to Rs. 19.45 Crore as claimed by the Petitioner for FY 2009-10.

Table 5-15: ALLOWABLE FINANCE CHARGES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Audited	Petition	Allowable
Interest to Consumers	17.73	19.39	19.39	19.39
Bank Charges	0.17	0.06	0.06	0.06
Discount to Consumers	5.67	-	-	-
Finance Charges	2.60	-	-	-
Total Finance Charges	26.16	19.45	19.45	19.45

Interest on Working Capital:

- 5.5.18 The Petitioner submitted that the Tariff Regulations provide for normative interest on working capital based on the principles outlined in the Distribution Tariff Regulations, 2006. The Petitioner has submitted that Regulation 4.8(2)(B) of the Distribution Tariff Regulations, 2006 specifies the rate of interest on working capital borrowings as bank rate specified by RBI plus a margin as decided by the Commission. The Petitioner submitted that it has accordingly considered a rate of 11.75 % which is in line with the rate approved by the Commission in its Tariff Order for FY 2009-10. Thus, the Petitioner has claimed the normative interest on working capital as Rs. 21.98 Crore against the approved expenses of Rs. 33.41 Crore.
- 5.5.19 Regulation 4.8(2) of the Distribution Tariff Regulations, 2006 specifies as follows:

“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.”

5.5.20 Based on the methodology specified in the above Regulations the Commission in the Tariff Order for FY 2009-10 had allowed normative interest on working capital of Rs. 33.41 Crore. Following the similar approach and in accordance with the Regulations, the Commission in this Order has assessed the working capital and interest thereon based on the trued up ARR of the Petitioner.

5.5.21 The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2009-10, claimed by the Petitioner and that approved by the Commission in the present Truing up Order is shown in the Table below:

Table 5-16: INTEREST ON WORKING CAPITAL FOR FY 2009-10 (Rs. Crore)

Particulars	FY 2009-10			
	Tariff Order	Audited	Petition	Allowable
One month's O & M Expenses	-	-	36.82	36.82
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	-	-	16.91	16.91
Receivables equivalent to 60 days average billing on consumers	-	-	476.86	476.86
Grand Total	-	-	530.59	530.59
Less:				



Particulars	FY 2009-10			
	Tariff Order	Audited	Petition	Allowable
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	-	-	343.56	343.56
Net Working Capital	-	-	187.02	187.02
Rate of Interest on Working Capital	-	-	11.75%	11.75%
Interest on Working Capital	33.41	0.00*	21.98	21.98

*In the Audited Accounts separate head for Interest on Working Capital is not present.

5.5.22 The following table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 5-17: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	73.67	96.16	70.21	70.21
Less: Interest Capitalisation	16.94	5.62	4.11	4.11
Net Interest on Long Term Loans	56.73	90.53	66.10	66.11
B: Finance and Other Charges				
Finance Charges	2.60	0.00	0.00	0.00
Bank Charges	0.17	0.06	0.06	0.06
Discount to Consumers on sale of energy	5.67	0.00	0.00	0.00
Interest on Consumer Security Deposits	17.73	19.39	19.39	19.39
Total Finance Charges	26.16	19.45	19.45	19.45
C: Interest on Working Capital	33.41	0.00	21.98	21.98
Total (A+B+C)	116.30	109.99	107.53	107.53

5.6 DEPRECIATION



- 5.6.1 The Petitioner submitted that in the Tariff Order for FY 2009-10, the Commission had approved the depreciation expense of Rs. 207.63 Crore on a gross fixed asset base of Rs. 2892.00 Crore.
- 5.6.2 The Petitioner has submitted that the actual depreciation expense as per audited accounts is Rs. 99.54 Crore. However the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable for FY 2009-10.
- 5.6.3 The Petitioner submitted that for the purpose of true-up, the depreciation expense has been computed on the actual gross fixed asset base using the same depreciation rates which were considered by the Commission in the Tariff Order for FY 2009-10. Considering this philosophy, the entitlement towards depreciation has been computed by the Petitioner as Rs. 224.82 Crore against the approved depreciation of Rs. 207.63 Crore in FY 2009-10.
- 5.6.4 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True up Order for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative ratio of 70:30 and 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further submitted that in its Order the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.
- 5.6.5 The Petitioner added that since it is agreeable to this normative approach approved by the Commission hence no deviation in this approach has been sought by it. Based on the above, the depreciation as claimed by the Petitioner for FY 2009-10 is shown in the Table below:



Table 5-18: DEPRECIATION CLAIMED BY LICENSEE FOR FY 2009-10 (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciated on Rates considered	Allowable Depreciation
Land & Land Rights						
i) Unclassified	-	-	-	-		-
ii) Freehold Land	-	-	-	-		-
Buildings	18.28	3.01	0.00	21.29	7.84%	1.55
Other Civil Works	-	-	-	-	7.84%	-
Plants & Machinery	304.93	493.14	312.05	486.02	7.84%	31.01
Lines, Cable Network etc.	476.62	215.24	17.62	674.24	7.84%	45.11
Vehicles	-	-	-	-	7.84%	-
Furniture & Fixtures	0.09	0.16	-	0.26	7.84%	0.01
Office Equipments	0.27	(0.01)	-	0.26	7.84%	0.02
Jeep & Motor Car	-	-	-	-		-
Assets taken over from Licensees pending final Valuation	-	-	-	-		-
Total	800.19	711.54	329.68	1,182.06		77.70
Fixed Asset as per Transfer Scheme	1,876.52	-	-	1,876.52		147.12
GRAND TOTAL	2,676.71	711.54	329.68	3,058.58		224.82

5.6.6 In reply to the Commission's query regarding claimed depreciation rate of 7.84 % the Licensee has submitted that it has considered a weighted average depreciation rate of 7.84% for the truing up in respect of FY 2008-09 to FY 2011-12 which is in line with the rate considered by the Commission in its Tariff Order for relevant year.

5.6.7 It was further observed that the Petitioner while claiming the depreciation for FY 2009-10 has not reduced the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on GFA. In this regard, the Commission vide its deficiency note sought the justification for not deducting the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on the GFA along with



the revised computation of depreciation after reducing depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy.

5.6.8 In its reply the Petitioner submitted that the philosophy for reduction of depreciation on assets created out of consumer contributions, grants and subsidies from the gross depreciation expense was settled in the True up Order for FY 2000-01 to 2007-08 before which the True up Petitions for FY 2008-09 to 2010-11 were filed by the it. The Petitioner further submitted that subsequent to the principle being established by the Commission, it is agreeable to this methodology and has submitted the revised depreciation expense of Rs. 197.75 Crore (i.e. Rs. 224.82 Crore – Rs. 27.07 Crore).

5.6.9 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2009-10 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Distribution Tariff Regulation, 2006 which the Petitioner confirmed in the reply to data gaps.

5.6.10 Considering the same philosophy as adopted by the Petitioner which is also in line with the approach followed by the Commission in the previous Truing up Order, and after verifying the audited accounts for FY 2009-10 as submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing up of FY 2009-10 is shown in the Table below:

Table 5-19: DEPRECIATION EXPENSES FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Gross Allowable Depreciation	207.63	126.61	224.82	224.82
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy		27.07	27.07	27.07
Net Allowable Depreciation	207.63	99.54	197.75	197.75

5.7 PRIOR PERIOD EXPENSES



5.7.1 The Petitioner submitted that there are certain expenses and incomes which are omitted to be accounted for in one or more financial years. The Petitioner submitted that the financial statements of the Petitioner are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. There are certain prior period items which have been identified and incorporated in the audited financial statements for FY 2009-10. Accounting Standards (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' states:

"Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods"

5.7.2 The Petitioner has submitted that it has recognized Rs 254.01 Crore of prior period income in the audited financial statements for FY 2009-10. The Petitioner further submitted the break-up of the prior period items for FY 2009-10 as per audited accounts, as shown in the Table below:

TABLE 5-20: PRIOR PERIOD EXPENSES / INCOME FOR FY 2009-10 CLAIMED BY PETITIONER

Particulars	Rs Crore
Prior Period Income	
Other Excess Provisions	255.27
Sub Total of Prior Period Income	255.27
Prior Period Expenditure	
O&M Expenses	
Employees Cost	1.26
Sub Total of Prior Period Expenditure	1.26
Net Prior Period Income	254.01

5.7.3 As regards the prior period expenses the Commission vide its deficiency note asked the Petitioner to submit the detailed breakup of prior period expenses along with the details of years to which they pertain and the justification for not booking such amount in the annual accounts of the respective years. In its reply the Petitioner has submitted the year wise breakup of prior period expenses however the submission does not provide clarification regarding the heads under which these expenses have been booked.



5.7.4 As discussed in detail in para 4.7.6, the Commission has not allowed any claims towards prior period expenses. The summary of the prior period expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Petitioner in this Order for Truing up of FY 2009-10 is shown in the Table below:

Table 5-21: PRIOR PERIOD EXPENSES / INCOME FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Prior Period Income	0.00	254.01	254.01	0.00

5.7.5 Further, as discussed in detail in para 4.7.6, the Petitioner is directed to file a separate Petition for approval of prior period expenses / incomes for FY 2009-10 for the Commission's consideration.

5.8 PROVISION FOR BAD AND DOUBTFUL DEBTS

5.8.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order for FY 2009-10 even though the Distribution Tariff Regulations, 2006 provide for allowing 2% provision in respect of revenue receivables.

5.8.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in a sector like banking where the provisioning of un-collectable dues is considered as a normal commercial practice.

5.8.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per audited accounts of the relevant financial year for Distribution Business.

5.8.4 The Petitioner has claimed Rs. 115.66 Crore towards provision for bad and doubtful debts for FY 2009-10.



- 5.8.5 As discussed in detail in para 4.8.8 due to the absence of proper policy in place for identifying and writing off receivables, the Commission has not allowed the claims towards provision for bad and doubtful debts.

Table 5-22: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	45.88	115.66	0.00

5.9 RETURN ON EQUITY

- 5.9.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, the Commission has also not allowed any amount towards return on equity for FY 2009-10.

5.10 REVENUE SUBSIDY FROM GOUP

- 5.10.1 The Petitioner has submitted that the actual revenue subsidy received from GoUP was Rs. 634.02 Crore during FY 2009-10 as against Rs. 627.72 Crore approved in the Tariff Order.
- 5.10.2 The Commission has accepted the submission of the Petitioner, under this head.

5.11 ADDITIONAL SUBSIDY REQUIREMENT FROM GOUP

- 5.11.1 As discussed in detail in the above para 4.11.3, the balance subsidy of Rs. 511.29 Crore has been considered for reduction from the ARR being trued up. The Distribution Licensees need to realise such sum from the State Government.



Table 5-23: COMPUTATION OF SUBSIDY REQUIREMENT FOR FY 2009-10 (Rs. Crore)

Particulars	Sales	Cost of Service	Thru Rate	Loss	Loss
	(MU)	(Rs./kWh)	(Rs./kWh)	(Rs./kWh)	(Rs. Crore)
LMV-1: (a) Consumer getting supply as per "Rural Schedule"	2277.07	4.92	1.26	3.65	831.56
LMV-5: PTW	826.92	4.92	1.12	3.79	313.74
Total Loss	3103.99				1145.31
Subsidy Available					634.02
Additional Subsidy Requirement from GoUP					511.29

5.12 REVENUE SIDE TRUING UP

NON TARIFF INCOME

5.12.1 The Petitioner has submitted that the actual non tariff income during FY 2009-10 was Rs. 9.53 Crore as compared to Rs. 34.08 Crore approved by the Commission in the Tariff Order.

5.12.2 As regards the Commission's query regarding detailed break-up of non tariff Income the Petitioner submitted as follows:

Table 5-24: NON – TARIFF INCOME SUBMITTED BY LICENSEE FOR FY 2009-10 (Rs. Crore)

Particulars (Rs Crore)	FY 2009-10
Loans to Staff	0.01
Rebate for timely repayments	5.11
Others	-
Income from Contractors/Suppliers	2.97
Rental From Staff	0.05
Misc Receipts	1.23
Excess found on physical verification of stores	0.17
Total	9.53



5.12.3 The Commission has accepted the submission of the Petitioner, under this head and has accordingly approved non tariff Income of Rs. 9.53 Crore for FY 2009-10.

5.13 REVENUE FROM SALE OF POWER

5.13.1 The Petitioner has submitted that the actual revenue from sale of power during FY 2009-10 is Rs. 2861.16 Crore (out of which Rs. 49.68 Crore is towards delayed payment surcharge) towards electricity sales of 9596.86 MU against Rs. 2893.19 Crore approved by the Commission in its Tariff Order.

5.13.2 The Commission has accepted the revenue from sale of power as submitted by the Petitioner and has accordingly approved the actual revenue of Rs. 2861.16 Crore including delayed payment surcharge as per the audited accounts for FY 2009-10 towards sales of 9596.86 MU. The summary of revenue approved in the Tariff Order, as claimed by the Petitioner and as approved by the Commission in this Order for Truing up of FY 2009-10 is shown in the Table below:

Table 5-25: REVENUE FOR FY 2009-10 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Revenue from Tariff incl. Delayed Payment Surcharge	2893.19	2861.16	2861.16	2861.16
Non tariff income	34.08	9.53	9.53	9.53
Total Revenue	2927.28	2870.70	2870.70	2870.70



5.14 ARR AND REVENUE GAP/ (SURPLUS) FOR FY 2009-10 AFTER TRUING UP

5.14.1 The Aggregate Revenue Requirement for FY 2009-10 after final truing up is summarized in the Table below:

Table 5-26: ARR, REVENUE AND GAP SUMMARY FOR FY 2009-10 (Rs. Crore)

Particulars	Approved	Actual as per audited accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses	3210.77	3352.96	3764.47	3776.17
Apportionment of O&M Expenses of UPPCL#			27.19	-
Transmission Expenses	153.00	200.13	187.78	158.26
Gross O&M Expenses	465.08	540.27	540.27	540.27
Gross Interest on Long Term Loans	73.67	96.16	70.21	70.21
Finance Charges	26.16	19.45	19.45	19.45
Interest on Working Capital	33.41	0.00	21.98	21.98
Discount to Consumers	0.00	0.00	0.00	0.00
Depreciation	207.63	99.54	197.75	197.75
Prior Period Expenses	0.00	-254.01	-254.01	0.00
Other Misc Expenses	17.23	0.00	0.00	0.00
Provision for Bad and Doubtful Debts	0.00	45.88	115.66	0.00
Gross Expenditure	4186.95	4100.38	4690.74	4784.09
Total Capitalisation	69.43	104.06	102.55	102.54
Net Expenditure	4117.52	3996.32	4588.20	4681.55
Add: Return on Equity	0.00	0.00	0.00	0.00
Less: Non-tariff Incomes	34.08	9.53	9.53	9.53
Add: Efficiency Gains	0.00	0.00	0.00	46.01
Annual Revenue Requirement	4083.43	3986.78	4578.66	4718.03
Revenue from Tariff incl DPS	2893.19	2861.16	2861.16	2861.16
GoUP Subsidy	627.72	634.02	634.02	634.02
Net Revenue Gap	562.52	491.60	1083.48	1222.84
Less: Additional Subsidy to be provided by GoUP				511.29
Tariff Increases	408.10			



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Particulars	Approved	Actual as per audited accounts	True-up Petition	Allowable
Net Revenue Gap Carried Forward	154.42	491.60	1083.48	711.56

Apportionment of O&M Expenses of UPPCL has been allowed while computing BST

- 5.14.2 The Petitioner requested the Commission to consider the revenue side true-up and expense side true-up as per the aforementioned sections wherein the net revenue gap has been computed at Rs. 1083.48 Crore.
- 5.14.3 However, as observed from the above Table against the gap of Rs. 1083.48 Crore claimed by the Petitioner for truing up of FY 2009-10, the Commission has worked out the gap of Rs. 711.56 Crore while carrying out the truing up on the basis of the audited accounts. The Commission has discussed the treatment of above revenue gap subsequently in this Order.



6. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2010-11

6.1 INTRODUCTION

6.1.1 In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2010-11 and has undertaken the truing up of expenses and revenue after prudence check on the data made available by the Petitioner.

6.2 POWER PURCHASE EXPENSES

6.2.1 The Commission, in the Tariff Order for FY 2010-11 had approved the power purchase quantum of 65271.00 MU and total power purchase expenses of Rs. 18687.00 Crore at UPPCL level. The Petitioner, in its True-up Petition has submitted that the actual power purchase expenses for FY 2010-11 are Rs. 19945.95 Crore towards power procurement of 65375.42 MU at UPPCL level. The actual T&D loss has been 27.59% as against 30.16% approved by the Commission for FY 2010-11 at UPPCL level.

6.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The allowable power purchase input has been calculated by grossing up the actual energy sales by the approved or actual T&D loss whichever is lower for the relevant financial year.
- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per audited accounts.

6.2.3 As per the above philosophy, the Bulk Supply Tariff as worked out by the Petitioner is shown in the Table below:

Table 6-1: BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2010-11

Particulars	Units	Petitioner
Actual Power Purchase	MU	65375.42
Actual Energy Sales	MU	47339.85
Actual Power Purchase Cost per unit	Rs/kWh	3.05
Actual T&D Loss	%	27.59%
Normative T&D Loss	%	30.16%



Particulars	Units	Petitioner
Actual Power Purchase Cost	Rs. Crore	19945.95
Allowable Power Purchase Input	MU	65375.42
Allowable Power Purchase Cost at pooled cost	Rs. Crore	19945.95
Energy Input for Distribution Licensees	MU	62268.45
Bulk Supply Tariff	Rs/kWh	3.20

6.2.4 As detailed in the previous chapter the Petitioner has submitted the revised computations for allowable bulk supply tariff for FY 2010-11 as shown in the Table below:

Table 6-2: REVISED BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2010-11

Particulars	Unit	Petitioner Revised Submission
Power Purchase	MU	65,375
Transmission Loss	MU	3,107
Transmission Loss	%	4.75%
Energy available at Licensee End	MU	62,268
Power Purchase Cost (including PGCIL charges)	Rs Crore	19,946
Power Purchase Cost per unit	Rs/kWh	3.05
Allowable Power Purchase Cost at Discom end	Rs Crore	19,946
Power Purchase Cost per unit at Discom end (BST)	Rs/kWh	3.20

6.2.5 As depicted above, the Petitioner has submitted the revised Bulk Supply Tariff however the BST submitted by the Petitioner in its revised submission is working out approximately same as of its earlier submission. The Commission has computed the claimed power purchase based on the revised BST submitted by the Petitioner.

6.2.6 Since, the actual distribution losses are lower than the target loss levels for FY 2010-11, the Petitioner based on the actual distribution losses and the actual sales has computed the allowable power purchase input at the Discom periphery as shown in the Table below:



Table 6-3: POWER PURCHASE COST AS COMPUTED BY PETITIONER FOR FY 2010-11

Particulars	True up Petition
Actual Power Purchase (MU)	14011.69
Sales (MU)	10442.18
Distribution Loss Target (%)	25.48%
Allowable Power Purchase (MU)	14011.69
Trued up Bulk Supply Tariff	3.20
Allowable Power Purchase Cost (Rs. Crore)	4488.25
Allowable Power Purchase based on revised BST submitted by Petitioner Cost (Rs. Crore)	4488.25

6.2.7 Regulation 4.2 (11) of Distribution Tariff Regulations, 2006 specifies as below:

“4.2 Power Purchase Cost:

11. In the regime of Availability Based Tariff (ABT), the cost of power purchase through UI shall be allowed to be passed through in tariff of the subsequent year subject to the following conditions:

a) The average rate for power purchased through UI should not exceed the maximum rate for power purchased under the Merit Order of the licensee as approved by the Commission.

b) The total cost of electricity units purchased through UI shall be restricted to 10% of total power purchase cost approved by the Commission.

Provided that where the average rate for power purchased under UI exceeds the maximum specified rate of power purchase under the Merit Order of the licensee, the cost of such power purchase shall be allowed to be passed through in tariffs of the subsequent year at the maximum rate for power purchase under the Merit Order of the licensee as approved by the Commission whether the ceiling limit of 10% as stated in 11 (b) above has reached or not.”

6.2.8 The Commission has obtained the rates and energy procured through unscheduled interchange (UI). The table below depicts that the Petitioner has purchased 2196.27 MU through UI at an average rate of Rs. 7.49 per kWh which is higher than the maximum rate of Rs. 5.87 per kWh for power purchased under the Merit Order of the licensee as approved by the



Commission for FY 2010-11. In view of the above quoted Regulation, the Commission has disallowed such costly purchase through UI over and above the approved maximum rate for power purchase under the Merit Order for FY 2010-11.

Table 6-4: DISALLOWANCE IN POWER PURCHASE EXPENSES FOR FY 2010-11

Source	Units Procured (MU)	Amount Incurred (Rs Crore)	Rate (Rs/kWh)	Ceiling Rate (Rs/kWh)	Disallowance (Rs/kWh)	Disallowance (Rs Crore)
A	B	c	d=c/b*10	e	f=e-d	g=f*b/10
UI	1601.76	1200.09	7.49	5.87	-1.62	-259.86
Total	1601.76	1200.09	7.49	5.87	-1.62	-259.86

6.2.9 The Petitioner in its Petition submitted that the Commission in FY 2012-13 Tariff Order had directed the Distribution Companies to consider the apportionment of the O&M expenses of UPPCL and submit the share of each Discom. Petitioner submitted that considering the above, it has apportioned the O&M cost of UPPCL to all the Discoms in the power purchase ratio for each relevant year. Petitioner submitted that UPPCL also resorts to short term borrowings on behalf of Distribution Companies to meet the power purchase liabilities of Discoms. It incurs interest expenses on behalf of such working capital loans. Also it incurs expenditure towards LC and OD charges incidental to power purchase expenses. Petitioner requested the Commission to consider these expenses and allow UPPCL to claim such expenses from the Petitioner and other Distribution Companies through an internal adjustment without any impact on the ARR of the Petitioner.

6.2.10 The apportionment of the O&M expenses of UPPCL for FY 2010-11 as submitted by the Petitioner is shown in the Table below:

Table 6-5: ALLOCATION OF THE O&M EXPENSES OF UPPCL FOR FY 2010-11 AS SUBMITTED BY THE PETITIONER

Name of Discom	FY 2010-11	
	Energy at Discom End (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	14,296	32.08
MVVNL	10,945	24.56



Name of Discom	FY 2010-11	
	Energy at Discom End (MU)	O&M Expenses Allocated (Rs. Crore)
PVVNL	19,640	44.08
PuVVNL	14,012	31.45
Kesco	2,940	6.60
NPCL	310	0.70
Total	62,142	139.46

6.2.11 The Commission has verified the above amount from the Audited Accounts of UPPCL and has allowed such expenses based on actual for FY 2010-11. As the above expenses has been incurred by UPPCL, which is mostly for procuring the power for the Discoms, the above expenses for the purpose of Truing up has been considered as a part of Bulk Supply Tariff. It may further, be noted that the procurement of power is the responsibility of the Distribution Licensee for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensee. The Commission has allowed such expenses for the past years, however for future years i.e. from FY 2014-15 onwards, the Licensee is directed to manage such O&M Expenses for procuring the power from the O&M Expenses allowed to it.

6.2.12 The table below summarises the sales, transmission losses and energy balance, power purchase quantum and cost submitted by the Petitioner and as approved by the Commission at UPPCL level and the Bulk Supply Tariff for FY 2010-11:

Table 6-6: ENERGY BALANCE AND BULK SUPPLY TARIFF APPROVED FOR FY 2010-11

Particulars	Unit	Tariff Order	True up Petition	Actual	Approved
Power Purchase	MU	65271.00	65357	65375.42	64359.38
Inter-State Transmission Losses #	MU	1125.00		0.00	0.00
Inter-State Transmission Losses #	%	1.72%		0.00%	0.00%
Intra-State Transmission Losses	MU	2084.00	3107 ^{##}	3106.97	2090.93
Intra-State Transmission Losses	%	3.25%	4.75% ^{##}	4.75%	3.25%
Energy available at Discom End	MU	62062.00	62,268	62,268	62268.45
Power Purchase Cost (including PGCIL charges)	Rs Crore	18687.00	19946	19945.95	19686.09 ³

³ Considering disallowance of Rs. 259.86 Crore.



Particulars	Unit	Tariff Order	True up Petition	Actual	Approved
Power Purchase Cost per unit	Rs/kWh	2.86	3.05	3.05	3.01
O&M Expenses of UPPCL	Rs Crore			139.46	139.46
Allowable Power Purchase Cost at Discom end	Rs Crore		19946		19519.60
Power Purchase Cost per unit at Discom end (BST)	Rs/kWh	3.01	3.20	3.23	3.13

As Petitioner has not submitted the actual inter-state transmission losses, the same has been computed by reverse calculation

In absence of break-up of Intra-State and Inter-State Transmission Losses the entire transmission losses has been considered as Intra-State losses

6.2.13 The Commission in the Tariff Order for FY 2010-11 had prescribed the distribution loss targets for the Licensee. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved or actual distribution loss whichever is lower. The allowable power purchase input has been multiplied by the trued up bulk supply tariff to derive the allowable power purchase cost of the Licensee. Accordingly, the table below provides the allowable power purchase cost for the Licensee for FY 2010-11:

Table 6-7: ALLOWABLE POWER PURCHASE COST FOR FY 2010-11

Particulars	Approved	True up Petition	Allowed
Actual Power Purchase (MU)	14012	14011.69	14011.69
Sales (MU)	10442	10442.18	10442.18
Distribution Loss Target (%)	25.48%	25.48%	25.48%
Allowable Power Purchase (MU)		14011.69	14011.69
Trued up Bulk Supply Tariff (Rs. / kWh)		3.20	3.13
Allowable Power Purchase (Rs Crore)		4488.25	4392.31*

* Including O&M Expenses of UPPCL

6.3 TRANSMISSION CHARGES

6.3.1 The Petitioner submitted that in the Tariff Order for FY 2010-11, the Commission had approved the Transmission Charges of Rs. 202.05 Crore towards a projected power purchase of 10442.00 MU. The Petitioner submitted that as per the audited accounts it has incurred Rs. 176.55 Crore towards transmission charges. The Petitioner further submitted that the



allowable power purchase input for FY 2010-11 works out to 14012.24 MU and therefore for the purpose of claiming the trued up transmission charges the allowable power purchase input has been taken into consideration. The Petitioner submitted that per unit rate of Transmission Charge has been considered equivalent to the rate submitted by UPPTCL in its True-up Petition filed before the Commission. The Petitioner further submitted that the allowable Transmission Charges for FY 2010-11 works out Rs. 211.96 Crore.

6.3.2 Accordingly, the Petitioner has claimed allowable transmission charges of 211.96 Crore against the actual transmission charges of Rs. 211.96 Crore.

6.3.3 The Commission in its Tariff Order had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved or actual distribution loss whichever is lower. It is observed that the Petitioner has considered the Transmission Charge equivalent to the rate submitted by UPPTCL in its true-up Petition, however, the true up Order in the mentioned matter was issued by the Commission on 31st May, 2013. Thus, to derive the allowable transmission charges the allowable power purchase input has been multiplied by the trued up transmission tariff as approved by the Commission in its Order dated 31st May, 2013.

6.3.4 Accordingly, the Table below provides the allowable transmission charges for the Petitioner for FY 2010-11:

Table 6-8: ALLOWABLE TRANSMISSION CHARGES FOR FY 2010-11

Particulars	Approved	True up Petition	Allowed
Units Wheeled (MU)	14012	14011.69	14011.69
Trued up Transmission Charge (Rs/kWh)	0.14	0.1513	0.1354
Transmission Charges (Rs Crore)	202.05	211.96	189.72

6.4 O&M EXPENSES

6.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.



- 6.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2010-11, and the Commission's analysis on the truing up of the O&M expenditure heads are detailed below:
- 6.4.3 The Petitioner submitted that the actual net employee expenses for the FY 2010-11 as Rs. 280.92 Crore, against the approved expenses of Rs. 498.72 Crore.
- 6.4.4 The Petitioner has also submitted that as the actual employee expenses are below the Approved Expenses so, it is eligible for efficiency gains, thus the net entitlement towards Employee expenses as claimed by the Petitioner for FY 2010-11 is Rs. 389.82 Crore as against the approved expenses of Rs. 498.72 Crore.
- 6.4.5 The Petitioner submitted the actual net administrative and general expenses for the FY 2010-11 as Rs. 48.61 Crore as against the approved expenses of Rs. 31.98 Crore. The Petitioner has claimed the actual A&G Expenses for FY 2010-11.
- 6.4.6 The Petitioner has submitted the actual Repair and Maintenance (R&M) Expenses for the FY 2010-11 as Rs. 188.43 Crore against the approved expenses of Rs. 125.98 Crore.
- 6.4.7 The normative gross employee expenses for FY 2010-11 have been considered by escalating the normative O&M expenses of FY 2009-10 by escalation index of 9.96% mentioned in TABLE 4-9.
- 6.4.8 Further, in addition to the normative O&M cost based on inflation, incremental O&M expenses at 2.5% on addition to assets during the previous year has also been computed based on Regulation 4.3 (3) of the Distribution Tariff Regulations 2006.
- 6.4.9 As depicted in the
- 6.4.10 **Table 6-10** below, the normative O&M expenses are higher than the actual O&M expenses; hence, the Commission has approved the actual O&M expenses for FY 2010-11.



- 6.4.11 In reply to the Commission's query regarding whether CGRF expenses have been included in O&M expenses, the Petitioner submitted that the CGRF expenses are part of the O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence, details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in the CGRF framework approved by the Commission. As the account for CGRF expenses is not separately maintained by the Licensee no additional allowance towards this head has been considered by the Commission.
- 6.4.12 Further, as discussed earlier, in its reply to the Commission's query regarding the details of expenses incurred towards apportionment of O&M Expenses of UPPCL, the Petitioner submitted the following Table depicting the allocation of O&M Expenses of UPPCL:

TABLE 6-9: ALLOCATION OF O&M EXPENSES AMONG DISCOMS IN FY 2010-11 (RS. CRORE)

Name of Discom	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	14,296	32.08
MVVNL	10,945	24.56
PVVNL	19,640	44.08
PuVVNL	14,012	31.45
KESCO	2,940	6.60
NPCL	310	0.70
Total	62,142	139.46

- 6.4.13 As detailed in para 6.2.11, the above apportionment of the O&M Expenses of UPPCL has been considered in the Bulk Supply Tariff.
- 6.4.14 Further, the Petitioner has also claimed efficiency gain on account of Employee expenses. Since the total actual O&M expenses for FY 2010-11 are lower than the total normative O&M expenses thus, sharing has been considered by the Commission as per the Distribution Tariff Regulations, 2006.



6.4.15 Accordingly, the summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and as approved by the Commission in this Order for Truing up of FY 2010-11 is shown in the Table below:

Table 6-10: O&M EXPENSES IN FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Normative	Allowable
Employee Expenses	666.86	376.00	376.00	531.89	376.00
Repair & Maintenance Expenses	125.98	188.43	188.43	130.17	188.43
Administrative and General Expenses	39.36	57.70	57.70	42.79	57.70
Gross Operation and Maintenance Expenses	832.20	622.12	622.12	704.84	622.12
Less: Capitalisation					
Employee Cost Capitalized	168.14	95.08	95.08	95.08	95.08
A&G Expenses Capitalized	7.38	9.08	9.08	9.08	9.08
Total Capitalization	175.53	104.17	104.17	104.17	104.17
Net Operation and Maintenance Expenses	656.67	517.96	517.96	600.67	517.96
Efficiency Gains			108.90		41.36

6.5 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans

6.5.1 The Petitioner has claimed the net Interest on Long Term Loan for FY 2010-11 as Rs. 157.01 Crore as against the approved expenses of Rs. 59.52 Crore. The Petitioner has capitalized the interest for FY 2010-11 as Rs. 5.82 Crore against Rs. 9.27 Crore approved by the Commission in the Tariff Order.

6.5.2 The Commission vide its preliminary deficiency note has asked the Petitioner to submit the details of actual loans along with computation of Interest on Loan as claimed by the Petitioner for FY 2010-11 in its True up Petition. In reply to the Commission's query the Petitioner submitted that subsequent to the filing of the true up Petitions for FY 2008-09 to 2010-11, the Commission issued the true up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which



the Commission had adopted a normative approach to consider the debt equity ratio of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order for FY 2013-14.

- 6.5.3 The Petitioner submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner re-worked loan balances, additions based on normative funding of capital expenditure, normative repayment linked with allowable depreciation of the respective year and the weighted average interest rate of the licensee as per audited accounts. The revised interest on long term loan claimed by the Petitioner based on the normative approach is Rs. 146.35 Crore.
- 6.5.4 In line with the approach adopted by the Commission in its previous Orders, interest expense has been considered as an uncontrollable cost as the interest rates are determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the Licensee.
- 6.5.5 For the above purpose, the Commission has derived the actual capital investments undertaken by the Licensee in FY 2010-11, based on the audited accounts. The details are provided in the Table below:

Table 6-11: CAPITAL INVESTMENTS IN FY 2010-11 (Rs. Crore)

Particulars	Derivation	FY 2010-11			
		Tariff Order	Audited	Petition	Allowable
Opening WIP as on 1st April	A	478.00	1110.59	1110.59	1110.59
Investments	B	461.00	708.77	708.77	708.77
Employee Expenses Capitalisation	C	168.00	95.08	95.08	95.08
A&G Expenses Capitalisation	D	7.00	9.08	9.08	9.08
Interest Capitalisation on Interest on long term loans	E	9.00	5.82	5.82	5.82
Total Investments	F= A+B+C+D+E	1123.00	1929.35	1929.35	1929.35



Particulars	Derivation	FY 2010-11			
		Tariff Order	Audited	Petition	Allowable
Transferred to GFA (Total Capitalisation)	G	635.00	784.72	784.72	784.72
Closing WIP	H= F-G	488.00	1144.63	1144.63	1144.63

6.5.6 The Commission has followed the same approach as in previous Orders and therefore considered the funding of capital expenditure in the ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions.

6.5.7 The Commission in its deficiency note also asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and subsidies for FY 2010-11. In reply to the Commission's query the Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies.

6.5.8 The Consumer contributions, capital grants and subsidies as submitted by the Petitioner and as allowed by the Commission are shown in the Table below:

Table 6-12: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES RECEIVED AS ALLOWED BY THE COMMISSION FOR FY 2010-11 (Rs. Crore)

Particulars	FY 2010-11			
	Tariff Order	Audited	Petition	Allowable
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	-	758.10	758.10	758.10
Additions during the year	-	171.66	171.66	171.66
Less: Amortisation	-	36.01	36.01	36.01
Closing Balance	-	893.75	893.75	893.75

6.5.9 The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The Commission has also verified the above amounts as per the audited accounts of the Petitioner.



6.5.10 Thus, based on the above the approved financing of the capital investment is depicted in the Table below:

Table 6-13: FINANCING OF THE CAPITAL INVESTMENTS AS APPROVED BY THE COMMISSION FOR FY 2010-11 (Rs. Crore)

Particulars	FY 2010-11				
	Derivation	Tariff Order	Audited	Petition	Allowable
Investment	A	461.00	708.77	708.77	708.77
Less:					
Consumer Contribution	B		171.66	171.66	171.66
Investment funded by debt and equity	C=A-B	461.00	537.11	537.11	537.11
Debt Funded	70%	322.00	375.98	375.98	375.98
Equity Funded	30%	138.00	161.13	161.13	161.13

6.5.11 From the above tables it is seen, that the total investments made in distribution segment in FY 2010-11 were to the tune of Rs. 708.77 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 171.66 Crore. Thus, balance Rs. 537.11 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 375.98 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 161.13 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.

6.5.12 The Commission considered the closing loan balance of FY 2009-10 as the opening loan balance of FY 2010-11. The actual weighted average rate as per audited accounts has been considered for computing the interest.

6.5.13 Considering the above, the gross interest on long term loan has been worked out as shown in the Table below. The interest capitalisation has been considered at the same rate as per audited accounts.

Table 6-14: INTEREST ON LONG TERM LOAN FOR FY 2010-11 (Rs Crore)

Particulars	FY 2010-11			
	Tariff Order	Audited	Petition	Allowable
Opening Loan	-	1,272.49	1,066.95	1,066.95



Particulars	FY 2010-11			
	Tariff Order	Audited	Petition	Allowable
Loan Additions (70% of Investments)	-	-	375.98	375.98
Less: Repayments (Depreciation allowable for the year)	-	-	219.91	219.91
Closing Loan Balance	-	1,184.10	1,223.02	1,223.01
Weighted Average Rate of Interest	-	13.26%	13.26%	13.26%
Interest on long term loan	68.79	162.83	151.78	151.78
Less: Interest Capitalized	9.27	5.82	5.43	5.43
Net Interest Charged	59.52	157.01	146.35	146.36
Interest Capitalisation Rate	23.00%	3.58%	3.58%	3.58%

Finance Charges

6.5.14 The Petitioner submitted that items claimed under this head are towards items such as bank charges, finance charges, interest on consumer security deposits, etc. The Petitioner has claimed Rs. 21.26 Crore against Rs. 28.97 Crore approved by the Commission towards finance charges during FY 2010-11.

6.5.15 The bank charges and interest on consumer security deposits and finance charges have been allowed at actual based on audited accounts. Thus, the Commission has approved finance charges amounting to Rs. 21.26 Crore as claimed by the Petitioner for FY 2010-11.

Table 6-15: ALLOWABLE FINANCE CHARGES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Audited	Petition	Allowable
Interest to Consumers	23.91	20.61	20.61	20.61
Bank Charges	0.17	0.65	0.65	0.65
Discount to Consumers	0.03	-	-	-
Finance Charges	4.86	-	-	-
Total Finance Charges	28.97	21.26	21.26	21.26

Interest on Working Capital:



- 6.5.16 The Petitioner submitted that the Tariff Regulations provide for normative interest on working capital based on the principles outlined in the Distribution Tariff Regulations, 2006. The Petitioner has submitted that Regulation 4.8(2)(B) of the UPERC Tariff Regulations, 2006 specifies the rate of interest on working capital borrowings as bank rate specified by RBI plus a margin as decided by the Commission.. The Petitioner submitted that it has accordingly considered a rate of 12.50% which is in line with the rate approved by the Commission in its Tariff Order for FY 2010-11. Thus, the Petitioner has claimed the normative interest on working capital as Rs. 28.51 Crore against the approved expenses of Rs. 20.45 Crore.
- 6.5.17 In the Tariff Order for FY 2010-11 the Commission had allowed normative interest on working capital of Rs. 20.45 Crore. Following the similar approach and in accordance with the Regulations, the Commission in this Order has assessed the working capital and interest thereon based on the trued up ARR of the Petitioner.
- 6.5.18 The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2010-11, claimed by the Petitioner and that approved by the Commission in the present Truing up Order is shown in the Table below:

Table 6-16: INTEREST ON WORKING CAPITAL FOR FY 2010-11 (Rs. Crore)

Particulars	FY 2010-11			
	Tariff Order	Audited	Petition	Allowable
One month's O & M Expenses	54.72	-	43.16	43.16
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	13.29	-	7.50	7.50
Receivables equivalent to 60 days average billing on consumers	510.05	-	543.51	543.51
Grand Total	578.05	-	594.17	594.17
Less:				
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	414.48	-	366.11	366.11
Net Working Capital	163.57	-	228.06	228.06



Particulars	FY 2010-11			
	Tariff Order	Audited	Petition	Allowable
Rate of Interest on Working Capital	12.50%	-	12.50%	12.50%
Interest on Working Capital	20.45	0.00	28.51	28.51

6.5.19 The following table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 6-17: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	68.79	162.83	151.78	151.78
Less: Interest Capitalisation	9.27	5.82	5.43	5.43
Net Interest on Long Term Loans	59.52	157.01	146.35	146.36
B: Finance and Other Charges				
Finance Charges	4.86	0.00	0.00	0.00
Bank Charges	0.17	0.65	0.65	0.65
Discount to Consumers on sale of energy	0.03	0.00	0.00	0.00
Interest on Consumer Security Deposits	23.91	20.61	20.61	20.61
Total Finance Charges	28.97	21.26	21.26	21.26
C: Interest on Working Capital	20.45	0.00	28.51	28.51
Total (A+B+C)	108.94	178.27	196.12	196.13

6.6 DEPRECIATION

6.6.1 The Petitioner submitted that in the Tariff Order for FY 2010-11, the Commission had approved the depreciation expense of Rs. 240.34 Crore on a gross fixed asset base of Rs. 3346.00 Crore.



- 6.6.2 The Petitioner has submitted that the actual depreciation expense as per audited accounts is Rs. 108.64 Crore. However the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable for FY 2010-11.
- 6.6.3 The Petitioner submitted that for the purpose of true-up, the depreciation expense has been computed on the actual gross fixed asset base using the same depreciation rates which were considered by the Commission in the Tariff Order for FY 2010-11. Considering this philosophy, the entitlement towards depreciation has been computed by the Petitioner as Rs. 255.92 Crore against the approved depreciation of Rs. 240.34 Crore in FY 2010-11.
- 6.6.4 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True up Order for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative ratio of 70:30 wherein 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further submitted that in its Order the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.
- 6.6.5 The Petitioner added that since it is agreeable to this normative approach approved by the Commission hence no deviation in this approach has been sought by it. Based on the above, the depreciation as claimed by the Petitioner for FY 2010-11 is shown in the Table below:

Table 6-18: DEPRECIATION CLAIMED BY LICENSEE FOR FY 2010-11 (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
Land & Land Rights						



Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Depreciation
i) Unclassified	-	-	-	-		-
ii) Freehold Land	-	-	-	-		-
Buildings	21.29	7.82	-	29.11	7.84%	1.98
Other Civil Works	-	-	-	-	7.84%	-
Plants & Machinery	486.02	577.59	356.08	707.54	7.84%	46.79
Lines, Cable Network etc.	674.24	199.30	17.26	856.28	7.84%	60.00
Vehicles	-	-	-	-	7.84%	-
Furniture & Fixtures	0.26	0.00	-	0.26	7.84%	0.02
Office Equipments	0.26	0.00	-	0.26	7.84%	0.02
Jeep & Motor Car	-	-	-	-		-
Assets taken over from Licensees pending final Valuation	-	-	-	-		-
Total	1,182.06	784.72	373.33	1,593.44		108.80
Fixed Asset as per Transfer Scheme	1,876.52	-	-	1,876.52		147.12
GRAND TOTAL	3,058.58	784.72	373.33	3,469.96		255.92

6.6.6 In reply to the Commission’s query regarding claimed depreciation rate of 7.84 % the Licensee has submitted that it has considered a weighted average depreciation rate of 7.84% for the truing up in respect of FY 2008-09 to FY 2011-12 which is in line with the rate considered by the Commission in its Tariff Order for relevant year.

6.6.7 It was further observed that the Petitioner while claiming the depreciation for FY 2010-11 has not reduced the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on GFA. In this regards the Commission vide its deficiency note sought the the justification for not deducting the depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy from the depreciation on the GFA



along with the revised computation of depreciation after reducing depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy.

6.6.8 In its reply the Petitioner submitted that the philosophy for reduction of depreciation on assets created out of consumer contributions, grants and subsidies from the gross depreciation expense was settled in the True up Order for FY 2000-01 to 2007-08 before which the True up Petitions for FY 2008-09 to 2010-11 were filed by the it. The Petitioner further submitted that subsequent to the principle being established by the Commission, it is agreeable to this methodology and has submitted the revised depreciation expense of Rs. 219.91 Crore (i.e. Rs. 255.92 Crore – Rs. 36.01 Crore).

6.6.9 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2009-10 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the U.P. Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulation, 2006 which the Petitioner had confirmed in the reply to data gaps.

6.6.10 Considering the same philosophy as adopted by the Petitioner which is also in line with the approach followed by the Commission in the previous Truing up Order, and after verifying the audited accounts for FY 2010-11 as submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing up of FY 2010-11 is shown in the Table below:

Table 6-19: DEPRECIATION EXPENSES FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Gross Allowable Depreciation	267.00	144.65	255.92	255.92
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy	27.00	36.01	36.01	36.01
Net Allowable Depreciation	240.00	108.64	219.91	219.91



6.7 PRIOR PERIOD EXPENSES

6.7.1 The Petitioner submitted that there are certain expenses and incomes which are omitted to be accounted for in one or more financial years. The Petitioner has submitted that the financial statements of the Petitioner are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. There are certain prior period items which have been identified and incorporated in the audited financial statements for 2010-11. Accounting Standards (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' states:

“Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods”

6.7.2 The Petitioner has submitted that it has recognized Rs. 26.02 Crore of prior period expense in the audited financial statements for FY 2010-11. The Petitioner further submitted the break-up of the prior period items for FY 2010-11 as per audited accounts, as shown in the Table below:

TABLE 6-20: PRIOR PERIOD EXPENSES / INCOME FOR FY 2010-11 CLAIMED BY PETITIONER

Particulars	Rs Crore
Prior Period Income	
Other Excess Provisions	2.53
Sub Total of Prior Period Income	2.53
Prior Period Expenditure	
Interest and Other Finance Charge	0.00
Employees Cost	2.35
Other Charges relating to previous year	26.21
A&G Expenses	
Sub Total of Prior Period Expenditure	28.56
Net Prior Period Expenditure	26.02

6.7.3 As regards the prior period expenses the Commission vide its deficiency note asked the Petitioner to submit the detailed breakup of prior period expenses along with the details of years to which they pertain and the justification for



not booking such amount in the annual account of the respective years. In its reply the Petitioner has submitted the year wise breakup of prior period expenses however the submission does not provide clarification regarding the heads under which these expenses have been booked.

- 6.7.4 As discussed in detail in para 4.7.6, the Commission has not allowed any claims towards prior period expenses. The summary of the prior period expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Petitioner in this Order for Truing up of FY 2010-11 is shown in the Table below:

Table 6-21: PRIOR PERIOD EXPENSES / INCOME FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Prior Period Expense	0.00	26.02	26.02	0.00

- 6.7.5 Further, as discussed in detail in para 4.7.6, the Petitioner is directed to file a separate Petition for approval of prior period expenses / incomes for FY 2010-11 for the Commission's consideration.

6.8 PROVISION FOR BAD AND DOUBTFUL DEBTS

- 6.8.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order for FY 2010-11 even though the UPERC (Terms and Conditions of Distribution Tariff) Regulations 2006 provide for allowing 2% provision in respect of revenue receivables.

- 6.8.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in a sector like banking where the provisioning of un-collectable dues is considered as a normal commercial practice.



- 6.8.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per audited accounts of the relevant financial year for Distribution business.
- 6.8.4 The Petitioner ha claimed Rs. 139.68 Crore towards provision for bad and doubtful debts for FY 2010-11.
- 6.8.5 As discussed in detail in para 4.8.8, due to the absence of proper policy in place for identifying and writing off receivables, the Commission has not allowed the claims towards provision for bad and doubtful debts.

Table 6-22: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actuals as per audited accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	57.09	139.68	0.00

6.9 RETURN ON EQUITY

- 6.9.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, the Commission has also not allowed any amounts towards return on equity for FY 2010-11.

6.10 REVENUE SUBSIDY FROM GOUP

- 6.10.1 The Petitioner has submitted that the actual revenue subsidy received from GoUP was Rs. 743.43 Crore during FY 2010-11 as against Rs. 704.32 Crore approved in the Tariff Order.
- 6.10.2 The Commission has accepted the submission of the Petitioner, under this head.

6.11 ADDITIONAL SUSBIDY REQUIREMENT FROM GOUP

- 6.11.1 As discussed in detail in the above para 4.11.3, the balance subsidy of Rs. 608.37 Crore has been considered for reduction from the ARR being trued up.



The Distribution Licensees need to realise such sums from the State Government.

Table 6-23: COMPUTATION OF SUBSIDY REQUIREMENT FOR FY 2010-11 (Rs Crore)

Particulars	Sales	Cost of Service	Thru Rate	Loss	Loss
	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs/kWh)	(Rs Crore)
LMV-1: (a) Consumer getting supply as per "Rural Schedule"	2480.77	5.31	1.45	3.86	957.06
LMV-5: PTW	909.22	5.31	0.97	4.34	394.74
Total Loss	3389.98				1351.80
Subsidy Available					743.43
Additional Subsidy Requirement from GoUP					608.37

6.12 REVENUE SIDE TRUING UP

NON TARIFF INCOMES

6.12.1 The Petitioner has submitted that the actual non tariff income during FY 2010-11 was Rs. 9.87 Crore as compared to Rs. 159.55 Crore approved by the Commission in the Tariff Order.

6.12.2 As regards the Commission's query regarding detailed break-up of Non Tariff Income the Petitioner submitted as follows:

Table 6-24: NON – TARIFF INCOME SUBMITTED BY LICENSEE FOR FY 2010-11 (Rs. Crore)

Particulars (Rs Crore)	2010-11
Loans to Staff	0.00
Rebate for timely repayments	4.93
Others	-
Income from Contractors/Suppliers	4.53
Rental From Staff	0.02
Misc Receipts	0.39
Excess found on physical verification of stores	0.01



Particulars (Rs Crore)	2010-11
Total	9.87

6.12.3 The Commission has accepted the submission of the Petitioner, under this head and has accordingly approved Non Tariff Income of Rs. 9.87 Crore for FY 2010-11.

6.13 REVENUE FROM SALE OF POWER

6.13.1 The Petitioner has submitted that the actual revenue from sale of power during FY 2010-11 is Rs. 3261.05 Crore (out of which Rs. 44.37 Crore is towards delayed payment surcharge) towards electricity sales of 10442 MU against Rs. 3060.28 Crore approved by the Commission in its Tariff Order.

6.13.2 The Commission has accepted the revenue from sale of power as submitted by the Petitioner and has accordingly approved the actual revenue of Rs. 3261.05 Crore including delayed payment surcharge as per the audited accounts for FY 2010-11 towards sales of 10442 MU. The summary of revenue approved in the Tariff Order, as claimed by the Petitioner and as approved by the Commission in this Order for Truing up of FY 2010-11 is shown in the Table below:

Table 6-25: REVENUE FOR FY 2010-11 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Revenue from Tariff incl. Delayed Payment Surcharge	3060.28	3261.05	3261.05	3261.05
Non tariff Income	159.55	9.87	9.87	9.87
Total Revenue	3219.83	3270.92	3270.92	3270.92

6.14 ARR AND REVENUE GAP/ (SURPLUS) FOR FY 2010-11 AFTER TRUING UP

6.14.1 The Aggregate Revenue Requirement for FY 2010-11 after final truing up is summarized in the Table below:

Table 6-26: ARR, REVENUE AND GAP SUMMARY FOR FY 2010-11 (Rs. Crore)



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Particulars	Approved	Actual as per audited accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses	4218.90	4217.52	4488.25	4392.31
Apportionment of O&M Expenses of UPPCL#			31.45	-
Transmission Expenses	202.05	176.55	211.96	189.72
Gross O&M Expenses	832.20	622.12	622.12	622.12
Gross Interest on Long Term Loans	68.79	162.83	151.78	151.78
Finance Charges	28.97	21.26	21.26	21.26
Interest on Working Capital	20.45	0.00	28.51	28.51
Depreciation	240.00	108.64	219.91	219.91
Prior Period Expenses	0.00	26.02	26.02	0.00
Other Misc Expenses	0.00	0.00	0.00	0.00
Provision for Bad and Doubtful Debts	0.00	57.09	139.68	0.00
Gross Expenditure	5611.36	5392.04	5940.95	5625.62
Total Capitalisation	184.80	109.99	109.60	109.59
Net Expenditure	5426.56	5282.05	5831.36	5516.03
Add: Return on Equity	0.00	0.00	0.00	0.00
Less: Non-tariff Incomes	159.55	9.87	9.87	9.87
Add: Efficiency Gains	0.00	0.00	108.90	41.36
Annual Revenue Requirement	5267.01	5272.19	5930.39	5547.52
Revenue from Tariff incl DPS	3060.28	3261.05	3261.05	3261.05
GoUP Subsidy	704.32	743.43	743.43	743.43
Net Revenue Gap	1502.41	1267.70	1925.91	1543.03
Less: Additional Subsidy to be provided by GoUP				608.37
Net Revenue Gap	1502.41	1267.70	1925.91	934.66

Apportionment of O&M Expenses of UPPCL has been allowed while computing BST

6.14.2 The Petitioner requested the Commission to consider the revenue side true-up and expense side true-up as per the aforementioned sections wherein the net revenue gap has been computed at Rs. 1925.91 Crore.

6.14.3 However, as observed from the above Table against the gap of Rs. 1925.91 Crore claimed by the Petitioner for trueing up of FY 2010-11, the Commission



has worked out the gap of Rs. 934.66 Crore while carrying out the truing up on the basis of the audited accounts. The Commission has discussed the treatment of above revenue gap subsequently in this Order.



7. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2011-12

7.1 INTRODUCTION

7.1.1 In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2011-12 and has undertaken the truing up of expenses and revenue after prudence check on the data made available by the Petitioner.

7.2 POWER PURCHASE EXPENSES

7.2.1 The Commission, in the Tariff Order for FY 2011-12 had approved the power purchase quantum of 73962.00 MU and total power purchase expenses of Rs. 26307.00 Crore at UPPCL level. The Petitioner, in its True-up Petition has submitted that the actual power purchase expenses for FY 2011-12 are Rs. 25672.34 Crore towards power procurement of 74479.61 MU at UPPCL level. There has been an under- achievement of the T&D loss target by the Petitioner in FY 2011-12. The actual T&D loss has been 32.27% as against 30.23% approved by the Commission for FY 2011-12 at UPPCL level.

7.2.2 The Petitioner submitted that it has considered the following philosophy for computing the allowable power purchase cost:

- The allowable power purchase input has been calculated by grossing up the actual energy sales by the approved T&D loss target of the relevant financial year.
- The allowable power purchase cost has been computed by multiplying the derived allowable power purchase input by the actual power purchase rate as per audited accounts.

7.2.3 As per the above philosophy, the Bulk Supply Tariff as worked out by the Petitioner is shown in the Table below:

Table 7-1: BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2011-12

Particulars	Units	Petitioner
Actual Power Purchase	MU	74479.61
Actual Energy Sales	MU	50442.92
Actual Power Purchase Cost per unit	Rs/kWh	3.45
Actual T&D Loss	%	32.27%



Particulars	Units	Petitioner
Normative T&D Loss	%	30.23%
Actual Power Purchase Cost	Rs. Crore	25672.34
Allowable Power Purchase Input	MU	72302.07
Allowable Power Purchase Cost at pooled cost	Rs. Crore	24921.77
Energy Input for Discoms	MU	70367.09
Bulk Supply Tariff	Rs/kWh	3.54

7.2.4 As detailed in previous chapters, the Petitioner has submitted the revised computations for allowable bulk supply tariff for FY 2011-12 as shown in the Table below:

Table 7-2: REVISED BULK SUPPLY TARIFF AS COMPUTED BY THE PETITIONER FOR FY 2011-12

Particulars	Unit	Petitioner Revised Submission
Power Purchase	MU	74,480
Transmission Loss	MU	4,108
Transmission Loss	%	5.52%
Energy available at Discom End	MU	70,372
Power Purchase Cost (including PGCIL charges)	Rs Crore	25,672
Power Purchase Cost per unit	Rs/kWh	3.45
Allowable Power Purchase Cost at Discom end	Rs Crore	25,672
Power Purchase Cost per unit at Discom end (BST)	Rs/kWh	3.65

7.2.5 As depicted above, the Petitioner has submitted the revised Bulk Supply Tariff, however the Petitioner has not submitted the revised Power Purchase Cost based on its revised BST. The Commission has thus, computed the claimed power purchase based on the revised BST submitted by the Petitioner.

7.2.6 The Petitioner based on the target distribution losses and the actual sales has computed the allowable power purchase input at the Discom periphery as shown in the Table below:

Table 7-3: POWER PURCHASE COST AS COMPUTED BY PETITIONER FOR FY 2011-12

Particulars	True up Petition
Actual Power Purchase (MU)	15703.73



Particulars	True up Petition
Sales (MU)	11589.73
Distribution Loss Target (%)	26.20%
Allowable Power Purchase (MU)	15703.73
Trued up Bulk Supply Tariff	3.54
Allowable Power Purchase Cost (Rs. Crore)	5561.76
Allowable Power Purchase based on revised BST submitted by Petitioner Cost (Rs. Crore)	5731.86

7.2.7 The Commission agrees with the Petitioner, that efficiency target of T&D loss level, has to be considered as a controllable parameter, and therefore the power purchase cost consequent to under-achievement of T&D losses needs to be disallowed.

7.2.8 Regulation 4.2 (11) of Distribution Tariff Regulations, 2006 specifies as below:

“4.2 Power Purchase Cost:

11. In the regime of Availability Based Tariff (ABT), the cost of power purchase through UI shall be allowed to be passed through in tariff of the subsequent year subject to the following conditions:

a) The average rate for power purchased through UI should not exceed the maximum rate for power purchased under the Merit Order of the licensee as approved by the Commission.

b) The total cost of electricity units purchased through UI shall be restricted to 10% of total power purchase cost approved by the Commission.

Provided that where the average rate for power purchased under UI exceeds the maximum specified rate of power purchase under the Merit Order of the licensee, the cost of such power purchase shall be allowed to be passed through in tariffs of the subsequent year at the maximum rate for power purchase under the Merit Order of the licensee as approved by the Commission whether the ceiling limit of 10% as stated in 11 (b) above has reached or not.”

7.2.9 The Commission has obtained the rates and energy procured through unscheduled interchange (UI). It has been observed that the Petitioner for FY



2011-12 has purchased 2196.27 MU through UI at an average rate of Rs. 4.79 per kWh which is under the maximum rate of Rs. 5.70 per kWh for power purchased under the Merit Order of the licensee as approved by the Commission for FY 2011-12. In view of the above, the Commission has allowed the power purchased through UI.

7.2.10 The Petitioner in its Petition submitted that the Commission in FY 2012-13 Tariff Order had directed the Distribution companies to consider the apportionment of the O&M expenses of UPPCL and submit the share of each Discom. Petitioner submitted that considering the above, it has apportioned the O&M cost of UPPCL to all the Discoms in the power purchase ratio for each relevant year. Petitioner submitted that UPPCL also resorts to short term borrowings on behalf of Distribution Companies to meet the power purchase liabilities of Discoms. It incurs interest expenses on behalf of such working capital loans. Also it incurs expenditure towards LC and OD charges incidental to power purchase expenses. Petitioner requested the Commission to consider these expenses and allow UPPCL to claim such expenses from the Petitioner and other Distribution Companies through an internal adjustment without any impact on the ARR of the Petitioner.

7.2.11 The apportionment of the O&M expenses of UPPCL for FY 2011-12 as submitted by the Petitioner is shown in the Table below:

Table 7-4: ALLOCATION OF THE O&M EXPENSES OF UPPCL FOR FY 2011-12 AS SUBMITTED BY THE PETITIONER

Name of Discom	FY 2011-12	
	Energy at Discom End (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	16,052	34.23
MVVNL	12,537	26.73
PVVNL	22,649	48.29
PuVVNL	15,704	33.48
Kesco	3,089	6.59
NPCL	337	0.72
Total	70,367	150.04

7.2.12 The Commission has verified the above amount from the Audited Accounts of UPPCL and has allowed such expenses based on actuals for FY 2011-12. As the above expenses has been incurred by UPPCL, which is mostly for procuring the



power for the Discoms, the above expenses for the purpose of Truing up has been considered as a part of Bulk Supply Tariff. It may further, be noted that the procurement of power is the responsibility of the Distribution Licensee for which the Commission allows considerable amount of O&M Expenses and interest on working capital to the Licensee. The Commission has allowed such expenses for the past years, however for future years i.e. from FY 2014-15 onwards, the Licensee is directed to manage such O&M Expenses for procuring the power from the O&M Expenses allowed to it.

7.2.13 The table below summarises the sales, transmission losses and energy balance, power purchase quantum and cost submitted by the Petitioner and as approved by the Commission at UPPCL level and the Bulk Supply Tariff for FY 2011-12:

Table 7-5: ENERGY BALANCE AND BULK SUPPLY TARIFF APPROVED FOR FY 2011-12

Particulars	Unit	Tariff Order	True up Petition	Actual	Approved
Power Purchase	MU	73962.00	74480	74479.61	73456.22
Inter-State Transmission Losses #	MU	1261.00	4108	0.00	0.00
Inter-State Transmission Losses #	%	1.70%		0.00%	0.00%
Intra-State Transmission Losses	MU	3053.00		4108.11	3084.71
Intra-State Transmission Losses	%	4.20%	5.52% ^{##}	5.52%	4.20%
Energy available at Discom End	MU	69648.00	70,372 ^{##}	70371.50	70371.50
Power Purchase Cost (including PGCIL charges)	Rs Crore	26307.00	25,672	25672.34	25672.34
Power Purchase Cost per unit	Rs/kWh	3.56	3.45	3.45	3.45
O&M Expenses of UPPCL	Rs Crore			150.04	150.04
Allowable Power Purchase Cost at Discom end	Rs Crore		25,672		25469.63
Power Purchase Cost per unit at Discom end (BST)	Rs/kWh	3.78	3.65	3.67	3.62

As the Petitioner has not submitted the actual figures, the same has been derived by reverse calculation

In absence of break-up of Intra-State and Inter-State Transmission Losses the entire transmission loss has been considered as Intra-State loss.



7.2.14 The Commission in the Tariff Order for FY 2011-12 had prescribed the distribution loss targets for the Licensee. The Commission has computed the allowable power purchase by grossing up the actual energy sales by the approved distribution loss target. The allowable power purchase input has been multiplied by the trued up bulk supply tariff to derive the allowable power purchase cost of the Licensee. Accordingly, the table below provides the allowable power purchase cost for the Licensee for FY 2011-12:

Table 7-6: ALLOWABLE POWER PURCHASE COST FOR FY 2011-12

Particulars (FY 2011-12)	Approved	True up Petition	Allowed
Actual Power Purchase (MU)	15775	15703.73	15,703.73
Sales (MU)	11590	11589.73	11,589.73
Distribution Loss Target (%)	26.53%	26.20%	26.20%
Allowable Power Purchase (MU)		15703.73	15703.73
Trued up Bulk Supply Tariff		3.65	3.62
Allowable Power Purchase (Rs Crore)		5731.86	5683.67*

* Including O&M Expenses of UPPCL

7.3 TRANSMISSION CHARGES

7.3.1 The Petitioner submitted that in the Tariff Order for FY 2011-12, the Commission had approved the Transmission Charges of Rs. 258.61 Crore towards a projected power purchase of 15775 MU. The Petitioner submitted that as per the audited accounts it has incurred Rs. 197.87 Crore towards transmission charges. The Petitioner further submitted that the allowable power purchase input for FY 2011-12 works out to 15703.73 MU and therefore for the purpose of claiming the trued up transmission charges the allowable power purchase input has been taken into consideration. The Petitioner submitted that per unit rate of Transmission Charge has been considered equivalent to the rate submitted by UPPTCL in its True-up Petition filed before the Commission. The Petitioner further submitted that the allowable Transmission Charges for FY 2011-12 works out Rs. 238.43 Crore.

7.3.2 Accordingly, the Petitioner has claimed allowable transmission charges of 238.43 Crore against the approved transmission charges of Rs. 258.61 Crore.

7.3.3 The Commission in its Tariff Order had prescribed the distribution loss targets for the Petitioner. The Commission has computed the allowable power



purchase by grossing up the actual energy sales by the approved distribution loss target. Thus, to derive the allowable transmission charges the allowable power purchase input has been multiplied by the trued up transmission tariff as per Commission's Tariff Order for FY 2014-15 and truing up of ARR of UPPTCL for FY 2011-12.

7.3.4 Accordingly, the Table below provides the allowable transmission charges for the Petitioner for FY 2011-12:

Table 7-7: ALLOWABLE TRANSMISSION CHARGES FOR FY 2011-12

Particulars	Approved	True up Petition	Allowed
Units Wheeled (MU)	15775	15703.73	15703.73
Trued up Transmission Charge (Rs/kWh)	0.159	0.1518	0.1447
Transmission Charges (Rs Crore)	258.61	238.43	227.23

7.4 O&M EXPENSES

7.4.1 Operation and Maintenance (O&M) expenses comprise of employee related costs, A&G expenses and R&M expenditure.

7.4.2 The Petitioner's submissions on each of the heads of O&M expenditure for FY 2011-12, and the Commission's analysis on the truing up of the O&M expenditure heads are detailed below.

7.4.3 The Petitioner submitted that the actual net employee expenses for FY 2011-12 is Rs. 294.02 Crore, against the approved expenses of Rs. 474.71 Crore. The Petitioner requested the Commission to consider the Employee expenses as per its audited accounts.

7.4.4 The Petitioner has submitted the actual net administrative and general expenses for the FY 2011-12 as Rs. 45.32 Crore as against the approved expenses of Rs. 37.60 Crore.

7.4.5 The Petitioner has submitted the actual Repair and Maintenance (R&M) Expenses for the FY 2011-12 as Rs. 186.69 Crore against the approved expenses of Rs. 141.55 Crore.



- 7.4.6 The Petitioner has claimed for efficiency gains of Rs. 63.91 Crore as the actual O&M expenses are below the Approved O&M Expenses for FY 2011-12. The same have been computed as 50% of the difference between the approved net O&M expenses and actual net O&M expenses.
- 7.4.7 In reply to the Commission's query regarding the basis of capitalization the Petitioner submitted that the capitalisation of Employee expenses and A&G expenses for FY 2011-12 has been done as per the actual based on Audited Accounts.
- 7.4.8 The normative gross O&M Expenses for FY 2011-12 have been considered by escalating the component wise normative O&M expenses for FY 2010-11 by escalation index of 8.69 % as depicted in TABLE 4-9.
- 7.4.9 Further, in addition to the normative O&M cost based on inflation, the Distribution Tariff Regulations, 2006 provide for incremental O&M expenses at 2.5% on addition to assets during the previous year has also been computed.
- 7.4.10 As depicted in the Table 7-9 below, the actual O&M expenses in FY 2011-12 are lower than the normative O&M expenses computed by the Commission. Thus, the actual O&M expenses for FY 2011-12 have been approved while undertaking the Truing up of FY 2011-12.
- 7.4.11 In reply to the Commission's query regarding CGRF expenses have been included in O&M expenses, the Petitioner submitted that the CGRF expenses are part of the O&M expenses claimed by it. The Petitioner submitted that such expenses are not separately accounted for and hence, details of such expenses are not available with it. The Petitioner requested the Commission to allow an adhoc allowance towards the CGRF expenses considering the remuneration norms and associated costs in the CGRF framework approved by the Commission. As the account for CGRF expenses is not separately maintained by the Licensee no additional allowance towards this head has been considered by the Commission.
- 7.4.12 Further, as discussed earlier in its reply to the Commission's query regarding the details of expenses incurred towards apportionment O&M Expenses of



UPPCL, the Petitioner submitted the following Table depicting the allocation of O&M Expenses of UPPCL:

Table 7-8: ALLOCATION OF O&M EXPENSES AMONG DISCOMS IN FY 2011-12 (Rs. Crore)

Name of Discom	Sales Input (MU)	O&M Expenses Allocated (Rs. Crore)
DVVNL	16,052	34.23
MVVNL	12,537	26.73
PVVNL	22,649	48.29
PuVVNL	15,704	33.48
KESCO	3,089	6.59
NPCL	337	0.72
Total	70,367	150.04

7.4.13 As detailed in para 7.2.12, the above apportionment of the O&M Expenses of UPPCL has been considered in the Bulk Supply Tariff.

7.4.14 Further, the Petitioner has also claimed efficiency gain on account of O&M Expenses. As explained in earlier sections, since the total actual O&M expenses for FY 2011-12 are lower than the total normative O&M expenses thus, sharing as per the Distribution Tariff Regulations, 2006 has been considered by the Commission.

7.4.15 Accordingly, the summary of O&M expenses approved in the Tariff Order, claimed by the Petitioner and as approved by the Commission in this Order for Truing up of FY 2011-12 is shown in the Table below:

Table 7-9: O&M EXPENSES IN FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Normative	Allowable
Employee Expenses	558.48	392.59	392.59	583.85	392.59
Repair & Maintenance Expenses	141.55	186.69	186.69	145.13	186.69
Administrative and General Expenses	44.23	55.06	55.06	47.39	55.06
Gross Operation and Maintenance	744.26	634.34	634.35	776.36	634.35



Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Normative	Allowable
Expenses					
Less: Capitalisation					
Employee Cost Capitalized	83.77	98.57	98.57	98.57	98.57
A&G Expenses Capitalized	6.63	9.75	9.75	9.75	9.75
Total Capitalization	90.41	108.32	108.32	108.32	108.32
Net Operation and Maintenance Expenses	653.86	526.02	526.03	668.04	526.03
Efficiency Gains			63.91		71.01

7.5 INTEREST AND FINANCE CHARGES

Interest on Long Term Loans

- 7.5.1 The Petitioner has claimed the net Interest on Long Term Loan for FY 2011-12 as Rs. 148.57 Crore as against the approved expenses of Rs. 111.09 Crore. The Petitioner has capitalised the interest for FY 2011-12 as Rs. 3.59 Crore against Rs. 8.93 Crore approved by the Commission in the Tariff Order.
- 7.5.2 The Commission vide its preliminary deficiency note asked the Petitioner to submit the details of actual loans along with computation of Interest on Loan as claimed by the Petitioner for FY 2011-12 in its True up Petition. In reply to the Commission's query the Petitioner submitted the Commission issued the true up Order for FY 2000-01 to 2007-08 on 21st May, 2013 in which the Commission had adopted a normative approach to tariff with a gearing of 70:30. The Petitioner submitted that the same was reaffirmed by the Commission in the suo-motu Tariff Order for FY 2013-14.
- 7.5.3 The Petitioner further submitted that it is agreeable to the approach followed by the Commission in this regard. Accordingly, based on the normative approach, the Petitioner re-worked loan balances, additions based on normative funding of capital expenditure, normative repayment linked with allowable depreciation of the respective year and the weighted average



interest rate of the licensee as per audited accounts. The interest on long term loan claimed by the Petitioner based on the normative approach is Rs. 148.57 Crore.

7.5.4 In line with the approach adopted by Commission in its previous Orders interest expenses has been considered as an uncontrollable cost as the interest rates are determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the licensee.

7.5.5 For the above purpose, the Commission has derived the actual capital investments undertaken by the Licensee in FY 2011-12, based on the audited accounts. The details are provided in the Table below:

Table 7-10: CAPITAL INVESTMENTS IN FY 2011-12 (Rs. Crore)

Particulars	Derivation	FY 2011-12			
		Tariff Order	Audited	Petition	Allowable
Opening WIP as on 1st April	A	488.00	1144.63	1144.63	1144.63
Investments	B	444.00	731.11	731.11	731.11
Employee Expenses Capitalisation	C	84.00	98.57	98.57	98.57
A&G Expenses Capitalisation	D	7.00	9.75	9.75	9.75
Interest Capitalisation on Interest on long term loans	E	9.00	3.28	3.28	3.28
Total Investments	F= A+B+C+D+E	1032.00	1987.34	1987.34	1987.34
Transferred to GFA (Total Capitalisation)	G	422.00	859.41	859.41	859.41
Closing WIP	H= F-G	610.00	1127.94	1127.94	1127.94

7.5.6 The Commission has followed the same approach as in previous Orders and therefore considered the funding of capital expenditure in the ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions.

7.5.7 The Commission in deficiency note also asked the Petitioner to submit the details of the GFA addition on account of Consumer Contribution, Grants and



subsidies for FY 2011-12. In reply to the Commission's query the Petitioner submitted the details of GFA addition on account of Consumer Contribution, Grants and subsidies.

7.5.8 The Consumer contributions, capital grants and subsidies as submitted by the Petitioner and as allowed by the Commission are shown in the Table below:

Table 7-11: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES RECEIVED AS ALLOWED BY THE COMMISSION FOR FY 2011-12 (Rs. Crore)

Particulars	FY 2011-12			
	Tariff Order	Audited	Petition	Allowable
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	-	893.75	893.75	893.75
Additions during the year	-	74.44	74.44	74.44
Less: Amortisation	-	42.45	42.45	42.45
Closing Balance	-	925.73	925.73	925.73

7.5.9 The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The Commission has also verified the above amounts as per the audited accounts of the Petitioner.

7.5.10 Thus, based on the above the approved financing of the capital investment is depicted in the Table below:

Table 7-12: FINANCING OF THE CAPITAL INVESTMENTS AS APPROVED BY THE COMMISSION FOR FY 2011-12 (Rs. Crore)

Particulars	FY 2011-12				
	Derivation	Tariff Order	Audited	Petition	Allowable
Investment	A	444	731.11	731.11	731.11
Less:					
Consumer Contribution	B		74.44	74.44	74.44
Investment funded by debt and equity	C=A-B	444	656.67	656.67	656.67
Debt Funded	70%	311	459.67	459.67	459.67
Equity Funded	30%	133	197.00	197.00	197.00



- 7.5.11 From the above tables it is seen, that the total investments made in distribution segment in FY 2011-12 were to the tune of Rs. 731.11 Crore. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 74.44 Crore. Thus, balance Rs. 656.67 Crore have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 459.67 Crore or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 197.00 Crore through equity. Allowable depreciation for the year has been considered as normative loan repayment.
- 7.5.12 The Commission has considered the closing loan balance of FY 2010-11 as the opening loan balance of FY 2011-12. The actual weighted average rate as per audited accounts has been considered for computing the interest.
- 7.5.13 Considering the above, the gross interest on long term loan has been worked out as shown in the Table below. The interest capitalisation has been considered at the same rate as per audited accounts.

Table 7-13: INTEREST ON LONG TERM LOAN FOR FY 2011-12 (Rs Crore)

Particulars	FY 2011-12			
	Tariff Order	Audited	Petition	Allowable
Opening Loan	-	1,184.10	1,223.01	1,223.01
Loan Additions (70% of Investments)	-	-	459.68	459.67
Less: Repayments (Depreciation allowable for the year)	-	-	247.04	247.04
Closing Loan Balance	-	1,245.30	1,435.65	1,435.64
Weighted Average Rate of Interest	-	11.45%	11.45%	11.45%
Interest on long term loan	120.02	139.05	152.17	152.17
Less: Interest Capitalized	8.93	3.28	3.59	3.59
Net Interest Charged	111.09	135.76	148.58	148.57
Interest Capitalisation Rate	23.00%	2.36%	2.36%	2.36%



Finance Charges

- 7.5.14 The Petitioner submitted that items claimed under this head are towards items such as bank charges, finance charges, interest on consumer security deposits, etc.
- 7.5.15 The Petitioner has claimed Rs. 22.10 Crore against Rs. 32.42 Crore approved by the Commission towards finance charges during FY 2011-12.
- 7.5.16 The bank charges and interest on consumer security deposits and finance charges have been allowed at actual based on audited accounts.
- 7.5.17 Thus, the Commission has approved finance charges amounting to Rs. 22.10 Crore as claimed by the Petitioner for FY 2011-12.

Table 7-14: ALLOWABLE FINANCE CHARGES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Audited	Petition	Allowable
Interest to Consumers	25.34	21.97	21.97	21.97
Bank Charges	1.99	0.13	0.13	0.13
Discount to Consumers	0.03	-	-	-
Finance Charges	5.06	-	-	-
Total Finance Charges	32.42	22.10	22.10	22.10

Interest on Working Capital:

- 7.5.18 The Petitioner submitted that the Distribution Tariff Regulations, 2006 provide for normative interest on working capital based on the principles outlined in the Distribution Tariff Regulations, 2006. The Petitioner has submitted that Regulation 4.8(2)(B) of the Distribution Tariff Regulations, 2006 specifies the rate of interest on working capital borrowings as bank rate specified by RBI plus a margin as decided by the Commission. The Petitioner submitted that it has accordingly considered a rate of 12.50% which is in line with the rate approved by the Commission in its Tariff Order for FY 2011-12. Thus, the Petitioner has claimed the normative interest on working capital as Rs. 39.08 Crore against the approved expenses of Rs. 24.36 Crore.
- 7.5.19 Based on the methodology outlined in the mentioned above Regulations the Commission in the Tariff Order for FY 2011-12 had allowed normative interest



on working capital of Rs. 24.36 Crore. Following the similar approach and in accordance with the Distribution Tariff Regulations, 2006 the Commission in this Order has assessed the working capital and interest thereon based on the trued up ARR of the Petitioner.

7.5.20 Further, it has been observed that while computing the interest on working capital for FY 2011-12 the Petitioner has considered the book value of materials in store for the whole year instead of one-twelfth of the sum of the book value of materials in stores at the end of each month as specified in the Distribution Tariff Regulations, 2006. Thus, accordingly the Commission has worked out the interest on working capital for FY 2014-15 as Rs. 30.04 Crore as compared to the Rs. 39.08 Crore claimed by the Petitioner.

7.5.21 The summary of the interest on working capital approved by the Commission in the Tariff Order for FY 2011-12, claimed by the Petitioner and that approved by the Commission in the present Truing up Order is shown in the Table below:

Table 7-15: INTEREST ON WORKING CAPITAL FOR FY 2011-12 (Rs. Crore)

Particulars	FY 2011-12			
	Tariff Order	Audited	Petition	Allowable
One month's O & M Expenses	54.49	-	43.84	43.84
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	3.08	-	78.76	6.56
Receivables equivalent to 60 days average billing on consumers	567.35	-	577.85	577.85
Grand Total	624.62	-	700.44	628.25
Less:				
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	430.05	-	387.76	387.76
Net Working Capital	194.87	-	312.68	240.48
Rate of Interest on Working Capital	12.50%	-	12.50%	12.50%
Interest on Working Capital	24.36	0.00*	39.08	30.06

**In the Audited Accounts there is no separate head for Interest on Working Capital.*



7.5.22 The following table summarises the interest and finance charges approved by the Commission in the Tariff Order, interest and finance charges claimed by the Petitioner and that approved by the Commission in this Order:

Table 7-16: ALLOWABLE INTEREST AND FINANCE CHARGES FOR FY 2011-12

Particulars	Tariff Order	Actuals as per audited accounts	True-up Petition	Allowable
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	120.02	139.05	152.17	152.17
Less: Interest Capitalisation	8.93	3.28	3.59	3.59
Net Interest on Long Term Loans	111.09	135.77	148.58	148.57
B: Finance and Other Charges				
Finance Charges	5.06	0.00	0.00	0.00
Bank Charges	1.99	0.13	0.13	0.13
Discount to Consumers on sale of energy	0.03	0.00	0.00	0.00
Interest on Consumer Security Deposits	25.34	21.97	21.97	21.97
Total Finance Charges	32.42	22.10	22.10	22.10
C: Interest on Working Capital	24.36	0.00	39.08	30.06
Total (A+B+C)	167.87	157.87	209.76	200.73

7.6 DEPRECIATION

7.6.1 The Petitioner submitted that in the Tariff Order for FY 2011-12, the Commission had approved the depreciation expense of Rs. 206.00 Crore.

7.6.2 The Petitioner has submitted that the net actual depreciation expense as per audited accounts is Rs. 121.50 Crore. However the same depreciation has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956. The Petitioner further submitted that for the purpose of Truing up, it has computed the depreciation expense on the actual GFA base and at the regulatory rates applicable for FY 2011-12.

7.6.3 The Petitioner submitted that for the purpose of true-up, the depreciation expense has been computed on the actual gross fixed asset base using the



same depreciation rates which were considered by the Commission in the Tariff Order for FY 2011-12. Considering this philosophy, the entitlement towards depreciation has been computed by the Petitioner as Rs. 247.04 Crore against the approved depreciation of Rs. 206.00 Crore in FY 2011-12.

7.6.4 As regards the Commission's query regarding source-wise of funding of capitalization, the Petitioner submitted that the Commission in the True up Order for FY 2000-01 to 2007-08 and in the suo-motu Tariff Order for FY 2013-14 had considered a normative tariff approach wherein it had considered a normative ratio of 70:30 wherein 70% of the capital expenditure undertaken in any year was considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The Petitioner further submitted that in its Order the portion of capital expenditure financed through consumer contributions, capital subsidies and grants was separated by the Commission as the depreciation and interest thereon would not be charged to the consumers.

7.6.5 The Petitioner added that since it is agreeable to this normative approach approved by the Commission hence no deviation in this approach has been sought by it. Based on the above, the depreciation as claimed by the Petitioner for FY 2011-12 is shown in the Table below:

Table 7-17: DEPRECIATION CLAIMED BY LICENSEE FOR FY 2011-12 (Rs. Crore)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing	Depreciation Rates considered	Allowable Depreciation
				GFA		
Land & Land Rights						
i) Unclassified	-	-	-	-		-
ii) Freehold Land	-	-	-	-		-
Buildings	29.11	13.37	-	42.48	7.84%	2.81
Other Civil Works	-	-	-	-	7.84%	-
Plants & Machinery	707.54	596.17	404.93	898.77	7.84%	62.97
Lines, Cable Network etc.	856.28	249.26	9.35	1,096.19	7.84%	76.54
Vehicles	-	-	-	-	7.84%	-
Furniture & Fixtures	0.26	0.04	-	0.30	7.84%	0.02
Office Equipments	0.26	0.58	-	0.84	7.84%	0.04
Jeep & Motor Car	-	-	-	-		-



Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing	Depreciation Rates considered	Allowable Depreciation
				GFA		
Total	1,593.44	859.42	414.28	2,038.58		142.38
Fixed Asset as per Transfer Scheme	1,876.52	-	-	1,876.52	7.84%	147.12
GRAND TOTAL	3,469.96	859.42	414.28	3,915.10	7.84%	289.49

7.6.6 In reply to the Commission query regarding claimed depreciation rate of 7.84 % the Licensee has submitted that it has considered a weighted average depreciation rate of 7.84% for the truing up in respect of FY 2008-09 to FY 2011-12 which is in line with the rate considered by the Commission in its Tariff Order for relevant year.

7.6.7 The Commission asked the Petitioner to confirm that the cumulative depreciation in FY 2011-12 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with the Distribution Tariff Regulations, 2006 which the Petitioner had confirmed in the reply to data gaps.

7.6.8 Considering the same philosophy as adopted by the Petitioner which is also in line with the approach followed by the Commission in the previous Truing up Order, and after verifying the audited accounts for FY 2011-12 as submitted by the Petitioner, the net entitlement towards depreciation expenses claimed by the Petitioner and that approved by the Commission for Truing up of FY 2011-12 is shown in the Table below:

Table 7-18: DEPRECIATION EXPENSES FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Gross Allowable Depreciation	279.00	163.95	289.49	289.49
Less: Equivalent amount of depreciation on assets acquired out of the consumer contribution and GoUP Subsidy	73.00	42.45	42.45	42.45
Net Allowable Depreciation	206.00	121.50	247.04	247.04



7.7 PRIOR PERIOD EXPENSES

7.7.1 The Petitioner submitted that there are certain expenses and incomes which are omitted to be accounted for in one or more financial years. The Petitioner has submitted that the financial statements of the Petitioner are prepared in compliance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards issued by Accounting Standards Board of Institute of Chartered Accountants of India. There are certain prior period items which have been identified and incorporated in the audited financial statements for 2010-11. Accounting Standards (AS 5) (Revised) on 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies' states:

“Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods”

7.7.2 The Petitioner has submitted that it has recognized Rs. 3.42 Crore of prior period expenses in the audited financial statements for FY 2011-12. The Petitioner further submitted the break-up of the prior period items for FY 2011-12 as per audited accounts as shown in the Table below:

TABLE 7-19: PRIOR PERIOD EXPENSES / INCOME FOR FY 2011-12 CLAIMED BY PETITIONER

Particulars	Rs. Crore
Expenditure	
Employee Cost	2.25
Interest and Finance Charge	1.17
Net prior period Expense	3.42

7.7.3 As regards the prior period expenses the Commission vide its deficiency note asked the Petitioner to submit the detailed breakup of prior period expenses along with the details of years to which they pertain and the justification for not booking such amount in the annual account of the respective years. In its reply the Petitioner has submitted the year wise breakup of prior period expenses however the submission does not provide clarification regarding the heads under which these expenses have been booked.

7.7.4 As discussed in detail in para 4.7.6, the Commission has not allowed any claims towards prior period expenses. The summary of the prior period



expenses approved in the Tariff Order, claimed by the Petitioner and that approved by the Petitioner in this Order for Truing up of FY 2011-12 is shown in the Table below:

Table 7-20: PRIOR PERIOD EXPENSES / INCOME FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Prior Period Expense	0.00	3.42	3.42	0.00

7.7.5 Further, as directed in the para 4.7.6, the Petitioner is directed to file a separate Petition for approval of prior period expenses / incomes for the Commission's consideration

7.8 PROVISION FOR BAD AND DOUBTFUL DEBTS

7.8.1 The Petitioner submitted that the Commission has not allowed any amounts towards Provision for Bad and Doubtful Debts in the Tariff Order for FY 2011-12 even though the Distribution Tariff Regulations, 2006 provide for allowing 2% provision in respect of revenue receivables.

7.8.2 The Petitioner submitted that such expenses are legitimate business expenses and are accepted accounting principle even in a sector like banking where the provisioning of un-collectable dues is considered as a normal commercial practice.

7.8.3 The Petitioner submitted that it has computed the entitlement towards provision for bad and doubtful debts as 2% of the closing revenue receivables as per audited accounts of the relevant financial year for Distribution business.

7.8.4 The Petitioner has claimed Rs. 103.01 Crore towards provision for bad and doubtful debts for FY 2011-12.

7.8.5 As discussed in detail in para 4.8.8, due to the absence of proper policy in place for identifying and writing off receivables, the Commission has not allowed the claims towards provision for bad and doubtful debts.



Table 7-21: PROVISION FOR BAD AND DOUBTFUL DEBT FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Provision for Bad and Doubtful Debts	0.00	57.32	103.01	0.00

7.9 RETURN ON EQUITY

7.9.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that it does not want to burden the consumers by proposing return on equity as it will further increase the gap. Hence, the Commission has also not allowed any amounts towards return on equity for FY 2011-12.

7.10 REVENUE SUBSIDY FROM GOUP

7.10.1 The Petitioner has submitted that the actual revenue subsidy received from GoUP was Rs. 1279.67 Crore during FY 2011-12 as against Rs. 1301.26 Crore approved in the Tariff Order.

7.10.2 The Commission has accepted the submission of the Petitioner, under this head.

7.11 ADDITIONAL SUBSIDY REQUIREMENT FROM GOUP

7.11.1 As discussed in detail in the above para 4.11.3, the balance subsidy of Rs. 467.64 Crore has been considered for reduction from the ARR being trued up. The Distribution Licensees need to realise such sum from the State Government.

Table 7-22: COMPUTATION OF SUBSIDY REQUIREMENT FOR FY 2011-12 (Rs Crore)

Particulars	Sales	Cost of Service	Thru Rate	Loss	Loss
	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs/ kWh)	(Rs Crore)
LMV-1: (a) Consumer getting supply as per "Rural Schedule"	2749.00	5.93	1.40	4.53	1245.09
LMV-5: PTW	1006.00	5.93	0.94	4.99	502.22
Total Loss	3755.00				1747.31



Particulars	Sales	Cost of Service	Thru Rate	Loss	Loss
	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs/ kWh)	(Rs Crore)
Subsidy Available					1279.67
Additional Subsidy Requirement from GoUP					467.64

7.12 REVENUE SIDE TRUING UP

Non Tariff Income

7.12.1 The Petitioner has submitted that the actual non tariff income during FY 2011-12 was Rs. 9.21 Crore as compared to Rs. 111.75 Crore approved by the Commission in the Tariff Order.

7.12.2 The Commission has accepted the submission of the Petitioner, under this head and has accordingly approved non tariff Income of Rs. 9.21 Crore for FY 2011-12.

7.13 REVENUE FROM SALE OF POWER

7.13.1 The Petitioner has submitted that the actual revenue from sale of power during FY 2011-12 is Rs. 3467.09 Crore (including delayed payment surcharge) towards electricity sales of 11589.73 MU against Rs. 3404.11 Crore approved by the Commission in its Tariff Order.

7.13.2 The Commission has accepted the revenue from sale of power as submitted by the Petitioner and has accordingly approved the actual revenue of Rs. 3467.09 Crore including delayed payment surcharge as per the audited accounts for FY 2011-12 towards sales of 11589.73 MU. The summary of revenue approved in the Tariff Order, as claimed by the Petitioner and as approved by the Commission in this Order for Truing up of FY 2011-12 is shown in the Table below:



Table 7-23: REVENUE FOR FY 2011-12 (Rs. Crore)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Allowable
Revenue from Tariff incl. Delayed Payment Surcharge	3404.11	3467.09	3467.09	3467.09
Non tariff income	111.75	9.21	9.21	9.21
Total Revenue	3515.86	3476.30	3476.30	3476.30

7.14 ARR AND REVENUE GAP/ (SURPLUS) FOR FY 2011-12 AFTER TRUING UP

7.14.1 The Aggregate Revenue Requirement for FY 2011-12 after final truing up is summarized in the Table below:

Table 7-24: ARR, REVENUE AND GAP SUMMARY FOR FY 2011-12 (Rs. Crore)

Particulars	Approved	Actual as per audited accounts	True-up Petition	Allowable
(a)	(b)	(c)	(d)	(e)
Power Purchase Expenses	5958.27	5936.01	5731.86	5683.67
Apportionment of O&M Expenses of UPPCL#			33.48	-
Transmission Expenses	258.61	197.87	238.43	227.23
Gross O&M Expenses	744.26	634.34	634.35	634.35
Gross Interest on Long Term Loans	120.02	139.05	152.17	152.17
Finance Charges	32.42	22.10	22.10	22.10
Interest on Working Capital	24.36	0.00	39.08	30.06
Discount to Consumers	0.00	0.00	0.00	0.00
Depreciation	206.00	121.50	247.04	247.04
Prior Period Expenses	0.00	3.42	3.42	0.00
Other Misc Expenses	0.00	0.00	0.00	0.00
Provision for Bad and Doubtful Debts	0.00	57.32	103.01	0.00
Gross Expenditure	7343.94	7111.61	7204.94	6996.61
Total Capitalisation	99.34	111.60	111.91	111.91
Net Expenditure	7244.61	7000.01	7093.03	6884.70
Add: Return on Equity	0.00	0.00	0.00	0.00
Less: Non-tariff Incomes	111.75	9.21	9.21	9.21
Add: Efficiency Gains	0.00	0.00	63.91	71.01



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Particulars	Approved	Actual as per audited accounts	True-up Petition	Allowable
Annual Revenue Requirement	7132.86	6990.80	7083.82	6875.49
Revenue from Tariff incl DPS	3404.11	3467.09	3467.09	3467.09
GoUP Subsidy	1301.26	1279.67	1279.67	1279.67
Net Revenue Gap	2427.48	2244.04	2337.06	2128.73
Less: Additional Subsidy to be provided by GoUP				467.64
Net Revenue Gap	2427.48	2244.04	2337.06	1661.09

Apportionment of O&M Expenses of UPPCL has been allowed while computing BST

- 7.14.2 The Petitioner requested the Commission to consider the revenue side true-up and expense side true-up as per the aforementioned sections wherein the net revenue gap has been computed at Rs. 2337.06 Crore.
- 7.14.3 However, as observed from the above Table against the gap of Rs. 2337.06 Crore claimed by the Petitioner for truing up of FY 2011-12, the Commission has worked out the gap of Rs. 1661.09 Crore while carrying out the truing up on the basis of the audited accounts. The Commission has discussed the treatment of above revenue gap subsequently in this Order.



8. YEAR WISE REVENUE GAPS / (SURPLUS) OF PuVVNL

8.1 SUMMARY OF APPROVED GAP / (SURPLUS)

8.1.1 As detailed in the previous sections the overall revenue gaps / (surplus) of the Distribution Companies over the period FY 2008-09 to FY 2011-12 combined together is depicted in the Table below:

Table 8-1: YEAR WISE REVENUE GAPS / (SURPLUS) (Rs. Crore)

Year	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
FY 2008-09	0.0	1189.04	1568.10	829.75
FY 2009-10	154.42	491.60	1083.48	711.56
FY 2010-11	1502.41	1267.70	1925.91	934.66
FY 2011-12	2427.48	2244.04	2337.06	1661.09
Total	4084.30	5192.38	6914.55	4137.06

8.1.2 Thus, after final truing up of FY 2008-09 to FY 2011-12, there is a net revenue gap of Rs. 4137.06 Crore, which the Petitioner is eligible to recover through tariff.

8.2 CARRYING COST

8.2.1 The Petitioner has submitted that it is eligible for carrying cost on the under-recovered amount upon final truing up; as such amounts are in the nature of deferred payments. To support its contention it has quoted the reference of the Hon'ble APTEL Judgment dated 28th August, 2009 in Appeal No. 117 of 2008.

8.2.2 The Petitioner has computed the carrying cost on the yearly under-recovered amounts based on the applicable SBI PLR rate considered in relevant Tariff Orders of the Commission.

8.2.3 The Petitioner submitted that considering the fact that under the normal tariff determination exercise for the nth year, the Commission carries out the final truing up requirement for (n-2)th year and allows the impact of the same in the



tariff for the nth year, it has adopted the same philosophy while computing the carrying cost.

8.2.4 Accordingly, the Petitioner has sought a carrying cost of Rs. 1493.87 Crore for FY 2008-09 to FY 2010-11. For FY 2011-12 the Petitioner has requested the Commission to allow the carrying cost, however the claimed amount has not been submitted.

8.2.5 The Commission in its Order dated 21st May, 2013 in Petition No. 809 of 2012 in the matter of Truing up for FY 2000-01 to FY 2007-09 has specified as below:

“There has been an inordinate delay by the distribution companies in filing the True-up Petitions in spite of several directives by this Commission. The distribution companies were constrained to file such petitions only after a judicial pronouncement by the APTEL. It is fairly established that true-up should be regularly conducted and uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. The true-up being claimed in this Petition is for a period ranging from 5-12 years back. The onus of such unreasonable delay squarely falls on the Petitioner and is not due to any process of law.

The Commission appreciates that the claim of carrying cost is towards revenue gap as a result of legitimate expenditure in the true up. However issue of delayed filing of true up petitions is also pertinent to be considered.

The Commission would decide on the issue of carrying cost while approving the mechanism and time period for recovery of true up amounts as described in Section 13.”

8.2.6 UPPCL and the State Discoms namely DVVNL, PuVVNL, MVVNL and PVNNL have filed an Appeal before the Hon’ble ATE against the Commission’s views on the matter. Since, the matter is sub-judice before the Hon’ble ATE, the Commission has considered the same philosophy on the issue as mentioned above. Therefore, the Commission has disallowed the Petitioner’s claim towards carrying cost in the present Order. However, the same shall be reviewed based on the Judgment of the Hon’ble ATE in this regard.



9. ANNUAL REVENUE REQUIREMENT FOR FY 2014-15

9.1 INTRODUCTION

9.1.1 In this section, the Commission has undertaken the process of approval of the Annual Revenue Requirements and Tariff determination of the Licensee for FY 2014-15 in line with the provisions of the Distribution Tariff Regulations, 2006.

9.2 CONSUMPTION PARAMETERS: CONSUMER NUMBERS, CONNECTED LOAD, SALES

9.2.1 The Petitioner submitted that it has projected the category-wise sales based on the CAGR of the last eight years data and considering factors like available population data, expected conversion of unauthorized connections, connected load factor and specific growth factors and wherever the data was incongruous such incongruity was ignored while projecting the load growth for the ensuing years.

9.2.2 The Petitioner submitted that the forecast model projects the specific consumption level (consumption per customer) appropriate for each customer category. The Petitioner submitted that this forecast is based on expected growth relationships to income and price, effect of Demand Side Management and impact of hours of service.

9.2.3 The Petitioner submitted that the specific consumption level along with the number of customers in each category gives the sales figure for that particular sub-category and the final detailed calculations estimate the connected load by tariff category. The Petitioner added that the division level forecasts have been consolidated and losses have been added to the sales estimates to determine power purchase requirements.

9.2.4 The billing determinants including number of Consumers, Connected Load and Energy Sales for FY 2014-15 as submitted by the Petitioner are shown in the Table below:



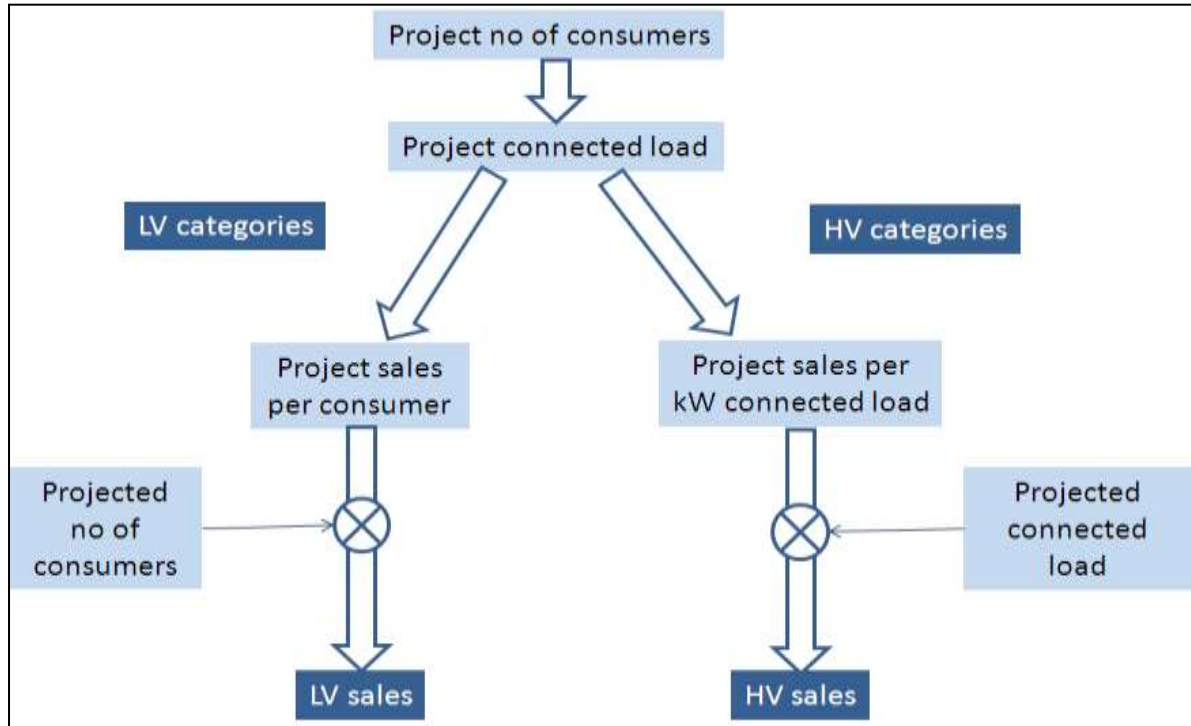
Table 9-1: CONSUMPTION PARAMETERS SUBMITTED BY THE PETITIONER FOR FY 2014-15

Consumer categories	No. of consumers	Connected load (kW)	Energy sales (MU)
LMV-1: Domestic	3459769	5824822.24	6837.99
LMV-2: Non-Domestic	368443	918462.65	1326.27
LMV-3: Public Lamps	2359	48094.92	204.70
LMV-4: Institutions	20138	207141.58	675.66
LMV-5: Private Tube Wells	214536	1302550.66	1455.75
LMV 6: Small and Medium Power	44288	397006.49	612.82
LMV-7: Public Water Works	2812	122462.92	592.27
LMV-8: State Tube Wells	10433	207432.82	505.46
LMV-9: Temporary Supply	76	2325.40	17.54
LMV-10: Departmental Employees	28373	68147.47	104.59
HV-1: Non-Industrial Bulk Loads	342	122880.36	248.86
HV-2: Large and Heavy Power	965	488006.87	1221.75
HV-3: Railway Traction	6	177256.30	527.24
HV-4: Lift Irrigation	68	123210.08	704.15
Sub-total	4152608	10009800.75	15035.05
Extra state & Bulk	5	3144.09	0.00
Total	4152613	10012944.84	15035.05

9.2.5 The Commission has adopted the same methodology adopted in its Tariff Order dated 31st May, 2013, as illustrated by the following diagram:



Figure 1: METHODOLOGY TO FORECAST CONSUMPTION FOR FY 2014-15



9.2.6 The following paragraph describes in detail the forecast methodology used by the Commission.

9.2.7 As a **first step**, historical consumption parameters (for each of the 3 years between FY 2010-11 and FY 2012-13) were tabulated for each consumer sub-category. These parameters included number of consumers, connected load (kW), sales per consumer (kWh) and sales per kW of connected load (kWh/kW). The table below provides the source of data for each year:

Table 9-2: SOURCE OF DATA FOR HISTORICAL PARAMETERS

S.No	Year	Source of data
1	FY 2010-11	Actual submitted by Licensee along with ARR / Tariff Petition for FY 2014-15
2	FY 2011-12	Actual submitted by Licensee in ARR / Tariff Petition for FY 2014-15



S.No	Year	Source of data
3	FY 2012-13	Actual submitted by Licensee in ARR / Tariff Petition for FY 2014-15

9.2.8 **Secondly**, 3-year CAGR was computed for each parameter and for each consumer sub-category based on the above set of data.

9.2.9 As a **third step**, the value for FY 2014-15 was estimated for each of the above consumption parameters in the following manner:

- A 3-year trend line was plotted and the trend observed.
- If the trend appeared to be smooth, the 3-year CAGR was adopted.
- If there was a sharp change in the trend in recent years, then the appropriate CAGR was adopted.
- The adopted CAGR was applied on the value of FY 2012-13 to derive the value for FY 2013-14. Further, the same CAGR was applied on this derived value of FY 2013-14 to derive the value of FY 2014-15.

9.2.10 The consumption norms for projection of unmetered sales were established vide UPPCL Order No. 2649-CUR/L, dated 20-07-2001. Since then, there has been significant economical and industrial growth resulting in higher GDP growth rate, as compared to that in FY 2001-02. The Commission is of the view that in the present scenario the existing consumption norms may have become redundant and therefore, based on the data submitted by the Distribution Licensees, the Commission has tried to work out the extent of redundancy of above norms and the possible new consumption norms as shown in the Table below:

Table 9-3: CONSUMPTION NORMS FOR UNMETERED CATEGORIES

Sl. No	Category	Existing Consumption Norm	Re- worked Consumption Norm (only for purpose of analysis)
1	LMV1: Domestic Rural	72 kWh / kW / month	85.69 kWh / kW / month
2	LMV2: Non Domestic Rural	72 kWh / kW / month	101.93 kWh / kW / month



Sl. No	Category	Existing Consumption Norm	Re- worked Consumption Norm (only for purpose of analysis)
3	LMV3: Public Lamps	300 kWh / kW / month	309.15 kWh / kW / month
4	LMV5: Private Tube Wells (Rural)	91.66 kWh / kW / month	94.89 kWh / kW / month
5	LMV8: State Tube Wells	3562.35 kWh / connection / month	5226.58 kWh / connection / month

9.2.11 However, since, the unmetered data submitted by the Distribution Licensees is itself on assessment basis, and does not give the accurate and true picture of the actual unmetered consumption; the data submitted by the Distribution Licensees cannot be the only basis for computation of new consumption norms.

9.2.12 Further, as regards consumption norms to be considered for assessment of consumption of unmetered categories, Regulation 3.1 (3) of the Distribution Tariff Regulations, 2006 specifies as follows:

“3. As per the Tariff Policy issued by the Central Government metering is to be completed by March 2007, however, based on ground realities if the distribution licensee seeks exemption towards its metering obligation for any particular category of consumers it must provide the Commission revised norms, based on fresh studies, for assessment of consumption for these categories. Sales forecast for such un-metered categories shall be validated with norms approved by the Commission on the basis of above study carried out by the licensee.”

9.2.13 Also, the Hon’ble ATE in its Judgment dated 28th November, 2013 in Appeal No. 239 of 2012 has ruled as follows:

“The issue of unmetered supply is not restricted only to the State of Uttar Pradesh but is prevalent in every State throughout the country especially in the agriculture sector. The Commission has to adopt some normative value for estimation of the unmetered supply. In the absence of any scientific study made available to the Commission, the Commission has adopted the norms available at that relevant time. The Commission had



been directing the distribution licensees to carry out study done for accurate estimation of consumption by unmetered supply. We accept the submissions made by the Commission and do not intend to interfere with the impugned order at present. However, we feel that the important issue cannot be postponed indefinitely at the hands of distribution licensees. We direct the Commission to get the required study done by itself through some expert consultant in a fixed time frame.”

9.2.14 Hence, the Commission is of the opinion that revising the consumption norms without validating the same based on detailed and appropriate study, would not be appropriate. Further, the Distribution Licensees / UPPCL in the meeting on this issue held with the Commission on 28th April, 2014 in response to the In-House Paper prepared by the Commission, have agreed to conduct a study to assess the actual consumption norms in accordance with the Regulations.

9.2.15 In view of the above, to provide accurate and effective consumption norms, the Commission directs the Petitioners to conduct a detailed study, which should include the following:

- Review of Methodology adopted by Distribution Licensees for assessment of consumption norms for unmetered consumers.
- Identification and finalization of sample size of unmetered consumers for installation of meters by Distribution Licensee.
- Collection and analysis of data like Distribution Sub-division wise number of consumers where sample meters have been installed, month wise load of each such consumer maintained in the Distribution Sub-divisions, month-wise consumption readings of each sample meter along with number of supply hours per month, total connected load - division wise and month wise, etc.

9.2.16 Therefore, for the present Order, the Commission has estimated the sales for unmetered categories for FY 2014-15 by multiplying the existing consumption norms as per UPPCL Order No. 2649-CUR/L dated 20th July, 2001 with the appropriate consumption parameter (connected load or number of consumers), as shown in the Table 9-3.



9.2.17 Based on the above projection methodology, the Commission hereby approves the consumption parameters for FY 2014-15 as shown in the Tables below. The detailed sub-category wise consumption parameters (historical and approved) have been provided in Annexure to this Order.

Table 9-4: CONSUMPTION PARAMETERS APPROVED BY THE COMMISSION FOR FY 2014-15

Consumer categories	No. of consumers	Connected load (kW)	Energy sales (MU)
LMV-1: Domestic	3464136	5492556.56	6442.49
LMV-2: Non-Domestic	368443	861153.29	1242.00
LMV-3: Public Lamps	2361	46152.30	181.73
LMV-4: Institutions	20014	184365.09	625.67
LMV-5: Private Tube Wells	214536	1203039.51	1354.09
LMV 6: Small and Medium Power	44288	379936.75	562.55
LMV-7: Public Water Works	2804	130629.86	638.74
LMV-8: State Tube Wells	10502	213757.44	488.46
LMV-9: Temporary Supply	76	2357.86	16.84
LMV-10: Departmental Employees	28369	70966.15	106.59
HV-1: Non-Industrial Bulk Loads	422	122880.36	261.66
HV-2: Large and Heavy Power	992	486054.47	1312.24
HV-3: Railway Traction	7	177256.30	568.26
HV-4: Lift Irrigation	62	122903.15	779.01
Sub-total	4157012	9494009.07	14580.32
Extra state & Bulk	7	3144.09	0.03
Total	4157019	9497153.16	14580.35



Table 9-5: NUMBER OF CONSUMERS: HISTORICAL TREND AND APPROVED VALUES FOR FY 2014-15

Consumer categories	FY 2010-11	FY 2011-12	FY 2012-13	Computed for FY 2013-14	Approved for FY 2014-15	Growth: FY 15 over FY 14
LMV-1: Domestic	2578028	2750615	2972618	3208563	3464136	8%
LMV-2: Non-Domestic	282384	292183	311601	338614	368443	9%
LMV-3: Public Lamps	774	771	1810	2063	2361	14%
LMV-4: Institutions	12659	15959	16054	17925	20014	12%
LMV-5: Private Tube Wells	180682	179073	196850	205493	214536	4%
LMV 6: Small and Medium Power	36252	37190	37974	41002	44288	8%
LMV-7: Public Water Works	2283	2543	2489	2640	2804	6%
LMV-8: State Tube Wells	10375	10423	10523	10509	10502	0%
LMV-9: Temporary Supply	219	83	61	68	76	12%
LMV-10: Departmental Employees	20264	23943	23466	25757	28369	10%
HV-1: Non-Industrial Bulk Loads	71	189	272	339	422	24%
HV-2: Large and Heavy Power	762	843	861	924	992	7%
HV-3: Railway Traction	3	3	5	6	7	17%
HV-4: Lift Irrigation	59	60	60	61	62	2%
Sub-total	3124815	3313878	3574644	3853964	4157012	8%
Extra state & Bulk	3	5	5	6	7	17%
Total	3124818	3313883	3574649	3853970	4157019	8%



Table 9-6: CONNECTED LOAD (KW): HISTORICAL TREND AND APPROVED VALUES FOR FY 2014-15

Consumer categories	FY 2010-11	FY 2011-12	FY 2012-13	Computed for FY 2013-14	Approved for FY 2014-15	Growth: FY 15 over FY 14
LMV-1: Domestic	4260626	4575531	4831354	5151106	5492557	7%
LMV-2: Non-Domestic	655575	712821	737500	796724	861153	8%
LMV-3: Public Lamps	33127	34967	38014	41846	46152	10%
LMV-4: Institutions	244175	155734	165132	174479	184365	6%
LMV-5: Private Tube Wells	1095834	965749	1039747	1118408	1203040	8%
LMV 6: Small and Medium Power	312542	318995	328654	353147	379937	8%
LMV-7: Public Water Works	94957	107490	109077	119347	130630	9%
LMV-8: State Tube Wells	177697	190467	195068	204155	213757	5%
LMV-9: Temporary Supply	2274	2632	1846	2086	2358	13%
LMV-10: Departmental Employees	47822	51040	57050	63583	70966	12%
HV-1: Non-Industrial Bulk Loads	91459	67957	98187	109838	122880	12%
HV-2: Large and Heavy Power	396129	410900	424620	453751	486054	7%
HV-3: Railway Traction	149475	149475	160030	168233	177256	5%
HV-4: Lift Irrigation	202540	106605	104285	113157	122903	9%
Sub-total	7764232	7850363	8290564	8869860	9494009	7%
Extra state & Bulk	3113	3022	3022	3082	3144	2%
Total	7767345	7853385	8293586	8872942	9497153	7%



Table 9-7: ENERGY SALES (MU): HISTORICAL TREND AND APPROVED VALUES FOR FY 2014-15

Consumer categories	FY 2010-11	FY 2011-12	FY 2012-13	Computed for FY 2013-14	Approved for FY 2014-15	Growth: FY 15 over FY 14
LMV-1: Domestic	4410	4941	5134	5845	6442	10%
LMV-2: Non-Domestic	823	906	938	1088	1242	14%
LMV-3: Public Lamps	111	131	134	158	182	15%
LMV-4: Institutions	474	476	455	534	626	17%
LMV-5: Private Tube Wells	909	1006	1040	1254	1354	8%
LMV 6: Small and Medium Power	421	449	427	494	563	14%
LMV-7: Public Water Works	464	567	531	582	639	10%
LMV-8: State Tube Wells	679	824	863	480	488	2%
LMV-9: Temporary Supply	8	8	12	14	17	21%
LMV-10: Departmental Employees	49	61	75	89	107	19%
HV-1: Non-Industrial Bulk Loads	180	148	206	228	262	15%
HV-2: Large and Heavy Power	882	1003	1041	1167	1312	12%
HV-3: Railway Traction	450	448	471	517	568	10%
HV-4: Lift Irrigation	581	622	593	679	779	15%
Sub-total	10442	11590	11919	13129	14580	11%
Extra state & Bulk	0	0	0	0	0	-
Total	10442	11590	11919	13129	14580	11%



9.2.18 As regards the metering of 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:”

9.2.19 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.”

9.2.20 From the above, it is evident that metering of consumers is essential. 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 with the provisions of the Act and Regulations, failing which they are liable for being dealt with appropriately as per provisions of the Act / Regulations.



- 9.2.21 The Distribution Losses of the Distribution Licensee are amongst the highest in the country, and one of the major reasons for high distribution losses is higher number of unmetered connections, which ultimately leads to disallowance of power purchase cost on one hand and loss of revenue on the other hand. Thus, it becomes extremely necessary for the Distribution Licensee to ensure that it achieves the target of 100% metering within its distribution area.
- 9.2.22 Although bound by the various provisions of the Electricity Act, 2003, various Regulations, and several directions given by the Commission, the Distribution Licensee has not been able to improve the metering status in its distribution area. The Commission opines that part of the problem has arisen because of lack of strong will power and determination of the Distribution Licensee to tackle the above issue and part of the problem has been due to the resistance that the Distribution Licensee faces in this regard. The Commission is of the view that a solution to the above problem can only be evolved if both the consumers and the Distribution Licensee work together under the supervision of the Commission to achieve the goal of 100% metering.
- 9.2.23 In view of the above, to encourage the unmetered consumers to shift to metered connections, the Commission thinks it appropriate to reduce the variable charge for such consumers who shift from unmetered to metered category to some extent. By this way of incentivising the consumers, the consumers will be encouraged to go to the Distribution Licensee themselves, making it easier for the Distribution Licensee to achieve its target of 100% metering.
- 9.2.24 Further to discourage the unmetered connections, the Commission has decided to increase the Tariff for unmetered category of consumers, for instance the tariff for rural domestic consumers will be specified based on per kW / month from the existing per / connection / month. The Commission appreciates that it is a big task for both the Distribution Licensee as well as the consumers to implement the Commission's proposal, therefore, the Commission provides a final opportunity to all such unmetered consumers to mandatorily get metered connection latest by 31st March, 2015.



- 9.2.25 To further, encourage the consumers to get metered connection, the Cost of meter may be borne initially by the Licensee which shall be adjusted in the consumers' bill within 6 months of time. However, the above scheme would be applicable only for the consumers who install the meters by 31st March, 2015.
- 9.2.26 As discussed above also, it should be noted that while undertaking the above procedure of converting the unmetered connections into metered connections, the Distribution Licensee will require a huge number of meters and it may be difficult for the Licensee to procure so many meters by itself. The Distribution Licensee may also provide an option to the consumers to procure meters by themselves. For this the Licensee should take necessary actions as it deems fit to achieve the 100% metering target. Further, the Commission would like to suggest some steps that shall help the Licensee to achieve the targets of 100% metering. As an initial step, the 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 Licensee deems 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.
- 9.2.27 Further, the Commission also floated an In-House paper on achieving 100% metering target in the State and invited suggestions / views of the stakeholders including the Licensee. Various stakeholders submitted that the power should not be supplied to the consumers having unmetered connections, however no response regarding the same has been provided by the Licensee.
- 9.2.28 The Commission, in the above mentioned In-House Paper, has also suggested a model, "Direct procurement of meter by the Consumer" for procurement of consumer meters, single phase and three phase, including smart and prepaid meters, for new connections and replacement that will help the Licensee in achieving the metering targets. The Licensee may refer the same and choose appropriate methodology for procurement of meters by the consumers as it deems necessary.
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9.2.29 Further, in reply to the Commission’s deficiency note regarding number of unmetered connections, load and sales of such consumers up to December, 2013, the Petitioner has submitted as follows:

TABLE 9-8: NUMBER OF UN-METERED CONSUMERS AS SUBMITTED BY PuVVNL

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14 (Till December 2013)
LMV – 1 Rural Domestic	1377933	1405398	1523868	1606791	1741778	1903625
LMV – 2 Rural Commercial	47081	54174	57205	59308	66925	70100
LMV-3 Public Lamps	219	652	675	703	1263	1276
LMV-5 PTW	213125	167439	175499	173949	190586	199259
LMV-8 State Tube Wells	9935	9948	10366	10416	10339	10339
LMV-9 Temporary Supply	15	0	175	5	4	4
LMV-10 Employees	18733	19863	20264	23943	23466	25128
Total	1667041	1657474	1788052	1875115	2034361	2209731

9.2.30 It is observed that for FY 2012-13, the unmetered consumers are to the tune of 20.34 Lakhs out of the total consumer base of 35.74 Lakhs, which implies that around 57% of the consumers in the Licensee area of PuVVNL are still availing un-metered supply. It can also be observed that around 95% of the unmetered consumers belong to two categories, i.e., LMV-1: Rural Domestic and LMV-5: PTW, which also represent the categories that avails the subsidy provided by GoUP. In light of the above, it is pertinent to note that the subsidy provided by the GoUP comes from the State’s resources and its accounting and proper utilization must be the prime focus of the Distribution Licensee.

9.2.31 Hence, the Commission is of the view that if this group of consumers are converted to metered category then the exact picture of the allocation of subsidy could be worked out. Since, these groups of consumers are still unmetered there is a very good chance that other inefficiencies of the Licensees are being booked under this category. Thus, the Commission is of the view that this purpose could only be fulfilled if proper accounting in terms of metering and billing is done by the Licensee by putting its sincere efforts.



9.2.32 It is observed that the number of unmetered consumers has been increasing since FY 2008-09 and the Licensee has not been able to convert its consumers into metered connections from a very long time. It may be noted that the Commission in its Tariff Order dated 31st May, 2013 had directed the Petitioner as follows:

“Commission directs the Licensee to submit a road map for 100% metering in its licensed area. However, based on the ground realities, if the Distribution Licensee seeks exemption towards its metering obligation for any particular category of consumers, it must provide the Commission revised norms specific for its supply area, based on fresh studies, for assessment of consumption for these categories. Sales forecast for such un-metered categories shall be validated with norms approved by the Commission on the basis of above study carried out by the Licensee.”

9.2.33 However, the Licensee has not submitted any explanation as to why it has not been able to convert the unmetered connections to metered connections since FY 2008-09, and on the other hand has been issuing fresh connections on unmetered basis, as can be seen from the fact that the number of unmetered consumers has been increasing over the years rather than reducing. This clearly implies that the Petitioner has not been making its full efforts to convert the unmetered connections. Therefore, the Commission once again directs the Licensee to comply with the direction given by the Commission in this Order and accordingly put it sincere efforts to achieve the target given by the Commission.

9.2.34 The details of un-metered consumers of the 4 Distribution Licensees, viz., DVVNL, MVVNL, PVVNL and PuVVNL for the period from FY 2008-09 to FY 2013-14 (till December 2013) are shown in the Table below:

TABLE 9-9: NUMBER OF UN-METERED CONSUMERS OF FOUR DISCOMS (DVVNL, MVVNL, PUVVNL AND PVVNL)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14 (Till Dec 2013)
LMV – 1 Rural Domestic	3461091	3688734	3884519	4108404	4368890	4650485



Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14 (Till Dec 2013)
LMV – 2 Rural Commercial	72090	84533	83235	88172	96372	101556
LMV-3 Public Lamps	6802	7233	7294	8174	8969	7344
LMV-5 PTW	745919	721451	752153	765552	802308	817193
LMV-8 State Tube Wells	27788	27458	27332	27865	28325	28396
LMV-9 Temporary Supply	1167	100	490	215	251	389
LMV-10 Employees	70700	75327	75722	80468	81966	84748
Total	4385557	4604836	4830745	5078850	5387081	5690111

9.2.35 Looking at the status of unmetered consumers, as shown in the tables above, it appears that the Distribution Licensees have not been able to comply with the direction of the Commission and instead of reducing the number of unmetered consumers, there has been a consistent increase in the number of unmetered consumers combined for all the Distribution Licensees, indicating the inefficiency of the Licensees.

9.2.36 The Commission expressing its utmost concern, accords a final opportunity to the Distribution Licensees and direct them to ensure that all their unmetered consumers get converted into metered connection by 31st March, 2015 beyond which, the Tariff for unmetered categories shall be discontinued. The above has been detailed subsequently in this Order in section Tariff philosophy.

9.2.37 Another important issue is to increase the distribution network of the Licensee and to cover all the prospective electricity users to become the consumers of the Licensee. As per the population census of 2011 conducted by the Census Organization of India, the total number of residential premises / households in the State of Uttar Pradesh are around 3.29 Crore. While from the actual data submitted by the Distribution Licensees for FY 2012-13, it is observed that the total number of residential consumers having electricity connections in the State is only 1.14 Crore as shown in the Table below:



**TABLE 9-10: NO. OF DOMESTIC CONSUMERS AND NUMBER OF HOUSEHOLDS AS PER CENSUS
DATA, 2011**

No. of consumers (FY 2012-13)							
Category	PuVVNL	PVVNL	DVVNL	MVVNL	KESCO	NPCL	TOTAL
Domestic Consumers	2972618	3041180	2196490	2660533	515364	50233	11436418
Number of Households as per Census Data, 2011	9773781	5894819	7185882	10069784	#	#	32924266

Number of Households for KESCO & NPCL is included in the total number of Households.

9.2.38 Considering that there is a huge variation in the actual number of consumers and the total households in the State, the Commission has worked out the difference in the existing number of consumer submitted by the DISCOMs for LMV-1: Domestic Category (Rural & Urban) and number of households as per the 2011 census data in the following Table:

**TABLE 9-11: DISCOM WISE COMPARISON OF NUMBER OF DOMESTIC CONSUMERS FOR FY
2012-13 AND NUMBER OF HOUSEHOLDS AS PER 2011 CENSUS DATA**

MVVNL- Domestic Consumers LMV-1 category			
Particulars	No. of Households as per 2011 Census Data	Actual Number of consumers submitted by the Licensee for FY 2012-13)	Difference
Total	10,069,784.00	2,660,533.00	7,409,251.00
Rural	8,284,474.00	1,142,077.00	7,142,397.00
Urban	1,785,310.00	1,518,456.00	266,854.00
DVVNL- Domestic Consumers LMV-1 category			
Particulars	No. of Households as per 2011 Census Data	Actual Number of consumers submitted by the Licensee for FY 2012-13)	Difference
Total	7,185,882.00	2,196,490.00	4,989,392.00
Rural	5,067,343.00	1,133,627.00	3,933,716.00
Urban	2,118,539.00	1,062,863.00	1,055,676.00



PuVVNL- Domestic Consumers LMV-1 category			
Particulars	No. of Households as per 2011 Census Data	Actual Number of consumers submitted by the Licensee for FY 2012-13)	Difference
Total	9,773,781.00	2,972,618.00	6,801,163.00
Rural	8,652,954.00	2,152,086.00	6,500,868.00
Urban	1,284,488.00	820,532.00	463,956.00
PVVNL- Domestic Consumers LMV-1 category			
Particulars	No. of Households as per 2011 Census Data	Actual Number of consumers submitted by the Licensee for FY 2012-13)	Difference
Total	5,894,819.00	3,041,180.00	2,853,639.00
Rural	3,631,012.00	1,526,430.00	2,104,582.00
Urban	2,263,807.00	1,514,750.00	749,057.00
Consolidated for DVVNL, MVVNL, PVVNL and PuVVNL- Domestic Consumers LMV-1 category			
Total	No. of Households as per 2011 Census Data	Actual Number of consumers submitted by the Licensees for FY 2012-13	Difference
Total	32,924,266.00	10,870,821.00	22,053,445.00
Rural	25,635,783.00	5,954,220.00	19,681,563.00
Urban	7,452,144.00	4,916,601.00	2,535,543.00

9.2.39 From the above, it is evident that only 33% of the houses in the State have an electricity connection, which is quite a saddening affair. The facts mentioned above completely defeats the purpose and motives of bringing reforms in the Power sector of the State by means of various Acts and Regulations. It appears that one of the major reasons for such a huge gap between the total households in the State and the households having authorised electrical connection is failure of the Licensees in performing their duties as specified in the Act and various Regulations. It seems that the Licensees have been causing unwarranted delay in providing the electricity connections.



- 9.2.40 Further, it has also been debated at length during various occasions that due to absence of proper or no electricity connections, many consumers have no choice but to avail electricity through various unlawful means, which is resulting into unauthorized consumption and hence, a revenue loss to the Distribution Licensees.
- 9.2.41 The Commission is of the view that there is a pressing need for the Distribution Licensees to expand their consumer base by increasing the overall consumer addition per year. Considering the same, the Commission opines that in addition to the normal consumer addition (which may only cater to the population growth) the Licensees are required to add consumers to fulfil the huge gap between potential and actual consumers who can be given an electricity connection.
- 9.2.42 As depicted in the TABLE 9-11, the Distribution Licensees have a huge pool of potential consumers of over 2.20 Crore, who can be made part of the system that will in turn help in improving the financial health of the Licensees. The Commission is of the view that even if a small percentage of such consumers are targeted for giving the electricity connections, the losses of the Distribution Licensee will reduce by a large extent.
- 9.2.43 The Commission understands that the Licensees may face certain bottlenecks while doing the uphill task of bringing all such consumers in its loop and there may be cases where the Licensees may not even have a network. In such cases and at this point of time it may not be feasible for the Licensees to lay the network and provide connections to such new consumers. Assuming that around 30% of the area is yet to be electrified, the Commission thinks it appropriate to consider at least 70% of the difference between the number of consumers approved by the Commission for FY 2014-15 and total number of households in the Licensees' area, as the base for setting the additional consumer addition target for the Licensees.
- 9.2.44 Hence, as depicted in the Table below, the Commission sets an additional target of 25% (i.e., to cover all the potential household consumers in about 4 years) of 70% of the difference between the numbers of consumers estimated as per the projections done by the Commission for FY 2014-15 and total
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number of households in the Licensees' area as per the 2011 census. In view of the above, the target for additional consumer addition for each of the Licensees is shown in the Table below:

TABLE 9-12 : ADDITIONAL CONSUMER ADDITION TARGET FOR FY 2014-15

Distribution Licensee	2011 Census Data (No. of Households)	Total No. of Domestic Consumers (LMV-1 Category) approved for FY 2014-15	Additional Households to be covered	70 % of Additional Household is considered for target setting	Target number of Consumers to be added in 1 st Year
	A	B	C = A-B	D = 70%*C	E= 25%*D
DVVNL	7,185,882	2,489,664	4,696,218	3,287,353	821,838
MVVNL	10,069,784	2,929,785	7,139,999	4,997,999	1,249,500
PVVNL	5,894,819	3,491,752	2,403,067	1,682,147	420,537
PuVVNL	9,773,781	3,464,136	6,309,645	4,416,752	1,104,188
Total	32,924,266	12,375,337	20,548,929	14,384,250	3,596,063

Number of Households for KESCO & NPCL is included in total number of Households

9.2.45 Further, since the latest data for actual number of households is as per the 2011 census the Commission has compared the estimated number of consumers in FY 2014-15 with the same. As actual number of households in FY 2014-15 would also have been increased from that in year 2011, therefore, for computational purposes, the numbers of consumers in NPCL and KESCO area are assumed to have been added in the total actual households within the period from year 2011 to 2014. Accordingly, the Distribution Licensees are directed to add the numbers of household consumers in addition to the estimated number of consumers for FY 2014-15 as approved by the Commission for FY 2014-15.

9.2.46 It may also be noted that the Distribution Licensees by means of various campaigns have been successfully able to add considerable number of consumers within few months. In this regard, the Commission highly appreciates the efforts put in by the Licensees; however, additional and more



sincere efforts are desired from the Licensees to include these consumers in its loop.

9.2.47 Further, the Commission is of the view there has been lot of power leakage in the system, which is primarily due to unauthorised consumption, and the addition of the new consumers would reduce such unauthorised consumption, which can then be appropriately billed as per the applicable tariff rates. This will reduce the leakage in the system without any additional power purchase requirement, thereby increasing only the revenue and not the cost.

9.2.48 As discussed subsequently in this Order the Commission has linked the performance of the Licensee in terms of achieving the target of new household consumer addition with the applicable regulatory surcharge for subsequent year.

9.3 DISTRIBUTION LOSSES AND ENERGY BALANCE

9.3.1 Based on review of actual performance of the Licensees, the Commission is of the view that there is ample room for reduction in distribution losses; however, the Licensee has failed to act upon the same. There is an urgent need to have an appreciable loss reduction trajectory and aggressive follow-up efforts to achieve it.

9.3.2 In this regard, the Commission in its previous Tariff Orders, had directed the Distribution Licensees to conduct proper loss estimate studies for assessment of technical and commercial losses under its supervision and submit the report to the Commission so that the Commission may set the base line losses in accordance with Clause 3.2.3 and Clause 3.2.4 of the Distribution Tariff Regulations, 2006. The study shall segregate voltage-wise distribution losses into technical loss (i.e., Ohmic / Core loss in the lines, substations and equipment) and commercial loss (i.e., unaccounted energy due to metering inaccuracies / inadequacies, pilferage of energy, improper billing, no billing, bad debts, etc.). The Commission also directed the Licensee to complete the study and submit the report within 3 months of the Order, i.e., by 31st August, 2013.



- 9.3.3 In this regard, the Distribution Licensees submitted that M/s PFC Consulting Ltd. has been appointed to draft a strategy paper for the turnaround of the Distribution Licensees, which covers the voltage wise loss studies.
- 9.3.4 As per the current status of compliance of the Commission's Directive, the mentioned study has not been completed and no report has been submitted for perusal of the Commission. The Commission would like to reiterate that the distribution loss proposal of the Licensee should be based on correct energy audit data and supported by a report on the study carried out on such data. The Commission has been continuously stressing upon such study so that the appropriate target of distribution losses could be given to the Distribution Licensee.
- 9.3.5 The State owned Distribution Licensee namely, MVVNL, PVVNL, DVVNL, PuVVNL and KESCO in their ARR Petition for FY 2014-15 have projected the following Distribution Losses for FY 2014-15:

Table 9-13: DISTRIBUTION LOSS PROJECTED BY THE DISTRIBUTION LICENSEES FOR FY 2014-15

Discom	FY 2014-15
PVVNL (Retail)	26.15%
PuVVNL	24.65%
MVVNL	23.86%
DVVNL (Retail)	35.13%
KESCO	30.17%

- 9.3.6 The Commission, in its deficiency note, asked the Distribution Licensees to submit the basis of arriving at the above mentioned losses proposed for FY 2014-15. The Commission also asked the Licensees to submit the reason for variation in the projected losses as per the ARR / Tariff Petition and as approved in the FRP.
- 9.3.7 In reply to the above, the Licensees submitted that the projected distribution losses for FY 2014-15 have been worked out by considering the year on year improvement in losses of around 2% from FY 2012-13 level. Licensees further submitted that while granting in-principle approval of the FRP on 19th March, 2013, the Commission had stated that the determination of ARR and Tariff would be governed by the Commission's Regulations. The Licensees submitted



that their proposal is as per the principles laid down in the Distribution Tariff Regulations, 2006.

9.3.8 The summary of the actual distribution loss for the past years as submitted by the Distribution Licensees, distribution loss approved in the FRP for FY 2014-15 and the distribution loss as projected by the Licensees for FY 2014-15 in their Petitions is shown in the Table below:

Table 9-14: SUMMARY OF DISTRIBUTION LOSSES

Distribution Licensee	Actual FY 2008-09	Actual FY 2009-10	Actual FY 2010-11	Actual FY 2011-12	Actual FY 2012-13	Approved by the Commission for FY 2013-14	Approved in FRP for FY 2014-15	Projected by Licensees for FY 2014-15 in their Petitions
DVVNL	25.57%	31.78%	28.51%	36.64%	36.58%	28.00%	24.55%	35.13%
MVVNL	20.69%	22.64%	28.02%	26.36%	24.85%	23.00%	21.00%	23.86%
PVVNL	26.62%	28.67%	27.04%	29.25%	27.22%	23.00%	21.00%	26.15%
PuVNNL	24.72%	24.44%	25.48%	26.20%	25.66%	22.00%	20.00%	24.65%
KESCO	25.86%	36.79%	37.30%	33.33%	31.41%	23.00%	21.00%	30.17%

9.3.9 The Licensees, in their subsequent submission vide letter no. 1851/RAU/ARR & Tariff/2014-15 dated 31st July, 2014 submitted the revised projections of the Distribution Losses for FY 2014-15 based on the AT&C loss reduction trajectory suggested by Ministry of Power, Government of India for the period from FY 2013-14 to FY 2021-22. The revised Distribution Losses as projected by the Licensees is shown in the Table below:

Table 9-15: REVISED DISTRIBUTION LOSS TRAJECTORY SUBMITTED BY THE PETITIONERS FOR ARR PURPOSES

Distribution Licensee	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
DVVNL	35.85%	35.13%	32.63%	30.13%	28.13%	26.13%	24.13%	21.73%	19.28%
MVVNL	24.35%	23.86%	22.66%	22.16%	21.66%	20.16%	18.66%	16.66%	14.66%
PVVNL	26.68%	26.15%	25.15%	23.95%	22.60%	21.10%	19.60%	17.60%	15.60%
PuVNNL	25.15%	24.65%	23.55%	22.30%	21.80%	20.30%	19.30%	17.30%	15.30%
KESCO	28.05%	27.66%	26.66%	25.46%	23.46%	21.46%	19.96%	17.96%	15.96%



- 9.3.10 It may be observed that the above revised projections submitted by the Petitioners for consideration in the ARR are same for DVVNL, MVVNL, PVVNL and PuVVNL, and only for KESCO such projections has been revised from 30.17% to 27.66%, which is still at higher end.
- 9.3.11 In the above matter of setting up of the target Distribution loss for FY 2014-15, UPPCL in the meeting held on 28th April, 2014, requested the Commission that the targets for distribution loss reduction as mentioned in the FRP should be considered for the Tariff approval for FY 2014-15 and future years. Considering the same, the Commission in its Order dated 6th June, 2014 for Extension of Applicability of Regulatory Surcharge also considered the Distribution Loss target for FY 2014-15 at the same levels as approved in the FRP.
- 9.3.12 However, as may be observed from the Table 9-14:, the actual distribution losses of the Licensees for FY 2012-13 are very high as compared to the loss target approved in the FRP for FY 2014-15. Therefore, approving the target losses at the levels approved in the FRP would not be practically achievable by the Licensees.
- 9.3.13 The Commission is of the view that the revised projected Distribution Losses which are also arrived by considering the year on year improvement of only 2% is very low. As the actual losses are very high, there is ample room to reduce the distribution losses with appropriate measures. The Commission for the purpose of approving the target losses for FY 2014-15 has considered the year on year improvement of 8% as against 2% proposed by the Licensee over actual losses of FY 2012-13. Further, as the Commission in its Tariff Order dated 31st May, 2013 has approved the losses for FY 2013-14 and considering that the Loss level for FY 2014-15 should not be higher than the target for FY 2013-14, the Commission in such cases, has limited the target distribution losses for FY 2014-15 to the level approved for FY 2013-14 in Tariff Order dated 31st May, 2013.
- 9.3.14 Considering the above methodology, the Commission has approved the target distribution losses for the Distribution Licensees as shown in the Table below:
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Table 9-16: DISTRIBUTION LOSS APPROVED BY THE COMMISSION FOR FY 2014-15

Distribution Licensee	Actual submitted by Licensee FY 2012-13	Projected by Licensees for FY 2014-15 (Petition)	Projected by Licensees for FY 2014-15 (Revised Submission)	Approved in TO for FY 2013-14 (B)	Worked out with 8% Y-o-Y improvement for FY 2014-15 (A)	Approved for FY 2014-15 (Minimum of A & B)
DVVNL	36.58%	35.13%	35.13%	28.00%	30.96%	28.00%
MVVNL	24.85%	23.86%	23.86%	23.00%	21.03%	21.03%
PVVNL	27.22%	26.15%	26.15%	23.00%	23.04%	23.00%
PuVVNL	25.66%	24.65%	24.65%	22.00%	21.72%	21.72%
KESCO	31.41%	30.17%	27.66%*	23.00%	26.59%	23.00%

*Revised in subsequent submission

9.3.15 While projecting the Power Purchase requirement for FY 2014-15, the transmission Losses has been considered at 3.67% as proposed by the Petitioner.

9.3.16 Based on the above, the approved energy balance for FY 2014-15 for the State owned Distribution Licensees is shown in the Table below:

Table 9-17: APPROVED ENERGY BALANCE FOR FY 2014-15

Particulars	PVVNL	DVVNL	MVVNL	PuVVNL	KESCO	Consolidated
Sales (MU)	20,649.70	13,634.05	11,844.37	14,580.35	2,474.67	63,183.13
Distribution Losses (%)	23.00%	28.00%	21.03%	21.72%	23.00%	23.50%
Energy at Discom Periphery for Retail Sales (MU)	26,817.79	18,936.18	14,998.80	18,626.14	3,213.85	82,592.76
Intra-State Transmission Losses %	3.67%	3.67%	3.67%	3.67%	3.67%	3.67%
Energy Available at State periphery for Transmission(MU)	27,839.67	19,657.73	15,570.31	19,335.88	3,336.32	85,739.90
Inter-State Transmission Losses %	1.65%	1.65%	1.65%	1.65%	1.65%	1.65%
Purchases Required & Billed Energy (MU)	28,306.73	19,987.52	15,831.53	19,660.27	3,392.29	87,178.35



Particulars	PVVNL	DVVNL	MVVNL	PuVVNL	KESCO	Consolidated
Total Inter & Intra State Transmission Losses (%)	5.26%	5.26%	5.26%	5.26%	5.26%	5.26%
Total T&D Losses in Retail Sales (MU) / (%)	7,657.03	6,353.47	3,987.17	5,079.92	917.62	27.52%

- 9.3.17 Although the Commission has approved the above losses based on the review of actual performance of the Licensees in the past, the Commission feels that the same are still on a higher side. The distribution losses and the collection efficiency are the two critical parameters to evaluate the performance of a Distribution Licensee and have to be brought to the desired levels, based on sound and authentic data and study analysis.
- 9.3.18 Although the Commission while doing the True-up of previous years has disallowed the excess power purchase cost on account of higher losses, it is important to note that such disallowance of the cost is borne by the Distribution Licensees and the officials responsible for not achieving the targets have no direct accountability. The Commission opines that this methodology of reducing the power purchase cost on account of distribution losses neither directly affects the officials responsible for achieving the target loss levels nor does it encourage the employees to strive for achieving the loss targets for the benefit of the utility.
- 9.3.19 Further, it is a common industry practice that the employees achieving or exceeding their targets are provided with bonus / incentives. Such practice may be introduced for the officials of the Distribution Licensees so as to encourage them to assist the utilities to achieve the targeted losses / collection efficiency. The accountability of achieving the targets should be assigned to the responsible officials.
- 9.3.20 In view of the above, the Commission directs the Distribution Licensees to formulate a mechanism so as to make their officials accountable by providing incentives or disincentives for achievement or non-achievement of the distribution loss and the collection efficiency targets. Further, such policy should also cover the following aspects:



- Allocation of such distribution loss and collection efficiency targets to various responsible officials based on current level of losses and efficiency levels in their area / zone / circle / division / sub-station, etc.
- The system of MoU signed by concerned Officer(s) regarding distribution loss target, which can be based on input energy, billed energy / amount and collection efficiency, etc. - Fixing of accountability of the concerned personnel of the Utilities will help considerably in reduction of losses. This may include making the relevant field level personnel accountable and through monitoring of their performance, to achieve results in the form of reduction of losses. Similarly, holding officials responsible for various Zone / Circle / Division / sub-station wise revenue related performance parameters such as reduction in arrears, etc., will help the Distribution Licensees in improving the cash flows for day to day operations.
- Senior officials including Chairman UPPCL, Managing Director, UPPCL, Managing Directors of all State owned Distribution Licensees and all other officials up to Junior Engineer level as per the hierarchy shall be part of the process of signing of the above MoU.
- Formulation of clear mechanism of providing the incentives or disincentives to the concerned officials.
- Regular monitoring of the entire mechanism along with submission of quarterly reports to the Commission.
- Further, the organisational structure and management system of the Distribution Licensees are best understood by the Distribution Licensees, hence, it would be more appropriate that any other important aspect as deemed necessary by the Licensees may also be included in addition to the above.

9.3.21 Petitioner, in its submissions on the In-House paper prepared by the Commission in this regard, has also agreed to the Commission's approach and has agreed to get the MoU signed by its officials. The Commission further directs the Petitioner to sign the MoUs to be implemented at all levels and submit the copy of the same to the Commission within 2 months from the date of this Order.

9.4 ENERGY AVAILABILITY



- 9.4.1 Clause 3.4 of the Distribution Tariff Regulations, 2006 specifies that the power requirement for the Distribution Licensee for sale to its consumers shall be estimated based on the approved sales, approved transmission losses and distribution losses for the tariff year.
- 9.4.2 The Licensees submitted a detailed power purchase plan for FY 2014-15 in its ARR Petition. In addition to the original submission in the ARR Petition for FY 2014-15 the Licensees vide their letter dated 6th February, 2014 submitted a separate Petition (Petition No. 935 of 2014) in which it revised power purchase plan, the same has been considered by the Commission in this Order. The Distribution Licensees have submitted that the energy requirement for FY 2014-15 is 93,762 MU, and the same has to be procured from the existing resources (State, Central and IPP / Joint Venture generating Stations) with whom the Distribution Licensees have PPAs. If these sources fail to supply the requisite amount of energy, the balance energy will be procured through energy exchanges / UI / short-term contracts with trading companies and utilities, which are having extra power and from other sources as well. A marginal amount of energy has been envisaged to be obtained from energy exchanges to manage the peaks.
- 9.4.3 For precisely projecting the power purchase quantum and cost for the ensuing year, the Commission in its deficiency note had sought the source-wise details of the actual power purchased during FY 2012-13 and FY 2013-14 (till December) in a specified format. The Commission in the said format sought month-wise power purchase details including quantum, Fixed Charges, Variable Charges, other charges, PLF, Availability, etc.
- 9.4.4 As against the required details for FY 2012-13 and FY 2013-14 (till December 2013), the Distribution Licensees in their reply submitted the details only for 9 months, i.e., from January, 2013 to September, 2013. The Commission in its Admittance Order issued on 3rd June, 2013 again asked the Distribution Licensees to submit the source-wise details of the actual power purchased during FY 2012-13 and FY 2013-14 (till December or latest available) as per the specified format.



- 9.4.5 Distribution Licensees vide e-mail dated 4th August, 2014 submitted that they are still compiling the required information and will submit the same to the Commission.
- 9.4.6 The Commission is of the view that such data should be readily available with the Licensee and should have been submitted to the Commission in time. The Commission cannot give indefinite time to the Licensee to compile such data. The Petitioner with repeated intimations had submitted the actual power purchase details for FY 2012-13 and FY 2013-14 (till December) vide its letter dated 12th August, 2014. The Commission has gone through the submission made by the Petitioner in this regard. It has been observed that in the submission made by the Petitioner, the break-up of Fixed and the variable charges has not been shown and only the total billed amount has been shown.
- 9.4.7 In an additional submission vide letter dated 22nd September, 2014 the Petitioner again revised the power purchase quantum, cost and rates from various sources including the Bajaj & Rosa. However, the Petitioner has not submitted the detailed basis for revising such quantum, cost and rates. The Commission has gone through such revisions made by the Petitioner however, the same has not been considered while projecting the Power Purchase quantum and cost for FY 2014-15. Further, in absence of the required actual power purchase details for FY 2012-13 and for FY 2013-14 (April, 13 to December, 13), the Commission has considered the data in respect of power procurement plan provided in the ARR / Tariff Petition for FY 2014-15 and the details provided for 9 months as it is the most relevant data available for projecting the power purchase cost for FY 2014-15. Suitable modifications, wherever deemed necessary, have been made by the Commission to arrive at the approved power purchase cost for FY 2014-15. **The Commission further directs the Petitioner to provide such data in the format specified by the Commission along with the Tariff Petition for FY 2015-16.**
- 9.4.8 The Commission has also run the merit order dispatch schedule for power purchase for FY 2014-15 after considering the availability of power and sales trend projected for the Licensee. The final merit order dispatch showing the approved power purchase quantum by the Commission for FY 2014-15 is given in Table 9-49:.
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9.4.9 Since, the power purchase expense is the single largest component in the ARR of a Distribution Licensee; it becomes imperative that this element of cost is incurred with utmost care based on the most efficient way of power procurement from the generating stations through long-term / short-term power purchase arrangements or through bilateral power purchase agreements. Power Purchase cost being an un-controllable component of the ARR, the Distribution Tariff Regulations, 2006 provide for the Fuel and Power Purchase Cost Adjustment (FPPCA) formula, which would enable the Distribution Licensee to claim legitimate variances on account of power purchase cost.

9.5 POWER PROCUREMENT FROM STATE GENERATING STATIONS

The Licensees' Submission:

9.5.1 Distribution Licensees submitted that the State of Uttar Pradesh has got both Thermal as well as Hydro generating stations. **UPRVUNL owns all the Thermal generating stations within the State and the Hydro Stations are owned by UPJVNL. The Multi Year Tariff (MYT) Orders** issued by the Commission for UPRVUNL and UPJVNL for their respective power stations for FY 2009-10 to 2013-14 form the basis for determining the costs for FY 2013-14 and thereafter escalations have been considered in the Fixed and Variable Charges for determination of cost for FY 2014-15.

9.5.2 The computation of cost of power procurement for FY 2014-15 has been done based on:

- Provisional power purchase cost and units of FY 2012-13
- Trend observed in the previous and current year.
- Impact of loss reduction initiatives.
- Estimated growth in sales.
- Share of expected capacity available from various Generators to the UPPCL / Discoms.

9.5.3 Distribution Licensees submitted that the cost of energy available from State Thermal and Hydro generating stations has been derived from the tariff approved by the Commission in Review Order dated 20th March, 2012 and the True-up Order dated 14th November, 2013.



9.5.4 The major assumptions considered by the Distribution Licensees while projecting the power purchase from the State owned Thermal generating stations and Hydro stations are shown in the Tables below:

Table 9-18: ASSUMPTIONS FOR POWER PURCHASE FROM UPRVUNL AS CONSIDERED BY THE DISTRIBUTION LICENSEES

S. No.	Particulars	Assumption
1	Power Purchase Quantum	1. Net Power Purchase Quantum is considered based on the Actual Availability for old power stations. For new power Stations namely Harduaganj Extn. & Parichha Extn. Stage 2, Commission's Review Order dated 20 th March, 2012 for UPRVUNL for FY 2009-10 to 2013-14 has been considered. 2. Further, the quantum is approved as per Merit order Dispatch principles.
2	Fixed & Variable Charges	1. The fixed and variable cost for FY 2014-15 is derived by escalating the Fixed Charges and Variable Charges of base year tariff for all power stations considered as per the Commission's True-up Order dated 14 th November, 2013 for UPRVUNL for FY 2009-10 to 2013-14 at 8.15% and 6.00%, respectively.
3	Anpara D	1. Unit #1 of Anpara is expected to get commissioned in June, 2014 and Unit #2 in September, 2014. 2. Net Power Purchase Quantum for this station has been prorated based on its expected COD dates.

Table 9-19: ASSUMPTIONS FOR POWER PURCHASE FROM UPJVNL AS CONSIDERED BY THE DISTRIBUTION LICENSEES

S. No.	Particulars	Assumption
1	Power Purchase Quantum	1. Net Power Purchase Quantum from all power stations is considered keeping the base as the Commission's MYT Tariff Order dated 20 th October, 2011 for UPJVNL for FY 2009-10 to 2013-14. 2. Hydro Stations are considered as Must-run in Merit Order Despatch
2	Fixed & Variable Charges	1. The fixed & variable cost for FY 2014-15 is derived by escalating the Fixed Charges and Variable Charges of base year tariff for all power stations considered as per the Commission's MYT Tariff Order dated 20 th



S. No.	Particulars	Assumption
		October, 2011 for UPJVNL for FY 2009-10 to 2013-14 at 8.15% and 6.00%, respectively.

9.5.5 Considering the above, the power purchase quantum and cost as projected by the Distribution Licensees from State Thermal and Hydro Generating Stations for FY 2014-15 is as shown in the Tables below:

**Table 9-20: DETAILS OF POWER PURCHASE COST FROM UPRVUNL STATIONS FOR FY2014-15 AS
SUBMITTED BY DISTRIBUTION LICENSEES**

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Anpara A	630.00	3013.26	0.64	193.13	1.91	575.53	2.55	768.65	2.55
Anpara B	1000.00	7351.72	1.06	780.71	1.67	1227.39	2.73	2008.10	2.73
Harduaganj	165.00	110.90	2.41	26.73	3.31	36.76	5.72	63.49	5.72
Obra A	188.00	440.71	1.05	46.20	2.10	92.40	3.14	138.59	3.14
Obra B	1000.00	4321.75	0.67	288.98	2.05	884.08	2.71	1173.06	2.71
Panki	210.00	820.46	1.19	97.51	3.72	305.30	4.91	402.80	4.91
Parichha	220.00	769.24	1.08	82.94	3.75	288.80	4.83	371.74	4.83
Parichha Extn.	420.00	2511.05	1.28	320.57	3.08	774.13	4.36	1094.71	4.36
Parichha Extn. Stage II (2X250MW)	500.00	3188.64	1.82	581.14	3.26	1040.52	5.09	1621.66	5.09
Harduaganj Ext. (2X250MW)	500.00	2640.59	1.97	521.42	3.16	833.69	5.13	1355.11	5.13
Anpara D	1000.00	1811.57	1.02	184.78	1.67	302.45	2.69	487.23	2.69
Total	5833.00	26979.90	1.16	3124.11	2.36	6361.03	3.52	9485.14	3.52



Table 9-21: DETAILS OF POWER PURCHASE COST FROM UPJVNL STATIONS FOR FY2014-15 AS SUBMITTED BY DISTRIBUTION LICENSEES

Source of Power	MW Available	MU	Total Cost	
			(Rs. / kWh)	(Rs. Cr.)
Khara	57.60	303.20	0.78	23.61
Matatila	20.00	80.67	0.70	5.67
Obra (Hydel)	99.00	276.00	0.68	18.81
Rihand	255.00	772.65	0.59	45.96
UGC Power Stations	13.70	31.00	2.30	7.14
Belka & Babail	6.00	11.00	2.43	2.68
Sheetla	3.60	10.00	2.95	2.95
Total	454.90	1484.52	0.72	106.82

The Commission's Analysis:

9.5.6 The Commission has analysed the nine month details of power purchase as submitted by the Distribution Licensees. However, as the nine months data from January, 2013 to September, 2013 would be inadequate to precisely project the power purchase plan, the Commission has used such data only for comparison purposes and has followed the approach for the projections as discussed below.

9.5.7 The assumptions considered by the Commission while approving the power purchase from the State owned Thermal generating stations and Hydro generating stations are given below in the following Tables:

Table 9-22: ASSUMPTIONS FOR POWER PURCHASE FROM UPRVUNL AS CONSIDERED BY THE COMMISSION

S. No.	Particulars	Assumption
1	Power Purchase Quantum	1. Net Power Purchase Quantum is considered as per the Licensees' submission for old power stations, whereas for new power Stations namely Harduaganj



S. No.	Particulars	Assumption
		<p>Extn. & Parichha Extn. Stage 2, Commission's True-up Order dated 14th November, 2013 for UPRVUNL for FY 2009-10 to FY 2013-14 has been considered.</p> <p>2. Further, the quantum is approved as per Merit order Dispatch principles.</p>
2	Fixed & Variable Charges	<p>1. As the Tariff for State Generating Stations for FY 2014-15 is yet to be determined by the Commission, and considering that the fixed charge of a generating station reduces with time, the same has been considered at same level as approved for FY 2013-14. The variable charges for FY 2014-15 is derived by escalating the Variable Charges of FY 2013-14 considered as per the Commission's True-up Order dated 14th November, 2013 for UPRVUNL for FY 2009-10 to 2013-14 at 6.00%. For Anpara-D, the Fixed and Variable charges has been considered same as submitted by the Distribution Licensees.</p>
3	Anpara D	<p>1. As per website of UPRVUNL, Unit #1 of Anpara-D is expected to get commissioned on 30th October, 2014 and Unit #2 on 30th December, 2014.</p> <p>2. Net Power Purchase Quantum for this station has been prorated based on its expected COD dates as per UPRVUNL's website.</p>



Table 9-23: ASSUMPTIONS FOR POWER PURCHASE FROM UPJVNL AS CONSIDERED BY THE COMMISSION

S. No.	Particulars	Assumption
1	Power Purchase Quantum	<p>1. Net Power Purchase Quantum from all power stations except Belka and Babail is considered as per UPERC's MYT Tariff Order dated 20.10.2011 for UPJVNL for FY 2009-10 to 2013-14.</p> <p>2. Net Power Purchase from Belka and Babail is taken as provided by Licensee.</p> <p>3. Hydro Stations are considered as Must-run in Merit Order Dispatch.</p>
2	Fixed & Variable Charges	<p>1. As the Tariff for State Generating Stations for FY 2014-15 is yet to be determined by the Commission, the Tariff for FY 2014-15 has been considered same as that approved by the Commission for FY 2013-14.</p>

9.5.8 Based on above approach, the summary of approved cost of power purchase from UPRVUNL and UPJVNL generating stations for FY 2014-15 is given in the following Tables:

Table 9-24: APPROVED COST OF POWER PURCHASE FROM UPRVUNL STATIONS FOR FY 2014-15

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Anpara A	630.00	3013.26	0.59	178.57	1.34	404.37	1.93	582.93	1.93
Anpara B	1000.00	7351.72	1.06	776.20	1.37	1005.51	2.42	1781.70	2.42
Harduagunj	165.00	110.90	2.23	24.71	3.44	38.10	5.66	62.82	5.66
Obra A	188.00	440.71	0.97	42.71	2.01	88.52	2.98	131.23	2.98
Obra B	1000.00	4321.75	0.62	267.21	1.88	812.13	2.50	1079.34	2.50



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Panki	210.00	820.46	1.10	90.15	3.55	291.19	4.65	381.34	4.65
Parichha	220.00	769.24	1.00	76.69	3.12	240.07	4.12	316.76	4.12
Parichha Extn.	420.00	2511.05	1.25	314.64	2.55	641.42	3.81	956.06	3.81
Parichha Extn. Stage II (2X250MW)	500.00	3388.00	1.78	602.25	2.84	963.18	4.62	1565.43	4.62
Harduaganj Ext. (2X250MW)	500.00	3388.00	1.92	649.89	2.57	870.96	4.49	1520.84	4.49
Anpara D	1000.00	969.07	1.02	98.85	1.67	161.79	2.69	260.63	2.69
Total	5833.00	27084.17	1.15	3121.87	2.04	5517.23	3.19	8639.09	3.19

Table 25: APPROVED COST OF POWER PURCHASE FROM UPJVNL STATIONS FOR FY 2014-15

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Khara	57.60	303.20	0.72	21.83			0.72	21.83	0.72
Matatila	20.00	80.67	0.65	5.24			0.65	5.24	0.65
Obra (Hydel)	99.00	276.00	0.63	17.39			0.63	17.39	0.63
Rihand	255.00	772.65	0.55	42.50			0.55	42.50	0.55
UGC Power Stations	13.70	31.00	2.13	6.60			2.13	6.60	2.13
Belka & Babail	6.00	11.00			2.25	2.48	2.25	2.48	2.25
Sheetla	3.60	10.00			2.73	2.73	2.73	2.73	2.73
Total	454.90	1484.52		93.56		5.21		98.77	0.67



9.6 CAPACITY ALLOCATION FROM CENTRAL GENERATING STATIONS & OTHER STATIONS

The Licensees' Submission:

9.6.1 The Licensees procure power from Central Generating Stations (CGS), which includes power from National Thermal Power Corporation Ltd. (NTPC), National Hydro Power Corporation Ltd. (NHPC), and Nuclear Power Corporation of India Ltd. (NPCIL) as well as from generating station with Joint Ventures and Independent Power Producer's (IPPs). The Licensees in their ARR / Tariff Petition for FY 2014-15 have submitted that the cost of power procurement for FY 2014-15 from these sources has been based on the following assumptions:

- UPPCL's current allocated share from various central sector plants is projected as per NRPC circular (NRPC/ OPR/ 103/ 02/ 2013-14) dated 31st October, 2013. In this circular, UPPCL's total share includes the allocated share from unallocated power also.
- The variable (Primary and Secondary fuel) costs of central sector plants and other plants have been taken from the energy bills for the month of August, 2013 and are inclusive of FPA. All variable costs have been escalated by 6% for FY 2014-15.
- Provisional power purchase cost and units of FY 2012-13
- Trend observed in the previous and current year (Copies of power purchase bills for the month of August 2013 have been furnished by the Distribution Licensees)
- Impact of loss reduction initiatives.
- Estimated growth in sales.
- Share of expected capacity available from various Generators to the Licensee.

9.6.2 The Licensees has submitted that the cost of energy from Central Sector stations has been derived from tariffs approved by Central Electricity Regulatory Commission. The cost of power purchase from IPPs within the State has been determined in accordance with UPERC (Terms and Conditions of Generation Tariff) Regulations, 2009. Similarly, the cost of power purchase from IPPs outside the State has been derived from tariffs and power purchase



agreements approved by the Commission. The cost of energy from other sources has been derived from the power purchase / banking / trading agreements and tariffs approved by the Central / Appropriate Commissions. Further, wherever the Tariff Orders for FY 2014-15 have not been issued, the tariffs for FY 2013-14 have been escalated by 8.15% in case of fixed charges, 6.00% in case of variable charges and 15% for gas based stations.

9.6.3 The assumptions considered by the Licensees while estimating the power purchase from NTPC, NHPC and NPCIL Stations are given in the following Tables:

Table 9-26: ASSUMPTIONS FOR POWER PURCHASE FROM NTPC STATIONS AS CONSIDERED BY THE DISTRIBUTION LICENSEES

S. No.	Particulars	Assumption
1	Power Purchase Quantum	<p>1. Net Power Purchase Quantum is derived as a product of respective power plants' MW capacity, plant load factor (PLF) and UP State's Share in respective power plant.</p> <p>2. Further, the quantum is projected as per Merit order Dispatch principles.</p> <p>3. PLF is considered to be the average of the PLF recorded at respective power station for the last three years (2010-11, 2011-12 and 2012-13). The PLF number for the three years is sourced from Regional Energy Accounting Report and Annual Report of NRPC and ERPC.</p> <p>4. Allocation of Power from various central generating stations for FY 2014-15 - both firm and unallocated quota - has been considered as per the NRPC circular (NRPC/ OPR/ 103/ 02/ 2013-14) dated 31st October, 2013.</p>
2	Fixed Charges	<p>1. Fixed charges are computed after considering UP State's allocated Share and fixed cost approved as per CERC order for respective power plants. Thereafter, the Fixed Charges for FY 2013-14 are escalated at 8.15% for determination of fixed charges for FY 2014-15.</p>



S. No.	Particulars	Assumption
3	Variable Charges	Variable costs are considered as per the trends observed from the actual bills for FY 2013-14. Thereafter, the Variable Charges for FY 2013-14 are escalated at 6.00% for determination of variable charges for FY 2014-15 for coal based stations and 15% for gas based stations.

Table 9-27: ASSUMPTIONS FOR POWER PURCHASE FROM NHPC STATIONS AS CONSIDERED BY THE DISTRIBUTION LICENSEES

S. No.	Particulars	Assumption
1	Power Purchase Quantum	<p>1. Net Power Purchase Quantum is derived as a product of respective power plants' MW capacity, plant load factor (PLF) and UP State's Share in respective power plant.</p> <p>2. Power sourced from these NHPC plants is considered as Must-run in Merit Order Dispatch.</p> <p>3. Factoring the MW capacity, auxiliary consumption and design energy as specified by CERC for respective Hydro plants, the Petitioner has calculated the energy sourced from each of the plant.</p> <p>4. Allocation of Power from various central generating stations for FY 2014-15 - both firm and unallocated quota - has been considered as per the NRPC circular (NRPC/ OPR/ 103/ 02/ 2013-14) dated 31st October, 2013.</p>
2	Fixed Charges	<p>1. Fixed charges are computed after considering UP State's allocated Share and fixed cost approved by as per CERC order for respective power plants. Thereafter, the Fixed Charges for FY 2013-14 are escalated at 8.15% for determination of fixed charges for FY 2014-15.</p>



S. No.	Particulars	Assumption
3	Variable Charges	1. Variable costs are calculated as per CERC Regulations. Thereafter, the Variable Charges for FY 2013-14 are escalated at 6.00% for determination of variable charges for FY 2014-15.

Table 9-28: ASSUMPTIONS FOR POWER PURCHASE FROM NPCIL STATIONS AS CONSIDERED BY THE DISTRIBUTION LICENSEES

S. No.	Particulars	Assumption
1	Power Purchase Quantum	1. Net Power Purchase Quantum is derived as a product of respective power plants' MW capacity, capacity factor and UP State's Share in respective power plant. Power sourced from these NPCIL plants is considered as Must-run in Merit Order Dispatch.
2	Tariff (Single part)	1. Based on the actual energy bills raised for August 2013

9.6.4 The Licensees' submission of power purchased from NTPC, NHPC and NPCIL generating stations for FY 2014-15 is provided in the following Tables:

Table 9-29: DETAILS OF POWER PURCHASE COST FROM NTPC STATIONS FOR FY2014-15 AS SUBMITTED BY DISTRIBUTION LICENSEES

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost (Rs. / kWh)
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	
Anta	113.34	670.72	1.01	67.53	3.34	223.68	4.34	291.21	4.34
Auriya	236.83	1406.11	0.89	125.35	3.65	513.09	4.54	638.44	4.54
Dadri Thermal	84.00	592.13	1.09	64.53	3.35	198.10	4.44	262.63	4.44
Dadri Gas	266.12	1669.67	0.95	158.61	3.79	632.30	4.74	790.91	4.74
Dadri	143.44	881.54	2.06	181.31	3.30	290.81	5.36	472.12	5.36



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Extension									
Rihand-I	367.88	2648.51	0.95	252.43	1.69	446.38	2.64	698.81	2.64
Rihand-II	341.10	2578.75	1.00	257.98	1.67	431.89	2.68	689.87	2.68
Singrauli	838.60	6173.75	0.61	375.43	1.27	785.98	1.88	1161.41	1.88
Tanda	440.01	3064.62	1.15	352.90	2.49	764.51	3.65	1117.41	3.65
Unchahar-I	256.54	1878.82	1.01	190.70	2.49	467.63	3.50	658.32	3.50
Unchahar-II	149.48	1080.81	1.06	114.14	2.49	269.13	3.55	383.27	3.55
Unchahar-III	73.12	519.08	1.56	81.17	2.59	134.51	4.15	215.68	4.15
Farakka	33.28	213.64	1.00	21.35	3.61	77.05	4.61	98.40	4.61
Kahalgaon St. I	76.61	427.05	1.14	48.74	3.32	141.75	4.46	190.49	4.46
Kahalgaon St. II Ph. I	250.95	1677.84	1.25	209.53	3.13	525.77	4.38	735.30	4.38
Koldam (Hydro)	94.50	413.91	1.56	64.62	0.00	0.00	1.56	64.62	1.56
Rihand-III	184.56	1269.97	1.28	162.04	1.80	228.85	3.08	390.89	3.08
Total	3950.36	27166.91		2728.36		6131.43		8859.80	3.26

Table 9-30: DETAILS OF POWER PURCHASE COST FROM NHPC STATIONS FOR FY2014-15 AS SUBMITTED BY DISTRIBUTION LICENSEES

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Chamera	109.46	333.36	0.91	30.44	0.88	29.39	1.79	59.83	1.79
Chamera-II	80.91	399.67	1.31	52.20	1.23	49.01	2.53	101.21	2.53
Chamera-III	58.68	291.34	1.65	48.19	1.57	45.85	3.23	94.04	3.23
Dhauliganga	70.73	284.62	1.42	40.53	1.30	37.07	2.73	77.60	2.73
Salal I&II	47.96	212.06	0.47	10.03	0.45	9.49	0.92	19.53	0.92



Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Tanakpur	21.33	101.35	1.24	12.56	1.07	10.84	2.31	23.40	2.31
Uri	96.29	512.80	0.95	48.56	0.72	36.86	1.67	85.41	1.67
Dulhasti	105.57	510.03	2.88	147.02	2.75	140.01	5.63	287.03	5.63
Sewa-II	33.31	146.33	2.12	31.03	1.93	28.21	4.05	59.24	4.05
Uri-II	25.35	135.01	1.89	25.57	1.44	19.41	3.33	44.97	3.33
Parbati ST-II	160.00	476.41	1.74	82.97	1.31	62.23	3.05	145.20	3.05
Parbati ST-III	104.00	253.39	1.47	37.23	1.10	27.92	2.57	65.15	2.57
Total	913.58	3656.36		566.33		496.28		1062.61	2.91

Table 9-31: DETAILS OF POWER PURCHASE COST FROM NPCIL STATIONS FOR FY2014-15 AS SUBMITTED BY DISTRIBUTION LICENSEES

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
NAPP	160.25	714.32	0.00	0.00	2.81	200.77	2.81	200.77	2.81
RAPP #3&4	79.67	487.83	0.00	0.00	3.14	153.40	3.14	153.40	3.14
RAPP#5&6	108.94	675.68	0.00	0.00	3.89	262.93	3.89	262.93	3.89
Total	348.86	1877.83				617.10		617.10	3.29

The Commission's Analysis:

9.6.5 It has been observed that so far the Tariff of NTPC and NHPC stations have not been determined by the CERC for FY 2014-15 as per new Tariff Regulations notified by CERC for the period FY 2014-15 to FY 2018-19. Considering the same, the assumptions considered by the Commission while approving the power purchase quantum and cost from the NTPC, NHPC and NPCIL Stations are given in the following Tables:



Table 9-32: ASSUMPTIONS OF POWER PURCHASE FROM NTPC AS CONSIDERED BY THE COMMISSION

S. No.	Particulars	Assumption
1	Power Purchase Quantum	<p>1. Net Power Purchase Quantum has been derived as a product of respective power plants' MW capacity, plant load factor (PLF) and UP State's Share in respective power plant.</p> <p>2. Further, the quantum has been projected as per Merit order Dispatch principles.</p> <p>3. PLF has been considered to be the average of the PLF recorded at respective power station for the last three year's (2011-12, 2012-13 and 2013-14). The PLF for the three years has been sourced from monthly reports of the CEA.</p> <p>4. Allocation of Power from various central generating stations for FY 2014-15 - both firm and unallocated quota - has been considered as per the NRPC circular (NRPC/ OPR/ 103/ 02/ 2013-14) dated 28th March, 2014.</p>
2	Fixed Charges	<p>1. Fixed charges has been computed after considering UP State's allocated Share in respective power plant and fixed cost approved as per CERC order for respective power plants. As the Fixed charges tend to decrease with time, the Fixed Charges applicable for FY 2013-14 are considered for FY 2014-15 without any escalation.</p> <p>2. Incentive has not been considered while computing the Fixed Charges as done in the computations of the Licensees.</p>
3	Variable Charges	Variable charges have been considered as provided by the Licensees in ARR / Tariff Petition for FY 2014-15.
4	Koldam Hydro	With no precedents, the quantum and cost has been considered same as submitted by the Licensees.



Table 9-33: ASSUMPTIONS FOR POWER PURCHASE FROM NHPC STATIONS AS CONSIDERED BY THE COMMISSION

S. No.	Particulars	Assumption
1	Power Purchase Quantum	<p>1. Factoring the MW capacity, auxiliary consumption and design energy as specified by CERC in its Tariff Order for FY 2013-14 for respective hydro plants, the Commission has calculated the energy sourced from each of the plant.</p> <p>2. Power sourced from these NHPC plants has been considered as must-run in Merit Order Dispatch.</p> <p>4. Allocation of Power from various central generating stations for FY 2014-15 - both firm and unallocated quota - has been considered as per the NRPC circular (NRPC/ OPR/ 103/ 02/ 2013-14) dated 28th March, 2014.</p>
2	Fixed Charges	<p>1. Fixed charges have been computed after considering UP State's allocated Share in respective power plant and fixed cost approved by as per CERC Order for respective power plants. The Fixed Charges applicable for FY 2013-14 have been considered for FY 2014-15 without any escalation.</p>
3	Variable Charges	<p>1. Variable costs have been calculated as per CERC Regulations which is 50% of the Fixed charges (excluding incentive).</p>
4	Power Purchase quantum and cost from Prabati ST-II & Prabati ST-III Stations	<p>1. As per the website of NHPC, the Prabati St-II is scheduled to be commissioned in July, 2018 therefore this plant has not been considered for FY 2014-15.</p> <p>2. As regard Parbati St-III with no precedents, the AFC from which the FC and VC have been derived is considered as submitted by Licensees. The quantum has been considered as per Design Energy and Allocation.</p>



Table 9-34: ASSUMPTIONS FOR POWER PURCHASE FROM NPCIL STATIONS AS CONSIDERED BY THE COMMISSION

S. No.	Particulars	Assumption
1	Power Purchase Quantum	1. Net Power Purchase Quantum has been derived as a product of respective power plants MW capacity, capacity factor and UP State's Share in respective power plant. 2. Capacity factor has been considered to be the average of the capacity factor recorded at respective power stations for the last three years (2011-12, 2012-13 and 2013-14). Capacity factors are sourced from the website of NPCIL. 3. Power sourced from these NPCIL plants has been considered as Must-run in Merit Order Dispatch.
2	Tariff (Single part)	1. As provided in ARR / Tariff Petition submitted by Licensees Petitioner for FY 2014-15

9.6.6 Based on above approach, the summary of approved cost of power purchase from NTPC, NHPC and NPCIL generating stations is given in Table 9-35; Table 9-36; and Table 9-37:

Table 9-35: APPROVED COST OF POWER PURCHASE FROM NTPC STATIONS FOR FY 2014-15

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Anta	112.63	593.09	0.97	57.39	3.34	197.79	4.30	255.19	4.30
Auriya	238.08	978.80	0.93	90.87	3.65	357.16	4.58	448.03	4.58
Dadri Thermal	84.00	569.74	0.91	51.94	3.35	190.61	4.26	242.56	4.26
Dadri Gas	265.36	1362.75	0.76	103.80	3.79	516.08	4.55	619.87	4.55
Dadri Extension	142.00	989.46	1.61	159.00	3.30	326.41	4.91	485.41	4.91
Rihand-I	365.60	2561.59	0.82	209.51	1.69	431.73	2.50	641.24	2.50



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Rihand-II	339.30	2429.28	0.92	222.45	1.67	406.86	2.59	629.31	2.59
Singrauli	833.80	6159.19	0.51	314.01	1.27	784.12	1.78	1098.14	1.78
Tanda	440.00	2984.40	1.09	326.29	2.49	744.50	3.59	1070.79	3.59
Unchahar-I	256.41	1829.45	0.84	154.25	2.49	455.34	3.33	609.59	3.33
Unchahar-II	149.14	1064.11	0.87	92.59	2.49	264.97	3.36	357.56	3.36
Unchahar-III	72.93	520.37	1.33	69.30	2.59	134.84	3.92	204.14	3.92
Farakka	33.28	186.92	1.06	19.77	3.61	67.41	4.66	87.18	4.66
Kahalgaon St. I	76.61	423.90	1.21	51.44	3.32	140.71	4.53	192.15	4.53
Kahalgaon St. II Ph. I	250.95	1426.74	1.49	212.58	3.13	447.09	4.62	659.67	4.62
Koldam (Hydro)	94.50	413.91	1.56	64.62	0.00	0.00	1.56	64.62	1.56
Rihand-III	368.82	2640.63	1.74	459.64	1.80	475.84	3.54	935.48	3.54
Total	4123.42	27134.32		2659.46		5941.46		8600.92	3.17

Table 9-36: APPROVED COST OF POWER PURCHASE FROM NHPC STATIONS FOR FY 2014-15

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Chamera	109.46	333.36	0.88	29.23	0.84	28.04	1.72	57.28	1.72
Chamera-II	80.28	396.55	1.20	47.51	1.12	44.35	2.32	91.86	2.32
Chamera-III	58.29	277.68	1.64	45.49	1.52	42.11	3.15	87.60	3.15
Dhauliganga	70.25	282.70	1.27	36.03	1.22	34.59	2.50	70.61	2.50
Salal I&II	47.96	212.06	0.44	9.39	0.40	8.57	0.85	17.96	0.85
Tanakpur	21.28	101.35	1.10	11.14	0.99	10.02	2.09	21.17	2.09
Uri	96.29	512.80	0.74	37.98	0.66	34.08	1.41	72.05	1.41
Dulhasti	104.91	506.83	2.58	130.63	2.53	128.06	5.10	258.70	5.10



Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost (Rs. / kWh)
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	
Sewa-II	33.11	145.43	1.94	28.26	1.78	25.92	3.73	54.18	3.73
Uri-II	47.19	218.30	2.16	47.08	1.50	32.76	3.66	79.84	3.66
Parbati ST-II	0.00	0.00	-	-	-	-	-	-	-
Parbati ST-III	131.25	493.06	0.95	46.99	0.71	35.24	1.67	82.23	1.67
Total	800.26	3480.12		469.72		423.74		893.46	2.57

Table 9-37: APPROVED COST OF POWER PURCHASE FROM NPCIL STATIONS FOR FY 2014-15

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost (Rs. / kWh)
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	
NAPP	159.46	689.54	-	-	2.81	193.81	2.81	193.81	2.81
RAPP #3&4	79.67	534.52	-	-	3.14	168.08	3.14	168.08	3.14
RAPP#5&6	122.06	918.01	-	-	3.89	357.23	3.89	357.23	3.89
Total	361.18	2142.06				719.12		719.12	3.36

9.7 POWER PROCUREMENT FROM IPPS / JVs

The Licensees' Submission:

9.7.1 The assumptions considered by the Licensees while estimating the power purchase from the IPPs and Joint Ventures (JVs) for FY 2014-15 is provided in the Table below:

Table 9-38: ASSUMPTIONS FOR POWER PURCHASE FROM IPPS / JVs AS CONSIDERED BY THE DISTRIBUTION LICENSEES

S. No.	Particulars	Assumption
1	Power Purchase Quantum	1. Net Power Purchase Quantum has been considered same has submitted in the ARR / Tariff Petition for FY



S. No.	Particulars	Assumption
		2013-14. 2. Licensees submitted that the Nathpa-Jhakri, Tehri, Tala & Vishnu Prayag hydro stations are considered as Must-run in Merit Order Dispatch.
2	Tariff (Single part & Two part)	1. Based on the actual energy bills raised for August 2013

9.7.2 The summary of power purchase quantum and cost estimated by Distribution Licensees for FY 2014-15 from IPP / JVs are provided in the Table below:

Table 9-39: DETAILS OF POWER PURCHASE COST FROM IPPS / JVs STATIONS FOR FY2014-15 AS SUBMITTED BY DISTRIBUTION LICENSEES

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost (Rs. / kWh)
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	
Nathpa Jhakri HPS	273.18	1378.23	1.55	214.17	1.21	166.55	2.76	380.71	2.76
Vishnu Prayag	352.00	1684.06	1.10	185.54	1.30	218.66	2.40	404.20	2.40
Tala Power	6.75	184.00	-	-	2.27	41.76	2.27	41.76	2.27
Tehri Hydro	409.89	1849.13	1.47	272.42	2.42	446.70	3.89	719.12	3.89
Rosa Power Project I	600.00	3874.20	2.16	838.02	3.90	1,511.22	6.06	2,349.24	6.06
IGSTPP, Jhajhjar	40.20	281.72	1.67	47.10	3.81	107.30	5.48	154.40	5.48
Koteshwar	168.96	514.41	2.90	149.02	2.23	114.89	5.13	263.91	5.13
Anpara 'C'	1100.00	5781.60	1.10	637.03	2.61	1,511.29	3.72	2,148.32	3.72
Karcham-Wangtoo	200.00	159.89	-	-	3.77	60.31	3.77	60.31	3.77
Bajaj Hindusthan	450.00	2323.41	3.06	710.73	4.70	1,091.03	7.75	1,801.76	7.75
Rosa Power	600.00	3874.20	2.16	838.02	3.90	1,511.22	6.06	2,349.24	6.06



Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Project II									
Bara	1188.00	2289.51	1.65	377.77	1.80	412.11	3.45	789.88	3.45
Srinagar (2011-12)	290.00	522.29	2.90	151.46	-	-	2.90	151.46	2.90
Sasan	500.00	876.00	1.35	118.26	1.20	105.12	2.55	223.38	2.55
Total	6178.97	25592.66		4,539.54		7,298.16		11,837.70	4.63

The Commission's Analysis:

9.7.3 The Commission has gone through the submission made by the Licensees regarding the power purchase from IPPs / JVs. It has been observed that for some stations namely, Rosa Power project and Bajaj Hindustan, the cost of power purchase has been estimated to be very high, i.e., Rs. 6.06 / kWh and Rs. 7.75 / kWh, respectively.

9.7.4 In respect of the above, the Commission specifically asked the Licensees to submit the reasons for projecting such high cost of power from the mentioned sources. The Petitioner submitted that the power purchase rate projected from Rosa Power project and Bajaj Hindustan is very close to the actual power purchase cost incurred in FY 2013-14.

9.7.5 Except Rosa and the Bajaj Hindustan power project, the assumptions considered by the Commission while approving the power purchase from IPP's and Joint Ventures (JV's) is given in the Table below:

Table 9-40: ASSUMPTIONS FOR POWER PURCHASE FROM IPPS / JVs AS CONSIDERED BY THE COMMISSION

S. No.	Particulars	Assumption
1	Power Purchase Quantum	1. Net Power Purchase Quantum has been



S. No.	Particulars	Assumption
		considered as provided by the Licensees in its ARR / Tariff Petition for FY 2014-15. 2. Nathpa-Jhakri, Tehri, Tala & Vishnu Prayag are considered as Must-run in Merit Order Dispatch.
2	Tariff (Single part & Two part) for IPPs / JVs	1. As provided in ARR / Tariff Petition submitted by the Licensees for FY 2014-15.

9.7.6 As regard the Rosa and the Bajaj Hindustan Power Projects, it has been observed that as per the actual 9 months data (January, 2013 to September, 2013) submitted by the Licensees, the average fixed charge and the variable charge for these sources are as shown in the Table below:

Table 9-41: COMPARISON OF FIXED AND VARIABLE CHARGES AS ESTIMATED BY THE LICENSEES AND AVERAGE DERIVED FROM THE 9 MONTH DATA SUBMITTED BY THE LICENSEES FOR ROSA & BAJAJ HINDUSTAN POWER PROJECTS

Source of Power	As estimated by Licensees for FY 2014-15			Average as per 9 month data submitted by the Licensees (January, 2013 to September, 2013)		
	Fixed Cost	Variable Cost	Total Cost	Fixed Cost	Variable Cost	Total Cost
	(Rs. / kWh)	(Rs. / kWh)	(Rs. / kWh)	(Rs. / kWh)	(Rs. / kWh)	(Rs. / kWh)
Rosa Power Project I	2.16	3.90	6.06	1.70	3.69	5.39
Bajaj Hindustan	3.06	4.70	7.75	2.31	4.47	6.78
Rosa Power Project II	2.16	3.90	6.06	1.61	3.71	5.32

9.7.7 For estimating the power purchase from Rosa and the Bajaj Hindustan Power Project for FY 2014-15, the Commission has considered the quantum as estimated by the Licensees. As regards the Fixed and Variable charges, the same have been derived from 9 months actual data as submitted by the Licensees. The Commission has considered the nominal escalation of 6% in the



variable charges as proposed by the Licensees over the above average charges from January, 2013 to September, 2013. However, the fixed charge has been considered same as actuals for 9 month from January, 2013 to September, 2009. Based on the above approach, the summary of approved power purchase costs from IPP's and Joint Ventures (JV's) is given in the following Table:

Table 9-42: APPROVED COST OF POWER PURCHASE FROM IPPS / JVs FOR FY 2014-15

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost (Rs. / kWh)
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	
Nathpa Jhakri HPS	273.18	1378.23	1.55	214.17	1.21	166.55	2.76	380.71	2.76
Vishnu Prayag	352.00	1684.06	1.10	185.54	1.30	218.66	2.40	404.20	2.40
Tala Power	6.75	184.00	-	-	2.27	41.76	2.27	41.76	2.27
Tehri Hydro	409.89	1849.13	1.47	272.42	2.42	446.70	3.89	719.12	3.89
Rosa Power Project I	600.00	3874.20	1.70	658.03	3.91	1,515.11	5.61	2,173.14	5.61
IGSTPP, Jhajhar	40.20	281.72	1.67	47.10	3.81	107.30	5.48	154.40	5.48
Koteshwar	168.96	514.41	2.90	149.02	2.23	114.89	5.13	263.91	5.13
Anpara 'C'	1100.00	5781.60	1.10	637.03	2.61	1,511.29	3.72	2,148.32	3.72
Karcham-Wangtoo	200.00	159.89	-	-	3.77	60.31	3.77	60.31	3.77
Bajaj Hindustan	450.00	2323.41	2.31	536.35	4.74	1,100.72	7.05	1,637.07	7.05
Rosa Power Project II	600.00	3874.20	1.61	623.12	3.93	1,523.21	5.54	2,146.34	5.54
Bara	1188.00	2289.51	1.65	377.77	1.80	412.11	3.45	789.88	3.45
Srinagar	290.00	522.29	2.90	151.46	-	-	2.90	151.46	2.90
Sasan	500.00	876.00	1.35	118.26	1.20	105.12	2.55	223.38	2.55
Total	6178.97	25592.66		3970.28		7323.72		11294.00	4.41



9.8 POWER PROCUREMENT FROM OTHER SOURCES

The Licensees' Submission:

9.8.1 The Licensee's submission of power purchased from Co-generating stations, solar energy sources and NTPC Vidyut Vyapar Nigam Ltd. (NVVNL) for FY 2014-15 is provided in the Table below:

Table 9-43: DETAILS OF POWER PURCHASE COST FROM STATE CO-GENERATION FACILITIES, SOLAR ENERGY SOURCES AND NVVNL AS SUBMITTED BY DISTRIBUTION LICENSEES

Source of Power	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost (Rs. / kWh)
		(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	
Captive and Cogen	2855.00			4.62	1,319.72	4.62	1,319.72	4.62
Solar Energy	84.00			12.25	102.93	12.25	102.93	12.25
NVVNL Coal Power	158.40			2.99	47.35	2.99	47.35	2.99
Total	3097.40				1470.00		1470.00	4.75

The Commission's Analysis:

9.8.2 In an effort to encourage renewable generation, the Commission has mandated that the Distribution Licensees shall, based on availability, procure a minimum % of power from the renewable energy sources including Co-generating stations available in the State as well as from the solar energy sources.

9.8.3 The Commission, for projecting the power purchase for FY 2014-15, has considered the quantum from captive and cogenerating stations as submitted by the Licensees. As regards the power purchase cost to be considered for solar energy sources, the Commission has analyzed the actual 9 months power purchase data from January, 2013 to September, 2013 as submitted by the Licensees. As per the data submitted, the average rate of solar power procured from NVVNL is around Rs. 11.09 / kWh. The Commission is of the view that the rate of solar power has been decreasing in past years, therefore,



it would not be appropriate to estimate the power purchase rate from solar energy sources to be more than the actual average rate as per the data submitted by the Licensees. Considering the same, the Commission for approving the power purchase cost from solar energy sources for FY 2014-15 has considered the average rate of power from solar energy as derived from the 9 month data submitted by the Licensees, i.e., Rs. 11.09 / kWh.

- 9.8.4 Further, although the Commission has considered the quantum from renewable sources as estimated by the Licensees for projection purposes, however, the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 specifies that during each Financial Year, every obligated entity shall purchase a minimum % of its total consumption of electricity (in kWh) from Renewable Energy (RE) sources under RPO. **In view of the same, the Licensees should ensure to procure renewable energy in accordance with Regulation 4 of the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 during FY 2014-15 to meet their obligation.**
- 9.8.5 As per the NRPC circular (NRPC/ OPR/ 103/ 02/ 2013-14) dated 28th March, 2014, the percentage entitlements of equivalent capacity from NTPC Coal Stations for bundling with Solar PV Power under Migration Scheme and New Scheme of JNNSM Phase – I have already been incorporated in allocation of respective generating stations, which has been considered by the Commission while projecting the power purchase quantum from such stations. Considering the same, the Commission has not estimated any additional coal based power from NRVNL.
- 9.8.6 Based on the above, the approved power purchase quantum and cost from the Co-generating stations and Solar energy sources for FY 2014-15 is provided in the Table below:



Table 9-44: APPROVED COST OF POWER PURCHASE FROM STATE CO-GENERATION FACILITIES AND SOLAR ENERGY SOURCES FOR FY 2014-15

Source of Power	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
		(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Captive and Cogen	2855.00			4.62	1,319.72	4.62	1,319.72	4.62
Solar Energy	84.00			11.09	93.17	11.09	93.17	11.09
Total	2939.00				1412.89		1412.89	4.81

9.9 POWER PROCUREMENT FROM BILATERAL SOURCES

The Licensees' Submission:

9.9.1 The Licensee's submission of power purchase from bilateral sources for FY 2014-15 is provided in the Table below:

Table 9-45: DETAILS OF POWER PURCHASE COST FROM INTER SYSTEM EXCHANGE (BILATERAL & PXIL) / UI AS SUBMITTED BY DISTRIBUTION LICENSEES

Source of Power	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
		(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Inter system exchange (Bilateral & PXIL) / UI	3906.25	-	-	5.00	1,953.12	5.00	1,953.12	5.00

9.9.2 The Commission based on the submission of the Licensee has assessed the rate for Power purchase from other / emergency sources as Rs. 5.00 / kWh for FY 2014-15. In accordance with Clause 4.2.8 of the Distribution Tariff Regulations, 2006, the Commission hereby approves a maximum ceiling rate of Rs. 5.00 / kWh towards power purchase cost from short term sources for FY 2014-15. Further, if at any point of time, the Licensees are required to



purchase the power at the rate more than the above ceiling limit, the same should be done taking prior approval of the Commission. It may be noted that the average power purchase rate from other / emergency sources should not be more than the specified ceiling limit.

9.9.3 Considering the above, the approved power purchase from bilateral sources for FY 2014-15 is provided in the Table below:

**Table 9-46: APPROVED COST OF POWER PURCHASE FROM INTER SYSTEM EXCHANGE
(BILATERAL & PXIL) / UI**

Source of Power	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
		(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Inter system exchange (Bilateral & PXIL) / UI	3906.25	-	-	5.00	1,953.12	5.00	1,953.12	5.00

9.9.4 Considering that the Distribution Licensee may need to buy power in exigency to meet immediate and urgent power delivery, the Commission would also like to mention that any quantum of power purchased from emergency / other sources should be procured only through bilateral sources / power exchanges or through competitive bidding route to the extent possible.

9.9.5 The Commission, in Clause 4.2(11) of the Distribution Tariff Regulations, 2006, has specified that in the regime of Availability Based Tariff (ABT), the cost of power purchase through UI shall be allowed to be passed through in tariff of the subsequent year subject to the following conditions:

“a) The average rate for power purchased through UI should not exceed the maximum rate for power purchased under the Merit Order of the Licensee as approved by the Commission.

b) The total cost of electricity units purchased through UI shall be restricted to 10% of total power purchase cost approved by the Commission.



Provided that where the average rate for power purchased under UI exceeds the maximum specified rate of power purchase under the Merit Order of the Licensee, the cost of such power purchase shall be allowed to be passed through in tariffs of the subsequent year at the maximum rate for power purchase under the Merit Order of the Licensee as approved by the Commission whether the ceiling limit of 10% as stated in 11 (b) above has reached or not.”

- 9.9.6 The Commission is of the view that the UI mechanism is intended for maintaining discipline in the grid operations and is not to be treated as a regular source for power purchase. Hence, the Commission reiterates that the Licensees should take due care while overdrawing power from the grid (if any), especially when the UI rates are high.
- 9.9.7 The Commission would also like to caution the Licensees here that this issue would be dealt with at the time of True-up and any power purchases undertaken in contravention to the provisions of the Distribution Tariff Regulations, 2006 would be disallowed and the Licensee would have to bear the cost for the same.
- 9.9.8 Further, the Commission would like to reiterate that the Licensee should assess the demand supply position in the State in advance and make its best endeavour to enter into bilateral contracts with generators / traders for meeting the envisaged demand supply gap. This would enable them to optimise the power purchase expenses.
- 9.9.9 The Licensee needs to adopt a transparent procedure based on competitive bidding for procuring power on short-term basis.

9.10 FUEL & POWER PURCHASE COST ADJUSTMENT SURCHARGE

- 9.10.1 For the purpose of Fuel & Power Purchase Cost Adjustment (FPPCA) as provided in Clause 6.9 of the Distribution Tariff Regulations, 2006 Amendment No. 3, 2012, the monthly approvals are provided in Annexure of this Order, which is derived from the monthly power purchase submitted by the Licensees. The monthly power purchase quantum has been worked out



excluding the power requirement of NPCL, as UPPCL has discontinued the supply of power to NPCL.

- 9.10.2 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.
- 9.10.3 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.
- 9.10.4 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.
- 9.10.5 The Commission had also prepared an In-house Paper on the matter and uploaded the same on the website of the Commission and invited the views / objections on the same from the stakeholders including the Petitioner. The Licensees have not provided any satisfactory views on the above mentioned In-house Paper.
- 9.10.6 Recently, the Licensees have filed FPPCA for three quarters, i.e., from January, 2013 to September, 2013 only, while as per the Regulations the Licensees are required to file FPPCA at the end of each quarter. The Licensees should understand that the timely filing of FPPCA would benefit them financially in the form of regular pass through of the variation in the fuel and power



purchase expenses, and would benefit the consumers as they would not have to bear the additional burden of Carrying Cost.

- 9.10.7 In view of the above, the Commission once again directs the Licensees that they should file FPPCA in a timely and regular manner in accordance with the Distribution Tariff Regulations, 2006 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.

9.11 SUMMARY OF POWER PURCHASE

- 9.11.1 The total power purchase quantum available in megawatt (MW) terms from State owned generating stations, central generating stations and other sources along with the quantum and cost as submitted by Licensees and approved by Commission for FY 2014-15 is presented in the Tables below:

Table 9-47: SUMMARY OF POWER PURCHASE COST AS SUBMITTED BY THE DISTRIBUTION LICENSEES

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Avg Cost (Rs. / kWh)
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	
State Sector Generating Stations									
Anpara A	630	3013	0.64	193.13	1.91	575.53	2.55	768.65	2.55
Anpara B	1000	7352	1.06	780.71	1.67	1,227.39	2.73	2,008.10	2.73
Harduagunj	165	111	2.41	26.73	3.31	36.76	5.72	63.49	5.72
Obra A	188	441	1.05	46.20	2.10	92.40	3.14	138.59	3.14
Obra B	1000	4322	0.67	288.98	2.05	884.08	2.71	1,173.06	2.71
Panki	210	820	1.19	97.51	3.72	305.30	4.91	402.80	4.91
Parichha	220	769	1.08	82.94	3.75	288.80	4.83	371.74	4.83
Parichha Extn.	420	2511	1.28	320.57	3.08	774.13	4.36	1,094.71	4.36
Parichha Extn. Stage II (2X250MW)	500	3189	1.82	581.14	3.26	1,040.52	5.09	1,621.66	5.09



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Avg Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Harduaganj Ext. (2X250MW)	500	2641	1.97	521.42	3.16	833.69	5.13	1,355.11	5.13
Anpara D	1000	1812	1.02	184.78	1.67	302.45	2.69	487.23	2.69
Sub-total Thermal	5833	26980		3124		6361		9485	3.52
State Hydro Generating Stations									
Khara	58	303	0.78	23.61	-	-	0.78	23.61	0.78
Matatila	20	81	0.70	5.67	-	-	0.70	5.67	0.70
Obra (Hydel)	99	276	0.68	18.81	-	-	0.68	18.81	0.68
Rihand	255	773	0.59	45.96	-	-	0.59	45.96	0.59
UGC	14	31	2.30	7.14	-	-	2.30	7.14	2.30
Belka & Babail	6	11	2.43	2.68	-	-	2.43	2.68	2.43
Sheetla	4	10	2.95	2.95	-	-	2.95	2.95	2.95
Sub-total Hydro	455	1485		106.82		0.00		106.82	0.72
NTPC									
Anta	113	671	1.01	67.53	3.34	223.68	4.34	291.21	4.34
Auriya	237	1406	0.89	125.35	3.65	513.09	4.54	638.44	4.54
Dadri Thermal	84	592	1.09	64.53	3.35	198.10	4.44	262.63	4.44
Dadri Gas	266	1670	0.95	158.61	3.79	632.30	4.74	790.91	4.74
Dadri Extension	143	882	2.06	181.31	3.30	290.81	5.36	472.12	5.36
Rihand-I	368	2649	0.95	252.43	1.69	446.38	2.64	698.81	2.64
Rihand-II	341	2579	1.00	257.98	1.67	431.89	2.68	689.87	2.68
Singrauli	839	6174	0.61	375.43	1.27	785.98	1.88	1,161.41	1.88
Tanda	440	3065	1.15	352.90	2.49	764.51	3.65	1,117.41	3.65
Unchahar-I	257	1879	1.01	190.70	2.49	467.63	3.50	658.32	3.50
Unchahar-II	149	1081	1.06	114.14	2.49	269.13	3.55	383.27	3.55
Unchahar-III	73	519	1.56	81.17	2.59	134.51	4.15	215.68	4.15
Farakka	33	214	1.00	21.35	3.61	77.05	4.61	98.40	4.61
Kahalgaoon St. I	77	427	1.14	48.74	3.32	141.75	4.46	190.49	4.46
Kahalgaoon St. II Ph. I	251	1678	1.25	209.53	3.13	525.77	4.38	735.30	4.38



*Determination of ARR and Tariff of PuVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Avg Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Koldam (Hydro)	95	414	1.56	64.62	-	-	1.56	64.62	1.56
Rihand-III	185	1270	1.28	162.04	1.80	228.85	3.08	390.89	3.08
Sub-Total NTPC	3950	27167		2,728.36		6,131.43		8,859.80	3.26
NHPC									
Chamera	109	333	0.91	30.44	0.88	29.39	1.79	59.83	1.79
Chamera-II	81	400	1.31	52.20	1.23	49.01	2.53	101.21	2.53
Chamera-III	59	291	1.65	48.19	1.57	45.85	3.23	94.04	3.23
Dhauliganga	71	285	1.42	40.53	1.30	37.07	2.73	77.60	2.73
Salal I&II	48	212	0.47	10.03	0.45	9.49	0.92	19.53	0.92
Tanakpur	21	101	1.24	12.56	1.07	10.84	2.31	23.40	2.31
Uri	96	513	0.95	48.56	0.72	36.86	1.67	85.41	1.67
Dulhasti	106	510	2.88	147.02	2.75	140.01	5.63	287.03	5.63
Sewa-II	33	146	2.12	31.03	1.93	28.21	4.05	59.24	4.05
Uri-II	25	135	1.89	25.57	1.44	19.41	3.33	44.97	3.33
Parbati ST-II	160	476	1.74	82.97	1.31	62.23	3.05	145.20	3.05
Parbati ST-III	104	253	1.47	37.23	1.10	27.92	2.57	65.15	2.57
Sub-Total NHPC	914	3656		566.33		496.28		1,062.61	2.91
NPCIL									
NAPP	160	714	-	-	2.81	200.77	2.81	200.77	2.81
RAPP #3&4	80	488	-	-	3.14	153.40	3.14	153.40	3.14
RAPP#5&6	109	676	-	-	3.89	262.93	3.89	262.93	3.89
Sub-Total NPCIL	349	1878				617.10		617.10	3.29
IPPs / JVs									
Nathpa Jhakri HPS	273	1,378	1.55	214	1.21	167	2.76	381	2.76
VishnuPrayag	352	1,684	1.10	186	1.30	219	2.40	404	2.40
Tala Power	7	184	-	-	2.27	42	2.27	42	2.27
Tehri Hydro	410	1,849	1.47	272	2.42	447	3.89	719	3.89
Rosa Power Project I	600	3,874	2.16	838	3.90	1,511	6.06	2,349	6.06



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Avg Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
IGSTPP, Jhajhjar	40	282	1.67	47	3.81	107	5.48	154	5.48
Koteshwar	169	514	2.90	149	2.23	115	5.13	264	5.13
Anpara 'C'	1,100	5,782	1.10	637	2.61	1,511	3.72	2,148	3.72
Karcham-Wangtoo	200	160	-	-	3.77	60	3.77	60	3.77
Bajaj Hindusthan	450	2,323	3.06	711	4.70	1,091	7.75	1,802	7.75
Rosa Power Project II	600	3,874	2.16	838	3.90	1,511	6.06	2,349	6.06
Bara	1,188	2,290	1.65	378	1.80	412	3.45	790	3.45
Srinagar (2011-12)	290	522	2.90	151	-	-	2.90	151	2.90
Sasan	500	876	1.35	118	1.20	105	2.55	223	2.55
Sub-Total IPP/JV	6,179	25,593		4,540		7,298		11,838	
Co-Generation & Other Sources									
Captive and Cogen	0	2855	0.00	0.00	4.62	1319.72	4.62	1319.72	4.62
Inter system exchange (Bilateral & PXIL, IEX) / UI	0	3906	0.00	0.00	5.00	1953.12	5.00	1953.12	5.00
Solar Energy	0	84	0.00	0.00	12.25	102.93	12.25	102.93	12.25
NVVNL Coal Power	0	158	0.00	0.00	2.99	47.35	2.99	47.35	2.99
Sub-Total: Co-Generation & Other Sources	0	7004				3,423.13		3,423.13	4.89
Grand Total of Power Purchase	17680	93762		11,065.16		24,327.1		35,392.29	3.77



Table 9-48: SUMMARY OF APPROVED POWER PURCHASE COST FOR FY 2014-15

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
State Thermal Generating Stations									
Anpara A	630.00	3013.26	0.59	178.57	1.34	404.37	1.93	582.93	1.93
Anpara B	1000.00	7351.72	1.06	776.20	1.37	1005.51	2.42	1781.70	2.42
Harduaganj	165.00	110.90	2.23	24.71	3.44	38.10	5.66	62.82	5.66
Obra A	188.00	440.71	0.97	42.71	2.01	88.52	2.98	131.23	2.98
Obra B	1000.00	4321.75	0.62	267.21	1.88	812.13	2.50	1079.34	2.50
Panki	210.00	820.46	1.10	90.15	3.55	291.19	4.65	381.34	4.65
Parichha	220.00	769.24	1.00	76.69	3.12	240.07	4.12	316.76	4.12
Parichha Extn.	420.00	2511.05	1.25	314.64	2.55	641.42	3.81	956.06	3.81
Parichha Extn. Stage II (2X250MW)	500.00	3388.00	1.78	602.25	2.84	963.18	4.62	1565.43	4.62
Harduaganj Ext. (2X250MW)	500.00	3388.00	1.92	649.89	2.57	870.96	4.49	1520.84	4.49
Anpara D	1000.00	969.07	1.02	98.85	1.67	161.79	2.69	260.63	2.69
Sub-total Thermal	5833.00	27084.17	1.15	3121.87	2.04	5517.23	3.19	8639.09	3.19
State Hydro Generating Stations									
Khara	57.60	303.20	0.72	21.83	0.00	0.00	0.72	21.83	0.72
Matatila	20.00	80.67	0.65	5.24	0.00	0.00	0.65	5.24	0.65
Obra (Hydel)	99.00	276.00	0.63	17.39	0.00	0.00	0.63	17.39	0.63
Rihand	255.00	772.65	0.55	42.50	0.00	0.00	0.55	42.50	0.55
UGC Power Stations	13.70	31.00	2.13	6.60	0.00	0.00	2.13	6.60	2.13
Belka & Babail	6.00	11.00	0.00	0.00	2.25	2.48	2.25	2.48	2.25
Sheetla	3.60	10.00	0.00	0.00	2.73	2.73	2.73	2.73	2.73



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Sub-total Hydro	454.90	1484.52	0.00	93.56	0.00	5.21	0.00	98.77	0.67
NTPC									
Anta	112.63	593.09	0.97	57.39	3.34	197.79	4.30	255.19	4.30
Auriya	238.08	978.80	0.93	90.87	3.65	357.16	4.58	448.03	4.58
Dadri Thermal	84.00	569.74	0.91	51.94	3.35	190.61	4.26	242.56	4.26
Dadri Gas	265.36	1362.75	0.76	103.80	3.79	516.08	4.55	619.87	4.55
Dadri Extension	142.00	989.46	1.61	159.00	3.30	326.41	4.91	485.41	4.91
Rihand-I	365.60	2561.59	0.82	209.51	1.69	431.73	2.50	641.24	2.50
Rihand-II	339.30	2429.28	0.92	222.45	1.67	406.86	2.59	629.31	2.59
Singrauli	833.80	6159.19	0.51	314.01	1.27	784.12	1.78	1098.14	1.78
Tanda	440.00	2984.40	1.09	326.29	2.49	744.50	3.59	1070.79	3.59
Unchahar-I	256.41	1829.45	0.84	154.25	2.49	455.34	3.33	609.59	3.33
Unchahar-II	149.14	1064.11	0.87	92.59	2.49	264.97	3.36	357.56	3.36
Unchahar-III	72.93	520.37	1.33	69.30	2.59	134.84	3.92	204.14	3.92
Farakka	33.28	186.92	1.06	19.77	3.61	67.41	4.66	87.18	4.66
Kahalgaon St. I	76.61	423.90	1.21	51.44	3.32	140.71	4.53	192.15	4.53
Kahalgaon St. II Ph. I	250.95	1426.74	1.49	212.58	3.13	447.09	4.62	659.67	4.62
Koldam (Hydro)	94.50	413.91	1.56	64.62	0.00	0.00	1.56	64.62	1.56
Rihand-III	368.82	2640.63	1.74	459.64	1.80	475.84	3.54	935.48	3.54
Sub-Total NTPC	4123.42	27134.32	0.00	2659.46	0.00	5941.46	0.00	8600.92	3.17
NHPC									
Chamera	109.46	333.36	0.88	29.23	0.84	28.04	1.72	57.28	1.72
Chamera-II	80.28	396.55	1.20	47.51	1.12	44.35	2.32	91.86	2.32



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Chamera-III	58.29	277.68	1.64	45.49	1.52	42.11	3.15	87.60	3.15
Dhauliganga	70.25	282.70	1.27	36.03	1.22	34.59	2.50	70.61	2.50
Salal I&II	47.96	212.06	0.44	9.39	0.40	8.57	0.85	17.96	0.85
Tanakpur	21.28	101.35	1.10	11.14	0.99	10.02	2.09	21.17	2.09
Uri	96.29	512.80	0.74	37.98	0.66	34.08	1.41	72.05	1.41
Dulhasti	104.91	506.83	2.58	130.63	2.53	128.06	5.10	258.70	5.10
Sewa-II	33.11	145.43	1.94	28.26	1.78	25.92	3.73	54.18	3.73
Uri-II	47.19	218.30	2.16	47.08	1.50	32.76	3.66	79.84	3.66
Parbati ST-II	0.00	0.00	-	0.00	-	0.00	-	0.00	-
Parbati ST-III	131.25	493.06	0.95	46.99	0.71	35.24	1.67	82.23	1.67
Sub-Total NHPC	800.26	3480.12	0.00	469.72	0.00	423.74	0.00	893.46	2.57
NPCIL									
NAPP	159.46	689.54	0.00	0.00	2.81	193.81	2.81	193.81	2.81
RAPP #3&4	79.67	534.52	0.00	0.00	3.14	168.08	3.14	168.08	3.14
RAPP#5&6	122.06	918.01	0.00	0.00	3.89	357.23	3.89	357.23	3.89
Sub-Total NPCIL	361.18	2142.06	0.00	0.00	0.00	719.12	0.00	719.12	3.36
IPPs / JVs									
Nathpa Jhakri HPS	273.18	1378.23	1.55	214.17	1.21	166.55	2.76	380.71	2.76
Vishnu Prayag	352.00	1684.06	1.10	185.54	1.30	218.66	2.40	404.20	2.40
Tala Power	6.75	184.00	0.00	0.00	2.27	41.76	2.27	41.76	2.27
Tehri Hydro	409.89	1849.13	1.47	272.42	2.42	446.70	3.89	719.12	3.89
Rosa Power Project I	600.00	3874.20	1.70	658.03	3.91	1515.11	5.61	2173.14	5.61
IGSTPP, Jhajhar	40.20	281.72	1.67	47.10	3.81	107.30	5.48	154.40	5.48
Koteshwar	168.96	514.41	2.90	149.02	2.23	114.89	5.13	263.91	5.13
Anpara 'C'	1100.00	5781.60	1.10	637.03	2.61	1511.29	3.72	2148.32	3.72



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Karcham-Wangtoo	200.00	159.89	0.00	0.00	3.77	60.31	3.77	60.31	3.77
Bajaj Hindusthan	450.00	2323.41	2.31	536.35	4.74	1100.72	7.05	1637.07	7.05
Rosa Power Project II	600.00	3874.20	1.61	623.12	3.93	1523.21	5.54	2146.34	5.54
Bara	1188.00	2289.51	1.65	377.77	1.80	412.11	3.45	789.88	3.45
Srinagar (2011-12)	290.00	522.29	2.90	151.46	0.00	0.00	2.90	151.46	2.90
Sasan	500.00	876.00	1.35	118.26	1.20	105.12	2.55	223.38	2.55
Sub-Total IPPs /JVs	6178.97	25592.66	0.00	3970.28	0.00	7323.72	0.00	11294.00	4.41
Co-Generation & Other Sources									
Captive and Cogen	0.00	2855.00	0.00	0.00	4.62	1319.72	4.62	1319.72	4.62
Solar Energy	0.00	84.00	0.00	0.00	11.09	93.17	11.09	93.17	11.09
NVVNL Coal Power	0.00	0.00	0.00	0.00	2.99	0.00	2.99	0.00	2.99
Sub-Total : Co-Generation & Other Sources	0.00	2939.00		0.00		1412.89		1412.89	4.81
Inter system exchange (Bilateral & PXIL, IEX) / UI	0.00	3906.25	0.00	0.00	5.00	1953.12	5.00	1953.12	5.00
Grand Total of Power Purchase	17751.73	93763.10	1.10	10314.88	2.48	23296.49	3.58	33611.37	3.58



Source of Power	MW Available	MU	Fixed Cost		Variable Cost		Total Cost		Average Cost
			(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)	(Rs. Cr.)	(Rs. / kWh)
Grand Total of Power Purchase (after applying merit order)	17751.73	87178.35	1.18	10314.88	2.30	20078.51	3.49	30393.39	3.49

9.12 APPROVED MERIT ORDER DISPATCH

9.12.1 The Merit Order Dispatch as approved by the Commission after evaluating the power purchase cost is given in the Table below:

Table 9-49: APPROVED MERIT ORDER DISPATCH FOR FY 2014-15

Rank	Power Station	Type	Dispatch Mode	Variable Charge (Rs / kWh)	Power Procurement (MU)	Cumulative Procurement (MU)
1	Khara	UPJVNL-Hydro	Must Run	0.00	303.20	303.20
2	Matatila	UPJVNL-Hydro	Must Run	0.00	80.67	383.87
3	Obra (Hydel)	UPJVNL-Hydro	Must Run	0.00	276.00	659.87
4	Rihand	UPJVNL-Hydro	Must Run	0.00	772.65	1432.52
5	UGC Power Stations	UPJVNL-Hydro	Must Run	0.00	31.00	1463.52
6	Koldam (Hydro)	NTPC	Must Run	0.00	413.91	1877.43
7	Srinagar (2011-12)	IPP/JV/Others -Hydro	Must Run	0.00	522.29	2399.72
8	Salal I&II	NHPC	Must Run	0.40	212.06	2611.78
9	Parbati ST-III	NHPC	Must Run	0.71	493.06	3104.84
10	Uri	NHPC	Must Run	0.66	512.80	3617.64
11	Chamera	NHPC	Must Run	0.84	333.36	3951.00



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Rank	Power Station	Type	Dispatch Mode	Variable Charge (Rs / kWh)	Power Procurement (MU)	Cumulative Procurement (MU)
12	Tanakpur	NHPC	Must Run	0.99	101.35	4052.35
13	Nathpa Jhakri HPS	IPP/JV/Others -Hydro	Must Run	1.21	1378.23	5430.58
14	Chamera-II	NHPC	Must Run	1.12	396.55	5827.14
15	VishnuPrayag	IPP/JV/Others -Hydro	Must Run	1.30	1684.06	7511.20
16	Dhauliganga	NHPC	Must Run	1.22	282.70	7793.90
17	Uri-II	NHPC	Must Run	1.50	218.30	8012.20
18	Chamera-III	NHPC	Must Run	1.52	277.68	8289.88
19	Sewa-II	NHPC	Must Run	1.78	145.43	8435.31
20	Tala Power	IPP/JV/Others -Hydro	Must Run	2.27	184.00	8619.31
21	Tehri Hydro	IPP/JV/Others -Hydro	Must Run	2.42	1849.13	10468.44
22	Belka & Babail	UPJVNL-Hydro	Must Run	2.25	11.00	10479.44
23	Dulhasti	NHPC	Must Run	2.53	506.83	10986.27
24	NAPP	NPCIL	Must Run	2.81	689.54	11675.80
25	Sheetla	UPJVNL-Hydro	Must Run	2.73	10.00	11685.80
26	RAPP #3&4	NPCIL	Must Run	3.14	534.52	12220.32
27	Karcham-Wangtoo	IPP/JV/Others -Hydro	Must Run	3.77	159.89	12380.21
28	RAPP#5&6	NPCIL	Must Run	3.89	918.01	13298.22
29	Solar Energy	Solar	Must Run	11.09	84.00	13382.22
30	Parbati ST-II	NHPC	Must Run	-	0.00	13382.22
31	Sasan	IPP/JV/Others -Hydro	Merit	1.20	876.00	14258.22
32	Singrauli	NTPC	Merit	1.27	6159.19	20417.41
33	Anpara A	UPRVUNL - Thermal	Merit	1.34	3013.26	23430.67
34	Anpara B	UPRVUNL - Thermal	Merit	1.37	7351.72	30782.40
35	Anpara D	UPRVUNL - Thermal	Merit	1.67	969.07	31751.47
36	Rihand-II	NTPC	Merit	1.67	2429.28	34180.75
37	Rihand-I	NTPC	Merit	1.69	2561.59	36742.33
38	Bara	IPP/JV/Others -Hydro	Merit	1.80	2289.51	39031.85



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Rank	Power Station	Type	Dispatch Mode	Variable Charge (Rs / kWh)	Power Procurement (MU)	Cumulative Procurement (MU)
39	Rihand-III	NTPC	Merit	1.80	2640.63	41672.48
40	Obra B	UPRVUNL - Thermal	Merit	1.88	4321.75	45994.23
41	Obra A	UPRVUNL - Thermal	Merit	2.01	440.71	46434.93
42	Koteshwar	IPP/JV/Others -Hydro	Merit	2.23	514.41	46949.34
43	Unchahar-I	NTPC	Merit	2.49	1829.45	48778.78
44	Unchahar-II	NTPC	Merit	2.49	1064.11	49842.89
45	Tanda	NTPC	Merit	2.49	2984.40	52827.28
46	Parichha Extn.	UPRVUNL - Thermal	Merit	2.55	2511.05	55338.34
47	Harduaganj Ext. (2X250MW)	UPRVUNL - Thermal	Merit	2.57	3388.00	58726.34
48	Unchahar-III	NTPC	Merit	2.59	520.37	59246.70
49	Anpara 'C'	IPP/JV/Others -Hydro	Merit	2.61	5781.60	65028.30
50	Parichha Extn. Stage II (2X250MW)	UPRVUNL - Thermal	Merit	2.84	3388.00	68416.30
51	NVVN Coal Power	IPP/JV/Others	Merit	2.99	0.00	68416.30
52	Parichha	UPRVUNL - Thermal	Merit	3.12	769.24	69185.54
53	Kahalgaon St.II Ph.I	NTPC	Merit	3.13	1426.74	70612.29
54	Dadri Extension	NTPC	Merit	3.30	989.46	71601.75
55	Kahalgaon St. I	NTPC	Merit	3.32	423.90	72025.65
56	Anta	NTPC	Merit	3.34	593.09	72618.74
57	Dadri Thermal	NTPC	Merit	3.35	569.74	73188.48
58	Harduaganj	UPRVUNL - Thermal	Merit	3.44	110.90	73299.38
59	Panki	UPRVUNL - Thermal	Merit	3.55	820.46	74119.84
60	Farakka	NTPC	Merit	3.61	186.92	74306.76
61	Auriya	NTPC	Merit	3.65	978.80	75285.56
62	Dadri Gas	NTPC	Merit	3.79	1362.75	76648.32



Rank	Power Station	Type	Dispatch Mode	Variable Charge (Rs / kWh)	Power Procurement (MU)	Cumulative Procurement (MU)
63	IGSTPP, Jhajhjar	IPP/JV/Others -Hydro	Merit	3.81	281.72	76930.04
64	Rosa Power Project I	IPP/JV/Others -Hydro	Merit	3.91	3874.20	80804.24
65	Rosa Power Project II	IPP/JV/Others -Hydro	Merit	3.93	3874.20	84678.43
66	Captive and Cogen	IPP/JV/Others	Merit	4.62	2499.91	87178.35
67	Bajaj Hindusthan	IPP/JV/Others -Hydro	Merit	4.74	0.00	87178.35
68	Inter system exchange (Bilateral & PXIL, IEX) / UI	IPP/JV/Others	Merit	5.00	0.00	87178.35

9.12.2 In case the actual power purchase requirement of the Licensees is higher, the power may be procured following the merit order principles.

9.13 ANNUAL REVENUE REQUIREMENT OF PuVVNL FOR FY 2014-15

9.13.1 The Petitioner submitted that the Distribution Tariff Regulations, 2006 requires the Licensee to file Aggregate Revenue Requirement (ARR) complete in all respect along with requisite fees as prescribed by the Commission.

9.13.2 The Petitioner submitted that as per the Regulations, the ARR Petition should contain details of estimated expenditure and expected revenue that it may recover in the ensuing financial year at the prevailing rate of Tariff. The Petitioner further submitted that the Distribution Tariff Regulations, 2006 require that the ARR should separately indicate Aggregate Revenue Requirement (ARR) for Wheeling & Retail Supply function embedded in the



distribution function and till such time complete segregation of accounts between Wheeling and Retail Supply Business takes place, ARR proposals for Wheeling and Retail Supply Business shall be prepared based on an allocation statement as per the best judgement of the Distribution Licensee.

- 9.13.3 The Petitioner submitted that the Distribution Tariff Regulations, 2006 has broadly classified cost incurred by the Petitioner as controllable and uncontrollable costs wherein the uncontrollable cost include fuel cost, increase in cost due to changes in interest rate, increase of cost due to inflation, taxes and cess, variation of power purchase unit costs, etc.
- 9.13.4 The Petitioner submitted that Tariff Order for FY 2007-08 is the first Order issued by the Commission in accordance with the Distribution Tariff Regulations, 2006. In this Tariff Order, the Commission used allocation methodology for segregation of Wheeling & Retail Supply business function of ARR. The Petitioner added that it has adopted the same methodology for deriving wheeling charges, as the complete segregation of accounts between Wheeling and Retail Supply business has not yet been completed.
- 9.13.5 The Petitioner further submitted that it has filed the current ARR Petition in strict compliance with the Distribution Tariff Regulations, 2006 and in line with the philosophies established by the Commission in the True up Order dated 21st May, 2013 and Tariff Order for FY 2013-14 dated 31st May, 2013.
- 9.13.6 The Petitioner submitted that the cost elements of ARR have been estimated based on the provisional un-audited accounts of FY 2012-13 and expenses available for FY 2013-14.
- 9.13.7 The Commission has analysed all the components of the Aggregate Revenue Requirement (ARR) to arrive at suitable values. As per the Distribution Tariff Regulations, 2006, the ARR comprises of the following components:
- a) Power Purchase cost
 - b) Transmission Charges
 - c) SLDC Charges
 - d) Operation and Maintenance Expenses
 - Employee Expenses



- Administration & General Expenses
 - Repairs and Maintenance Expenses
 - e) Depreciation
 - f) Interest and Financing Costs
 - g) Bad and Doubtful Debts
 - h) Return on Equity
 - i) Taxes on Income
 - j) Other Expenses
 - k) Contribution to Contingency Reserve
- 9.13.8 The detailed analysis of each and every element identified above is presented in the subsequent sections.

9.14 POWER PROCUREMENT COST

- 9.14.1 The Petitioner submitted that the total inter-State transmission charges payable by UPPCL to PGCIL has been projected to be Rs. 1371.04 Crore in the ensuing year. The PGCIL charges consequent to inter-State transmission is being levied on energy procured from NTPC, NPCIL, NHPC, SJVNL, Tehri, TALA, etc., and these charges have been incorporated in Power Procurement Cost.
- 9.14.2 The Petitioner submitted that while considering power procurement to meet the State's requirement, losses external to its system, i.e., in the Northern Region PGCIL system, need to be accounted for. The availability of power for the Petitioner (i.e., at UPPCL system boundary) from these sources gets reduced to the extent of these losses and the Petitioner has accordingly incorporated them while drawing up the energy balance and merit order dispatch for meeting the State requirement.
- 9.14.3 The Commission has run the merit order Dispatch schedule for power purchase for FY 2014-15 after considering the availability of power. The power purchase quantum and cost approved by the Commission for FY 2014-15 is depicted in
- 9.14.4 **Table 9-48.**
- 9.14.5 Further aligning with the Licensee's submission, the Commission has grossed up the power purchase costs to include PGCIL losses (inter-State transmission losses).



9.14.6 The Commission has projected the PGCIL charges on the basis of approved power purchase quantum as detailed in the Table below:

TABLE 9-50: APPROVED PGCIL CHARGES FOR FY 2014-15

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Projected Power Purchase by Licensee (MU)	A	93,761.82	93,761.82
Projected PGCIL Charges (Rs. Crore)	B	1,371.04	1,371.04
Projected PGCIL Charges (Rs./kWh)	$C = A/B*10$	0.146	0.146
Approved Power Purchase (MU)	D		87,178.35
Approved PGCIL Charges (Rs. Crore)	$E = D*C/10$		1,274.77

9.14.7 The Commission further reiterates that the actual inter-State transmission charges for FY 2014-15 would be allowed as pass through during true-up process subject to prudence check by the Commission based on audited accounts.

9.14.8 The Commission has determined the bulk supply rate by dividing the power purchase cost including PGCIL charges so computed with the energy input (MU) at transmission-distribution interface. The Commission has approved the bulk power supply tariff for FY 2014-15 as given in the Table below:

Table 9-51: APPROVED CONSOLIDATED BULK SUPPLY TARIFF

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Purchases Required & Billed Energy (MU)	A	93,761.82	87,178.35
Periphery Loss (Up to inter connection Point) (%)	B	1.65%	1.65%
Energy Available at State periphery for Transmission (MU)	$C = A* (1-B)$	92,214.75	85,739.90
Intra -State Transmission losses %	D	3.67%	3.67%
Energy Input into Transmission-Distribution Interface (MU)	$E = C* (1-D)$	88,830.47	82,592.76
Power Purchase Cost (Rs. Crore)	F	35,392.29	30,393.39
PGCIL Inter-State transmission charges (Rs.)	G	1,371.04	1,274.77



Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Crore)			
Total Power Procurement Cost (Rs. Crore)	H=F+G	36,763.33	31,668.16
Bulk Supply Tariff (Rs./Unit)	I= (H/E)*10	4.14	3.83

9.14.9 Based on the approved quantum, the Commission has approved power procurement cost for PuVVNL for FY 2014-15 as given in the Table below:

Table 9-52: POWER PROCUREMENT COST FOR PuVVNL FOR FY 2014-15

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Energy Input into Transmission-Distribution Interface (MU)	A	19,953	18,626.14
Bulk Supply Tariff (Rs./kWh)	B	4.14	3.83
Power Procurement Cost from UPPCL (Rs. Crore)	C =A*B /10	8,258	7,141.74

9.15 TRANSMISSION AND SLDC CHARGES

- 9.15.1 The Petitioner submitted that the intra-State transmission charges for current year and ensuing year payable by the Petitioner are on the basis of actual energy received and uniform charges are to be paid by all the Distribution Licensees proportionate to the energy delivered to them.
- 9.15.2 The Petitioner further submitted that the transmission licensee is also performing the function of SLDC and such SLDC cost is embedded in the transmission charges.
- 9.15.3 The Petitioner submitted that the projections of transmission charges have been taken from the ARR / Tariff Petition filed by U.P. Power Transmission Corporation Ltd (UPPTCL) for FY 2014-15.
- 9.15.4 The Petitioner submitted that in its Petition, UPPTCL has projected transmission charge at a rate of Rs. 0.217 per kWh for FY 2014-15 and accordingly PuVVNL has estimated the cost of intra-State transmission charges.



9.15.5 Transmission and SLDC charges for FY 2014-15 have been approved in concurrence with the ARR and transmission tariff approved for UPPTCL for FY 2014-15 in the Commission's Order for determination of intra-State transmission charges approved for UPPTCL by the Commission. The approved transmission charges for PuVVNL FY 2014-15 are given in Table below:

Table 9-53: INTRA STATE TRANSMISSION CHARGES FOR FY 2014-15

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Energy Input into Transmission-Distribution Interface (MU)	A	19953	18,626
Transmission Tariff (Rs./kWh)	B	0.217	0.1937
Transmission Cost (Rs. Cr.)	C =A*B /10	433.44	360.80

9.16 ESCALATION INDEX

- 9.16.1 For approving the O&M expenses for the ensuing year, the Distribution Tariff Regulations, 2006 specifies a formula of escalation index to be applied to the base year as detailed below.
- 9.16.2 The Petitioner submitted that the Distribution Tariff Regulations, 2006 specifies that expenses of the base year shall be escalated at Inflation / Escalation rate notified by the Central Government for different years. The Petitioner submitted that the inflation rate for this purpose shall be weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40.
- 9.16.3 The Petitioner submitted that for the purpose of ARR, it has used the above methodology in arriving at Inflation / Escalation rate of 8.75% for FY 2013-14 and 8.15% for FY 2014-15. This Inflation / Escalation rate has been used in estimation of various components of ARR.
- 9.16.4 Regulation 4.3 of Distribution Tariff Regulations, 2006 specifies the methodology for consideration of the O&M Expenses, wherein such expenses are linked to the inflation index determined under these Regulations. Accordingly, the Commission has computed escalation / inflation index of



7.69% for FY 2013-14 and the same escalation / inflation index has been considered for FY 2014-15 as computed in TABLE 4-9 of this Order.

9.17 O&M EXPENSES

9.17.1 The Petitioner submitted that the O&M expenses comprise of Employee costs, Administrative & General (A&G) Expenses and Repair & Maintenance (R&M) expenses. The Regulation 4.3 of the Distribution Tariff Regulations, 2006 specifies as follows:

“ ...

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).....”*

9.17.2 The Petitioner submitted that the O&M expenses for FY 2014-15 have been claimed by escalating the actual component wise O&M expenses for FY 2011-12 by using the yearly inflation indices approved by the Commission up to FY



2013-14 in its Tariff Order dated 31st May, 2013 and at the rate of 8.15% for FY 2014-15.

- 9.17.3 Further, in accordance with the Distribution Tariff Regulations, 2006, the Petitioner has computed the incremental O&M expenses, which has further been allocated across the individual elements of the O&M expenses on the basis of contribution of each element in the gross O&M expenses excluding the incremental O&M expenses.
- 9.17.4 The Petitioner submitted that increase in dearness pay may be higher than the escalation index determined as per the Distribution Tariff Regulations, 2006 and requested the Commission that any variation in employee expenses due to increase in dearness pay may be considered by the Commission at the time of true-up for the relevant year based on specific submissions by the Petitioner in this regard.
- 9.17.5 The Commission has computed the normative O&M expenses for FY 2014-15 by escalating the normative O&M expenses of FY 2013-14 with the escalation index of 7.69%. Since, escalation index of FY 2014-15 cannot be computed at this stage, escalation index of FY 2013-14 has been considered to project the normative O&M expense of FY 2014-15. The escalation index computation has been shown in TABLE 4-9 of this Order.
- 9.17.6 Further, in addition to the O&M expenses based on inflationary indices, the Commission has also worked out incremental O&M expenses for FY 2014-15 and has further allocated the same across the individual elements of the O&M expenses on the basis of the contribution of each element in the O&M expenses.
- 9.17.7 It is observed that the Normative O&M expenses computed by the Commission after considering base year as FY 2007-08 are working out higher than the O&M expenses estimated by the Petitioner. Further, since, the O&M expenses for the past years have been consistently lower than the normative O&M Expenses, it may not be appropriate to allow higher normative O&M Expenses. Therefore, for the purpose of ARR of FY 2014-15 the Commission has approved O&M expenses as claimed by the Petitioner in its ARR Petition.



- 9.17.8 Further, capitalization of employee expenses and administrative and general expenses has been considered as 15% of the gross employee expenses and gross A&G expenses respectively, which is in line to the approach adopted by the Commission in its earlier Tariff Orders. However, the Petitioner has capitalized the employee expenses at 15% and A&G expenses at 21 % in its Tariff Petition for FY 2014-15.
- 9.17.9 The summary of the O&M expenses submitted by the Petitioner and as approved by the Commission for FY 2014-15 is shown in the Table below:

Table 9-54: O&M EXPENSES FOR FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	FY 2014-15 Approved
Employee Expenses		
Employee Cost and Provisions	470.47	470.47
Incremental Employee Expenses @ 2.5%	13.69	13.69
Gross Employee Expenses	484.16	484.16
Employee expenses capitalized	72.62	72.62
Net Employee Expenses	411.54	411.54
A&G Expenses		
Admin & Gen Expenses	62.08	62.08
Incremental Admin & Gen Expenses @ 2.5%	1.68	1.68
Gross Admin & Gen Expenses	63.76	63.76
Admin & Gen expenses capitalized	13.39	9.56
Net Admin & Gen Expenses	50.37	54.19
R&M Expenses		
Repair & Maintenance Expenditure	271.76	271.76
Incremental R&M Expenses @ 2.5%	9.35	9.35
Gross Repair & Maintenance Expenses	281.12	281.12
Total O&M Expenses	743.02	746.84

- 9.17.10 Further, it is clarified that the O&M expenses thus approved would be subject to Truing-up upon finalisation of audited accounts for FY 2014-15.



9.18 GFA BALANCES AND CAPITAL FORMATION ASSUMPTIONS

9.18.1 The Petitioner has submitted that the projected capital expenditure is proposed to be funded in a debt equity mix of 70:30, which is also in line with the Distribution Tariff Regulations, 2006 and established philosophy of the Commission. The Petitioner proposed the following capital expenditure for FY 2014-15.

TABLE 9-55: CAPITAL INVESTMENT PLAN PROPOSED BY THE PETITIONER FOR FY 2014-15 (RS. CRORE)

Description	Qty	Capital Expenditure			
		Loans	Equity / Internal Accruals	Deposit Works	Total
Construction of New 33/11 KV Substation & related Lines					
Capacity Enhancement of 33 KV Substations	120Nos.	39.27	16.83		56.10
Strengthening of 33 KV Lines	80KM	11.20	4.80		16.00
Construction of New 33/11 KV Substation	55Nos.	73.05	31.31		104.36
11 KV Works					
Strengthening of 11 KV Lines	120KM	9.66	4.14		13.80
Construction of 11/0.4 KV Substation	2000Nos.	18.10	7.76		25.85
Replacement of 11 KV Switchgear	1200Nos.	7.56	3.24		10.80
Installation of Meters	250000Nos.	28.44	12.19		40.63
Double Metering of Consumers	7050Nos.	6.48	2.78		9.26
Arial Bunch Conductor	1400KM	37.73	16.17		53.90
Electrification of Important Villages/Mazre	350KM	18.38	7.88		26.25
Removal of 33/11kV system from 220/132kV Sub station	15Nos.	18.38	7.88		26.25
Construction of 33kV link line(Overhead lines & underground Cable)	350KM	18.38	7.88		26.25
Construction of 11kV Link line(Over head & underground cable)	2400KM	35.04	15.02		50.05
Strengthening of 33/11 kV Switchyard and Control Room	200Nos.	7.35	3.15		10.50



Description	Qty	Capital Expenditure			
		Loans	Equity / Internal Accruals	Deposit Works	Total
Installation of 11kV breaker at 33/11kV Sub station	200Nos.	5.60	2.40		8.00
Replacement of Wooden Poles/ Cross Arms	15000Nos.	1.05	0.45		1.50
Replacement of damaged Poles	45000Nos.	15.75	6.75		22.50
Earthing of Transformers	5600Nos.	5.21	2.23		7.44
Metering of Distribution Transformers	2000Nos.	25.10	10.76		35.85
Replacement of Jarjar Tar	7000KM	41.65	17.85		59.50
Plinth & Fencing	3500Nos.	8.89	3.81		12.70
Guarding of Lines	400KM	2.80	1.20		4.00
Civil Works at Substations	134Nos.	8.93	3.83		12.75
Installation of 33kV control panel, breaker & CT at 33/11kV Sub station	125Nos.	8.75	3.75		12.50
R-APDRP		76.48	32.78		109.26
Vyapar Vikas Nidhi		105.00	45.00		150.00
Deposit Works				150.00	150.00
Total		634.20	271.80	150.00	1056.00

9.18.2 The Petitioner submitted that the following assumptions were used for projecting GFA and CWIP for FY 2014-15:

- The opening GFA and CWIP for FY 2013-14 have been taken as per the closing figures from provisional annual accounts of FY 2012-13.
- 40% the opening CWIP and 40% of investment made during the year, expenses capitalized & interest capitalized (40% of total investment) has been assumed to get capitalized during the year.
- Investment through “deposit work” has been taken for capital formation. However, depreciation thereon has not been charged to the ARR in line with the policy adopted by Commission in its previous Tariff Orders.



- The capital investment for FY 2013-14 has been pegged at Rs. 870 Crore out of which, deposit works have been envisaged at Rs. 120 Crore.
- 9.18.3 The Petitioner submitted a capital investment of Rs. 1056 Crore in FY 2014-15 out of which, deposit works have been estimated at Rs. 150 Crore.
- 9.18.4 The capital investment plan (net of deposit works) has been projected to be funded in the ratio of 70:30 (debt to equity).
- 9.18.5 With a view to approve realistic levels of gross fixed asset (GFA) balance, and consequent tariff components such as depreciation, interest on loan and return on equity, the Commission has referred to the gross fixed asset balances, capital additions, capital deletions, capital work in progress balances, etc., up to FY 2012-13 as per the provisional accounts for FY 2012-13 as also considered by the Licensee in its Petition.
- 9.18.6 The Commission has finalised the philosophy for capital investments and capital additions in the Tariff Order dated 31st May, 2013 as below:
- “...The Commission has observed that the capital investment claimed by the Licensee is not in strict accordance with the Distribution Tariff Regulations. In order to reprimand the Licensee, the Commission disallows 30% of the capital investment claimed in the ARR / Tariff Petition and allows only Rs. 680.21 Crore towards capital investment for FY 2013-14.”*
- 9.18.7 Regulation 4.5 of Distribution Tariff Regulation, 2006 stipulates as below:

“4.5 Capital Investment Plan:

1. *The licensee shall in its ARR/Tariff filing identify projects for the ensuing financial 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, computerization, etc.*



2. The Commission shall consider and approve the licensee's capital investment plan, subject to prudence check. The costs corresponding to the approved investment plan of the licensee for a given year shall be considered for determining its annual revenue requirement. Provided that prior approval would not be required in cases where the normal distribution projects cost is below 1 Crs.

3. The detailed capital investment plan shall separately show ongoing projects that will spill into the year under review, and new projects that will commence but may be completed within or beyond the tariff period. For the new projects, the filing must provide the justification as stipulated under investment guidelines of the Commission.

.....

7. The Licensee shall provide Project Completion Report in respect of those projects for which prior approval has been sought from the Commission, as and when they achieve the Commercial Operation.

8. Capitalisation of works by the Licensee will be linked to the physical completion of the works. **The Commission will not accept any capitalisation that does not have work completion certificates and the work is put to beneficial use of consumers. (Emphasis added)**

9. The Licensee will maintain asset registers at each operating circle/division that will capture all necessary details on the asset, including the cost incurred, date of commissioning, location of asset, and all other technical details."

9.18.8 For FY 2014-15 also, the Commission observed that the capital investment claimed by the Licensee is not in strict accordance with the Distribution Tariff Regulations, 2006 as reproduced above and hence, based on the philosophy adopted by the Commission in its Order dated 31st May, 2013, approves capital investment of Rs. 739.20 Crore (i.e., 70% of capital investment of Rs. 1056.00 Crore proposed by the Petitioner).

9.18.9 The capitalisation of expenses and interest has been considered as detailed in the sections dealing with O&M expenses and Interest on long term loans.



Further, in line with the methodology adopted by the Commission in its Order dated 31st May, 2013, 40% of the total investments including opening CWIP, expenses and interest capitalisation during the year have been projected to be capitalised in FY 2014-15.

9.18.10 Accordingly, the details of Capitalisation and Work-in-progress up to FY 2014-15 are shown in the Table below:

TABLE 9-56: CAPITALISATION & WIP UP TO FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Opening WIP as on 1st April	A	1,483.43	1,325.52
Investments	B	1,056.00	739.20
Employee Expenses Capitalisation	C	72.62	72.62
A&G Expenses Capitalisation	D	13.39	9.56
Interest Capitalisation on Interest on long term loans	E	59.62	51.00
Total Investments	F= A+B+C+D+E	2,685.06	2,197.91
Transferred to GFA (Total Capitalisation)	G=F*40%	1,074.02	879.17
Closing WIP	H = F-G	1,611.04	1,318.75

9.19 FINANCING OF THE CAPITAL INVESTMENT

9.19.1 The Petitioner submitted that it has considered a normative ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contribution, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the beneficiaries.

9.19.2 The Petitioner further submitted that the amounts received as consumer contributions, capital subsidies and grants are traced from the provisional accounts for FY 2012-13. Further, the consumer contributions, capital



subsidies and grants for FY 2013-14 and 2014-15 have been considered to be in the same ratio to the total investments, as received by it in FY 2012-13.

9.19.3 Thus, the Petitioner submitted that out of the total capital investment of Rs. 1056.00 Crore in FY 2014-15, the capital investment through deposit works is to the tune of Rs. 150.00 Crore and balance Rs. 906.00 Crore has been considered to be funded through debt and equity. Considering a debt equity ratio of 70:30, i.e., Rs. 634.20 Crore or 70% of the capital investment is proposed to be funded through debt and balance 30% equivalent to Rs. 271.80 Crore through equity.

9.19.4 The Commission, on the similar lines, has re-worked the portion of capital expenditure financed through consumer contribution capital grants and subsidies. The Trued-up closing balance of consumer contribution, capital grants and subsidies of FY 2011-12 based on the audited accounts has been considered and subsequent additions in FY 2012-13 as per the provisional accounts have been considered to arrive at the opening amount of consumer contribution, capital grants and subsidies.

9.19.5 Since, the Commission has reduced the 30% of capital investment claimed by the Petitioner, the same treatment has been given to the additions to the consumer contribution, capital grants and subsidies and accordingly the Commission has allowed only 70% of the total additions in consumer contribution, capital grants and subsidies claimed by the Petitioner in the ARR / Tariff Petition for FY 2014-15.

9.19.6 The Table below summarises the amounts considered towards consumer contributions, capital grants and subsidies up to FY 2014-15:

**Table 9-57: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES
CONSIDERED UP TO FY 2014-15 (Rs. Crore)**

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	A	1,062.18	1,026.74
Additions during the year	B	150.00	105.00



Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Less: Amortization (Depreciation on assets created out of Consumer Contribution)	C	62.55	60.39
Closing Balance	D=A+B-C	1,149.63	1,071.35

9.19.7 Thus, the financing of the capital investment as considered by the Commission is shown in the Table below:

Table 9-58: FINANCING OF THE CAPITAL INVESTMENTS UP TO FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Investment	A	1,056.00	739.20
Less:			
Consumer Contribution and Capital Assets Subsidy	B	150.00	105.00
Total	C = A- B	906.00	634.20
Investment funded by debt and equity			
Debt Funded	70%	634.20	443.94
Equity Funded	30%	271.80	190.26

9.20 DEPRECIATION EXPENSE

9.20.1 The Petitioner submitted that Regulation 4.9 of the Distribution Tariff Regulations, 2006 specifies for:

- full year depreciation on the opening balance of GFA
- pro-rata depreciation on the additions made to the GFA balance during the financial year

9.20.2 The Petitioner submitted that for the purpose of computing the allowable depreciation, it has considered the GFA base as per audited accounts for FY 2011-12 and subsequently added the yearly capitalizations for FY 2012-13, 2013-14 and 2014-15. The Petitioner submitted that it has computed the depreciation only on the depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc.



- 9.20.3 The Petitioner further submitted that the Annexure B to the Distribution Tariff Regulations, 2006 specifies the depreciation rate to be charged on each class of asset. Accordingly, the Petitioner has computed depreciation at a weighted average rate of 7.84%. Considering this philosophy, Petitioner has claimed the gross depreciation for FY 2014-15 as Rs. 461.29 Crore.
- 9.20.4 The Petitioner submitted that it has projected the depreciation on assets created out of consumer contributions, capital grants and subsidies for FY 2013-14 and FY 2014-15 in the same ratio as per provisional accounts of FY 2012-13.
- 9.20.5 The Petitioner submitted that it has reduced the equivalent depreciation amounting to Rs. 62.55 Crore in FY 2014-15 in respect of depreciation on assets created out of consumer contributions, capital grants and subsidies. Thus, the net depreciation claimed by the Petitioner for FY 2014-15 is Rs. 398.74 Crore.
- 9.20.6 Regulation 4.9 of the Distribution Tariff Regulations, 2006 specifies as under:

“4.9 Depreciation:

1. For the purposes of tariff, depreciation shall be computed in the following manner, namely:

a. The value base for the purpose of depreciation shall be the historical cost as provided in the Fixed Assets Register, excluding consumer contribution or capital subsidy/grant utilized for capitalization of the assets.

b. Depreciation shall be calculated annually at the rates specified in the Annexure - B.

c. The residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the historical capital cost of the asset. Land is not a depreciable asset and its cost shall be excluded from the capital cost while computing 90% of the historical cost of the asset.



d. On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

e. Depreciation shall be chargeable from the first year of operation. In case of operation of the asset for part of the year, depreciation shall be charged on pro-rata basis.

Provided that where the Fixed Assets Register is not maintained, the Commission shall allow only as much depreciation as it may consider appropriate.”

- 9.20.7 The Commission in its deficiency note asked Petitioner to submit the basis of considering the weighted average depreciation rate of 7.84% for computing the depreciation for FY 2014-15. The Petitioner in its reply submitted that the Distribution Tariff Regulations, 2006 provides for a depreciation rate of 7.84% in respect of lines and distribution system. The Petitioner further submitted that in the Tariff Order for FY 2013-14, the Commission had considered a weighted average depreciation rate of 7.84%, and hence, it has considered the same for FY 2014-15.
- 9.20.8 The depreciation rate as applicable for different class of assets have to be applied for computing the depreciation as per the Annexure–B of Distribution Tariff Regulations, 2006. However, as the Petitioner has not been able to submit the class wise details of its assets, the Commission has computed depreciation for FY 2014-15 at a weighted average rate of 7.84% as considered by the Commission in its Order dated 31st May, 2013 and also claimed by the Petitioner.
- 9.20.9 For the purpose of computing depreciation, the Commission has considered the GFA base as per audited accounts up to FY 2011-12 and has subsequently added the yearly capitalisations for FY 2012-13 as per the provisional accounts to arrive at the opening balance of the GFA for FY 2013-14. Opening and Closing GFA for FY 2014-15 has been estimated based on the capitalisation considered by the Commission for FY 2013-14 and FY 2014-15.
- 9.20.10 The Commission has computed the depreciation only on the depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc.
-



9.20.11 Considering the above philosophy and total capitalization approved by the Commission for FY 2014-15, the GFA base approved by the Commission is given in the Table below:

Table 9-59: GROSS FIXED ASSETS FOR FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Depreciation Rate	A	7.84%	7.84%
Opening GFA as on 1st April (Depreciable)	B	5,346.80	5,241.53
Opening GFA as on 1st April (Non-Depreciable)	C		-
Total Opening GFA as on 1st April	D=B+C	5,346.80	5,241.53
Addition to GFA during the year (Depreciable)	D	1,074.02	879.16
Addition to GFA during the year (Non Depreciable)	E		-
Deduction from GFA during the year (Depreciable)	F		-
Closing GFA as on 31st March (Depreciable)	G = B + D - F		6,120.69
Closing GFA as on 31st March (Non Depreciable)	H = C + E		-
Total Closing GFA as on 31st March	I = G + H	6420.82	6,120.69

9.20.12 The Commission has projected the depreciation on assets created out of consumer contributions, capital grants and subsidies for FY 2014-15 in the same ratio as projected by the Petitioner. The Commission has reduced the equivalent depreciation on assets created out of consumer contributions, capital grants and subsidies.

9.20.13 The Commission, in its Tariff Order for FY 2013-14, has stipulated as under:

“The Commission has repeatedly given several directions to the Licensee to ensure that proper and detailed Fixed Assets Registers are maintained at the field offices. Further, the Hon’ble APTEL in Appeal No. 121 of 2010 & I.A. No. 83 of 2011 has also reinforced Commission’s views and has directed the Licensee to comply with the regulations and directions issued by the Commission.”



As a first step towards reprimanding the Licensee over the issue of non-maintenance of fixed asset registers, the Commission has withheld 20% of the allowable depreciation for FY 2013-14. The same would be released for recovery through tariff, upon submission of fixed asset registers up to the current year i.e., FY 2012-13 by 30th November, 2013.”

9.20.14 As evident from the above, the Commission in its earlier Tariff Order has withheld 20% of the allowable depreciation for FY 2013-14. However, even after several directions no submission in this regard has been made by the Licensee so far. The Commission has already expressed its displeasure on the non-availability of fixed asset registers of the Licensee and further reiterates its direction to the Licensee to ensure proper maintenance of detailed fixed asset registers as specified in the Distribution Tariff Regulations, 2006.

9.20.15 Hence, in line with the approach adopted by the Commission in its earlier Order over the issue of non-maintenance of fixed asset registers, the Commission has withheld a higher percentage as compared to previous year i.e. 25% of the allowable depreciation for FY 2014-15. The Licensee is further directed to submit the complete details pertaining to Fixed Asset Register for FY 2013-14 along with the ARR Petition for FY 2015-16, otherwise the withheld amount may not be allowed by the Commission.

9.20.16 In view of the above, the net depreciation expense approved by the Commission for FY 2014-15 is shown in the Table below:

Table 9-60: APPROVED DEPRECIATION FOR FY 2014-15 (Rs. Crore)

Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Depreciation Rate	A	7.84%	7.84%
Opening GFA as on 1st April (Depreciable)	B	5,346.80	5,241.53
Addition to GFA during the year (Depreciable)	C	1,074.02	879.16
Depreciation on Opening GFA + Addition during the year	D = (A*B)+(C*A/2)	461.29	445.40
Less:			
Depreciation on assets created from Consumer Contribution and Capital Assets	E	62.55	60.39



Particulars	Derivation	ARR Petition	FY 2014-15 Approved
Subsidy			
Allowable Depreciation for 2014-15	F=D-E	398.74	385.01
Less: Depreciation withheld due to non-maintenance of Fixed Asset Register	G = F*25%		96.25
Net Allowable Depreciation for FY 2014-15	H = F – G		288.75

9.21 INTEREST AND FINANCING COST

Interest on Long Term Loans

- 9.21.1 The Petitioner submitted that it has considered a normative approach with a debt: equity ratio of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon has not been charged to the beneficiaries.
- 9.21.2 The Petitioner submitted that the allowable depreciation for the year has been considered as normative loan repayment. The weighted average rate of interest of overall long term loan portfolio for FY 2012-13 has been considered for FY 2014-15, as it seems to be fair and equitable. The interest capitalization has been considered at a rate of 23% of the total interest, which is consistent with the rate considered by the Commission in previous Tariff Orders.
- 9.21.3 It is observed that the Petitioner has computed interest on long term loan based on the normative approach adopted by the Commission in its previous Orders. Therefore, the Commission has approved the methodology used by the Petitioner. However, the Commission has computed the interest on long term loan based on the revised opening and closing loan balances approved in earlier sections while doing up the Truing up of FY 2011-12. Also the loan addition during FY 2014-15 has been considered as worked out in earlier section of this Chapter. The allowable depreciation for the year has been considered as normative loan repayment.



9.21.4 The weighted average rate of interest as submitted by the Petitioner has been considered for computing the interest on long term loans for FY 2014-15. Further, the interest capitalisation has been considered at a rate of 23%, which is same as the Petitioner's submission and is also consistent with the methodology adopted by the Commission in its previous Order.

9.21.5 The interest on long term loan as claimed by the Petitioner and as approved by the Commission is shown in the Table below:

Table 9-61: INTEREST ON LONG TERM LOANS UP TO FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	FY 2014-15 Approved
Opening Loan	2,119.90	1,884.52
Loan Additions (70% of Investments)	634.20	443.94
Less: Repayments (Depreciation allowable for the year)	398.74	385.01
Closing Loan Balance	2,355.35	1,943.45
Weighted Average Rate of Interest	11.58%	11.58%
Interest on long term loan	259.21	221.72
Interest Capitalisation Rate	23.00%	23.00%
Less: Interest Capitalized	59.62	51.00
Net Interest Charged	199.59	170.72

Interest on Working Capital

9.21.6 The Petitioner has submitted that it has worked out the interest on working capital based on the methodology specified in the Regulations as provided below:

- Operation and Maintenance expenses, which includes Employee costs, R&M expenses and A&G expenses, for one month;
- One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of current financial year;
- Receivables equivalent to 60 days average billing of consumers less security deposits provided by the beneficiaries.



- 9.21.7 The Petitioner submitted that the Distribution Tariff Regulations, 2006 provides for interest on the working capital requirement at the Bank Rate as specified by the Reserve Bank of India as on 1st April of the relevant year plus a margin as decided by the Commission. The Petitioner submitted that accordingly, it has considered the interest rate on working capital requirement at 12.50% including margin, however, the actual rate of interest would be considered based on the audited accounts during the true-up process for the year in accordance with the Distribution Tariff Regulations, 2006.
- 9.21.8 Regulation 4.8.2 of the Distribution Tariff Regulations, 2006 lays down the norms and methodology for calculating interest on working capital. Further, the Commission in its earlier Orders has clearly opined that although there is a situation of financial stress and liquidity crunch for the Licensee, the Distribution Licensee is eligible only for interest cost on account of normative working capital. Further, it is observed that the collection efficiency of the Petitioner also needs improvement and by improving the same, the cash flows of the Petitioner will improve, which will help in managing day to day working capital requirements. The Petitioner should understand that only by ensuring that its working capital needs are well looked after, it can focus on growth and development of its organisation.
- 9.21.9 In view of the above, the Commission has considered the interest on working capital at the rate of 12.50% as proposed by the Petitioner, which includes the margin above the Bank Rate specified by the RBI and is in accordance with the provisions of the Distribution Tariff Regulations, 2006.
- 9.21.10 The interest on working capital as submitted by the Petitioner and as approved by the Commission for FY 2014-15 is shown in the Table below:

Table 9-62: INTEREST COST ON WORKING CAPITAL LOANS FOR FY 2014-15 (Rs. Crore)

Particulars	Petition	FY 2014-15 (Approved)
One month's O&M Expenses	61.92	62.24
One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	7.33	7.33
Receivables equivalent to 60 days average billing on consumers	1111.55	1,164.17



Particulars	Petition	FY 2014-15 (Approved)
Gross Total	1180.81	1,233.74
Less: Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	494.42	494.42
Net Working Capital	686.39	739.32
Rate of Interest for Working Capital	12.50%	12.50%
Interest on Working Capital	85.80	92.42

Interest on Consumer Security Deposits

9.21.11 The Petitioner submitted that as per the Regulation 4.8(3) of the Distribution Tariff Regulation, 2006, the Licensee has to pay interest to the consumers at Bank Rate or more on the consumer security deposit.

9.21.12 The Petitioner further submitted that Section 47(4) of the Electricity Act 2003, states as follows:

“the distribution licensee shall pay interest equivalent to the bank rate or more, as may be specified by the concerned state Commission, on the security referred to in sub-section (1) and refund such security on the request of the person who gave such security”

9.21.13 The Petitioner submitted that accordingly, the interest to consumers on the security deposits has been computed on the opening balance of the security deposits at the beginning of the year at the Bank Rate of 9% for FY 2013-14 and 8.75% for FY 2014-15, however, the same shall be Trued-up, based on audited accounts.

9.21.14 As the approach followed by the Petitioner is in accordance with the Distribution Tariff Regulations, 2006 and is also consistent with the approach adopted by the Commission in the previous Tariff Orders, therefore, the Commission approves the methodology employed by the Petitioner in this regard. However, it is observed that the Reserve Bank of India vide circular no. RBI/2013-14/469 dated 28th January, 2014 has revised the Bank Rate from 8.75% to 9.00% w.e.f. 28th January, 2014. Hence, the Commission has recomputed the interest on consumer security deposit at the rate of 9.00%.



However, the actual interest payable on consumer security deposits would be at the Bank Rates notified by the RBI from time to time as per the provision of the Electricity Supply Code. The same would be trued up based on audited accounts.

9.21.15 Accordingly, the Commission has approved interest on security deposits for FY 2014-15 at 9.00% as shown in the Table below:

Table 9-63: INTEREST ON SECURITY DEPOSITS FOR FY 2014-15 (Rs. Crore)

Particulars	Derivation	Petition	FY 2014-15 (Approved)
Opening Balance of Security Deposits from Consumers	A	460.56	460.56
Projected Closing Balance of Security Deposits from Consumers	B	494.42	494.42
Bank Rate (%)	C	8.75%	9.00%
Interest on Security Deposits	$D = (A+B)/2 * C$	41.78	42.97

Finance Charges:

9.21.16 The Petitioner has submitted that the finance charges towards expenses such as guarantee fees and bank charges is Rs. 0.11 Crore for FY 2014-15 and the same have been computed by extrapolating the actual guarantee fees and bank charges incurred in FY 2012-13 as per provisional accounts by using the Inflation Index.

9.21.17 Further, the Petitioner submitted that it may be allowed to claim discount to consumers on actual during Truing-up based on audited accounts.

9.21.18 The Commission has considered Rs. 0.11 Crore as bank charges as submitted by the Petitioner for FY 2014-15.

9.21.19 As regards discount to consumers, it is to be noted that such rebates / discounts are given to consumers under different heads like power factor rebate, etc., and are provided to the consumers on actual basis. Hence, the Commission allows the Petitioner's request to claim discount to consumers on actual basis during the Truing-up of FY 2014-15 based on the audited



accounts. The Petitioner should however, ensure that such discount should have been adjusted in the actual revenue recovered during the year.

Summary of Interest and Finance Charges

9.21.20 In view of the above, the approved interest and finance costs including interest on working capital for FY 2014-15 is summarised in the Table below:

TABLE 9-64: INTEREST AND FINANCE CHARGES FOR FY 2014-15 (RS. CRORE)

Particulars	ARR Petition	FY 2014-15 (Approved)
Interest on Long term Loans	259.21	221.72
Interest on Working Capital Loans	85.8	92.42
Sub Total	345.01	314.13
Interest on Consumer Security Deposits	41.78	42.97
Bank Charges	0.11	0.11
Discount to Consumers	-	-
Sub Total	41.89	43.08
Gross Total Interest & Finance Charges	386.90	357.22
Less: Capitalization of interest on Long term Loans	59.62	51.00
% Capitalization	23.00%	23.00%
Net Interest & Finance Charges	327.28	306.22

9.22 PROVISION FOR BAD AND DOUBTFUL DEBTS

9.22.1 The Petitioner submitted that the provisions for bad and doubtful debts have been made at 2% of revenue receivables in line with Regulation 4.4 of Distribution Tariff Regulations, 2006. The Petitioner submitted that in the last Tariff Order, the Commission had disallowed the Petitioner's claim for provision for bad and doubtful debts due to the absence of any clear-cut policy. The Petitioner added that provision for bad and doubtful debts are an accepted accounting principle even in a sector like banking where the provisioning of un-collectable dues are considered as a normal commercial practice.

9.22.2 The Petitioner has requested the Commission to allow the annual provisioning towards bad and doubtful debts as it is an accepted industry norm and also recognized by other State Electricity Regulatory Commissions.



9.22.3 The Petitioner submitted that the amount, if any, written off towards bad debts is only adjusted against the accumulated provisions in the books, irrespective of the actual amount of bad debts during any particular year and hence, it is a legitimate ARR component. Accordingly, the Petitioner has made provisions for bad debts for FY 2014-15 in line with the provisions of the Distribution Tariff Regulations, 2006.

9.22.4 Regulation 4.4 of the Distribution Tariff Regulations, 2006 provides for expenses under bad and doubtful Debts to the extent of 2% of the revenue receivables as specified below:

*“4.4 Bad and Doubtful Debts: 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.** In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income.”(Emphasis added)*

9.22.5 However, the Petitioner has to actually identify and write-off the bad debts as per a transparent policy approved by the Commission.

9.22.6 The Commission in its Tariff Order dated 31st May, 2013 has disallowed the provision for bad and doubtful debts on account of lack of proper and transparent policy for actual identification and write-off the bad debts. The relevant extract of the Commission’s aforesaid Order is reproduced below:

“...The Commission in its previous Tariff Orders opined that it is not averse to allowing provision for bad and doubtful debts in the course of normal operations of the Distribution Licensee. However such provisioning needs to be backed up with processes to identify consumers who are not paying and then making adequate attempts to collect from such consumers. In this regard, the Commission in its previous order directed the Distribution Licensee to submit ten such 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 a policy framework for Commission’s approval within a month of issue of this



Order. In this regard the Licensee has submitted that action is being taken regularly in cases by way of P.D. and writing off the fictitious arrears at the distribution division level. However no such sample was submitted to the Commission. Thus, in view of the above, Commission opines that it is inappropriate to approve the Bad & Doubtful debts without a proper policy in place...”

- 9.22.7 The Petitioner has repeatedly pointed out that provisioning towards bad and doubtful debts is an accepted industry norm. However, the Petitioner should also recognize that as per prudent practices, every business should also ensure that the amount of debtors do not increase to an alarming level. Further, every prudent management would ensure to recover the dues and prevent them from becoming bad. It has been observed that despite the Commission’s directions in the regard in the previous Tariff Orders, there has been no improvement on the part of the Petitioner.
- 9.22.8 The Commission in its additional queries reiterated that the Petitioner is required to submit the policy followed by it for identification and writing off actual bad debts at the earliest. In reply to the same, the Petitioner submitted that it has recently framed a policy for identifying and writing off old arrears, which has been provided to the Commission along with the replies and appropriate directions have been issued to the field units to compile the sample cases based on this recently issued order of the licensee. However, from the Regulations, it is clear that the Petitioner is required to submit its policy for identifying and writing off doubtful debts to the Commission for prior approval, which the Petitioner has not done. As discussed in earlier paragraphs it is observed that the Petitioner has submitted the approach for creation of provision of bad debts instead of the policy followed by it for identification of actual bad debts and writing off the same.
- 9.22.9 The very fact that the Petitioner has not been able to identify and write off any amount towards bad and doubtful debts till now clearly indicates lack of proper policy framework for identification, recognition, and management of provision for bad and doubtful debts. Therefore, in accordance with the Regulations, the Commission disallows the Petitioner’s claim towards provision for bad and doubtful debts for FY 2014-15.



9.22.10 In view of the above, the Commission accords a final direction to 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 within 3 months from the date of issue of the Order and submit the same to the Commission for its approval.

9.23 OTHER INCOME

9.23.1 The Petitioner submitted that other income includes non tariff income such as interest on loans & advances to employees, income from fixed rate investment deposits and other miscellaneous income from retail sources. The Petitioner submitted that the other income for FY 2014-15 has been projected to grow at the rate of inflation index from the actual of FY 2012-13.

9.23.2 As per Regulation 5.1 (2) of the Distribution Tariff Regulations, 2006, the indicative heads to be considered in Non-Tariff are as follows:

“5.1 Forecast of Revenues:

...2. The non-tariff income shall comprise of:

(a) Delayed Payment Surcharge,

(b) Meter Rent,

(c) Income from investments,

(d) Miscellaneous receipts from consumers,

(e) Trading income

(f) Share of income from the other businesses of the distribution licensee

(g) Any other income....”

9.23.3 Accordingly, the Commission has approved Non-Tariff Income to the tune of Rs. 16.21 Crore as claimed by the Petitioner for FY 2014-15 and as shown in the Table below:



Table 9-65: OTHER INCOME FOR FY 2014-15 (Rs. Crore)

Particulars	ARR Petition	Approved FY 2014-15
Interest on fixed deposits	12.51	12.51
Rental from Staff	0.00	0.00
Miscellaneous receipts	0.63	0.63
Interest on Advances to Suppliers / Contractors	3.05	3.05
Misc. charges from consumers	0.00	0.00
Other Non-Operating Income	0.01	0.01
Total	16.21	16.21

9.23.4 Further, any variation on this account would be taken up at the time of True-up of FY 2014-15 based on the audited accounts.

9.24 RETURN ON EQUITY

9.24.1 The Petitioner has not claimed any return on equity for the year under review. The Petitioner has stated that they do not want to burden the consumers by proposing return on equity as it will further increase the gap.

9.24.2 Hence, the Commission has not approved any amounts towards return on equity for FY 2014-15.

9.25 CONTRIBUTION TO CONTINGENCY RESERVE

9.25.1 The Petitioner submitted that the Distribution Tariff Regulations, 2006 provides for the contribution to the contingency reserves up to 0.50% of opening GFA to be included in the ARR of Licensees and the contingency reserve so created shall be utilized to meet cost of replacement of equipment damaged due to force majeure situations. The Licensee shall invest in Contingency Reserve as allowed by the Commission in Government securities. However, the use of such reserve is only with the prior permission of the Commission.

9.25.2 The Petitioner submitted that since there is a substantial revenue gap between ARR and revenue forecast, any amounts allowed on this account will



only go to enhance the already large gap and create extra burden on the consumers. The Petitioner has not claimed any contribution to contingency reserve for the year under review.

9.25.3 In view of the same, the Commission has not approved any amounts under the said component in the present Order.

9.26 APPORTIONMENT OF O&M EXPENSES AND INTEREST & FINANCE CHARGES OF UPPCL

9.26.1 Petitioner submitted that in FY 2012-13 Tariff Order dated 19th October, 2012, the Commission had directed the Distribution Companies to consider the apportionment of the O&M expenses of UPPCL and submit the share of each Distribution Licensees and accordingly, the O&M expenses of UPPCL for FY 2012-13 as per provisional accounts have been considered as base expenses and the same have been escalated for FY 2014-15 based on the escalation indices.

9.26.2 The Petitioner submitted that considering the above, the same have also been apportioned to all the Distribution Licensees including KESCO in the power purchase ratio for each relevant year. The Petitioner submitted that the share of apportionment of O&M charges of UPPCL for PuVVNL is Rs. 39.86 Crore for FY 2014-15 and accordingly the same have been considered as part of ARR to be recovered from retail consumers.

9.26.3 Petitioner submitted that UPPCL resorts to short term borrowings on behalf of Distribution Companies to meet the power purchase liabilities of Licensees and incurs interest expenses on behalf of such working capital loans. Also it incurs expenditure towards LC and OD charges incidental to power purchase expenses. Petitioner requested the Commission to consider these expenses and allow UPPCL to claim such expenses from PuVVNL and other Distribution Companies through an internal adjustment without any impact on the ARR.

9.26.4 The Commission in this Order while computing the Bulk Supply Tariff for FY 2008-09 to FY 2011-12 has allowed such expenses based on actual based on the audited accounts of UPPCL. Further, as discussed in the Truing-up section, since, the above expenses have been incurred by UPPCL, mostly for procuring



the power for the Licensees, the above expenses have been allowed while doing the Truing up of FY 2008-09 to FY 2011-12. However, it may be noted that procurement of power is the responsibility of the Distribution Licensees and the Commission allows considerable amount of O&M Expenses and the interest on working capital to the Licensees for this purpose. The Commission has allowed such expenses for the past years, however for future years, i.e., from FY 2014-15 onwards, **the Commission disallows the claim of additional expenses towards allocation of O&M expenses for UPPCL and directs the Petitioner to manage such additional Expenses for procuring the power from the O&M Expenses allowed to it for the relevant year.**

9.27 GoUP SUBSIDY

- 9.27.1 The Petitioner has submitted that the projected overall budgeted subsidy for FY 2014-15 for Discoms is to the tune of Rs. 5,417 Crore, out of which the share of the PuVVNL is pegged to be Rs. 1827.34 Crore on provisional basis.
- 9.27.2 The Petitioner submitted that the decision on the basis and allocation within Distribution Companies is yet to be finalized by the GoUP. It is submitted that the estimated budgeted subsidy is the absolute quantum of subsidy available from GoUP.
- 9.27.3 Clause 6.10 of the Distribution Tariff Regulations, 2006 specifies as under:

“6.10 Provision of Subsidy

1. The Commission, while determining the tariff, shall see that the tariff progressively reflects the cost of supply of electricity and the cross subsidy is reduced or eliminated.

2. If the State Government decides to subsidize any consumer or class of consumers, the State Government shall pay the amount to compensate the affected Licensee by grant of such subsidy in advance.

Provided that no such direction of the State Government to grant subsidy shall be operative if the payment is not made in accordance with the relevant provisions contained in these Regulations and the Act. In such a



case, the tariff of the applicable categories may be revised excluding the subsidy.

3. The Government shall, by notification, declare the consumers or class of consumers to be subsidized.

4. Tariff of the subsidized category shall be designed taking into account the subsidy allocated to that category.

5. The Distribution Licensee shall furnish details of power consumed by the subsidized category to the State Government and the Commission. The Distribution Licensee shall provide meters on all rural distribution transformers and shall also furnish the power consumption details in respect of agricultural and rural domestic consumption based on readings from such meters and normative distribution losses on a monthly basis." (Emphasis supplied)

- 9.27.4 As regards the estimated subsidy from GoUP, the Commission has asked the Petitioner in its deficiency note that it should submit the basis and detailed computation for arriving at the estimated subsidy of Rs. 1827.34 Crore, failing which the Commission may determine the estimated requirement of subsidy for the rural domestic consumers and agriculture consumers based on the ACOS, ABR and subsidy received per unit for the said categories of consumers as it has been doing in the past Tariff Orders.
- 9.27.5 In this regard, the licensee has submitted that the subsidy allocation by GoUP is an absolute number through budgetary allocation and no further support would be provided to it towards sale of energy to subsidized categories.
- 9.27.6 Further, vide e-mail dated 4th August, 2014 the Petitioner has submitted that the subsidy for FY 2014-15 of Rs. 5,417 projected in the ARR is in line with the subsidy requirement envisaged in the FRP of Discoms. At the time of filing the ARR Petition on 29th November, 2013, the Govt. of Uttar Pradesh had not notified the Revenue Budget for FY 2014-15, therefore, the subsidy requirement for the ARR purposes was considered on the basis of the FRP. Subsequently, the Govt. of Uttar Pradesh has presented the Revenue Budget for FY 2014-15 in which the total subsidy provision has been made at Rs. 4,990
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Crore which includes Rs. 240 Crore against agriculture subsidy, Rs. 3,990 Crore against Revenue subsidy and Rs. 850 Crore towards adjustment against Electricity duty. However, the allocation of revised subsidy among the Distribution Licensees has not been submitted by the Petitioner.

- 9.27.7 As per the submission of the Licensee, since, the estimated budgeted subsidy is the absolute quantum of subsidy available from GoUP, the same has been considered by the Commission and is allocated among Discoms based on the methodology suggested by the Licensee in its earlier submission. Thus, the Commission has accepted the total subsidy allocation of Rs. 4990 Crore for FY 2014-15 from GoUP as submitted by the Licensee and its allocation for PuVVNL as Rs. 1683.30 Crore.

9.28 ADDITIONAL SUBSIDY REQUIREMENT FROM GoUP

- 9.28.1 The Commission, in its Tariff Order for FY 2013-14 dated 31st May, 2013 has stipulated as under:

“...The Commission in the true up Order dated 21st May, 2013 had computed the additional subsidy requirement from GoUP as the difference between actual cost of sales to subsidised categories and the revenue assessment to the subsidised categories of LMV-1 (a): Consumer getting supply as per "Rural Schedule" and LMV-5: Private Tube wells (PTW). Similarly, the Commission in this Order also, has computed the additional subsidy requirement from GoUP which ensures that commensurate subsidy from GoUP is factored in the ARR being approved for FY 2013-14...”

- 9.28.2 As discussed in the earlier chapters of Truing up of FY 2008-09 to FY 2011-12, the Distribution Licensees have filed an Appeal before the Hon'ble APTEL on applicability of additional subsidy. As the matter is sub-judice, the same approach has been continued by the Commission as adopted in Order dated 21st May, 2013 and 31st May, 2013. Based on the above, the computation of additional subsidy requirement for FY 2014-15 is represented below:



Table 9-66: ADDITIONAL SUBSIDY REQUIREMENT FROM GOUP FOR FY 2014-15 (Rs. Crore)

Particulars	Sales	Cost of Service	Thru Rate	Loss	Loss
	(MU)	(Rs./kWh)	(Rs./kWh)	(Rs./kWh)	(Rs. Crore)
LMV-1: (a) Consumer getting supply as per "Rural Schedule"	3503.44	6.05	2.19	3.86	1352.56
LMV-5: PTW	1354.09	6.05	1.69	4.37	591.68
Total Loss	4857.53				1944.24
Subsidy Available					1683.30
Balance Subsidy to be made available by GoUP					260.95

9.28.3 In line with the approach adopted by the Commission in its earlier Orders, the balance subsidy of Rs. 260.95 Crore has been applied as a reduction from the approved ARR for FY 2014-15 and the Licensee needs to realise such sums from the State Government.

9.29 REVENUE FROM SALE OF ELECTRICITY

9.29.1 For FY 2014-15, the Petitioner has estimated the revenue from existing tariffs to the tune of Rs. 6761.95 Crore, i.e., based on approved Tariff as per Tariff Order dated 31st May, 2013.

9.29.2 The Commission has computed the revenue at existing tariffs by applying the tariff rates as per Tariff Order dated 31st May, 2013 to the approved consumption for FY 2014-15. As the sales mix projected by the Commission is in variation with the Petitioner, the total Revenue at existing Tariff is working out to be lower than as estimated by the Petitioner. Further, the Commission has also approved tariffs and computed resultant revenue by applying the approved tariff rates to the approved consumption parameters for FY 2014-15. The following Table summarizes the revenue approved by Commission for FY 2014-15 at both existing as well as revised tariffs.



Table 9-67: EXISTING & APPROVED TARIFF REVENUES: FY 2014-15 (Rs. Crore)

Consumer Categories	Existing		Revised	
	ARR Petition	Approved	ARR Petition	Approved
LMV-1: Domestic	2145.12	2020.98	2428.14	2191.36
LMV-2: Non-Domestic	678.86	697.29	732.28	734.40
LMV-3: Public Lamps	123.70	115.80	123.70	117.25
LMV-4: Institutions	478.58	441.86	489.14	446.75
LMV-5: Private Tube Wells	239.60	222.62	251.89	228.20
LMV 6: Small and Medium Power	414.89	382.81	476.04	410.90
LMV-7: Public Water Works	377.92	407.51	408.50	431.46
LMV-8: State Tube Wells	371.52	374.92	442.45	410.62
LMV-9: Temporary Supply	10.19	9.97	15.20	10.43
LMV-10: Departmental Employees	18.26	18.26	29.14	23.91
HV-1: Non-Industrial Bulk Loads	190.15	198.31	211.93	207.58
HV-2: Large and Heavy Power	841.22	892.59	903.59	926.12
HV-3: Railway Traction	366.62	387.86	398.14	396.97
HV-4: Lift Irrigation	505.31	524.23	550.94	546.09
Sub-total	6761.94	6694.99	7461.07	7082.02
Extra state & Bulk	0.01	0.01	0.01	0.00
Total	6761.95	6695.00	7461.08	7082.02

Note: Revenue at approved tariffs depicted in the table above have been considered effective for 6 months in FY 2014-15.

9.29.3 Further, as discussed earlier, the Commission has given an additional consumer addition target of around 11.04 Lakh to be given connections in FY 2014-15. The Commission is of the view that by improving its efficiency and controlling the pilferages in its system, the Distribution Licensees will be able to cater to the needs of some of the additional consumers to be added. By adding such consumers to the network, the Licensees will earn more revenue, which will in turn help the Licensees in improving its financial situation. Accordingly, for the purpose of estimation the Commission has worked out the additional revenue corresponding to sales for such consumers at the ABR approved for the Domestic category (LMV-1) in this Order as depicted below.



Table 9-68: ADDITIONAL REVENUE ESTIMATED BY THE COMMISSION

Target additional Household Consumer for FY 2014-15	Sales per Consumer approved for FY 2014-15 (kWh)	Sales corresponding to Target Additional Consumers (MU)	Approved ABR for Domestic Category (Rs./kWh)	Revenue Corresponding to Target Consumer addition (Rs. Crore)
1104188	1859.77	2053.53	3.40	698.49

9.30 APPROVED ARR SUMMARY, REVENUE FROM TARIFFS AND RESULTANT GAP

9.30.1 In the preceding Sections, the Commission has detailed the expenses submitted by the Petitioner and that approved by the Commission under various heads for FY 2014-15. The Commission has also approved the revenue from existing tariffs and revenue from revised tariffs.

9.30.2 The Commission has assessed the ARR for FY 2014-15 on standalone basis. Based on the above, the approved ARR and the revenue from tariffs for FY 2014-15 are summarized in the Table below:

Table 9-69: ARR, REVENUE AND GAP SUMMARY FOR FY 2014-15 (Rs. Crore)

Particulars	Petition	FY 2014-15 (Approved)
Power Purchase Expenses (including PGCIL charges)	8,257.69	7,141.74
Apportionment of O&M Expenses & Interest & Finance Charges of UPPCL	39.86	0.00
Transmission Charges - Intra state (including SLDC Charges)	433.44	360.80
Gross O&M Expenses	829.04	829.03
Gross Employee cost	484.16	484.16
Gross A&G expenses	63.76	63.76
Gross R&M expenses	281.12	281.12
Gross Interest & Finance charges	386.9	357.22
Depreciation	398.74	288.75
Total Expenditure	10,345.67	8,977.54



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2014-15 and True-up of FY 2008-09 to FY 2011-12*

Particulars	Petition	FY 2014-15 (Approved)
Expense capitalization	145.63	133.18
<i>Employee cost capitalized</i>	72.62	72.62
<i>Interest capitalized</i>	59.62	51.00
<i>A&G expenses capitalized</i>	13.39	9.56
Net Expenditure	10,200.04	8,844.36
Special Appropriations		
Provision for Bad & Doubtful debts	166.46	0.00
Total net expenditure with provisions	10,366.50	8,844.36
Add: Return on Equity	0.00	0.00
Less: Non Tariff Income	16.21	16.21
Annual Revenue Requirement (ARR)	10,350.29	8,828.15
Less: Subsidy from Govt.	1,683.30	1,683.30
Annual Revenue Requirement after GoUP Subsidy (ARR)	8,667.00	7,144.85
Total Revenue Requirement	8,667.00	7,144.85
Revenue at existing tariffs	6,761.95	6,695.00
Net Gap / (Surplus) at Existing Tariff	1,905.04	449.85
Additional Subsidy to be made available by GoUP		260.95
Net Gap / (Surplus) at Existing Tariff after reducing GoUP Subsidy	1,905.04	188.90

9.30.3 Treatment of the above approved revenue gap / (surplus) has been discussed subsequently in this Order.



10. OPEN ACCESS CHARGES

10.1 BACKGROUND:

- 10.1.1 The Commission has issued 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 7th June, 2005 to operationalize long term and short term open access in the State. The Regulations also provides that effective from 1st April, 2008 any consumer with demand of above 1 MW can avail open access of transmission and distribution systems.
- 10.1.2 Subsequently, the Commission has also made / finalized the necessary regulatory framework as below:
- a. UPERC (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 that includes among others detailed procedure(s) for Long-Term Open Access and Short-Term Open Access for use of distribution system, with or without transmission system;
 - b. Model Bulk Power Wheeling Agreement (BPWA) for availing wheeling services of Distribution Licensee(s);
 - c. 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.
- 10.1.3 Further, the Commission has also advised the SLDC to develop procedure for energy accounting of electricity drawn from the grid by an open access consumer who is connected with the distribution system or electricity injected into the grid by a generating station embedded in the distribution system.

10.2 RECENT DEVELOPMENTS:

- 10.2.1 In absence of procedures and guidelines from State Transmission Utility (in short 'STU') and State Load Despatch Centre (in short 'SLDC'), the Commission,
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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”, came into force from the date it is notified in the Gazette.

10.2.2 The said amendment, which includes procedures for Long-Term Open Access and Short-Term Open Access mainly, focuses on:

- a. 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.
- b. 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.
- c. 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.

10.2.3 The Commission has finalized the model Bulk Power Transmission Agreement (BPTA) and Supplementary BPTA for availing transmission services of UPPTCL.

10.2.4 The Commission has also finalized 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.

10.3 OPEN ACCESS CHARGES



10.3.1 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 in this Order 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.

10.4 WHEELING CHARGES

10.4.1 Clauses 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 judgement.

10.4.2 The Licensee, in its Petition, has followed the allocation in accordance with the approach followed by the Commission in the previous Order. As there is no basis submitted by the Licensee in its filing, the Commission finds merit in considering the allocation into Retail Supply and Wheeling Function as per the methodology adopted in the previous Tariff Order. The allocation of ARR for DVVNL, MVVNL, PVVNL and PuVVNL into wheeling function and retail function as approved by the Commission for FY 2014-15 is as shown in the Table below:

Table 10-1: WHEELING & RETAIL SUPPLY ARR FOR FY 2014-15 (Rs. Crore)

Particulars	Allocation %		Allocation FY 2014-15		
	Wheeling	Supply	Wheeling	Supply	Total
Power Purchase Expenses (incl PGCIL charges)	0%	100%	0.00	30,435.89	30,435.89
Apportionment of O&M Expenses & Interest & Finance Charges of UPPCL	0%	100%	0.00	0.00	0.00
Transmission Charges - Intra state (incl SLDC Charges)	0%	100%	0.00	1,537.63	1,537.63
Gross O&M Expenses			2,019.71	1,004.84	3,024.55



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Particulars	Allocation %		Allocation FY 2014-15		
	Wheeling	Supply	Wheeling	Supply	Total
Gross Employee cost	60%	40%	1,121.91	747.94	1,869.86
Gross A&G expenses	40%	60%	113.14	169.72	282.86
Gross R&M expenses	90%	10%	784.65	87.18	871.83
Gross Interest & Finance charges	90%	10%	1,305.33	145.04	1,450.37
Depreciation	90%	10%	1,116.13	124.01	1,240.14
Total Expenditure			4,441.16	33,247.41	37,688.58
Expense capitalization			360.39	157.11	517.50
Employee cost capitalized	60%	40%	168.29	112.19	280.48
Interest capitalized	90%	10%	175.13	19.46	194.59
A&G expenses capitalized	40%	60%	16.97	25.46	42.43
Net Expenditure			4,080.77	33,090.31	37,171.08
Provision for Bad & Doubtful debts	0%	100%	0.00	0.00	0.00
Provision for Contingency Reserve	0%	100%	0.00	0.00	0.00
Total net expenditure with provisions			4,080.77	33,090.31	37,171.08
Add: Return on Equity	90%	10%	0.00	0.00	0.00
Less: Non Tariff Income	0%	100%	0.00	63.75	63.75
Annual Revenue Requirement (ARR)			4,080.77	33,026.55	37,107.32

10.4.3 Based on the above, the wheeling charges for FY 2014-15 are as shown in the Table below:

Table 10-2: WHEELING CHARGES FOR FY 2014-15

S. No	Particulars	Units	Approved FY 2014-15
1	Wheeling ARR	Rs. Crore	4,080.77
2	Retail sales (PVVNL, DVVNL, MVVNL, PuVVNL)	MU	60,708.46
3	Average Wheeling charge	Rs./kWh	0.672

10.4.4 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. However, in absence of voltage level wise break-up of expenses and asset details, the Commission has considered an interim allocation of costs at various voltage levels and approved the following wheeling charges payable by Open Access customers based on the voltage level at which they are connected with the distribution network.



- 10.4.5 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 all Distribution Licensees and that for wheeling at voltages above 11 kV shall be 50% of the average wheeling charges. Further, as detailed in the Tariff Order of UPPTCL for FY 2014-15, 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 10-3: APPROVED VOLTAGE-WISE WHEELING CHARGES FOR FY 2014-15

S. No.	Particulars	Units	Approved FY 2014-15
1	Connected at 11 kV		
I	Long Term (@ 80% of Average Wheeling Charge)	Rs./kWh	0.538
II	Short Term (@ 80% of Average Wheeling Charge)	Rs./kWh	0.538
2	Connected above 11 kV		
I	Long Term (@ 50% of Average Wheeling Charge)	Rs./kWh	0.336
II	Short Term (@ 50% of Average Wheeling Charge)	Rs./kWh	0.336

- 10.4.6 In addition to the payment of wheeling charges, the customers also have to bear the wheeling losses in kind. The Commission has been seeking voltage level loss data from the utility but the same has not been forthcoming. 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.
- 10.4.7 The Commission has estimated that the technical losses at 11 kV voltage level would be in the range of 8% to 9%. As regard the technical losses above 11 kV voltage levels and up to 132 kV, the Petitioner vide letter dated 2nd July, 2014



submitted that the losses at higher voltage levels is around 4% to 5%. Hence, the Commission has decided that the wheeling loss applicable for Open Access transactions entailing drawl at 11 kV voltage level shall be 8%, and that for drawl at voltages above 11 kV voltage level shall be 4%.

10.4.8 The open access charges and the losses to be borne by the Open Access customers may be reviewed by the Commission on submission of the relevant information by the Licensee.

10.4.9 The wheeling charges determined above shall not be payable if the Open Access customer is availing supply directly from the state transmission network.

10.5 CROSS SUBSIDY SURCHARGE

10.5.1 As regards the Cross Subsidy Surcharge, Regulation 6.6 of the Distribution Tariff Regulations, 2006 specifies as follows:

“6.6 Surcharge

1. Till such time the cross subsidies are eliminated, the open access consumer shall pay to the distribution licensee a cross subsidy surcharge in addition to wheeling charges. Surcharge to be levied on the open access consumer shall be determined by the Commission keeping in view the loss of cross-subsidy from the consumers or category of consumers who have opted for open access to take supply from a person other than the incumbent distribution licensee.

2. When open access is allowed the surcharge for the purpose of sections 38, 39, 40 and sub-section 2 of section 42 would be computed as 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 cost of supply to the consumer for this purpose may be computed 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 UPERC adjusted for average loss compensation of the relevant voltage level and (b) the transmission and distribution wheeling charges as determined in accordance with the UPERC Terms and Conditions for Determination of Distribution and Transmission Tariff Regulations as amended from time to time.

Cross Subsidy Surcharge 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

D is the Wheeling charges for transmission and distribution of power.

L is the system Losses for the applicable voltage level, expressed as a percentage

The cross-subsidy surcharge shall be brought down progressively and, as far as possible, at a linear rate to a maximum of 20% of its opening level by the year 2010-11.

...

5. However, in order to facilitate open access, the Commission may adopt a procedure different from the procedure stated above for the calculation of cross subsidy surcharge consistent with the provisions of the EA 2003 and the spirit of the tariff policy after considering the view points of licensee and the open access customer.”



10.5.2 In the Previous Tariff Order dated 31st May, 2013, the Commission had computed the Cross Subsidy Surcharge as zero using the above formula. The relevant extract of the Commission's Order for FY 2013-14 is reproduced below:

"5.3.3 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 UP, this works out to Rs. 6.59 /kWh considering the cost of marginal power purchase sources of Anta, Auraiya, Dadri Gas and Rosa Power Project II.

D is the average wheeling charges for transmission and distribution of power which is Rs. 0.620 /kWh

L is the system losses for the applicable voltage level, expressed as a percentage, which is computed as 22%.

5.3.4 The cross subsidy surcharge computed by Commission for relevant categories works out to be Nil."

10.5.3 The Petitioner, in a separate Petition, submitted that the Cross Subsidy Surcharge computed as per the formula specified in the Regulations would always work out to be zero for the Licensees of the State of Uttar Pradesh, because the weighted average power purchase cost of top 5% at margin after adding the intra-State transmission tariff and distribution losses comes out to be more than the average realization from the HT category. The Petitioner



further submitted that a zero Cross Subsidy Surcharge implies that the present tariff structure does not have cross subsidy, which is incorrect.

- 10.5.4 It may further be noted that in the absence of the voltage-wise losses, the Commission in its Tariff Order dated 31st May, 2013, considered “L”, i.e., the system losses as the total losses for the entire Distribution System, which resulted in “nil” Cross Subsidy Surcharge.
- 10.5.5 As a result, the Distribution Licensees have been resisting open access, due to the fear of losing their high paying consumers without getting any Cross Subsidy Surcharge for the same. The Commission, in its In-house Paper, based on the assumption that the power purchase, which could be avoided in case of migration of a consumer to open access is the short-term power purchase and not the long-term power purchase for which the Licensees have signed the PPAs and is liable to pay the fixed charges, proposed to compute Cross Subsidy Surcharge considering “C” (cost of power) as Rs. 5 per kWh, which is the weighted average rate of short-term power purchase as submitted by the Petitioner. The Commission considered the Losses for the consumers connected at High Voltage network as 7.80%. The Petitioner also agreed with the Commission’s approach, as the computed CSS was working out to Rs. 1.47 / kWh for consumers of HV-2 category at loss level of around 7.80%. The Petitioner, in its letter dated 2nd July, 2014, submitted that the actual loss level would be around 4% to 5%.
- 10.5.6 The Commission has gone through the submissions made by the Distribution Licensee. However, as the approach proposed in the In-house Paper would be in variation to the approach specified in the Regulations, the Commission has computed the Cross Subsidy Surcharge in accordance with the methodology specified in Clause 6.6 of Distribution Tariff Regulations, 2006.
- 10.5.7 As per Clause 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 renewable and liquid fuel based generation, adjusted for average loss compensation of the relevant voltage level, and (b) the distribution wheeling charges as determined in the preceding section.

10.5.8 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 UP, this works out to Rs. 6.38 / kWh considering the cost of marginal power purchase sources of Bajaj Hindustan, Harduaganj and Rosa Power Project I.

D is the wheeling charges.

L is the system losses for the applicable voltage level, expressed as a percentage, which is considered as 4% for HT Categories (above 11 KV) and 8% for HT Categories (at 11 KV).

10.5.9 The cost of the Distribution Licensee to supply electricity to the consumers of the HV-2 category (above 11 KV) and HV-2 category (at 11 KV) is working out as shown in the Table below:

Table 10-4: COST OF SUPPLY APPROVED BY THE COMMISSION FOR FY 2014-15

S No.	Categories	Wheeling Charge (D)	Wt. Avg. Power Purchase Cost (C)	System Loss (L)	Total Cost
1	HV Categories above 11 KV	0.336	6.376	4.00%	6.968
2	HV Categories at 11 KV	0.538	6.376	8.00%	7.424



- 10.5.10 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.
- 10.5.11 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.
- 10.5.12 The category-wise Cross Subsidy Surcharge approved by the Commission for FY 2014-15 is as given in the Table below:

**Table 10-5: CROSS SUBSIDY SURCHARGE APPROVED BY THE COMMISSION FOR
FY 2014-15**

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)	8.35	8.79	7.424	1.37
2	HV-1 (Supply above 11 kV)	7.33	7.71	6.968	0.74
3	HV-2 (Supply at 11 kV)	7.77	8.18	7.424	0.75
4	HV-2 (Supply above 11 kV)	7.07	7.44	6.968	0.47
5	HV-3 (Supply above 11 kV)	7.30	7.68	6.968	0.72
6	HV-4 (Supply at 11 kV)	7.67	8.07	7.424	0.64
7	HV-4 (Supply above 11 kV)	7.33	7.71	6.968	0.74

10.6 ADDITIONAL SURCHARGE

- 10.6.1 It has been observed by the Commission that there has been considerable amount of load shedding 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 sources. The distribution licensee in such a scenario still has large number of consumers to whom the available electricity can be supplied and there will not be any



stranded costs. Considering the above, the Commission has approved additional surcharge for FY 2014-15 as Nil (zero).

10.7 OTHER CHARGES

- 10.7.1 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.



11. TARIFF PHILOSOPHY

11.1 CONSIDERATIONS IN TARIFF DESIGN

- 11.1.1 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.
- 11.1.2 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.
- 11.1.3 The Commission has determined the retail tariff for FY 2014-15 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.

11.1.4 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.”

11.1.5 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.

11.1.6 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 2014-15. 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.

11.1.7 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. The accumulated gap at existing Tariff for FY 2014-15 (including the gap for previous years) consolidated for Discoms⁴ is Rs. 13283.01 Crore. Keeping in view, such a huge amount of accumulated revenue gap 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.

100% Metering:

11.1.8 As detailed earlier in this Order, despite categorical provision under Electricity Act, 2003 to necessarily achieve 100% metering, large chunk of consumers are

⁴ *DVVNL, MVVNL, PVVNL and PuVVNL*



still un-metered in the State. Predominant proportion of rural consumers either in domestic category (LMV-1), commercial (LMV-2) or pump set (LMV-5) category continue to be billed under un-metered category. Further, the Tariff for unmetered domestic category of LMV-1 and unmetered commercial category of LMV-2 is linked with number of consumers and not with the load. It has been observed that the unmetered category of consumers operate unaccounted load which usually higher than 1 KW. The Commission feels that unless very clear incentives and disincentives are built in the system, the vision of universal metering would remain merely a wishful and glorious intention of the legislature. The Commission in view of the same has linked the tariff for such unmetered consumer categories in (LMV-1 and LMV-2) with the contracted load which was earlier linked with number of consumers. The tariff for LMV-5 category is already linked with the load.

- 11.1.9 To further, incentivise the consumers who shifts from unmetered to metered category, the Commission has allowed a rebate of 10% on Rate applicable as per the applicable tariff of metered category.
- 11.1.10 The Commission in its pursuit of achieving the mandate of 100% metering has also increased the tariff of un-metered consumers in LMV-9 (Temporary Supply) and LMV-10 (Departmental Employees and Pensioners) categories to discourage unmetered connections. Therefore, impetus to metering is at the nucleus of present rate design.
- 11.1.11 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 Commission expressing its utmost concern,



accords a final opportunity to the Distribution Licensees and direct them to ensure that all their unmetered consumers get converted into metered connection by 31st March, 2015 beyond which, the Tariff for unmetered categories shall be discontinued.

New Slabs based on consumption

11.1.12 Tariff has been designed in such a way that the effective tariff for the high consumption consumers would be higher than those who consume less electricity. This would discourage the consumers to use more electricity and will contribute in electricity savings. The Commission has introduced new slabs in LMV-1, LMV-2, LMV-4 and LMV-6 categories which will ensure the above philosophy.

Rural Rebate

11.1.13 The Licensee in its Petition has submitted that in the present scenario the supply to rural consumers is scheduled at approximately 10 hrs per day. However there has been constant demand for increase in supply hours over the years from the rural consumers. Therefore, with a view to match the demand and plan to supply more power to the rural consumers to supply by upto 14 hrs per day, there would be adverse affect on the cash flows due to low tariffs for the rural consumers. In view of the same, to meet the required cash gaps the Licensees have proposed to decrease the rebate allowed for rural consumers in the tariff rates from 15% to 7.5%.

11.1.14 The Commission appreciates that the Licensees are planning to increase the number of supply hours for the rural consumers. As consumers are also of the same view to increase the supply hours and are also ready to pay higher if they get electricity supply for considerable duration during a day. The Commission considering the same has accepted the proposal of the Licensee.



However since the acceptance of above proposal of the Licensee will eventually result in a slightly higher tariff for rural consumers, thus the Licensee must ensure that the above proposal is not confined to mechanism of increasing the tariffs and revenue but the Licensee must ensure that it supplies the committed 14 hours of supply in rural areas. Further, **the Licensee is also directed to submit a note on the same detailing the area-wise actual number of supply hours provided to such rural area by the end of FY 2014-15, failing which the Commission would resort to take appropriate action in this regards during the subsequent Tariff proceedings.**

Billable Demand Multiplier

- 11.1.15 The Licensees have submitted that most of the States have designed their tariff structure restricting the billable demand multiplier at 85% of the contract demand, whereas in Uttar Pradesh the same has been designed at 75%. Therefore the Licensees have proposed the same to be aligned with Other States and to be set at 85%. This will in turn ensure better predictability of demand, better load management and efficient procurement of power.
- 11.1.16 It may be noted that there has been huge gap in demand and supply in the State, as a result of which the Licensees are not being able to supply 24 hours electricity to its consumers. The comparison made by the Licensees with the other States where demand multiplier is higher would not be appropriate as the demand supply situation in such States is much better than Uttar Pradesh. Considering the same, the Commission is of the view that unless the Licensees improve the demand supply situation, any increase in the billable demand multiplier would be unjustified burden on the consumer. Thus, the Commission in this Order has continued to keep the billable demand multiplier same as approved in the previous Order i.e. 75%. The Commission



for clarity has also modified and explained the relevant provisions for the billable demand and penalty for excess demand in the Rate schedule.

Time of Day Tariff

- 11.1.17 Licensees submitted that 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. Licensees also submitted the load pattern of UP over the last 2 years. The Licensees in view of the same proposed to revise the TOD slabs for peak hours, normal hours and off-peak hours. Licensees have proposed to have separate TOD slabs during summer season (i.e. April to September) and winter season (i.e. October to March). The Licensees vide email dated 4th August, 2014 on specific query raised by the Commission also submitted revised TOD slabs wherein minor change was made in TOD slabs for winter season.
- 11.1.18 It has been observed that apart from shifting the timings for the peak hours, normal hours and the off-peak hours, the Licensees have also increased the number of hours applicable for the peak period and has reduced the number of hours applicable for off-peak and normal period which will effectively increase the tariff for the consumers. 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 is of the view that the ToD tariff should be a tool only to effectively undertake the DSM measure and flatten the load curve but not as a source of additional revenue. Further, any revision in the ToD Tariff should not have any additional impact on the total revenue as the Distribution Licensees are already getting benefited by better power purchase planning and savings in power purchase expenses. Thus, the Commission is of the view that accepting any TOD design which would increase the effective tariff of the consumers would not be appropriate and would unduly burden the consumers. The Commission in this Tariff Order has therefore not made any change in the TOD slabs applicable for LMV-6 and HV-2 categories.

Life-line consumers

- 11.1.19 Licensees submitted that the Tariff Policy contemplates that the consumptions norms for lifeline consumers should be restricted to 30 units per month. Most of the States have designed their tariff structure for the lifeline / BPL category in line with the tariff policy except Punjab which has a consumption norm of up to 200 units / month but the Punjab Govt. provides 100% subsidy for this purpose. However, no subsidy is provided by the Government of Uttar Pradesh for this particular category of consumers. The rate for this category is much below against cost of supply which results in huge uncovered revenue gap. Accordingly the Licensees proposed that the consumptions norms for the lifeline consumer category may be aligned with Other States and in compliance with Tariff Policy. Therefore, to ensure that only genuine lifeline consumers gets the benefit of this rate slab and also in accordance with the provisions of tariff policy, the ceiling consumption range are proposed to be reduced from 150 units per month to 50 units per month. However to provide



additional relief to such consumers the energy rate per unit has been reduced from 2.20 per kWh and 2.60 per kWh to a single rate of Rs. 2.00 per kWh.

- 11.1.20 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. Tariff for the mentioned category had been given in two slabs i.e. (0 to 100 kWh / month) and (101 to 150 kWh / month). Thus, in spirit of the National Electricity Policy, the Commission in this Order, has changed the slabs for the lifeline consumers and has given lower tariff for consumers with consumption up to 50 kWh / month. In view of the same, to ensure that the burden on the genuinely poor consumers get reduced the Commission has also reduced the Tariff for the lower slab and has marginally increased the tariff in the higher slab as depicted in the Rate Schedule.

Rebate on Timely Payment:

- 11.1.21 The Commission in its Tariff Order for FY 2003-04 had abolished the rebate on timely payment stating that the consumers already enjoys a considerable period of credit as the due dates for the payments are on post paid basis. The Commission in the mentioned Order also stated that unless the rebate results in better realisation and specifically proposed by the Licensees such rebate should not allowed. However, it has been observed that over the years the collection efficiency of the Licensees have reduced and resultantly many OTS schemes have to be launched so as to recover the arrears. The Commission is of the view that the many consumers who do not make the payments in time get the OTS waivers and resultantly does not have to pay the full amount of surcharge. The Commission is of the view that if a nominal rebate to the consumers for timely payment can improve the collection efficiency and the cash flows of the Licensees, then why the Licensees have never proposed for such rebate. The Licensees must understand that such rebates would be beneficial for the Licensees resulting in better cash flows. Further, there has



been a long pending demand by the consumers to reward the honest consumer paying on time. Thus, considering the same, the Commission in has decided to give a rebate of 0.25% to the consumers who pays the bills in time i.e. before due date.

Rebate for Prepaid Meters:

11.1.22 In order to encourage the prepaid meters, the Commission has allowed the rebate of 1.25% on the Rate of Charge for the consumers having prepaid meters.

Delayed Payment Surcharge / Penalty:

11.1.23 Further, to discourage the late payment of electricity bills the Commission has revised the applicable surcharge / penalty on the late payment of bills to 1.5% per month (based on number of days for which the payment is delayed from the due date).

Load factor rebate

11.1.24 Distribution Licensees have proposed to abolish the load factor rebate applicable to various categories. Licensee further, submitted that the Load factor rebate had been introduced earlier in large and heavy consumers to curb the theft of electricity. But, now Licensees has installed high precision meters to monitor the trend and other parameters and as such it appears that there is no need to provide incentive for consumption.

11.1.25 The Commission appreciates that the Licensees for installing the high precision meters which would benefit both the Licensees and the consumers. The Load factor rebate encourages the consumers to consume more electricity. Load factor rebate also defeats the approach of the Commission,



that the tariff for consumers, consuming more electricity should be higher. Considering the same, the Commission has decided to abolish the load factor rebate as proposed by the Distribution Licensees.

Single point buyer

11.1.26 It has been general grievance of the consumers that the single point buyers under LMV-1 and HV-1 categories charge variably from it end consumers and earns lot of profit by selling electricity at higher rates. The Commission is of the view that the body seeking the supply at Single point connection for bulk loads under the mentioned categories are responsible for all the activities to supply electricity from the single point connection to the end consumers. The Commission understands that such activities also involve certain amount of cost which is required to be recovered from the end consumers. It has been observed that such additional cost is usually charged from the consumers through a separate maintenance bill or is included in the electricity bill itself. The Commission is of the view that such single point buyer should not be entitled for any unreasonable profits but should be allowed to recover the cost it incurs for supply of electricity. In view of the same, and as depicted in the Rate Schedule the Commission has specified maximum limit of 10% for the single point buyer to charge the end consumers over and above the actual Rate & other applicable charges.

Protective Load:

11.1.27 The Licensees have proposed certain changes applicability of the protective load. Licensees have proposed to add the word “grid” before the substation. It has been further submitted that providing continuous supply to a sub-station is not possible without continuous supply to a Grid substation, as a Grid substation is the primary sub-station of the transmission license. Further, the Licensee has also proposed to abolish the discounted portative load charges for LMV-4 (A) – Public institutions.



11.1.28 It is clear that the above proposed changes would increase the revenue for the Licensees, however before approving such changes, the impact of the same on the consumers should also be estimated. In absence of the details submitted by the Licensees the Commission has not been able to estimate the revenue / tariff impact on the consumers. Thus, the Commission has retained the existing provisions in this regard. The Commission directs the Licensees if such changes are required to be made, the estimated impact along with detailed computations should be submitted to the Commission in ARR / Tariff Petition for FY 2015-16.

Tariff for Jhuggi / Hutments and Patri shopkeeper:

11.1.29 The Commission has included the required provisions for applicability of Tariff for Jhuggi / Hutments and Patri shopkeeper in the Rate schedule.

Rebate for using Solar water heater.

11.1.30 In order to encourage the use of solar energy which will conserve electricity, the Commission has introduced a rebate to the consumers who installs and uses the solar water heater.

Increase in tariff

11.1.31 The Commission has approved a nominal increase in various categories endeavouring that the tariff for various categories should remain within the range of +/-20% of the average cost of supply. However, as the increase in tariff is not only due to increase in ACOS but also for the part recovery of the large accumulated revenue gap for previous years, the tariff for few categories is nominally beyond the limit of +/- 20% of ACOS.



Modification in the OTS Scheme

- 11.1.32 As depicted in the Rate Schedule the Commission has also made certain modifications in the OTS (One Time Settlement) Scheme for best utilisation of this scheme.
- 11.1.33 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 15.2**. In case of any inconformity, the Rate schedule shall prevail over the details given in the various sections of this Order.



12. REVENUE AT REVISED TARIFF AND REVENUE GAP:

12.1 REVENUE FROM SALE OF POWER AT APPROVED TARIFF

12.1.1 As detailed in the previous Chapter, the Commission has revised the Tariff for different categories. The Tariff so published shall become the notified Tariff applicable in the area of supply and shall come into force after seven days from the date of such publication of the Tariff, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order. Considering the period of applicability, the revenue at revised Tariff for FY 2014-15 is worked out as under:

**Table 12-1: REVENUE FROM SALE OF POWER AT APPROVED TARIFF FOR FY 2014-15
FOR PuVVNL (Rs. Crore)**

Consumer categories	Approved Revenue FY 2014-15
LMV-1: Domestic	2191.36
LMV-2: Non-Domestic	734.40
LMV-3: Public Lamps	117.25
LMV-4: Institutions	446.75
LMV-5: Private Tube Wells	228.20
LMV-6: Small and Medium Power	410.90
LMV-7: Public Water Works	431.46
LMV-8: State Tube Wells	410.62
LMV-9: Temporary Supply	10.43
LMV-10: Departmental Employees	23.91
HV-1: Non-Industrial Bulk Loads	207.58
HV-2: Large and Heavy Power	926.12
HV-3: Railway Traction	396.97
HV-4: Lift Irrigation	546.09
Sub-total	7082.02
Extra State & Bulk	0.00
Total	7082.02



12.1.2 The revenue increase due to revision in Tariff for PuVVNL would be Rs. 387.02 Crore (Rs. 7082.02 Crore – Rs. 6695.00 Crore).

12.1.3 The estimated gap / surplus after incorporating impact of revised Tariff for FY 2014-15 for the period of 6 months for PuVVNL is given in the Table below:

Table 12-2: ESTIMATION OF ARR GAP/SURPLUS AT REVISED TARIFF FOR FY 2014-15 (Rs. Crore)

Particulars	Petitioner	Approved
Revenue Gap for FY 2008-09	1568.10	829.75
Revenue Gap for FY 2009-10	1083.48	711.56
Revenue Gap for FY 2010-11	1925.91	934.66
Revenue Gap for FY 2011-12	2337.06	1661.09
Revenue Gap for FY 2008-09 to FY 2011-12	6914.55	4137.06
Revenue Gap / (Surplus) for FY 2014-15 (at existing Tariff)	1905.04	188.90
Increase in Revenue due to revision in Tariff	695.00	387.02
Total approved revenue for FY 2014-15 (Excluding Regulatory Surcharge)	7456.95	7082.02
Net Revenue Gap for FY 2014-15 after tariff increase (Including gap for FY 2008-09 to FY 2011-12)	8124.59	3938.95

12.2 AVERAGE COST OF SUPPLY

12.2.1 As discussed earlier, the Commission has taken into consideration the percentage increase in Tariff with respect to Average Cost of Supply while approving the tariff. For instance during FY 2014-15, the average billing rate (ABR) at existing Tariff would have been Rs. 4.97 / kWh (Consolidated for Distribution Licensees' namely DVVNL, MVVNL, PVVNL and PuVVNL), while the average cost of supply is Rs. 6.11 /kWh (Consolidated for Distribution Licensees' namely DVVNL, MVVNL, PVVNL and PuVVNL) as against the ACOS of Rs. 7.09 / kWh projected by the Licensees. Thus, the Tariff would have been 81.35% of ACOS approved by the Commission. After revision of the Tariff, as approved in this Order, the average billing rate (ABR) would be Rs. 5.41 / kWh, thus, the Tariff would be 88.59% of ACOS, which is a step towards achieving /



keeping the Tariff within +/- 20% of Average Cost of Supply as per the Tariff Policy.

12.2.2 In the instant Tariff Order, the cross subsidy structure has marginally changed as the ACOS has not undergone any significant change, however, for the recovery of accumulated revenue gap the tariff has been increased to some extent. The table below summarises the per unit revenue realisation (average billing rate) as a percentage of ACOS (Consolidated for Distribution Licensees' namely DVVNL, MVVNL, PVVNL and PuVVNL).

Table 12-3: REVENUE REALIZED AS % OF ACOS

Consumer Categories	Existing Tariff		Revised Tariff	
	Avg Revenue (Rs. / kWh)	Avg Revenue / unit % of ACOS	Avg Revenue (Rs. / kWh)	Avg Revenue / unit % of ACOS
LMV-1: Domestic	3.58	59%	4.00	65%
LMV-2: Non-Domestic	6.24	102%	6.63	108%
LMV-3: Public Lamps	6.34	104%	6.49	106%
LMV-4: Institutions	7.13	117%	7.29	119%
LMV-5: Private Tube Wells	1.61	26%	1.76	29%
LMV 6: Small and Medium Power	7.07	116%	7.85	128%
LMV-7: Public Water Works	6.58	108%	7.27	119%
LMV-8: State Tube Wells	7.00	114%	8.19	134%
LMV-9: Temporary Supply	5.99	98%	6.58	108%
LMV-10: Departmental Employees	1.96	32%	2.70	44%
HV-1: Non-Industrial Bulk Loads	7.48	122%	8.18	134%
HV-2: Large and Heavy Power	7.04	115%	7.49	123%
HV-3: Railway Traction	7.00	114%	7.30	119%
HV-4: Lift Irrigation	6.91	113%	7.49	123%
Sub-total	4.97	81%	5.42	89%
Extra state & Bulk	3.92	64%	3.83	63%
Total	4.97	81%	5.41	89%

12.3 REGULATORY SURCHARGE



12.3.1 The Commission, in its suo-motu Tariff Order dated 31st May, 2013, had allowed the Regulatory Surcharge for liquidation of part Regulatory Assets admitted by the Commission in its Order dated 21st May, 2013 at 3.71% of Rate of charge, which was applicable till end of FY 2013-14. The Commission, in the above mentioned Order, had allowed recovery of 50% of the total revenue gap approved by the Commission vide Order dated 21st May, 2013 for trueing up of ARR for FY 2000-01 to FY 2007-08.

12.3.2 The Commission, on a separate Petition filed by the Distribution Licensees, issued an Order on 6th June, 2014 for extension of the Regulatory Surcharge for the recovery of balance 50% of admitted Regulatory Asset in which the performance linked regulatory surcharge of 2.84% was approved by the Commission to recover the regulatory asset within 2 years. The relevant extract of the same is reproduced below:

“In view of the above, the applicable Regulatory Surcharge for FY 2014-15 shall be 2.84%. However, the Regulatory Surcharge for FY 2015-16 (i.e. from 1st April, 2015 to 31st March, 2016) shall be linked with the actual performance of FY 2014-15. That is in case the Distribution Licensees fail to achieve the target Distribution Losses of FY 2014-15, the Regulatory Surcharge for FY 2015-16 shall be reduced in proportion to the losses under-achieved by the Licensees as compared to the target losses for FY 2014-15. The performance of the Distribution Licensee shall be measured from the actual distribution losses as submitted by the Licensee for FY 2012-13 in its Tariff Petition for FY 2014-15.”

12.3.3 Distribution Licensees have filed a review Petition on the above mentioned Order of the Commission. The Licensees, in their Petition, have stated that for computing the Regulatory Surcharge of 2.84%, the carrying cost considered, i.e., 10%, is on the lower side. The Licensees have requested the Commission to allow the carrying cost of 14.45% based on the SBI PLR prevailing in May-June, 2013. Further, the Licensees have also stated that the philosophy of the Commission is not correct and the Regulatory Surcharge recovery should not be linked with the performance of the Licensees.



12.3.4 The Commission, in its Order, has already detailed the reasoning for linking the Regulatory Surcharge recovery with the performance of the Licensees and has computed the Regulatory Surcharge considering an appropriate level of carrying cost. The Commission finds no merit in the submission of the Licensees. Further, the recovery mechanism of the Revenue gap approved till true-up of ARR for FY 2000-01 to FY 2007-08 has been detailed in the above mentioned Order dated 6th June, 2014, and the same shall be continued.

12.4 TREATMENT OF REVENUE GAP / REGULATORY ASSET ADMITTED IN THIS ORDER

12.4.1 The consolidated revenue gap admitted by the Commission after undertaking the Truing up of FY 2008-09 to FY 2011-12 and determining the ARR and revenue for FY 2014-15 is summarised in the table below:

Table 12-4: SUMMARY OF CONSOLIDATED REVENUE GAP FOR 4 STATE OWNED DISTRIBUTION LICENSEES ADMITTED BY THE COMMISSION (Rs. Crore)

Particulars	Petitioner	Approved
Revenue Gap for FY 2008-09	5171.90	2502.41
Revenue Gap for FY 2009-10	5001.64	2632.81
Revenue Gap for FY 2010-11	6047.09	2800.45
Revenue Gap for FY 2011-12	8366.07	5264.77
Revenue Gap for FY 2008-09 to FY 2011-12	24586.71	13200.44
Revenue Gap / (Surplus) for FY 2014-15 (at existing Tariff)	8152.44	82.57
Increase in Revenue due to revision in Tariff	3077.00	1342.63
Total Revenue Approved by the Commission for FY 2014-15 (Excluding Regulatory Surcharge)	33327.62	31530.55
Revenue Gap of FY 2014-15	29662.15	11940.38

12.4.2 It may be observed that even after a considerable increase in Tariff allowed by the Commission in this Order, there is still a large accumulated revenue gap of



Rs. 11940.38 Crore (consolidated for 4 state owned Distribution Licensees). The huge and ever increasing cumulative revenue gap to be recovered from the consumers is a matter of great concern for the Commission as well as the Licensees. The consumers on the other hand are aggrieved with the poor quality of supply and services being rendered by the Licensees and the constantly rising tariff. The Commission issued an In-house paper on recovery of the cumulative revenue gap in which it was stated that the recovery of the accumulated revenue gap if allowed to be recovered in less than three years may result in a massive tariff shock for the consumers. In view of the same and considering such a huge amount of accumulated revenue gap / regulatory asset, the Commission in its In-House paper proposed the recovery of the same in more than 3 years to avoid any tariff shock to the consumers. The above methodology may however be in variation with the provisions of the Distribution Tariff Regulations, 2006 and the findings of the Hon'ble ATE in its Judgment in OP No. 1 of 2011 but would be the most appropriate way for recovering the gap in the current scenario of large accumulated revenue gap. However, the Licensees submitted that the recovery of the accumulated revenue gap / regulatory asset may be allowed in a period not exceeding 3 years at the most and preferably within the control period which is line with the findings of the Hon'ble ATE.

- 12.4.3 It may be noted that the total accumulated revenue gap / regulatory asset of Rs. 11940.38 Crore if allowed to be recovered within 3 years would result in an additional regulatory surcharge of around 16%. It may be noted that along with other reasons the major reasons which have resulted in such a huge accumulated revenue gap / regulatory asset are (a) Not filling the FPPCA Petition and (b) Late filing of the True-up Petitions. If the Licensees would have filed the FPPCA and True-up Petitions on time the accumulated revenue gap / regulatory asset would have been much lower. And in such a case the recovery of the same could have been allowed within 3 years of time. However, in the current scenario it would not be appropriate to give a huge tariff shock to the consumers. Also the Hon'ble ATE in its various Judgments has ruled that the increase in Tariff should not result in tariff shock for the consumers. A relevant extract of the Hon'ble ATE's Judgment in Appeal No.10



of 2013 & I.A. Nos. 29 & 30 of 2013 dated 25th October, 2013 in matter of Association of Approved & Classified Hotels vs Kerala State Electricity Regulatory Commission and Kerala State Electricity Board is reproduced below:

“21. Summary of our findings

The tariff determined by the State Commission for HT IV Commercial Category is inconsistent with the provisions of Act and Tariff Policy and the dictum held by this Tribunal in various judgments. The tariff of consumers of this category has been increased exorbitantly giving them tariff shock. Accordingly, the tariff fixed by the State Commission for HT IV Commercial Category is set aside and they will be charged at the tariff as proposed by the Electricity Board in their petition to the State Commission i.e. fixed charges of Rs. 400 per kVA per month and energy charges of Rs. 5.50 per kWh...”

12.4.4 Giving due consideration to the view of the Hon’ble ATE it may not be appropriate to allow the recovery of the entire accumulated revenue gap / regulatory asset within 3 years of time which may result in Tariff shock to the consumers. Having considered the existing Regulatory surcharge as per Commission’s Order dated 6th June, 2014, the Commission for liquidation of the Regulatory asset as approved in this Order has decided to introduce a separate regulatory surcharge of 2.38% applicable on “**RATE**” as defined in the Rate Schedule for FY 2014-15. **Such surcharge would be applicable in the supply areas of DVVNL, MVVNL, PVVNL and PuVVNL.** The details are provided in the table below:

Table 12-5: REGULATORY SURCHARGE FOR FY 2014-15

Particulars	PVVNL	MVVNL	DVVNL	PuVVNL	Consolidated for 4 Discoms
Revenue Gap for FY 2008-09	197.75	764.56	710.34	829.75	2502.41
Revenue Gap for FY 2009-10	346.92	795.07	779.27	711.56	2632.81
Revenue Gap for FY 2010-11	75.10	702.74	1087.94	934.66	2800.45
Revenue Gap for FY 2011-12	876.71	1441.65	1285.31	1661.09	5264.77



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Particulars	PVVNL	MVVNL	DVVNL	PuVVNL	Consolidated for 4 Discoms
Revenue Gap for FY 2008-09 to FY 2011-12	1496.49	3704.02	3862.86	4137.06	13200.44
Revenue Gap / (Surplus) for FY 2014-15 (at existing Tariff)	-767.64	325.91	335.39	188.90	82.57
Increase in Revenue due to Tariff revision	445.66	252.22	257.73	387.02	1342.63
Total approved revenue for FY 2014-15	11313.28	6354.40	6780.85	7082.02	31530.55
Net Revenue Gap for FY 2014-15 after tariff increase (Including gap for FY 2008-09 to FY 2011-12)	283.19	3777.71	3940.53	3938.95	11940.38
Carrying Cost on the Regulatory Asset	8.26	110.16	114.90	114.86	348.18
Recovery through Regulatory Surcharge	133.35	74.90	79.93	83.48	371.65
Net Revenue Gap after considering part recovery of Regulatory Asset admitted by the Commission in this Order	158.10	3812.97	3975.51	3970.33	11916.90

12.4.5 It has been further, observed that the Distribution losses of the Licensees have been consistently higher as compared to the losses approved by the Commission. Further as detailed earlier in this Order, only 33% of the households in the State have authorised electricity connection, which is quite a saddening affair and results in huge revenue loss. Such lower number of consumers having electricity connection clearly indicates the poor performance of the Licensees. The Commission is of the view that the utilities cannot be given a free hand to keep incurring the losses due to inefficiencies while the consumers are forced to pay for these losses. Even though the case for Regulatory Surcharge is well made out but it needs to be supported by the positive evidence of the efforts made by the licensee to reduce losses and achieving the target consumer addition so as to increase the revenue realisation. The Commission is therefore of the view to approve the Regulatory Surcharge linked with the performance parameters. This performance linked



Regulatory Surcharge will hopefully motivate the Licensee to take concrete steps to reduce the losses and achieve the target consumer addition.

12.4.6 The above philosophy of the Commission can be supported by the fact, that in the deficit scenario prevailing in the State the under-achievement of the Distribution Losses results in lower sales which further, results in lower overall revenue. Also, the higher number of consumer base can result in higher revenue realisation for the Licensees. Further, as the recovery of Regulatory Surcharge is also proportionate to actual Revenue for the year, therefore the higher losses and lower consumer base would result in lower recovery of Regulatory Surcharge. In such a case it would not be appropriate to pass on the above under-recovery of Regulatory Surcharge to the consumer which has been resulted due to the under-performance of the Distribution Licensees.

12.4.7 In view of the above, the applicable Regulatory Surcharge for FY 2014-15 shall be 2.38%. However, the Regulatory Surcharge for subsequent year shall be linked with the actual performance of the Licensees in previous year i.e. the regulatory surcharge for FY 2015-16 will depend on the performance of the Licensees in FY 2014-15. In case the Distribution Licensees fail to achieve the target consumer addition or the target distribution losses in FY 2014-15, the regulatory surcharge for subsequent year i.e. FY 2015-16 shall be reduced by 10% over the applicable regulatory surcharge for the previous year (i.e. FY 2014-15). The Commission at the end of FY 2015-16 shall again review the applicability of the regulatory surcharge for future years i.e. beyond 2015-16 based on the actual performance of Licensee in the past years.

12.4.8 It may be clarified that the Regulatory Surcharge reduced on account of the under-achieved performance targets shall be considered as deemed recovery. The Commission after accounting the actual recovery and the deemed recovery shall true-up the over / under recovery of the accumulated Regulatory Surcharge while undertaking the Truing up of the relevant year.

12.4.9 The Licensees are directed to depict the Regulatory Surcharge separately and distinctly in the electricity bills of the consumers. The Commission directs the



Licensee to maintain separate accounting fields for both the regulatory surcharges approved vis-a vis the Commission's Order dated 6th June, 2014 and that approved in this Order, and capture the two different amounts collected as Regulatory Surcharges in both of its financial and commercial statements. This would enable the Licensee to correctly report the amounts collected towards Regulatory Surcharges.

12.4.10 The Distribution Licensees are directed to submit the actual Regulatory Surcharge recovered in FY 2014-15 on account of the Revenue Gap / Regulatory Asset admitted by the Commission in this Order along with the actual Distribution Losses achieved in FY 2014-15 and additional target consumers added in FY 2014-15 by 15th April, 2015.

12.4.11 Based on the achievement or under-achievement of target Distribution Losses and consumer addition target the Regulatory Surcharge for subsequent financial year i.e. FY 2015-16 shall be revised as detailed in Para 12.4.7 above and the same shall be applicable for FY 2015-16.

12.4.12 Further, the targets for consumer addition as given by the Commission for FY 2014-15 must be taken earnestly by the Licensees as it will affect the tariff approvals for FY 2015-16. In case the Licensee is not able to achieve the consumer addition targets in FY 2014-15, then the tariff for FY 2015-16 shall be deducted by 10% from the level to be approved for FY 2015-16.

12.4.13 Further, the huge and ever increasing cumulative outstanding revenue gap to be recovered from the consumers is a matter of great concern for the Commission as well as the Licensees. The Commission further directs the Licensees to also consult the Government for providing any relief in this matter which is of great concern.



13. DIRECTIVES

13.1 DIRECTIVES PROVIDED BY COMMISSION AND THEIR COMPLIANCE BY LICENSEE

13.1.1 The Commission had issued several directives to the Licensee in the previous Tariff Order dated 31st may, 2013. The status of compliance as submitted by the Licensee is as detailed in the following Table:

TABLE 13-1: STATUS OF COMPLIANCE OF DIRECTIVES

S. 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 Licensee to pressingly pursue the proposal for allocation of PPAs to Discoms with GoUP and expedite the process of allocation.	Immediate	Licensee submitted that the draft proposal for allocation of PPAs to Discoms has already been sent to GoUP for notification and the matter is still pending at GoUP level.	The Licensee should expedite the process of allocation and submit the status of the same in next Tariff filling.
2	The Commission directs the Licensee to file its ARR / Tariff Petition for FY 2014-15 along with True up Petition for FY 2011-12 based on audited accounts.	By 30 th November, 2013	Licensee submitted that the current petition is being filed by in a time bound manner. The true up for FY 2011-12 based on audited accounts is	-



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
			also being filed along with the ARR Petition	
3	The Commission directs the Licensee to submit the supplementary audit report of the AGUP for FY 2009-10 and 2010-11.	Within 7 days of the date of its finalization by the AGUP	Licensee submitted that the supplementary audit report of the AGUP for FY 2009-10, 2010-11 and 2011-12 are being filed along with the current Petition.	-
4	The scheme of the Act requires the Licensee to work with complete functional autonomy and independence. The Commission, with a view to ensure functional autonomy, independence, transparency and regulatory discipline, hereby direct, that in case of all future ARR submissions, each distribution Licensee shall file independent ARR petitions, rate schedule, response to deficiency notes, additional submissions, response to	Along with the petition for FY 2014-15	Licensee submitted that it has filed the ARR Petition independently. However, UPPCL which is the holding company, would play a coordinating role for which Board of Directors of Licensee has authorized R.A.U. UPPCL	-



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	stakeholder queries, etc directly before the Commission and not through its holding company namely UPPCL.			
5	The Commission directs the Licensee to pressingly pursue the GoUP for finalization of the Transfer Scheme and submit a copy of the same.	Within 3 months	Licensee submitted that matter is being handled through the holding company namely UPPCL on behalf of all the Discoms which is pressingly pursuing the matter with the GoUP for the finalization of the Transfer Scheme.	The Licensee should expedite the process of finalization of transfer scheme and submit the status of the same in next Tariff filling.
6	The Commission reiterates its direction to the Licensee to ensure proper maintenance of detailed fixed assets registers as specified in the Distribution Tariff Regulations. As the fixed asset registers are pending since the creation of Discom, the Commission directs the Licensee to submit	Immediate	Licensee submitted that suitable steps are being taken to ensure compliance with the directions of the Commission. Instructions have been issued to field units to ensure compliance with the directives of the Commission.	The Commission cannot give indefinite time for preparation of the FAR. Licensee should submit the same in next ARR filling.



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	<p>a status report and provide the proposed timelines / milestones for clearing the backlog.</p> <p>The Commission understands that clearing the backlog would take substantive time. In order to ensure that fixed asset registers are timely and regularly prepared going forward, the Commission directs the Licensee to prepare the fixed asset registers duly accounting for the yearly capitalizations from FY 2012-13 onwards. The capitalization for the period before that may be shown on gross level basis. This dispensation is merely to ensure that the proper asset registers capturing all necessary details of the asset, including the costs incurred, date of commissioning, location of asset, and all other technical</p>			



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	<p>details are maintained for the ensuing years. However, the Licensee would also be required to clear the backlog in a time bound manner. Upon finalization of the Transfer Scheme and clearing of backlog, the Licensee may update the fixed asset registers appropriately by passing necessary adjustments.</p>			
7	<p>The Commission directs the Licensee to submit its share of apportioned O&M expenses of UPPCL from FY 2007-08 onwards. The same would be considered along with the true up petitions filed by the Licensee.</p>	<p>Within 1 month</p>	<p>Submitted to the Commission</p>	<p>-</p>
8	<p>The Commission directs the Licensee to frame an appropriate policy on capitalization of (i) employee costs, and (ii)</p>	<p>Along with the petition for FY 2014-15</p>	<p>The licensee's policy on capitalization of (i) employee costs, and (ii) A&G expenses has been provided in the Notes on Accounts annexed with the</p>	<p>The Licensee has quoted the extract of the audited accounts. However, still the</p>



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	A&G expenses.		<p>audited accounts which is reproduced below:</p> <p>“Due to multiplicity of functional units as well as multiplicity of function at particular unit, employee cost and general & administration expenses to capital works are capitalised @ 15% on distribution and deposit work, 11% on other works on the amount of total expenditure.”</p>	<p>Licensee has not framed any policy in the same. Licensee should frame a policy capitalization of (i) employee costs, and (ii) A&G expenses. Licensee should also submit a detailed note on the framed policy in its next ARR filing.</p>
9	The Commission directs the Licensee to submit Fresh Actuarial Valuation Study Report in respect to employee expenses.	Along with the petition for FY 2014-15	Licensee submitted that the matter would be taken up at UPPCL level as the employees the Licensee are not its core employees but common employees across all 4 Discoms, UPPTCL and UPPCL.	As directed in the previous Order, the Licensee should submit the Fresh Actuarial Valuation Study Report in respect to employee expenses in its next ARR filing.



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
10	The Commission directs the Licensee to submit statutory auditor certificate towards pay revision impacts which are uncontrollable in nature in FY 2008-09, 2009-10, 2010-11 and 2011-12.	Within 1 month	It is humbly submitted that the arrear position provided in the True up Petition is as per the audited accounts and may kindly be considered for approval. The detailed yearly break-up of the same is being compiled.	-
11	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	Within 1 month	Licensee submitted that it has recently framed a policy for identifying and writing off old arrears which has been provided to the Commission along with this submission. Appropriate directions have been issued to the field units to compile the sample cases based on this recently issued order of the licensee.	As per Regulation 4.4 of Distribution Tariff Regulations the Licensee is required to take prior approval of the Commission for policy on bad debts. Further, such policy should detail the mechanism to identify



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	framework for managing bad debts for the Commission's perusal.			consumers who are not paying up and ensure that Licensee has made adequate attempts to collect from such consumers.
12	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.	Within 4 months	The Licensee submitted that the same would be taken up subsequent to the notification of the Multi Year Tariff Regulations which are current under formulation.	-
13	The Commission directs the Licensee to submit a long term business plan in accordance with Clause 2.1.7 of the Distribution Tariff Regulations.	Within 3 months	Licensee submitted that the same would be taken up subsequent to the notification of the Multi Year Tariff Regulations which are current under formulation.	-



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	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.			
14	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.	Within 3 months	Licensee submitted that The Commission has written a letter to the licensee dated 3 rd February, 2014 indicating the scope of work for the benchmarking studies. Based on the	The Licensee should expedite the process and update the Commission in its next ARR filing.



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
			letter from UPERC, the Terms of Reference for the benchmarking studies is being revised.	
15	<p>The Commission directs the Licensee to conduct proper loss estimate studies for assessment of technical and commercial losses under its supervision so that the Commission may set the base line losses in accordance with Clause 3.2.3 and Clause 3.2.4 of the Distribution Tariff Regulations and submit the report to the Commission.</p> <p>The study shall segregate voltage-wise distribution losses into technical loss (i.e. Ohmic/Core loss in the lines, substations and equipment) and commercial loss (i.e. unaccounted energy due to metering inaccuracies/inadequacies, pilferage of</p>	Within 3 months	Licensee submitted that PFC Consulting Ltd has been appointed by the Licensee to draft a strategy paper for the turnaround of the distribution licensees which covers the voltage wise loss studies.	The Licensee should expedite process and complete the study at the earliest.



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	energy, improper billing, no billing, unrealized revenues etc.).			
16	The Commission directs the Licensee to submit completion report in respect of all capital projects which have achieved the Commercial Operation Date during FY 2011-12 in accordance with Clause 4.5.7 of the Distribution Tariff Regulations.	Along with the true up petition for FY 2011-12	Licensee submitted that as per the principles laid down in the Distribution Tariff Regulations, 2006 submission of Project Completion Reports are required to be submitted in cases where prior approval for capital expenditure has been obtained from the Commission. As the individual distribution capex schemes were below the threshold limit, hence no prior approval was obtained.	-
17	The Commission directs the Licensee to conduct Cost of Service studies which would serve as a tool for alignment of costs and charges and submit details regarding the cost of service studies for each category or voltage level.	Within 6 months	Licensee submitted that PFC Consulting Ltd has been appointed by the Licensee to draft a strategy paper for the turnaround of the distribution licensees which covers the assessment of cost of service for different categories of consumers.	The Licensee should expedite process and complete the study at the earliest.



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
18	Commission directs the Licensee to submit a road map for 100% metering in its licensed area. However, based on the ground realities, if the Distribution Licensee seeks exemption towards its metering obligation for any particular category of consumers, it must provide the Commission revised norms specific for its supply area, based on fresh studies, for assessment of consumption for these categories. Sales forecast for un-metered categories shall be validated with norms approved by the Commission on the basis of above study carried out by the Licensee.	Within 2 months	Licensee submitted that this work is being taken up under the R-APDRP scheme. 100% Metering would be achieved during the FRP period	The Licensee is directed to achieve 100% metering within 6 months of time.
19	The Commission directs the Licensee to install electronic meters in the residential	Within one month	Licensee submitted that Section 23 (7) of Electricity Reforms Act, 1999	The referred statutory provision nowhere



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	consumers under LMV-10 category and submit a progress report every month.		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 same spirit has been echoed under first proviso of section 133 (2) of the Electricity Act, 2003. The benefits for employees / pensioners as provided in section 12 (b) (ii) of the Uttar Pradesh Reform Transfer Scheme, 2000 include "concessional rate of electricity", which means concession in rate of electricity to the extent it is not inferior to what was existing before 14 th January, 2000.	specifies that the LMV-10 consumers can be unmetered supply. The Commission again directs the Licensee to install electronic meters in the residential consumers under LMV-10 category and submit a progress report every month.
20	The Commission directs the Licensee to submit data related to its peak demand	Along with the petition for FY	Licensee submitted that Commission has approved the MYT Regulations and	The Licensee should ensure the compliance



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	and off peak demand in MW along with its sales projections in accordance with Clause 3.1.4 of the Distribution Tariff Regulations.	2014-15	has sent them for notification. It is understood that subsequent to the notification of the MYT Regulations, the Tariff Regulations of 2006 would cease to be applicable. The Licensee would take suitable steps to abide by the stipulations of the new regulations subsequent to its notification.	of the Commission's directions based on the MYT Regulations to be notified.
21	The Commission directs the Licensee to reconcile the inter-unit balances lying unreconciled either itself or through independent chartered accountant firms.	Along with the petition for FY 2014-15	Licensee submitted that the determination of tariff is done by the Commission on normative basis based on the Tariff Regulations. As such the inter-unit reconciliation has no forbearance on the ARR and Tariff determination and assessment of	The Commission has however, trued-up the ARR for various years. However it has been observed that the amount shown in head of inter-unit balance is huge a detailed



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
			revenue gap.	reconciliation and breakup of the same should be submitted to the Commission within 1 month of this Order. The above details should be submitted for FY 2011-12 and FY 2012-13.
22	The Commission directs the Licensee to file submissions in respect of FPPCA in a timely and regular manner.	Every quarter as per the time frame prescribed in the Regulations	Licensee has filed the FPPCA Petition for 3 quarters starting 1 st January, 2013.	Licensee should submit the FPPCA Petition for further periods also in accordance with Distribution Tariff Regulations, 2006 and further amendments.
23	The Commission directs the Licensee to depict the regulatory surcharge distinctly in the electricity bills of the consumers and	By 30 th September 2014	Suitable instructions have been issued to the billing agents and field units to create a separate and distinct head	-



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Direction
	create separate accounting fields to capture the amounts collected as regulatory surcharge in both of its financial and commercial statements. The Commission directs the Licensee to provide the details of the regulatory surcharge so collected for FY 2013-14 duly certified by the statutory auditor.		under which the regulatory surcharge would be collected. The details would submit the details of the regulatory surcharge collected for FY 2013-14 within the timelines specified.	
24	The Commission directs the Licensee to finalize the allocation of subsidy after taking into consideration the regulatory surcharge among all the four Discoms namely DVVNL, MVVNL, PVVNL and PuVVNL in concurrence with the State Government up to 30 th November, 2013 and submit a report on the same to the Commission.	Along with the petition for FY 2014-15	The Licensee has submitted the allocation of subsidy approved by the Govt. in Budget document.	-



- 13.1.2 The Commission once again **directs the Licensee to comply with the balance directives issued in the previous Tariff Order. The compliance report on the said directives shall be submitted to the Commission within one month from the date of issue of this Tariff Order.**
- 13.1.3 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.
- 13.1.4 The directives to the Licensee as issued under the present Tariff Order along with the time frame for compliance are given in the Table below:

TABLE 13-2: DIRECTIVES

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
1	The Licensees are directed to arrange for quarterly meetings between the MDs of the Licensees and the consumer representatives for solving various grievances of the consumers and submit a status report	Immediate



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
	containing details of such meetings along with the next ARR filing.	
2	The Commission directs the Licensee to pay the applicable interest on consumer's security deposit as per the Orders of the Commission and submit the compliance report with the next ARR filing. Licensees are directed to ensure the timely payment of the interest on security deposit to the consumers.	Immediate
3	As regards the various complaints of the stakeholders brought to the notice of the Commission during public hearing, the Licensee is directed to look into the matters and take appropriate action on the same. Further, the Licensee must ensure that proper advertising regarding CGRF is done to bring awareness amongst the consumers. The chairperson of the CGRF should also be part of such public hearings so that a direct interaction may take place and the grievances of the consumers could be settled in a more appropriate manner	Immediate
4	To provide accurate and effective consumption norms, the Commission directs the Petitioners to conduct a detailed study which should include all the relevant details pointed out by the Commission in Para 9.2.15	Within 6 months from issue of this Order
5	As regards the Commission's directives to submit a road map for 100% metering in its licensed area given in the Tariff Order dated 31 st May, 2013, the Licensees has not complied with the directions of the Commission. The Commission once again directs the Licensee to comply with the direction given by the	3 months from issue of this Order



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
	Commission in this Order and accordingly put it sincere efforts to achieve 100% metering.	
6	The Commission directs the Distribution Licensees to formulate a mechanism so as to make their officials accountable by providing incentives or disincentives for achievement or non-achievement of the distribution loss and the collection efficiency targets. The Policy should include all the relevant details pointed out by the Commission in Para 9.3.20 of this Order	Within 2 months from the issue of this Order
7	The Commission further directs the Petitioner to sign the MoUs to be implemented at all levels and submit the copy of the same to the Commission within 2 months from the date of this Order.	Within 2 months from the date of issuance of this Order
8	The Commission directs the Petitioner to provide the actual power purchase data in the format specified by the Commission along with the ARR Petition for FY 2015-16.	Next ARR filing
9	As regards timely filing of FPPCA the Commission once again directs the Licensees that they should file FPPCA in a timely and regular manner in accordance with the Distribution Tariff Regulations, 2006 failing which the Commission may have to resort to take strict action against the Licensees.	Immediate
10	As regards the increasing number of unmetered consumers the Commission accords a final opportunity to the Distribution Licensees and directs them to ensure that all their unmetered consumers get converted into metered connection.	31 st March, 2015



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
11	As regards the RPO Obligation the Licensees are directed to ensure that they procure renewable energy in accordance with Regulation 4 of the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 during FY 2014-15 to meet their obligation.	Next ARR filing
12	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
13	The Licensees are directed to provide the monthly MRI reports to all the applicable consumers through email. The consumers would be required to register their email to the Licensee and submit the status report on the same along with next ARR filing	Immediate
14	As regards the Petition on minimum consumption charges, the Licensee is directed to re-submit its above proposal for the Commission's consideration.	Next ARR Filing



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
15	The Licensee is directed to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head-wise year-wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components, and such impact should not exceed the normative expenses for any particular year.	1 month from the date of issuance of this Order
16	The Licensee is directed to submit a note detailing the area-wise actual number of supply hours provided to rural areas by the end of FY 2014-15.	By end of FY 2014-15
17	The Licensees are directed to depict the Regulatory Surcharge separately and distinctly in the electricity bills of the consumers. The Commission directs the Licensee to maintain separate accounting fields for both the regulatory surcharges approved vis-a vis the Commission's Order dated 6 th June, 2014 and that approved in this Order, and capture the two different amounts collected as Regulatory Surcharges in both of its financial and commercial statements. This would enable the Licensee to correctly report the amounts collected towards Regulatory Surcharges.	Immediate
18	The Distribution Licensees are directed to submit the actual Regulatory Surcharge recovered in FY 2014-15 on account of the Revenue Gap / Regulatory Asset admitted by the Commission in this Order along with the actual Distribution Losses achieved in FY 2014-15 and additional target consumers added in FY 2014-15 by 15 th April, 2015.	By 15 th April, 2015



- 13.1.5 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.
- 13.1.6 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 15.7 of this Order.



14. 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 and regulatory surcharge 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.

(I. B. Pandey)

Member

(Meenakshi Singh)

Member

(Desh Deepak Verma)

Chairman

Dated: 1st October, 2014

Lucknow.



15. ANNEXURES

15.1 COMMISSION FORECAST OF CONSUMPTION PARAMETERS FOR FY 2014-15

TABLE 15-1: COMMISSION'S APPROVAL OF NUMBER OF CONSUMERS FOR FY 2014-15

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Re-computed for FY 13-14	Approved for FY 2014-15
LMV-1: Domestic							
<i>Rural (unmetered)</i>	1523868	1606791	1741778	7%	7%	1862154	1990849
<i>Rural (metered)</i>	330163	354115	410308	11%	11%	457405	509908
<i>Bulk Load</i>	11	11	10	-5%	1%	10	10
<i>Other Metered</i>	697643	758108	780080	6%	8%	842486	909885
<i>BPL</i>	26343	31590	40442	24%	15%	46508	53484
SUBTOTAL (LMV-1)	2578028	2750615	2972618			3208563	3464136
LMV-2:Non-Domestic							
<i>Rural (unmetered)</i>	57205	59308	66925	8%	9%	72948	79513
<i>Rural (metered)</i>	87857	87924	75577	-7%	2%	77089	78631
<i>Advertising</i>	1359	8	8	-92%	1%	8	8



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Re-computed for FY 13-14	Approved for FY 2014-15
<i>Other Metered</i>	135963	144943	169091	12%	12%	188569	210291
SUBTOTAL (LMV-2)	282384	292183	311601			338614	368443
LMV-3: Public Lamps							
<i>Unmetered - Gram Panchayat</i>	284	288	279	-1%	-1%	277	275
<i>Unmetered - Nagar Palika & Panchayat</i>	381	407	980	60%	15%	1127	1296
<i>Unmetered - Nagar Nigam</i>	10	8	4	-37%	-25%	3	2
<i>Metered - Gram Panchayat</i>	1	0	4	100%	50%	6	9
<i>Metered - Nagar Palika & Panchayat</i>	88	54	529	145%	20%	635	762
<i>Metered - Nagar Nigam</i>	10	14	14	18%	10%	15	17
SUBTOTAL (LMV-3)	774	771	1810			2063	2361
LMV-4: Institutions							
<i>Public</i>	10332	12083	12861	12%	12%	14349	16009
<i>Private</i>	2327	3876	3193	17%	12%	3576	4005
SUBTOTAL (LMV-4)	12659	15959	16054			17925	20014
LMV-5: Private Tube Wells							
<i>Rural (unmetered)</i>	175499	173949	190586	4%	4%	198609	206970
<i>Rural (metered)</i>	179	86	129	-15%	5%	135	142
<i>Urban (metered)</i>	5004	5038	6135	11%	10%	6749	7424



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Re-computed for FY 13-14	Approved for FY 2014-15
SUBTOTAL (LMV-5)	180682	179073	196850			205493	214536
LMV 6: Small and Medium Power							
<i>Power Loom: Rural</i>	9727	5518	6926	-16%	5%	7272	7636
<i>Power Loom: Urban</i>	5583	3774	4397	-11%	5%	4617	4848
<i>Others: Rural</i>	10907	17093	16475	23%	10%	18123	19935
<i>Others: Urban</i>	10035	10805	10176	1%	8%	10990	11869
SUBTOTAL (LMV-6)	36252	37190	37974			41002	44288
LMV-7: Public Water Works							
<i>Rural: Jal Nigam</i>	814	913	974	9%	9%	1065	1165
<i>Rural: Jal Sansthan</i>	70	67	52	-14%	0%	52	52
<i>Rural: Other PWWs</i>	154	145	106	-17%	0%	106	106
<i>Urban: Jal Nigam</i>	454	470	515	7%	7%	549	585
<i>Urban: Jal Sansthan</i>	661	790	700	3%	3%	720	741
<i>Urban: Other PWWs</i>	130	158	142	5%	5%	148	155
SUBTOTAL (LMV-7)	2283	2543	2489			2640	2804
LMV-8: State Tube Wells							
<i>Metered STW</i>	9	7	184	352%	15%	212	244
<i>Unmetered STW</i>	10229	10355	10095	-1%	-1%	10029	9963



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Re-computed for FY 13-14	Approved for FY 2014-15
<i>Unmetered Laghu Dal Nahar</i>	137	61	244	33%	10%	268	295
SUBTOTAL (LMV-8)	10375	10423	10523			10509	10502
LMV-9: Temporary Supply							
<i>Metered: Individual residential</i>	44	78	57	14%	12%	64	72
<i>Metered: Others</i>	0	0	0	0%	0%	0	0
<i>Unmetered: Ceremonies</i>	175	5	4	-85%	3%	4	4
<i>Unmetered: Temp shops</i>	0	0	0	0%	0%	0	0
SUBTOTAL (LMV-9)	219	83	61			68	76
LMV-10: Departmental Employees							
<i>Class IV</i>	4604	4406	3852	-9%	2%	3929	4008
<i>Class III</i>	4215	4075	3697	-6%	2%	3771	3846
<i>Junior Engineers</i>	773	809	805	2%	2%	821	838
<i>Assistant Engineers</i>	873	886	884	1%	1%	890	896
<i>Executive Engineers</i>	105	110	108	1%	1%	110	112
<i>Deputy General Manager</i>	25	30	30	10%	10%	33	36
<i>CGM/GM</i>	11	1119	14	13%	13%	16	18
<i>Pensioners</i>	9658	12508	14076	21%	15%	16187	18615
SUBTOTAL (LMV-10)	20264	23943	23466			25757	28369



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Re-computed for FY 13-14	Approved for FY 2014-15
HV-1: Non-Industrial Bulk Loads							
<i>Urban: 11 kV</i>	61	167	256	105%	25%	320	400
<i>Urban: Above 11 kV & up to 66 kV</i>	2	2	5	58%	15%	6	7
<i>Urban: Above 66 kV & up to 132 kV</i>	2	0	0	-100%	0%	0	0
<i>Urban: Above 132 kV</i>	0	0	0	0%	0%	0	0
<i>Rural: At 11 kV</i>	5	12	11	48%	15%	13	15
<i>Rural: Above 11 kV & up to 66 kV</i>	1	8	0	-100%	0%	0	0
SUBTOTAL (HV-1)	71	189	272			339	422
HV-2: Large and Heavy Power							
<i>Urban: 11 kV</i>	515	570	608	9%	9%	661	718
<i>Urban: Above 11 kV & up to 66 kV</i>	51	55	39	-13%	1%	39	39
<i>Urban: Above 66 kV & up to 132 kV</i>	7	7	7	0%	0%	7	7
<i>Urban: Above 132 kV</i>	0	0	0	0%	0%	0	0
<i>Rural: At 11 kV</i>	172	194	191	5%	5%	201	212
<i>Rural: Above 11 kV & up to 66 kV</i>	17	17	16	-3%	1%	16	16
SUBTOTAL (HV-2)	762	843	861			924	992
HV-3: Railway Traction							
<i>At 132 kV and above</i>	3	1	4	15%	15%	5	6
<i>Below 132 kV</i>	0	1	1	0%	0%	1	1



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Re-computed for FY 13-14	Approved for FY 2014-15
<i>Metro traction</i>	0	1	0	0%	0%	0	0
SUBTOTAL (HV-3)	3	3	5			6	7
HV-4: Lift Irrigation							
<i>At 11kV</i>	45	45	45	0%	0%	45	45
<i>Above 11kV & up to 66kV</i>	14	15	15	4%	4%	16	17
<i>Above 66 kV & up to 132kV</i>	0	0	0	0%	0%	0	0
SUBTOTAL (HV-4)	59	60	60			61	62
Bulk & Extra State							
<i>Extra state & others</i>	3	5	5	29%	15%	6	7
<i>Bulk supply – NPCL</i>	0	0	0	0%	0%	0	0
<i>Bulk supply – KESCO</i>	0	0	0	0%	0%	0	0
<i>Bulk supply – Others</i>	0	0	0	0%	0%	0	0
SUBTOTAL (Bulk & Extra State)	3	5	5			6	7
GRAND TOTAL	3124818	3313883	3574649			3853970	4157019



TABLE 15-2: COMMISSION'S APPROVAL OF CONNECTED LOAD (kW) FOR FY 2014-15

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Recomputed for FY 13-14	Approved for FY 2014-15
LMV-1: Domestic							
Rural (unmetered)	2470537	2664866	2790801	6%	6%	2966181	3152582
Rural (metered)	464362	466493	514015	5%	5%	540798	568977
Bulk Load	4130	4130	3280	-11%	5%	3444	3616
Other Metered	1282891	1412381	1482816	8%	8%	1594175	1713897
Life Line Consumers/BPL	38706	27661	40442	2%	15%	46508	53484
SUBTOTAL (LMV-1)	4260626	4575531	4831354			5151106	5492557
LMV-2:Non-Domestic							
Rural (unmetered)	119808	141846	136661	7%	7%	145957	155885
Rural (metered)	187187	199412	181891	-1%	4%	189670	197782
Advertising	2804	86	92	-82%	7%	98	105
Other Metered	345776	371477	418856	10%	10%	460999	507382
SUBTOTAL (LMV-2)	655575	712821	737500			796724	861153
LMV-3: Public Lamps							
Unmetered - Gram Panchayat	1319	1379	1209	-4%	10%	1330	1463
Unmetered - Nagar Palika & Panchayat	9118	8747	9065	0%	5%	9518	9994
Unmetered - Nagar Nigam	4425	5050	5013	6%	6%	5336	5679



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Recomputed for FY 13-14	Approved for FY 2014-15
Metered - Gram Panchayat	1337	0	64	-78%	50%	96	144
Metered - Nagar Palika & Panchayat	2424	2870	4839	41%	20%	5807	6968
Metered - Nagar Nigam	14504	16921	17824	11%	11%	19759	21904
SUBTOTAL (LMV-3)	33127	34967	38014			41846	46152
LMV-4: Institutions							
Public	221332	124419	140560	-20%	6%	148994	157933
Private	22843	31315	24572	4%	4%	25485	26432
SUBTOTAL (LMV-4)	244175	155734	165132			174479	184365
LMV-5: Private Tube Wells							
Rural (unmetered)	1064689	934024	1005207	-3%	8%	1081815	1164261
Rural (metered)	692	308	489	-16%	20%	587	704
Urban (metered)	30453	31417	34051	6%	6%	36006	38074
SUBTOTAL (LMV-5)	1095834	965749	1039747			1118408	1203040
LMV 6: Small and Medium Power							
Power Loom: Rural	78983	36416	49948	-20%	15%	57440	66056
Power Loom: Urban	45580	31395	34541	-13%	10%	38002	41810
Others: Rural	72893	132160	130881	34%	7%	140273	150340
Others: Urban	115086	119024	113284	-1%	4%	117431	121730
SUBTOTAL (LMV-6)	312542	318995	328654			353147	379937



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Recomputed for FY 13-14	Approved for FY 2014-15
LMV-7: Public Water Works							
Rural: Jal Nigam	27758	30474	32647	8%	8%	35406	38397
Rural: Jal Sansthan	14515	14716	14069	-2%	10%	15476	17023
Rural: Other PWWs	4620	5388	4705	1%	6%	4998	5309
Urban: Jal Nigam	10756	12192	13989	14%	14%	15953	18194
Urban: Jal Sansthan	33129	39983	39513	9%	9%	43152	47127
Urban: Other PWWs	4179	4737	4154	0%	5%	4362	4580
SUBTOTAL (LMV-7)	94957	107490	109077			119347	130630
LMV-8: State Tube Wells							
Metered STW	165	210	4029	394%	15%	4633	5328
Unmetered STW	166039	180047	179727	4%	4%	186989	194543
Unmetered Laghu Dal Nahar	11493	10210	11312	-1%	11%	12533	13886
SUBTOTAL (LMV-8)	177697	190467	195068			204155	213757
LMV-9: Temporary Supply							
Metered: Individual residential	1399	2180	1794	13%	13%	2032	2301
Metered: Others	0	0	0	0%	0%	0	0
Unmetered: Ceremonies	875	452	52	-76%	5%	55	57
Unmetered: Temp shops	0	0	0	0%	0%	0	0
SUBTOTAL (LMV-9)	2274	2632	1846			2086	2358



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Recomputed for FY 13-14	Approved for FY 2014-15
LMV-10: Departmental Employees							
Class IV	14693	10353	12372	-8%	10%	13609	14970
Class III	10025	9716	9734	-1%	10%	10695	11751
Junior Engineers	3776	3068	3051	-10%	4%	3167	3288
Assistant Engineers	2980	3012	3015	1%	1%	3033	3050
Executive Engineers	735	749	746	1%	1%	752	757
Deputy General Manager	178	199	199	6%	6%	210	222
CGM/GM	70	2290	80	7%	7%	86	91
Pensioners	15365	21653	27853	35%	15%	32031	36836
SUBTOTAL (LMV-10)	47822	51040	57050			63583	70966
HV-1: Non-Industrial Bulk Loads							
Urban: 11 kV	20990	49895	82295	98%	12%	92170	103231
Urban: Above 11 kV & up to 66 kV	11700	11700	12157	2%	10%	13373	14710
Urban: Above 66 kV & up to 132 kV	57992	0	0	-100%	1%	0	0
Urban: Above 132 kV	0	0	0	0%	0%	0	0
Rural: At 11 kV	520	4109	3735	168%	15%	4295	4940
Rural: Above 11 kV & up to 66 kV	257	2253	0	-100%	1%	0	0
SUBTOTAL (HV-1)	91459	67957	98187			109838	122880
HV-2: Large and Heavy Power							



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Recomputed for FY 13-14	Approved for FY 2014-15
Urban: 11 kV	130289	136605	143041	5%	5%	149878	157041
Urban: Above 11 kV & up to 66 kV	75794	85416	101429	16%	16%	117335	135734
Urban: Above 66 kV & up to 132 kV	96456	87250	78250	-10%	2%	79815	81411
Urban: Above 132 kV	0	0	0	0%	0%	0	0
Rural: At 11 kV	59383	67422	67803	7%	7%	72451	77417
Rural: Above 11 kV & up to 66 kV	34207	34207	34097	0%	1%	34274	34451
SUBTOTAL (HV-2)	396129	410900	424620			453751	486054
HV-3: Railway Traction							
At 132 kV and above	149475	11475	82030	-26%	10%	90233	99256
Below 132 kV	0	60000	78000	0%	0%	78000	78000
Metro traction	0	78000	0	0%	0%	0	0
SUBTOTAL (HV-3)	149475	149475	160030			168233	177256
HV-4: Lift Irrigation							
At 11kV	159121	52386	50066	-44%	5%	52569	55198
Above 11kV & up to 66kV	43419	54219	54219	12%	12%	60588	67705
Above 66 kV & up to 132kV	0	0	0	0%	0%	0	0
SUBTOTAL (HV-4)	202540	106605	104285			113157	122903
Bulk & Extra State							
Extra state & others	3113	3022	3022	-1%	2%	3082	3144



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	3-yr CAGR	Adopted growth rate	Recomputed for FY 13-14	Approved for FY 2014-15
Bulk supply - NPCL	0	0	0	0%	0%	0	0
Bulk supply – KESCO	0	0	0	0%	0%	0	0
Bulk supply – Others	0	0	0	0%	0%	0	0
SUBTOTAL (Bulk & Extra State)	3113	3022	3022			3082	3144
GRAND TOTAL	7767345	7853385	8293586			8872942	9497153



TABLE 15-3: COMMISSION'S APPROVAL OF ENERGY SALES (MU) FOR FY 2014-15

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Re-computed for FY 13-14	Approved for FY 2014-15
LMV-1: Domestic					
<i>Rural (unmetered)</i>	1978	2155	2234	2563	2724
<i>Rural (metered)</i>	503	594	569	666	780
<i>Bulk Load</i>	21	12	5	6	6
<i>Other Metered</i>	1891	2147	2272	2544	2848
<i>BPL</i>	17	33	53	67	85
SUBTOTAL (LMV-1)	4410	4941	5134	5845	6442
LMV-2: Non-Domestic					
<i>Rural (unmetered)</i>	90	99	102	126	135
<i>Rural (metered)</i>	255	320	329	370	415
<i>Advertising</i>	1	10	17	18	20
<i>Other Metered</i>	477	477	490	574	672
SUBTOTAL (LMV-2)	823	906	938	1088	1242
LMV-3: Public Lamps					
<i>Unmetered - Gram Panchayat</i>	5	6	5	5	5
<i>Unmetered - Nagar Palika & Panchayat</i>	27	27	29	34	36
<i>Unmetered - Nagar Nigam</i>	15	18	16	23	25



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Re-computed for FY 13-14	Approved for FY 2014-15
<i>Metered - Gram Panchayat</i>	1	0	0	0	0
<i>Metered - Nagar Palika & Panchayat</i>	9	18	15	18	23
<i>Metered - Nagar Nigam</i>	55	62	69	78	93
SUBTOTAL (LMV-3)	111	131	134	158	182
LMV-4: Institutions					
<i>Public</i>	415	408	398	466	546
<i>Private</i>	59	68	57	68	79
SUBTOTAL (LMV-4)	474	476	455	534	626
LMV-5: Private Tube Wells					
<i>Rural (unmetered)</i>	862	948	985	1190	1281
<i>Rural (metered)</i>	2	1	6	7	8
<i>Urban (metered)</i>	45	57	49	56	65
SUBTOTAL (LMV-5)	909	1006	1040	1254	1354
LMV 6: Small and Medium Power					
<i>Power Loom: Rural</i>	73	76	56	62	68
<i>Power Loom: Urban</i>	52	71	64	74	85
<i>Others: Rural</i>	110	125	144	174	211
<i>Others: Urban</i>	186	176	162	184	198



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Re-computed for FY 13-14	Approved for FY 2014-15
SUBTOTAL (LMV-6)	421	449	427	494	563
LMV-7: Public Water Works					
<i>Rural: Jal Nigam</i>	112	146	138	159	182
<i>Rural: Jal Sansthan</i>	50	61	57	63	70
<i>Rural: Other PWWs</i>	10	14	14	16	17
<i>Urban: Jal Nigam</i>	55	57	74	85	99
<i>Urban: Jal Sansthan</i>	213	271	228	236	245
<i>Urban: Other PWWs</i>	24	18	20	22	26
SUBTOTAL (LMV-7)	464	567	531	582	639
LMV-8: State Tube Wells					
<i>Metered STW</i>	2	20	31	39	50
<i>Unmetered STW</i>	620	730	765	429	426
<i>Unmetered Laghu Dal Nahar</i>	56	74	67	11	13
SUBTOTAL (LMV-8)	679	824	863	480	488
LMV-9: Temporary Supply					
<i>Metered: Individual residential</i>	7	8	11	14	16
<i>Metered: Others</i>	0	0	0	0	0
<i>Unmetered: Ceremonies</i>	0	1	0	0	0



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Re-computed for FY 13-14	Approved for FY 2014-15
<i>Unmetered: Temp shops</i>	0	0	0	0	0
SUBTOTAL (LMV-9)	8	8	12	14	17
LMV-10: Departmental Employees					
<i>Class IV</i>	10	11	11	13	14
<i>Class III</i>	9	10	10	12	13
<i>Junior Engineers</i>	4	6	6	6	7
<i>Assistant Engineers</i>	7	8	8	8	9
<i>Executive Engineers</i>	2	2	2	2	2
<i>Deputy General Manager</i>	0	1	0	1	1
<i>CGM/GM</i>	1	1	0	0	0
<i>Pensioners</i>	16	24	38	47	60
SUBTOTAL (LMV-10)	49	61	75	89	107
HV-1: Non-Industrial Bulk Loads					
<i>Urban: 11 kV</i>	49	102	145	166	190
<i>Urban: Above 11 kV & up to 66 kV</i>	114	41	42	47	52
<i>Urban: Above 66 kV & up to 132 kV</i>	15	0	5	0	0
<i>Urban: Above 132 kV</i>	0	0	0	0	0
<i>Rural: At 11 kV</i>	1	3	12	15	20
<i>Rural: Above 11 kV & up to 66 kV</i>	1	2	1	0	0



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Re-computed for FY 13-14	Approved for FY 2014-15
SUBTOTAL (HV-1)	180	148	206	228	262
HV-2: Large and Heavy Power					
<i>Urban: 11 kV</i>	331	381	393	428	467
<i>Urban: Above 11 kV & up to 66 kV</i>	243	303	328	387	457
<i>Urban: Above 66 kV & up to 132 kV</i>	86	88	56	58	60
<i>Urban: Above 132 kV</i>	0	0	0	0	0
<i>Rural: At 11 kV</i>	94	127	161	189	222
<i>Rural: Above 11 kV & up to 66 kV</i>	128	103	104	105	107
SUBTOTAL (HV-2)	882	1003	1041	1167	1312
HV-3: Railway Traction					
<i>At 132 kV and above</i>	450	227	267	305	349
<i>Below 132 kV</i>	0	202	204	212	220
<i>Metro traction</i>	0	18	0	0	0
SUBTOTAL (HV-3)	450	448	471	517	568
HV-4: Lift Irrigation					
<i>At 11kV</i>	292	293	259	299	345
<i>Above 11kV & up to 66kV</i>	289	329	334	381	434
<i>Above 66 kV & up to 132kV</i>	0	0	0	0	0



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Consumer categories	FY 10-11	FY 11-12	FY 12-13	Re-computed for FY 13-14	Approved for FY 2014-15
SUBTOTAL (HV-4)	581	622	593	679	779
Bulk & Extra State					
<i>Extra state & others</i>	0	0	0	0	0
<i>Bulk supply – NPCL</i>	0	0	0	0	0
<i>Bulk supply – KESCO</i>	0	0	0	0	0
<i>Bulk supply – Others</i>	0	0	0	0	0
SUBTOTAL (Bulk & Extra State)	0	0	0	0	0
GRAND TOTAL	10442	11590	11919	13129	14580



15.2 RATE SCHEDULE FOR FY 2014-15

RETAIL TARIFFS FOR FINANCIAL YEAR 2014-15:

GENERAL PROVISIONS:

These provisions shall apply to all categories unless specified otherwise and are integral part of the Rate Schedule.

1. NEW CONNECTIONS:

- (i) 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:

$$\text{Demand Charges in kVA} = (\text{Demand Charges in BHP} / 0.746) * 0.90$$

$$\text{Demand Charges in kVA} = (\text{Fixed Charges in kW} * 0.90)$$

$$\text{Energy Charges in kVAh} = (\text{Energy Charges in kWh} * 0.90)$$

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. The consumers having



load of 10 KW / 13.4 BHP and above, the contracted demand in kVA can be worked out according to the following formula:

$$\text{Demand in kVA} = (\text{Load in BHP} * 0.746) / 0.90$$

$$\text{Demand in kVA} = (\text{Load in kW}) / 0.90$$

Examples:

- A. Contracted demand = 2500 kVA,
Maximum Demand recorded by the meter = 2800 kVA,
75% of the contracted demand = $0.75 \times 2500 \text{ kVA} = 1875 \text{ kVA}$
Billable Demand = 2800 kVA,
Excess Demand = $2800 - 2500 = 300 \text{ kVA}$,
- B. Contracted demand = 2500 kVA,
Maximum Demand recorded by the meter = 1800 kVA,
75% of Contracted Demand = $0.75 \times 2500 \text{ kVA} = 1875 \text{ kVA}$
Billable Demand = 1875 kVA,
- C. Contracted load = 3 kW,
Maximum load recorded by the meter = 2.2 kW,
75% of Contracted load = $0.75 \times 3 \text{ kW} = 2.25 \text{ kW}$
Billable Load = 2.25 kW,
- D. Contracted load = 3 kW,
Maximum load recorded by the meter = 3.20 kW,
75% of Contracted load = $0.75 \times 3 \text{ kW} = 2.25 \text{ kW}$
Billable Load = 3.20 kW,
Excess load = $3.20 - 3.00 = 0.20 \text{ kW}$,
- E. Contracted load = 10 kW,
Contracted demand in kVA = $10 / 0.9 \text{ kVA} = 11.11 \text{ kVA}$
Maximum demand recorded by the meter = 13.20 kVA,
75% of Contracted demand = $0.75 \times 11.11 \text{ kVA} = 8.33 \text{ kVA}$
Billable Demand = 13.20 kVA,
-



Excess Demand = 13.20 kVA – 11.11 kVA = 2.08 kVA

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 1.5% per month. 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:

If the maximum load / demand in any month of a consumer having TVM / TOD / Demand recording meters exceed the contracted load / demand, then such excess load / demand shall be levied equal to twice the normal rate apart from the normal fixed / demand charge as per the maximum load / demand recorded by the meter.

The above shall be without prejudice to the Licensee's right to take such other appropriate action including disconnection of supply, as may be deemed necessary to restrain the consumer from exceeding his contracted load.

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.

Examples:

A. For consumers billed on fixed charge basis:

Contracted load = 5 kW, Maximum load recorded by meter = 7.2 kW,



75% of the contracted load = 3.75 kW, Billable Load = 7.2 kW

Excess Load = 7.2 kW – 5 kW = 2.2 kW,

Rate of Fixed Charges = Rs. 225 / kW

Fixed Charges for maximum load = 7.2 x 225=Rs. 1620

Penalty Charges for excess load = 2.2 x (2 x225) =Rs. 990

Total Charges = 1620 + 990 = Rs. 2610

B. For consumers billed on demand charge basis:

Contracted demand = 2500 kVA, Maximum Demand recorded by meter = 2800 kVA,

75% of the contracted demand = 1875 kVA, Billable demand = 2800 kVA

Excess Demand = 2800 kVA – 2500 kVA = 300 kVA,

Rate of Demand Charges = Rs. 250 / kVA

Demand Charges for maximum demand =2800 x 250=Rs. 700000

Penalty Charges for excess demand = 300 x (2 x 250) =Rs. 150000

Total Charges = 700000+150000= Rs. 850000

C. For consumers billed on demand charge basis:

Contracted load = 10 kW, Contracted demand in kVA = 10 / 0.9 kVA = 11.11 kVA

Maximum demand recorded by the meter = 13.20 kVA,

75% of Contracted demand = 0.75 x 11.11 kVA = 8.33 kVA

Billable Demand = 13.20 kVA,

Excess Demand = 13.20 kVA – 11.11 kVA = 2.09 kVA

Rate of Demand Charges = Rs. 250 / kVA

Demand Charges for maximum demand =13.20 x 250=Rs. 3300

Penalty Charges for excess demand = 2.09 x (2 x 250) =Rs. 1045

Total Charges = 3300+1045 = Rs. 4345



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 and amendments thereof.

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 15.4.
- (iii) In respect of the consumers with or without static TVMs, excluding consumers under LMV-1 category up to connected load of 10 kW and LMV-2 category up to connected 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 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. PROVISION RELATED TO SURCHARGE WAIVER SCHEME FOR RECOVERY OF BLOCKED ARREARS:

- (i) The Licensee may, on a decision by its Board of Directors, launch a Surcharge Waiver Scheme (One time Settlement Scheme) beginning January and July of every year, for a period of two months each, for recovery of its blocked arrears by waving off surcharge to the extent not
-



exceeding 50% of overall surcharge for which no approval of the Commission shall be required.

Provided that the impact of such surcharge waiver shall not be allowed as pass through in the next ARR / Tariff or true-ups. In this regard, the Licensees would have to submit the certificate duly verified by the statutory auditor, of the surcharge waived for any previous year along with the ARR / Tariff Petition of the ensuing year.

Provided that the Surcharge Waiver Scheme (One time Settlement Scheme) shall not be applicable for the consumers, who have availed the benefit of the above scheme once in last three financial years.

- (ii) Further, the Licensee should also ensure that all such cases of incorrect billing which are pending for more than 3 months, disputes due to delay in issuance of first bill after release of connection and delay in finalisation of permanent disconnection shall be disposed of during the period of the scheme in which it has been registered.
- (iii) Further, the Licensee shall ensure that till the finalisation of the case in the above scheme, no coercive action should be taken against the registered consumers.
- (iv) Further, the Licensee may launch a surcharge waiver scheme without any restrictions on quantum of surcharge waiver provided the State Government provides an advance subsidy to compensate the complete / full loss of the Licensee arising out of surcharge waiver.
- (v) The Licensees would be required to submit the full details of each Surcharge Waiver Scheme (One time Settlement Scheme) within one month from the end of the scheme.

10. 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.

11. ROUNDING OFF:

All bills will be rounded off to the nearest rupee.

12. OPTION OF MIGRATION TO 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.

13. PRE-PAID METERS / AUTOMATIC METER READING SYSTEM:

- (i) In line with the directive given in the last Tariff Order, the Commission directs the Licensees to expedite the process of introduction of pre-paid meters on all government connections and public institutions wanting to opt for with loads below 45 kW and installation of automatic meter reading systems for loads above 45 kW.
- (ii) Any consumer having prepaid meters shall also be entitled to a discount of 1.25% on Rate as defined in the Tariff Order.
- (iii) The token charges for code generation for prepaid meters shall be Rs. 10/- per token.

14. 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.

- 15.** 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.

16. 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.

17. REBATE ON PAYMENT BEFORE DUE DATE:

A rebate at 0.25% of Rate shall be given in case the payment is made before the due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have paid the bills in advance as per clause 6.4 of the Electricity Supply Code shall also be eligible for the above rebate applicable on Rate. Suitable changes in the billing software should be made by the Licensee to ensure such rebate to all eligible consumers.



18. TARIFF APPLICABILITY FOR UNMETERED CONSUMER CATEGORIES:

The specified tariff for all the unmetered categories shall be applicable only till 31st March, 2015 unless extended by the Commission through an Order.

19. REBATE TO CONSUMERS WHO SHIFT FROM UNMETERED TO METERED CONNECTION:

Consumers who shift from unmetered to metered connection by 31st March, 2015 shall be given a rebate of 10% on Rate which shall be applicable till end of FY 2016-17.



RATE SCHEDULE LMV – 1:

DOMESTIC LIGHT, FAN & POWER:

1. APPLICABILITY:

This schedule shall apply to:

- a) Premises for residential / domestic purpose, 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 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' (other than Tehsil Head Quarters, Nagar Palikas and Nagar Panchayat Areas):

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:

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. 70.00 / kW / Month	Rs. 5.25 / 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 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.

(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. 50.00 / kW / month	Rs. 2.85 / 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	Upto 150 kWh / month	Rs. 75.00 / kW / month	Rs. 4.00 / kWh
	151 - 300 kWh / month		Rs. 4.50 / kWh
	301 – 500 kWh / month		Rs. 5.00 / kWh
	Above 500 kWh / month (From 501 st unit onwards)		Rs. 5.50 / kWh



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.



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' (other than Tehsil Head Quarters, Nagar Palikas and Nagar Panchayat Areas):

Description	Description	Fixed charge	Energy charge)
i) Un-metered	Load up to 2 kW	Rs. 350 / kW / month	Nil
	Load above 2 kW	Rs. 400 / kW / month	Nil



Description	Description	Fixed charge	Energy charge)
ii) Metered	All Load	Rs. 65 / kW / month	Rs. 2.75 / 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	Minimum Charge
Metered	-	Rs. 14.00 / kWh	Rs. 1200 / kW / Month

Note:

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.

Consumption Range	Fixed Charge	Energy Charge
Upto 150 kWh / month	Rs. 200.00 / kW / month	Rs. 6.00/ kWh
151 – 300 kWh / month		Rs. 6.50/ kWh
301 – 1000 kWh / month		Rs. 6.80/ kWh
Above 1001 kWh / month (From 1001 st unit onwards)		Rs. 7.10/ kWh



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 14th June, 2006 and the Commission's order dated 11th July, 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. 2000 per kW or part thereof per month	Rs. 2500 per kW or part thereof per month



(b) Metered Supply:

Description	Gram Panchayat		Nagar Palika and Nagar Panchayat		Nagar Nigam	
	Fixed Charges	Energy Charges	Fixed Charges	Energy Charges	Fixed Charges	Energy Charges
All loads	Rs. 120 / kW / month	Rs. 5.50 / kWh	Rs. 150 / kW / month	Rs. 5.85 / kWh	Rs. 160 / kW / month	Rs. 6.00 / 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 '15.2.2'.



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 Institutions including orphanage homes, old age homes 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.

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	Fixed Charge	Energy Charge
(A) For Public Institutions	Rs. 200 / kW / month	0 – 1000 kWh / month – Rs. 6.50 / kWh
		Above 1000 kWh / month – Rs. 6.80 / kWh
(B) For Private Institutions	Rs. 200 / kW / month	0 – 1000 kWh / month – Rs. 6.80 / kWh
		Above 1000 kWh / month – Rs. 7.10 / 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. 75.00 / BHP / month	Rs. 1.00 / kWh

NOTE: Minimum bill payable by a consumer under 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. 55.00 / BHP / month	Rs. 220.00 / BHP / month	Rs. 5.00 / kWh

NOTE: Minimum bill payable by a consumer under Urban Schedule (Metered Supply) shall be Rs. 220.00 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:

Consumption Range	Fixed Charge	Energy Charge
0 – 1000 kWh / month	Rs. 225 / kW / month	Rs. 6.20 / kWh
Above 1000 kWh / month	Rs. 225 / kW / month	Rs. 6.80 / kWh

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%



(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 14th June, 2006 and the Commission's order dated 11th July, 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. 230.00 / kW / month	Rs. 6.80 / 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. 6.55 / kWh
Un-metered	Rs. 1500.00 / BHP / month	Nil

4. For finding out net load during any quarter of the year for this category refer ANNEXURE 15.2.3



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 not exceeding two years, 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 <i>for illumination / public address / ceremonies</i> for load up to 20 kW per connection plus Rs. 100 per kW per day for each additional kW.	Rs. 3000.00 / day
(ii) Fixed charges for <i>temporary shops</i> set-up during festivals / melas or otherwise and having load up to 2KW	Rs. 200.00 / day / shop



B. Metered:

Description	Minimum Charge	Energy Charge
Individual Residential construction	Rs. 150.00 / kW / week	Rs. 6.50 / kWh
Others		Rs. 7.85 / kWh

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:

Un-metered: 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:

Category	Fixed charge / month	Fixed Monthly Energy Charge
Class IV employees / Operating staff	Rs. 140.00	Rs. 160.00
Class III employees	Rs. 170.00	Rs. 200.00
Junior Engineers & equivalent posts	Rs. 230.00	Rs. 370.00
Assistant Engineers & equivalent posts	Rs. 260.00	Rs. 520.00
Executive Engineers & equivalent posts	Rs. 280.00	Rs. 550.00
Superintending Engineers / Deputy General Managers & equivalent posts	Rs. 510.00	Rs. 650.00
Chief Engineers (I & II) / General Managers and above	Rs. 550.00	Rs. 750.00
Additional charge for employees using Air Conditioners.	Rs. 550.00 per month per Air conditioner	



Metered: Metered consumers under this category shall be given 50% rebate on rate of charge applicable to “other metered consumers” under LMV-1 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.

Note: In case of retired / voluntary retired or deemed retired employees, the rate shall be the same as applicable to the post from which he / she has retired.

4. For ‘Other Provisions’ and ‘Mode of Payment’ for Departmental Employees refer ANNEXURE 15.2.1.

Section 23 (7) of 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 same spirit has been echoed under first proviso of section 133 (2) of the Electricity Act, 2003. The benefits for employees / pensioners as provided in section 12 (b) (ii) of the Uttar Pradesh Reform Transfer Scheme, 2000 include “concessional rate of electricity”, which means concession in rate of electricity to the extent it is not inferior to what was existing before 14th January, 2000. The rates and charges indicated above for this category are strictly in adherence of above statutory provisions.



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
Demand Charges	Rs. 270.00 / kVA / month	Rs. 250.00 / kVA / month
Energy Charges	Rs. 6.80 / kVAh	Rs. 6.60 / 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
Demand Charges	Rs. 250.00 / kVA / month	Rs. 240.00 / kVA / month
Energy Charges	Rs. 6.60 / kVAh	Rs. 6.40 / 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 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.



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 at 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				
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. 6.30 / kVAh	Rs. 6.00 / kVAh	Rs. 5.80 / kVAh	Rs. 5.60 / 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%



(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 Below 132 kV	Rs. 280.00 / kVA / month Rs. 6.05 / kVA / month
(b) Energy Charge (all consumption in a month) For supply at and above 132 kV Below 132 kV	Rs. 280.00 / kVAh Rs. 6.30 / kVAh
(c) Minimum Charge	Rs. 700.00 / 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: DELHI METRO RAIL:

1. APPLICABILITY:

This schedule shall apply to the DMRC (Delhi 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
Minimum charge	Rs. 600 / kVA / month

- Penalty @ Rs. 540 / kVA will be charged on excess demand, if demand exceeds contracted load.
- This category has been made as per the agreement between DMRC and NOIDA Administration.

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. 250.00 / kVA / month
For supply at 33 kV and 66 kV	Rs. 240.00 / kVA / month
For supply at 132 kV	Rs. 230.00 / kVA / month

(b) Energy Charges:

Voltage Level	Rate of Charge
For supply at 11 kV	Rs. 6.50 / kVAh
For supply at 33 kV and 66 kV	Rs. 6.25 / kVAh
For supply at 132 kV	Rs. 6.00 / kVAh

c) Minimum Charges:

Rs. 750.00 / 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.



15.2.1 DEPARTMENTAL EMPLOYEES:

1. 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) 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.
- (iii) 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.
- (iv) No other concession shall be admissible on this tariff.
- (v) 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.
- (vi) 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.



- (vii) In case of Multi-Storied / Societies where the electricity connection are provided at single point with HT metering, the employees / pensioners / family pensioners, shall be provided through a separate meter and shall be given adjustment towards HT side metered energy at single point. Fixed charges equivalent to sanctioned load of the departmental employee shall also be adjusted. One percent of energy consumed by LMV-10 consumer shall also be added towards transformation losses for giving adjustment
- (viii) LMV-10 consumers will have to give an undertaking regarding use of Air conditioners.

2. MODE OF PAYMENT:

- (i) The Disbursing Officer shall compulsorily and regularly deduct the amount due monthly from the salary bill of each and every employee / pensioners drawing pay / pension from his unit each month. The Drawing Officer shall ensure that each employee / pensioner has given the declaration about the connection in his name together with details of S.C. No. / Book No. and name of the billing division, before the disbursement of pay / pension.
- (ii) The monthly amount due from a consumer of this category can also be deposited by the concerned officer / employee to the concerned division in case the said amount is not being deducted from his salary / pension.
- (iii) Revenue and Energy Statistics in respect of the category of employee / pensioner shall be regularly prepared by the Divisions in the same manner as for every other manually billed category.
- (iv) Recovery from the salary shall be sent to the billing units in accordance with the instructions contained in circular No. 362-CAO/C-177 (Misc.) dated 5.5.89 and No. 380-CAO dated 12.5.89 from Chief Accounts Officer of erstwhile UPSEB, Lucknow.
- (v) In case of metered consumption, the mode of payment shall be similar to the domestic consumer.



15.2.2 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.



15.2.3 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 31st 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.



15.3 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	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	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
		Per Meter	
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.)		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	Per Job	100.00
	b. At 11 kV and above.	Per Job	200.00

CHARGES FOR TATKAL VIDYUT SANYOJAN (TATKAL CONNECTION):

For urban consumers of LMV-1, LMV-2 and LMV-9 categories, desirous of getting connection within 24 hours of making the application, provided such release of connection does not require extension of distribution mains or commissioning of sub-station or augmenting capacity of transformers, shall have to pay following additional charges apart from the regular connection charges:

1. FOR PERMANENT ELECTRICITY CONNECTION:

- a. Single Phase Domestic light and fan : Rs. 500 per connection
- b. Three Phase Domestic light and fan : Rs. 750 per connection
- c. Single Phase Commercial : Rs. 750 per connection
- d. Three Phase Commercial : Rs. 1000 per connection

2. FOR TEMPORARY ELECTRICITY CONNECTION:

- a. Single Phase (Up to 4 kW) : Rs. 750 per connection
- b. Three Phase (from 5 kW to 24 kW) : Rs. 1000 per connection



15.4 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
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



*Determination of ARR and Tariff of PuVVNL for FY
2014-15 and True-up of FY 2008-09 to FY 2011-12*

Sl. No.	Name Plate Rating in KVA of Individual Welding Transformer	Capacity of the Capacitors (KVAR)
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



**15.5 LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT VARANASI IN
RESPECT OF PROCEEDINGS FOR ARR & TARIFF DETERMINATION FOR FY 2014-
15**

List of Persons who attended Public Hearing in Varanasi on 14th July, 2014		
S.N	Name	Organization
1	Mr. R.K. Chaudhary	Chairman, IIA
2	Mr. Awadhesh Gupta	The Small Industries Association
3	Mr. Rajesh Bhale	Gen. Secretary, The Small Industries Association
4	Mr. Rajat Kumar Verma	President, The Small Industries Association
5	Mr. Vivek Kumar Singh	PuVVNL
6	Mr. Sudhir Ranjan	PuVVNL
7	Mr. R.K. Yadav	PuVVNL
8	Mr. D.K. Tripathi	PuVVNL
9	Mr. Awadhesh Mishra	PuVVNL
10	Mr. Anil Kumar Singh	UPPCL
11	Mr. Jitendra Srivastava	Consumer
12	Dr. Sailendra yadav	Consumer
13	Mr. Ajay Rai	Amar Ujala
14	Mr. Umesh Chandra Mishra	Consumer
15	Mr. Dinesh Singh	Consumer
16	Mr. Abinash Agarwal	Consultant- ABPS (UPERC)
17	Mr. Raman Gulati	Consultant- ABPS (UPERC)
18	Mr. Sunil Kumar Yadav	UPPCL
19	Mr. Jainendra Kumar Rai	Consumer
20	Mr. Govind Viswakarma	Consumer
21	Mr. Ajai Kumar Yadav	Consumer
22	Mr. Dinesh Kumar Rai	Consumer
23	Mr. Ajeet Kumar	PuVVNL
24	Mr. Dharmendra Singh	PuVVNL
25	Mr. Abdullah	PuVVNL
26	Mr. Subhash Chandra	PuVVNL
27	Mr. V.P. Singh	PuVVNL
28	Mr. N.K. Mishra	PuVVNL
29	Mr. L.P. Chaturvdi	PuVVNL
30	Mr. Sudheswar Jaiswal	PuVVNL
31	Mr. A.K. Panday	CEVNS
32	Mr. S.N. Rai	PuVVNL
33	Mr. A.K. Srivastava	PuVVNL



List of Persons who attended Public Hearing in Varanasi on 14th July, 2014		
S.N	Name	Organization
34	Mr. P.P. Singh	PuVVNL
35	Mr. R.K. Agarwal	PuVVNL
36	Mr. D.C. Verma	UPPCL
37	Mr. Bhusan Rastogi	Consultant, UPPCL
38	Mr. Mohd. Ghufraan	UPPCL
39	Dr. Kajal	MD, PuVVNL
40	Mr. S.C. Chandra	President, Aluminium Association
41	Mr. Akhilesh Singh	Chairman, Kashi Yuva Vyapar Mandal
42	Mr. R.A. Yadav	Tech. Member, Consumer Redressal Forum

** The above list may not be exhaustive and does not include names of some of the stakeholders whose names were illegible.*



15.6 FUEL AND POWER PURCHASE COST ADJUSTMENT SURCHARGE

TABLE 15-4: APPROPRIATION OF APPROVED POWER PURCHASE FOR FY 2014-15: FPPCA

FY 2014-15													
DVVNL	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Allocation of Approved Power Purchase (MU)	1,743.00	1,915.50	1,909.51	1,912.07	1,929.20	1,616.51	1,607.52	1,435.45	1,492.59	1,524.48	1,340.21	1,561.08	19,987.52
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crores)	607.67	667.81	665.72	666.62	672.58	563.57	560.44	500.45	520.37	531.49	467.24	544.25	6,968.34
FY 2014-15													
MVVNL	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Allocation of Purchases Energy (MU)	1,380.58	1,517.21	1,512.46	1,514.50	1,528.06	1,280.39	1,273.27	1,136.98	1,182.24	1,207.50	1,061.54	1,236.48	15,831.53
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crores)	481.32	528.95	527.30	528.01	532.73	446.39	443.91	396.39	412.17	420.97	370.09	431.08	5,519.42
FY 2014-15													



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

PuVVNL	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Allocation of Purchases Energy (MU)	1,714.46	1,884.14	1,878.24	1,880.77	1,897.61	1,590.04	1,581.20	1,411.94	1,468.15	1,499.52	1,318.26	1,535.52	19,660.27
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crore)	597.72	656.87	654.82	655.70	661.57	554.34	551.26	492.25	511.85	522.78	459.59	535.33	6,854.25
FY 2014-15													
PVVNL	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Allocation of Purchases Energy (MU)	2,468.47	2,712.77	2,704.28	2,707.92	2,732.16	2,289.33	2,276.60	2,032.91	2,113.84	2,159.00	1,898.03	2,210.83	28,306.73
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crore)	860.59	945.76	942.81	944.07	952.53	798.14	793.70	708.74	736.96	752.70	661.72	770.77	9,868.70
FY 2014-15													
KESCO	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Allocation of Purchases Energy (MU)	295.82	325.10	324.08	324.52	327.42	274.35	272.83	243.62	253.32	258.74	227.46	264.95	3,392.29
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crore)	103.13	113.34	112.99	113.14	114.15	95.65	95.12	84.94	88.32	90.20	79.30	92.37	1,182.67
FY 2014-15													



Determination of ARR and Tariff of PuVVNL for FY 2014-15 and True-up of FY 2008-09 to FY 2011-12

Total - UPPCL	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Allocation of Purchases Energy (MU)	7,602.32	8,354.71	8,328.57	8,339.77	8,414.45	7,050.63	7,011.42	6,260.90	6,510.14	6,649.23	5,845.50	6,808.85	87,178.35
Approved average power (Rs/kWh)													3.49
Allocated Approved Power Purchase Cost (Rs. Crores)	2,650.43	2,912.74	2,903.63	2,907.53	2,933.57	2,458.09	2,444.42	2,182.77	2,269.66	2,318.15	2,037.94	2,373.80	30,393.39



15.7 ACTION TAKEN REPORT ON THE DIRECTIONS ISSUED BY THE COMMISSION IN THE ARR / TARIFF ORDER FOR FY 2014-15

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
1	The Licensees are directed to arrange for quarterly meetings between the MDs of the Licensees and the consumer representatives for solving various grievances of the consumers and submit a status report containing details of such meetings along with the next ARR filing.	Immediate	
2	The Commission directs the Licensee to pay the applicable interest on consumer's security deposit as per the Orders of the Commission and submit the compliance report with the next ARR filing. Licensees are directed to ensure the timely payment of the interest on security deposit to the consumers.	Immediate	
3	As regards the various complaints of the stakeholders brought to the notice of the Commission during public hearing, the Licensee is directed to look into the matters and take appropriate action on the same. Further, the Licensee must ensure that proper advertising regarding CGRF is done to bring awareness amongst the consumers. The chairperson of the CGRF should also be part of such public hearings so that a direct interaction may take place and the grievances of the consumers could be settled in a more appropriate manner	Immediate	



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
4	To provide accurate and effective consumption norms, the Commission directs the Petitioners to conduct a detailed study which should include all the relevant details pointed out by the Commission in Para 9.2.15	Within 6 months from issue of this Order	
5	As regards the Commission's directives to submit a road map for 100% metering in its licensed area given in the Tariff Order dated 31 st May, 2013, the Licensees has not complied with the directions of the Commission. The Commission once again directs the Licensee to comply with the direction given by the Commission in this Order and accordingly put it sincere efforts to achieve 100% metering.	3 months from issue of this Order	
6	The Commission directs the Distribution Licensees to formulate a mechanism so as to make their officials accountable by providing incentives or disincentives for achievement or non-achievement of the distribution loss and the collection efficiency targets. The Policy should include all the relevant details pointed out by the Commission in Para 9.3.20 of this Order	Within 2 months from the issue of this Order	
7	The Commission further directs the Petitioner to sign the MoUs to be implemented at all levels and submit the copy of the same to the Commission within 2 months from the date of this Order.	Within 2 months from the date of issuance of this Order	



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
8	The Commission directs the Petitioner to provide the actual power purchase data in the format specified by the Commission along with the ARR Petition for FY 2015-16.	Next ARR filing	
9	As regards timely filing of FPPCA the Commission once again directs the Licensees that they should file FPPCA in a timely and regular manner in accordance with the Distribution Tariff Regulations, 2006 failing which the Commission may have to resort to take strict action against the Licensees.	Immediate	
10	As regards the increasing number of unmetered consumers the Commission accords a final opportunity to the Distribution Licensees and directs them to ensure that all their unmetered consumers get converted into metered connection.	31 st March, 2015	
11	As regards the RPO Obligation the Licensees are directed to ensure that they procure renewable energy in accordance with Regulation 4 of the UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 during FY 2014-15 to meet their obligation.	Next ARR filing	
12	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	Next ARR filing	



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
	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.		
13	The Licensees are directed to provide the monthly MRI reports to all the applicable consumers through email. The consumers would be required to register their email to the Licensee and submit the status report on the same along with next ARR filing.	Immediate	
14	As regards the Petition on minimum consumption charges, the Licensee is directed to re-submit its above proposal for the Commission's consideration.	Next ARR Filing	
15	The Licensee is directed to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head-wise year-wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components, and such impact should not exceed the normative expenses for any particular year.	1 month from the date of issuance of this Order	
16	The Licensee is directed to submit a note detailing the area-wise actual number of supply hours provided to rural areas by the end of FY 2014-15.	By end of FY 2014-15	



S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
17	The Licensees are directed to depict the Regulatory Surcharge separately and distinctly in the electricity bills of the consumers. The Commission directs the Licensee to maintain separate accounting fields for both the regulatory surcharges approved vis-a vis the Commission's Order dated 6 th June, 2014 and that approved in this Order, and capture the two different amounts collected as Regulatory Surcharges in both of its financial and commercial statements. This would enable the Licensee to correctly report the amounts collected towards Regulatory Surcharges.	Immediate	
18	The Distribution Licensees are directed to submit the actual Regulatory Surcharge recovered in FY 2014-15 on account of the Revenue Gap / Regulatory Asset admitted by the Commission in this Order along with the actual Distribution Losses achieved in FY 2014-15 and additional target consumers added in FY 2014-15 by 15 th April, 2015.	By 15 th April, 2015	